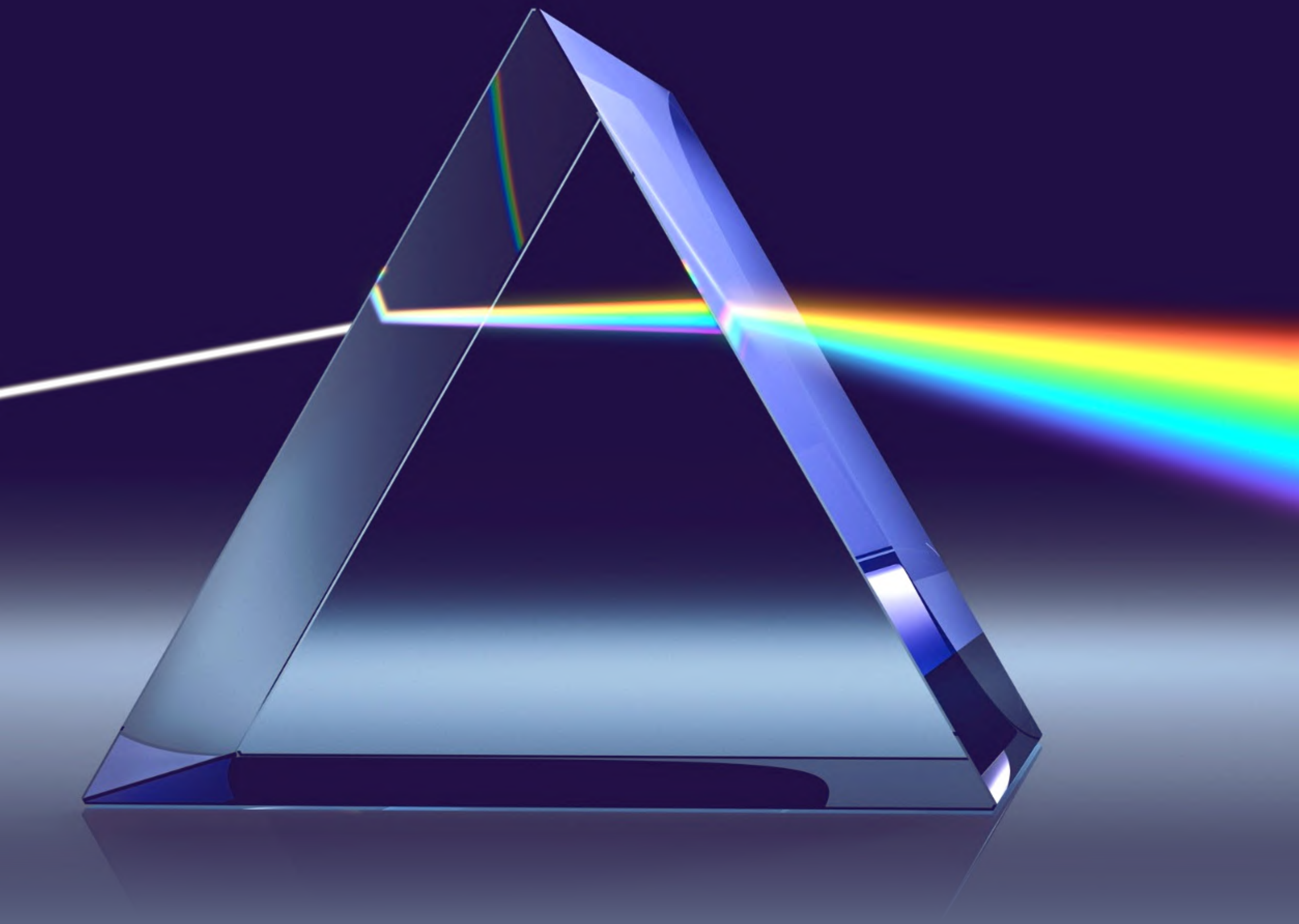
Utkarsh CoreInvest Limited
(Formerly Utkarsh Micro Finance Limited)



Annual Report
FY 2020-21

www.utkarshcoreinvest.com
communication@utkarshcoreinvest.com

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CORPORATE INFORMATION

Corporate Identification No.
U65191UP1990PLC045609

Website
www.utkarshcoreinvest.com

E-mail
secretarial@utkarshcoreinvest.com

Statutory Auditors
M/s Haribhakti & Co. LLP
[Firm Registration No. 103523W / W100048]
Chartered Accountants
705, Leela Business Park, Andheri Kurla Road
Andheri (E), Mumbai – 400059, Maharashtra, India

Secretarial Auditors
M/s S. N. Ananthasubramanian & Co.
10/25-26, 2nd Floor, Brindaban, Thane
(West) – 400 601, Maharashtra, India
Tel: + 91-22-25345648, +91-22-25432704

Company Secretary
Mr. Neeraj Kumar Tiwari (M. No. 37761)

Registrar & Share Transfer Agent
M/s. NSDL Database Management Limited
Unit: Utkarsh CoreInvest Limited
4th Floor, "A" Wing, Trade World,
Kamala Mills Compound, Senapati Bapat Marg,
Lower Parel, Mumbai - 400013, Maharashtra, India
Tel: +91-22-2499 4720 / 4200

Registered and Corporate Office
S-24/1-2, Fourth Floor, Mahavir Nagar,
Orderly Bazar, Near Mahavir Mandir,
Varanasi - 221002, Uttar Pradesh, India

FROM THE DESK OF MD & CEO

Ashwani Kumar

I am glad to share with you the 31st Annual Report of Utkarsh CoreInvest Limited.

The year was marked with Utkarsh, completing 11 years of its exciting journey. To mark the occasion, the Master Card - International Debit Card product was launched by our banking subsidiary i.e. Utkarsh Small Finance Bank Limited and more of the 'Combo Branches', a one of its kind were launched for extending services of general-banking and micro-banking to service its respective segments of valued customers.

The financial year actually began with a note of acatalepsy, a pause to economic activities, a silence of growth and development in most of the sectors of the economy and cast a pall of gloom all around due to pandemic COVID 19 but the indomitable spirit of the nation and so of Utkarsh to confront with the challenges that we never saw before, paved the way of renaissance with green shoots of recovery though steady but with a steadfast.

Both the subsidiaries of the Company i.e. the banking subsidiary viz. Utkarsh Small Finance Bank Limited ('USFBL' or 'the Bank') and Utkarsh Welfare Foundation ('UWF' or 'the Foundation') left no stone unturned in serving the clients and the larger society with a commitment for customer service and the cause of development through its various social initiatives.

Your unstinted and continued support has been the mettle and strength of the Company during these years. This support has led to establish good governance with fair and transparent practices.

In the present context, the Bank redefined its Vision to be the most trusted, digitized bank that is financially and socially inclusive, and creates value across social strata through insightful and viable solutions. The Mission was redefined as, to be the preferred financial institution across all customer segments through technology enabled solutions that are sustainable, inclusive, and scalable, supported by a work culture that centers on passion, values and corporate ethics to deliver best in class customer experience. The Core Values have also been aligned as **PRIDE** with five (5) elements of '**P**ersistence is our innate quality', '**R**esponsible and Ethical in our dealings', '**I**nclusive in our approach', '**D**iligent in our process' and '**E**xcellence in all that we do'.

The focus of the Bank on delivering Sustainable and Responsible Banking, especially with the retail focused approach offering last-mile services to the unserved and underserved segments in India's urban and semi-urban areas has paved the way of reaching to over 29 lakh active customer base with ₹8,416 crore of gross Assets Under Management and ₹7,508 crore of Deposits through 558 Banking Outlets and 210 ATMs pan India, spread over 188 Districts of 16 States and 02 Union Territories, delivered by over 10,000 employee base. The Bank is committed to the mission of financial inclusion and to that of being a complete banking partner. The key focus is to engage with customers with a delight experience of banking through the relevant products and services, as the technology is leveraged to penetrate deeper into the hinterlands.

As at the close of the FY 2020-21, the Bank recorded (as per applicable IGAAP accounting rules) a Net Profit of ₹111.82 crore. The Gross Non-Performing Assets (GNPAs) stood at 3.75% and the Net Non-Performing Assets (NNPAs) was at 1.33%. The Bank strategised the pandemic dynamics and is on track for bringing the growth momentum with the change in strategies. The Bank got recognised as 'One of the Most Trusted Brand of India 20-21' by CNBC TV 18.

According to the applicable accounting standards i.e. the Ind-AS based classification and categorizations, the Company recorded the total comprehensive income of ₹0.13 crore on a standalone basis and ₹8.95 crore at consolidated level. The consolidated level net advances were ₹7,925.35 crore and the total deposits were ₹7,740.65 crore as at the close of the financial year. The Company's Net-worth as on March 31, 2021 stood at ₹830.50 crore comprising of paid-up equity capital of ₹97.65 crore and Reserves of ₹732.85 crore (excluding Revaluation Reserve, Investment Reserve and Intangible Assets) on standalone basis. Whereas, on a Consolidated basis, the Net-worth stood at ₹1,339.62 crore comprising of paid-up equity capital of ₹97.65 crore, Reserves of ₹1,107.91 crore and non-controlling interest of ₹134.06 crore.

The Company alongwith the Banking Subsidiary (USFBL) took further steps towards the mandated corporate actions as under:

I. Towards the requirement of the SFB guidelines issued by Regulator for listing (IPO) of the Banking Subsidiary within the timeline of three (3) years of its Net-Worth crossing ₹500 crore, the Banking Subsidiary filed the DRHP with SEBI on March 05, 2021.

ii. Towards the requirement of the promoter's minimum initial contribution to the paid-up equity capital of the small finance bank to be brought down to 40% within a period of five (5) years from the date of commencement of business of the Bank, the Company has proposed, as per the filed DRHP, to participate in the 'Offer for Sale' (OFS) at the proposed IPO of the Bank.

Utkarsh Welfare Foundation (UWF), a Section 8 Company, has been our CSR partner and also our subsidiary since November 22, 2017. The Foundation has the Vision to be an institution of excellence in promoting holistic development through inclusive growth leading to greater participation in equitable socio - economic opportunities. And the Mission is to promote sustainable development through technology driven, impactful & scalable interventions in the identified thematic areas including primary healthcare, education, skill training, livelihoods, financial inclusion & environmental conservation.

UWF has been taking initiatives that focuses primarily on education and health domains, besides other regular social activities. The education initiatives include various financial awareness camps and primary education initiatives through (Village Development Programme). The health initiatives include regular location specific polyclinics and mobile van polyclinics along with health awareness programs. The other initiatives include skill development programs, micro enterprise development training, environment initiatives (like tree plantation) and other social activities like organizing Blood Donation Camps and supporting special homes. During the year, the Foundation also partnered with United Nations Development Programme (UNDP), especially for the welfare initiatives for pandemic affected segments of the society. The Foundation, across the key thematic interventions such as Financial Literacy, Health and Skill and Vocational Training for strengthening livelihoods, reached out to 2,87,719 beneficiaries during FY 2020-21.

From very beginning, your company has been focusing on having strong support and control functions, imbibing three pillars of a sustainable institution i.e. Culture, Process and Growth in all its endeavours, and this has been getting stronger with each passing day.

I wish to express my gratitude for the continued support and patronage of all our customers and the partners, especially during these pandemic times. Your unstinted support always gives us more energy.

I sincerely thank all our (including of our both the subsidiaries) Members & Investors, Board of Directors, employees along with our customers and partners and all such other stakeholders for reposing their faith towards the Vision and Mission of Utkarsh all throughout the journey.

I trust that the same would continue to bring a more synergetic impact in the coming days.

Best Regards

Ashwani Kumar
Managing Director & CEO

Mr. G. S. Sundararajan

Non - Executive Independent Director, Chairperson of the Board.

Mr. G. S. Sundararajan is presently serving on Boards of several reputed companies in the Banking and Financial Service Sector. He is also actively involved in the field of Social Entrepreneurship in an advisory capacity.

He was till recently the Group Director, Shriram Group. He joined Shriram Group as the Managing Director of Shriram Capital Ltd, the Holding Company of Shriram Group's financial services and Insurance businesses across India and overseas. Sundararajan's experience in the Asian market and his understanding of these countries and the business opportunities therein made Sanlam Emerging Markets induct him into their Board in South Africa in August 2013.

In his capacity as Group Director, Mr. Sundararajan was a director on the Board of the Group’s subsidiaries to provide oversight in critical areas of strategic growth opportunities for each of these companies. Specifically Mr. Sundararajan was responsible for the Retail and MSME business housed in Shriram City Union Finance and the life and non-life Insurance businesses housed in the two Insurance ventures in collaboration with Sanlam, South Africa.

Prior to his Shriram stint, Mr. Sundararajan was the CEO & Managing Director of Fullerton India Credit Company Ltd., a registered Non-Banking Finance Company catering to the financial services needs of the retail and commercial mass markets. He was also the Managing Director of Fullerton Enterprises Private Limited., a KPO, which had formed a strategic alliance with the Centurion Bank of Punjab to jointly drive the SME business.

Mr. Sundararajan was nominated to the Boards of two Financial Services investments of Temasek in China, one in Nanjing for the SME Business and the other in Chengdu in their Village Bank franchise. He was an integral part of Temasek's vision for India in the Banking and Financial Services space that went on to become the fastest growing and largest networked Finance Company in the country.

Earlier to this, he was the Managing Director and Head of Citibank’s SME and Asset Based Finance business in India. He had an exceptional stint at Citibank where he built the SME and ABF (Asset Based Finance) business of the bank across the country.

He started his career in Sales with Eicher Mitsubishi and went on to head the captive finance arm of this company in India.

Mr. Sundararajan holds a Bachelor of Engineering degree from Coimbatore and a Post Graduate Diploma in Management from the Indian Institute of Management (IIM), Ahmedabad.

Mr. Atul

Independent Director.

Having more than three (3) decades of Administrative Service experience with focus on Security, Vigilance and Anti-Corruption. An Indian Police Service (IPS) Officer of 1976 batch. Has served as Director General of Police (DIG), Uttar Pradesh (UP), DIG CBI in charge of U.P.; In-charge Additional Director General of Police, Crime, Law and Order. He also had stint with Personnel Wing of DGP Headquarters as in-charge of IPS and PPS officers at Uttar Pradesh.

Awarded Presidents Medal for distinguished service and has been President of IPS Association in Uttar Pradesh and President of Lucknow University Alumni Association.

He is an M.Sc. (Physics) and B.Sc. (Physics, Math & Statistics) from Lucknow University.

Mr. Aditya Deepak Parekh

Nominee Director representing Faering Capital.

Co-founder of Faering Capital and has over 18 years of global and Indian experience in private equity and investment banking. He serves on the Board of Directors of several Faering Capital portfolio companies including Utkarsh CoreInvest Limited, Finova Capital, WheelsEMI and FundsIndia.

Prior to founding Faering Capital, Aditya was Vice President at Old Lane India Opportunities Fund, a private equity fund, where he was responsible for leading investments in the Indian real estate sector and was involved in evaluating opportunities across the infrastructure and financial services sectors. Prior to that, he worked in the Media and Entertainment Investment Banking Group at Merrill Lynch, New York for five (5) years.

Aditya holds an MBA from the Wharton School, University of Pennsylvania and a Bachelor's degree in Economics from Cambridge University.

Mr. Gaurav Malhotra

Nominee Director representing CDC Group.

He works for CDC Group – the UK government's Development Finance Institution. He is responsible for advising on Direct Equity and Debt investments in Financial Services for the South Asia region and Co-heads the Financial Services Equity product for CDC.

He has a wide range of consulting experience in guiding large corporates on business and portfolio strategy, distribution strategy, M&A, business transformation and operations and sales force effectiveness, across multiple sectors.

Prior to CDC, he worked for an Indian family business and for the leading strategy consulting firm BCG in India.

He holds an MBA from the Indian Institute of Management, Bangalore and Bachelor Degree in Engineering from Delhi College of Engineering.

Mr. Harjeet Toor

Nominee Director representing RBL Bank Limited.

He is Business Head – Retail, Inclusion and Rural business at RBL Bank Limited. Having extensive experience as an entrepreneurial business leader with over 27 years in consumer banking across NBFCs and Banks spanning Fullerton India Credit Company Ltd. (FICCL), RBS, ABN AMRO and Bank of America.

Has been in various leadership roles across varied functions of Marketing, Product Management, Sales & Distribution, Branch Banking and Finance.

He is an Engineer and a Management Graduate from Faculty of Management Studies, Delhi.

Mr. Ashwani Kumar

Managing Director & CEO.

Having over 15 years of industry experience, especially in Micro Finance and Priority Sector domains. He has handled senior management roles in different control and support functions at Utkarsh ever since its NBFC-MFI format and also in its Small Finance Bank format in different capacities starting as Head - Internal Audit, with concurrent charge of Risk, Compliance, Secretarial, Credit & Client Interaction and then Head - Training, Recruitment and Corporate Communication verticals. His last stint with Utkarsh Small Finance Bank Ltd. was as the Deputy CFO (Head - Finance and Corporate Communication). Currently, he is also a Director in the Board of Utkarsh Welfare Foundation.

Prior to joining Utkarsh, he was with NABARD Financial Services Ltd. (NABFINS) at its Bangalore Head Office as AGM (Finance); with Canara Bank at its Bangalore Head Office as Manager in the Priority Credit Wing and with Locus Research and Consultants Pvt. Ltd. at its New Delhi Head Office as a Research Associate.

He is a Rural Management Graduate from IRMA; CFA from ICFAI (India); B. Com (Hons.) from Delhi University; CAIIB and other Diplomas and Certifications holder from IIBF and a UGC Net (Management) certified.

COMMITTEES OF THE COMPANY

The details of the Board Committees and the Committee Members are tabulated as under:

Sl.	Name of the Committee	Statutory Requirement	Composition of the Committee
1.	Audit Committee of the Board (ACB)	Required as per Companies Act, 2013	Mr. G. S. Sundararajan , Independent Director (Chairperson) Ms. Ramni Nirula*, Independent Director (erstwhile Chairperson) Mr. Atul, Independent Director Mr. Harjeet Toor, Nominee Director Mr. Vishal Mehta#
2.	Corporate Social Responsibility (CSR) Committee	Required as per Companies Act, 2013	Mr. G. S. Sundararajan, Independent Director (Chairperson) Mr. Aditya Deepak Parekh, Nominee Director Mr. Ashwani Kumar, Managing Director & CEO
3.	Nomination & Remuneration Committee (NRC)	Required as per Companies Act, 2013	Mr. Atul, Independent Director, Chairperson Mr. G. S. Sundararajan, Independent Director Mr. Gaurav Malhotra, Nominee Director Ms. Ramni Nirula*, Independent Director
4.	Share Allotment Committee (SAC)	Required as per Companies Act, 2013	Mr. Aditya Deepak Parekh, Nominee Director Mr. Harjeet Toor, Nominee Director Mr. Ashwani Kumar, Managing Director & CEO

* Ms. Ramni Nirula's term of appointment expired on May 19, 2020, being the last date of her second consecutive term.
#Mr. Vishal Mehta had stepped down from the Board of UCL on Sep 29, 2020.

The Charters of the various Board Committees are as under:

1. AUDIT COMMITTEE OF THE BOARD (ACB)

The Audit Committee meets at quarterly intervals. The major responsibilities of the Committee are as under:

- Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- Review and monitoring the auditor's independence and performance and effectiveness of audit process;
- Examination of the financial statements and the Auditors' Report thereon;
- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Monitoring the end use of funds raised through public offers and related matters.

2. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The Corporate Social Responsibility Committee meets minimum twice on half yearly basis. The major responsibilities of the Committee are as under:

- Formulation and recommendation to the Board, the Corporate Social Responsibility (CSR) strategy of the Company including the CSR Policy and its implementation;

- Formulation and recommendation to the Board, the CSR activities to be undertaken by the Company, either directly or through Utkarsh Welfare Foundation (UWF) or through any other entity working for the welfare of society and determining the CSR projects / programs which the Company plans to undertake during the year of implementation, specifying modalities of execution in the areas / sectors chosen and schedules of implementation for the same;
- Recommendation to the Board, the amount of expenditure to be incurred on the CSR activities every year;
- Review and monitoring the compliance of initiatives undertaken and to evaluate the performance of the activities against the agreed targets;
- Conducting impact-assessment of the various initiatives undertaken in terms of the CSR Policy at periodic intervals.

3. NOMINATION & REMUNERATION COMMITTEE (NRC)

The Nomination & Remuneration Committee meets minimum once in a year and also as and when required. The major responsibilities of the Committee are as under:

- Ensuring fit and proper status of proposed / existing Directors as per the RBI guidelines;
- Regular review of the structure, size and composition of the Board (including skills, knowledge and experience) taking into account the current requirements and future developments of the Company and making recommendations to the Board with regard to any adjustments that are deemed necessary;
- Identification, nomination and recommendation for the approval of the Board, candidates to fill Board vacancies as and when it arises;
- Ensuring that on appointment, all non-executive Directors receive formal written terms of appointment;
- Review the composition of Committees of the Board and to identify and recommend to the Board, the Directors who can best serve as members of each Board Committee;
- Recommendation to the Board, the compensation payable to the Chairperson of the Company.

4. SHARE ALLOTMENT COMMITTEE (SAC)

The Share Allotment Committee meets as and when required. The major responsibilities of the Committee are as under:

- Considering and resolving grievances of shareholders, debenture holders and other security holders;
- Allotment of Equity Shares, approval of transfer or transmission of Equity Shares, Debentures or any other securities;
- Issue of duplicate certificates and new certificates on split / consolidation / renewal etc.;
- Overseeing requests for dematerialization and rematerialization of Securities;
- Spreading awareness amongst security holders for protection of their rights and interest(s) and;
- Carrying out any other function as assigned by the Board from time to time related to security holders of the company.

SENIOR MANAGEMENT

Mr. Ashwani Kumar
Managing Director & Chief Operating Officer
[MD & CEO]

Mr. Ashwani has over 15 years of industry experience, especially in the Microfinance and Priority Sector segments of BFSI Industry. He has handled senior management roles in different control and support functions at Utkarsh ever since its NBFC-MFI format. Initially he had joined Utkarsh Micro Finance Pvt. Ltd., Varanasi Head Office as Head - Internal Audit, with concurrent charge of Risk, Compliance, Secretarial, Credit & Client Interaction. During the transition phase of Utkarsh from an NBFC-MFI to a Small Finance Bank i.e., Utkarsh Small Finance Bank Ltd. (USFBL), he led the Training, Recruitment and Corporate Communication verticals. His last stint with USFBL was as the Deputy CFO (Head - Finance and Corporate Communication). He has also been in the Board of Utkarsh Welfare Foundation (UWF), a Section 8 Company, as a Director.

Prior to joining Utkarsh, he was with NABARD Financial Services Ltd. (NABFINS) at their Bangalore Head Office, handling various control & support roles in its transformation phase and was last designated as AGM (Finance). Earlier to this, he had stint with Canara Bank at their Bangalore Head Office, as Manager at its Priority Credit Wing, handling Agri-Business, Priority Small Loan NPA Management and Consultancy Services and was actively involved in setting up of the Canara Bank's Financial Inclusion Wing. He started his career as a Research Associate with Locus Research and Consultants Pvt. Ltd., New Delhi and undertook projects of Ministry of Rural Development, Govt. of India and international agencies.

He has attended different exposure programs in Banks, MFIs and Training Centers in India and abroad (Bangladesh, Cambodia, Indonesia and Italy) and has been in Editorial Boards of Institutional Magazines. Also, participated in several conferences / seminars as Panelist / Speaker at National & International levels and taken sessions at Institutions like CAB (RBI), NIBM, SIBSTC and various Universities / College Campuses.

He is a Rural Management Graduate from Institute of Rural Management, Anand (IRMA); a Chartered Financial Analyst (CFA) from ICFAI (India) and a B. Com.(Hons.) Graduate from Delhi University. He is a Certified Associate of Indian Institute of Bankers (CAIIB) and has other Diplomas and Certifications from Indian Institute of Banking & Finance (IIBF). He is also UGC Net (Management) certified and is a lifetime member of CFA Council (CCFA, India) and IIBF (India).

Mr. Harshit has over nine (9) years of experience in the fields of Accounts & Finance, Taxation, Micro Credit and Internal Audit. Initially, he had joined Utkarsh Micro Finance Pvt. Ltd. (UMFL) as a Concurrent Auditor in the Internal Audit Department and is currently overseeing Finance and Accounts verticals.

Prior to UMFL, he was with a real-estate company based out of Varanasi in its Finance and Accounts vertical.

He is a Chartered Accountant (CA) by profession from Institute of Chartered Accountants of India (ICAI) and a Commerce Graduate from Banaras Hindu University (BHU). He is a Junior Associate of Indian Institute of Bankers (JAIIB) and has other Certifications from IIBF.

Mr. Harshit Agrawal
Chief Financial Officer
[CFO]

Mr. Neeraj Kumar Tiwari
Company Secretary [CS] & Compliance Officer

Mr. Neeraj has over seven (7) years of company secretarial and corporate compliance experience with Utkarsh, ever since its NBFC-MFI format as Utkarsh Micro Finance Pvt. Ltd. (UMFL) and now in the NBFC-CIC format as Utkarsh CoreInvest Ltd.

Prior to Utkarsh, he was with a corporate law firm at Allahabad.

He is a qualified Company Secretary (CS) from the Institute of Company Secretaries of India (ICSI) and holds a bachelor's degree in law from Veer Kunwar Singh University, Arrah. He also received NSE's Certification in Financial Markets (NCFM) for Compliance Officer (Corporate) Module.

MANAGEMENT DISCUSSION AND ANALYSIS

The endeavours of the Company i.e., Utkarsh CoreInvest Ltd. (UCL, hereinafter referred to as 'the Company') alongwith its subsidiaries viz. Utkarsh Small Finance Bank Ltd. (USFBL, hereinafter referred to as 'the Bank') and Utkarsh Welfare Foundation (UWF, hereinafter referred to as 'the Foundation') are aligned to the strategies and plan of action drawn for the year, keeping its Vision and Mission at the center. During the year, the strategies and thus the actions have continuously been reviewed and finetuned adapting to the various economic developments and the dynamics of the market and society, at large.

The Banking subsidiary successfully completed four (4) full years of its banking operations on January 22, 2021. During the FY 2020-21, the Bank has further taken multiple business initiatives as aligned to its redefined Mission, in the present context of being the preferred financial institution across all customer segments through technology enabled solutions that are sustainable, inclusive, and scalable, supported by a work culture that centers on passion, values and corporate ethics to deliver best in class customer experience. The Vision has also been redefined, to be the most trusted, digitized bank that is financially and socially inclusive, and creates value across social strata through insightful and viable solutions. The Core Values have also been aligned as PRIDE with five (5) elements of 'Persistence is our innate quality', 'Responsible and Ethical in our dealings', 'Inclusive in our approach', 'Diligent in our process' and 'Excellence in all that we do'.

This Management Discussion and Analysis is primarily deriving from the banking / financial services operations of the banking subsidiary i.e., USFBL. Till March 07, 2021, the Company was holding 100% stake at the Bank. With infusion of new capital at the Bank, to the tune of ~₹240 crore, the shareholding of the Company at the Bank (USFBL) came down to 89.5%.

INDIAN ECONOMY

Since the start of FY 2020-21, the Indian economy has been going through a significant challenge in facing an unprecedented crisis caused by the spread of COVID-19. The nationwide lockdown announced by the Government of India to combat the spread of the virus in March 2020, brought the country to a standstill in which the small businesses and the unorganized sectors were affected the most. The nation quickly got on to its feet to manage the situation albeit the inevitable economic stress.

Consequently, the Indian economy shrank 23.9% in the April-June quarter of the FY 2020-21, followed by another 7.5% contraction in the July-September quarter in FY 2020-21. However, the GDP grew by 0.4% in Q3 of FY 2020-21 and 1.6% in Q4 of FY 2020-21, validating the fact that the economy was recovering due to the financial stimulus by the Government and easing of lockdown restrictions coupled with improvement in operating environment. This led to the government and the regulatory bodies reimage its outlook and provide for an evolving financial landscape, given the volatility of the Pandemic.

During the financial year, the government announced three Atma Nirbhar Bharat (ANB) packages - ANB 1.0, ANB 2.0 and ANB 3.0. The total financial impact of all packages, including RBI measures, were estimated at ₹27.1 lakh crore, or over 13% of the GDP. Reserve Bank of India (RBI) acted swiftly by reducing the repo rate twice, in March and May 2020, and undertook several other measures to boost liquidity in the financial system. The central bank also allowed banks and other lending Institutions to provide moratorium on loan repayment for six months between March 2020 and August 2020 to their borrowers facing financial stress, followed by loan restructuring under resolution framework for COVID-19.

All these efforts have been contributing towards the recovery of the economy. For FY 2020-21, the country's GDP has contracted by 7.3%.

The impact of COVID-19 on operating environment receded significantly towards February-March 2021, and it seemed that the Indian economy was marching towards a strong recovery. The resurgence of severe second wave of COVID-19 in the month of April-May 2021 is posing challenges again.

In May 2021, the RBI announced another financial stimulus of ₹50,000 crore for vaccine makers, medical equipment suppliers, hospitals, and even patients in need of funds to treat the disease, while opening up another round of restructuring of loans for individual and small borrowers for up to two years. Further, the Central Bank also opened up a special long-term repo operation window for small finance banks (SFBs), wherein the banks can borrow funds up to ₹10,000 crore at repo rate for deploying for fresh loans of up to ₹10 lakh per borrower. The loans given by SFBs to small microfinance institutions (MFIs) that have asset size of up to ₹500 crore would be considered under priority sector.

On the back of these initiatives as well as considering the impact of COVID-19 second wave, the RBI has projected the GDP growth for FY 2021-22 at 9.5%.

INDIAN BANKING INDUSTRY

The Indian banking industry comprises 12 public sector banks, 21 private sector banks and 11 small finance banks, 44 foreign banks, 43 regional rural banks, and 98,545 cooperative banks. The number of bank branches per 1,00,000 people in India has increased from 13.6% to 14.6% in the past four (4) years.

Banks' deposits growth has been at a healthy 11.4% during FY 2020-21 as individuals are saving more during the Pandemic. However, the bank credit growth, which had slowed down in FY 2019-20, witnessed another setback in FY 2020-21 due to the economic contraction and weakening consumer sentiment. According to RBI, credit growth stood at 5.6% in FY 2020-21, the slowest in over five decades. In the FY 2019-20, the credit growth stood at 6.1%.

RBI has been taking policy measures to mitigate the stress in the economy. In the initial phase of the Pandemic, the central bank geared its policy actions towards restoring normal functioning, with aggressive policy rate cuts, significant liquidity infusion, moratorium, and time-bound window for restructuring of loans.

Both RBI and the government are now focusing on supporting the economic recovery. Once the second wave of the Pandemic settles, the massive capital outlay announced in the Union Budget would further drive the public spending and help in boosting India's consumption story, which, in turn, would drive the credit growth for the banking industry.

SMALL FINANCE BANKS

The RBI awarded Small Finance Bank (SFB) licences to 10 players in keeping with the Government's focus on financial inclusion and inclusive banking. Of the 10 SFBs, eight (8) were microfinance players, while the other two were a local area bank and a Non-Banking Finance Company (NBFC). SFBs are allowed to take deposits, which act as an advantage of having lower cost of funds compared with NBFCs. Micro Finance Institutions (MFIs) that have turned into SFBs are now diversifying their advances mix, and focusing on other retail and corporate lending businesses, apart from strengthening and diversifying their liabilities profile. The specific mandate assigned to SFBs, is to further the cause of financial inclusion by:

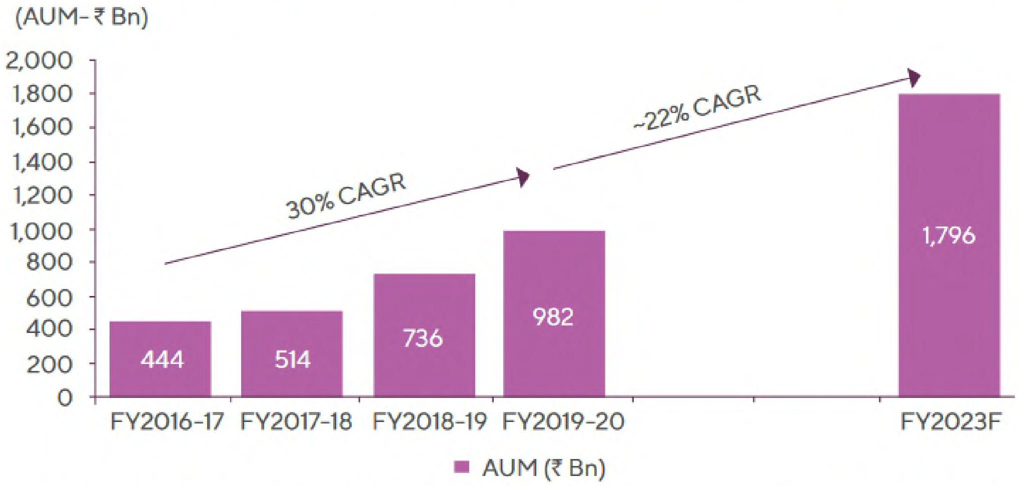
- Providing savings vehicles
- Supplying credit to small business units, including small and marginal farmers, micro and small industries; and other unorganized sector entities, and various low-income groups and the migrant work force through high technology-low cost operations

Furthermore, In December 2019, the RBI had issued guidelines for 'on tap' Licencing of Small finance Banks in the Private Sector and in January 2021, the RBI had allowed an Urban Cooperative Bank to convert and carry on the business as a small finance bank.

SFBs' growth and outlook

The availability of a sizeable market opportunity and credit at affordable rates, customized products aided by technology and information availability, and large target audience are likely to be key growth drivers for SFBs in the foreseeable future.

Huge opportunity to support growth over next three years (AUM)



Note: AUM considered for other players, the amounts are as of the end of the fiscal indicated; F: Forecast

Source: Company reports, CRISIL Research

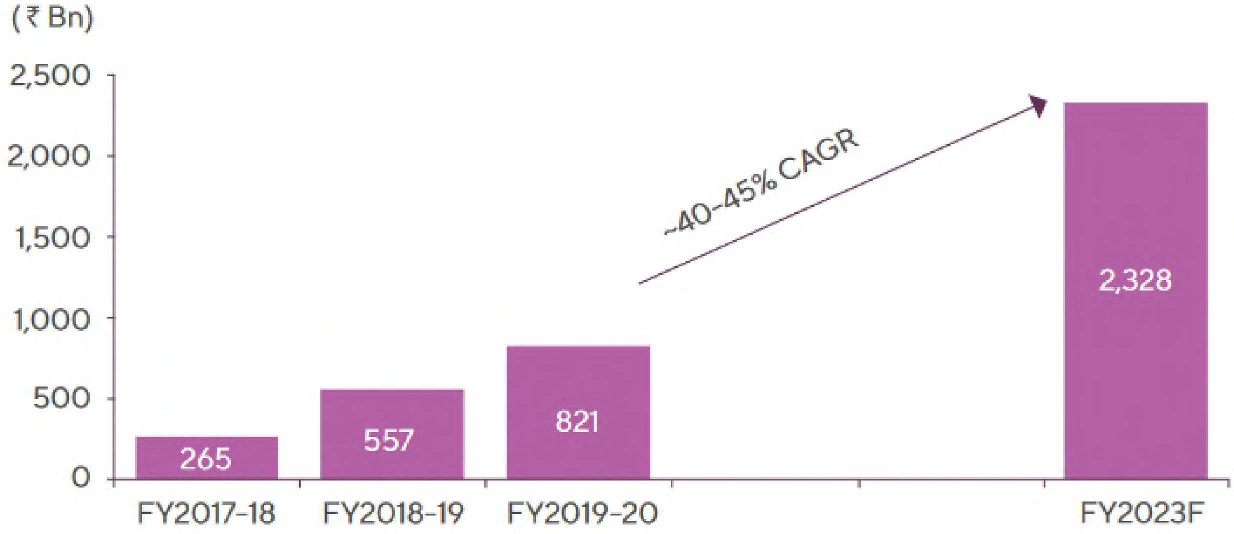
The factors supporting growth are as follows:

- **Huge market opportunity in the rural segment:** Despite its larger contribution to GDP of 47%, the rural segment's share in credit remains low at 10% of the overall credit outstanding. This provides a huge market opportunity for SFBs and other players present in the segment.
- **Presence of informal credit channels:** In remote areas, informal credit channels have a major presence. In other words, there is a huge section of unbanked population. SFBs have an opportunity to cater to this market.
- **Geographic diversification:** With increased focus on diversifying their portfolio and expanding their reach, SFBs are expected to register higher growth as they cater to newer geographies.
- **Loan recovery and control on aging NPAs:** SFBs are experienced in collection and monitoring of default risk. This will help them keep asset quality under check.
- **Ability to manage local stakeholders:** With their microfinance experience, SFBs have the ability to manage local stakeholders and maintain operational efficiency.
- **Access to low-cost funds and huge cross sell opportunity:** SFBs' cost of funds is substantially low compared to NBFCs, due to the ability of SFBs to raise CASA deposits. This further helps SFBs lend at more reasonable rates to its customers, thus, enhancing their cross selling opportunities.

SFB deposits growing at a healthy pace

SFBs have a significant growth potential as most of them were functioning as NBFCs or MFIs previously. Immediately after commencement of their operations, all SFBs focused on increasing their deposit base. Their overall deposit base doubled to approximately ₹557 billion as on March 31, 2019, and further increased to approximately 48% to amount to ₹835 billion as on March 31, 2020. The increase could be attributed to the improving franchise of SFBs and relatively attractive interest rates offered by them.

SFB deposits to grow robustly



Note: Amount are as at the end of fiscal year indicated, F: Forecast

Source: Company reports, CRISIL Research

MICROFINANCE

Over the years, micro finance sector has proven its resilience and played an important role in promoting inclusive growth by providing credit to borrowers at the bottom of the economic pyramid. Despite catering to a vulnerable audience, the micro finance sector has historically proven their ability to recover effectively from crisis situations, such as, demonetisation and even from the first wave of the COVID-19 Pandemic within a few months and have been able to maintain profitability over a cycle.

In the last three years, various MFIs have opened branches in untapped districts, thereby, increasing their penetration. This has led to a rise in clientele and number of active loan accounts. Going forward, the penetration into newer states and districts is expected to deepen. The growth in microfinance portfolio is expected to come from states that have a relatively lower penetration.

MICRO, SMALL AND MEDIUM ENTERPRISES

Micro, Small and Medium Enterprises (MSMEs) are manufacturing and service enterprises, as categorised below on the basis of investment in equipment and annual turnover generated:

Criteria	Manufacturing		Services	
	Turnover	Investment	Turnover	Investment
Micro	₹ 5 Crore	Less than ₹ 25 lakh	₹ 5 Crore	Less than ₹ 10 lakh
Small	₹ 50 Crore	More than ₹ 25 lakh but less than ₹ 5 Crore	₹ 50 Crore	More than ₹ 10 lakh, but less than ₹ 2 Crore
Medium	₹ 250 Crore	More than ₹ 5 Crore, but less than ₹ 10 Crore	₹ 250 Crore	More than ₹ 2 Crore, but does not exceed ₹ 5 Crore

The MSME sector in India accounts for a healthy contribution of 30% towards the country's GDP. further, the MSME sector accounts for 48% of the exports from India. Owing to this huge contribution, the Government of India continues to consistently promote MSMEs. The total number of registered MSMEs in India grew by 18.5% year-on-year to 25.13 lakh in 2020, over 21.21 lakh in 2019.

Share of urban and rural MSMEs across India

(Numbers in lakh)

	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

The nationwide lockdown in April-May 2020 disrupted economic activity, impacted working capital needs, supply chain, future investments and expansions of the MSMEs. However, given the importance of MSMEs in India, the Government has taken several initiatives to support MSMEs with the most significant initiative comprising ₹3 lakh crore Emergency Credit Line Guarantee Scheme ('ECLGS') to banks and NBFCs, up to 20% of the entire credit outstanding as of February 29, 2020.

Government driving the MSME sector

In the FY 2021-22 budget, the government more than doubled the capital outlay for MSMEs to ₹15,700 crore compared to ₹7,572 crore in FY 2020-21. The government also provided a corpus of ₹10,000 crore as a provision of guarantee for borrowings, ensuring a relief to the lenders. (Source: RBI, MSME, PIB)

HOUSING FINANCE

The real estate sector has been going through a significant transformation when the Pandemic brought constructions to a grinding halt, especially in the first quarter of FY 2020-21. Post the lifting of lockdown restrictions, the housing demand has witnessed a steady rebound aided by the financial stimulus and the consistent support by the government on housing sector. Further, the low interest rates in home loans, stable property prices and government support such as the extension of credit linked subsidy scheme on affordable housing units till 2022, among others, have helped the housing sector revive.

Consistent demand for housing, improving affordability and Government impetus towards housing sectors are key drivers for growth of housing finance in India.

THE BANK'S OVERVIEW

The able functioning of financial Institutions has a direct bearing on the social, financial and economic development of a country. It is the backbone of a nation, on which, several initiatives and policies are centered around. The FY 2020 -21 was a year that enforced a change in the dynamics of socio economic functionality of the society. It made nations come to a grinding halt across industries, leaving everyone in a situation that has been enervating - a situation that has accelerated technology adoption, brought about a social and economic transformation, and most importantly underlined the importance of human resilience in the face of adversity. To keep the economy running, the Government and Regulatory authorities introduced and recommended a slew of financial incentives and packages at regular intervals. The primary objective was to enable a sustainable economic environment at the back of an unpredictable Pandemic situation.

At Utkarsh Small Finance Bank Limited (USFBL), it was a year of reimaging, reinventing and reshaping many aspects of the business that the Bank had known earlier. Having said that, the Bank was in a position to quickly get on its feet with a dynamic yet focused approach to address the situation. The Pandemic reiterated the significance of the collective effort of a team and an able leadership at the helm of affairs who continues to demonstrate the efficacy of being nimble.

In the midst of a defining transitional phase, the Bank adopted strategic understanding of the immediate objectives. This presented an opportunity to create new paradigms that augurs well for the Bank despite the grappling pandemic situation. It brought about a change while dealing with unfamiliar transformational challenges. As a result, the Bank today is in a position to provide excellence not just in customer services, but also in servicing stakeholders across the board. In effect, this has helped the bank build a legacy of trust, commitment and pride amongst its stakeholders.

Utkarsh Small Finance Bank Limited (USFBL) was incorporated on April 30, 2016 as a public limited company under the Companies Act, 2013, with its headquarters at Varanasi in Uttar Pradesh. Further, the Bank received the final approval from RBI to carry on the business as an SFB on November 25, 2016. The Bank started its operations on January 23, 2017, and is engaged in providing banking & financial services across strata, with a focused approach on serving the underbanked and the unbanked sections of the society. We, the promoter company, i.e. Utkarsh CoreInvest Limited (UCL), an NBFC-CIC (NBFC – Core Investment Company) began our journey as an NBFC in September 2009, with a focus on providing microfinance lending to the unserved and underserved people of Bihar and Uttar Pradesh.

The Bank is gradually expanding its reach across the country, by leveraging the rich experience gathered over the years. As on March 31, 2021, the Bank is present in 18 states and union territories with 558 banking outlets spread across 188 districts and serving a total customer base of more than 29 lakh supported by a strong workforce of 10,361 employees. Further, on the back of the Bank's strong rural presence, USFBL comfortably meets RBI's requirement of minimum 25% of branches in Unbanked Rural Centres (URCs), which is validated by the fact that 27.78% of the Bank's banking outlets were located in URCs as on March 31, 2021.

Given the legacy of UCL as an NBFC focused on providing microfinance, the sector remains a strong suite for the Bank. Over the past few years, the Bank has focused on diversifying its product portfolio to accommodate non-micro banking loans as well, ensuring reducing concentration towards microfinance business. Over years, the Bank has augmented its product profile by offering retail loans comprising unsecured loans such as business loans, personal loans, and secured business loans, loans against property, housing loans with focus on affordable housing, wholesale lending, both short-term and long-term loan facilities to SMEs, mid and large corporate and institutional clients. Bank's micro banking and retail loan products are primarily aimed at customers who are not a part of the formal banking infrastructure. During FY 2020-21, the Bank has also commenced lending toward financing commercial vehicles and construction equipment.

On the liabilities side, the Bank offers savings accounts, current accounts and a variety of term and recurring deposit accounts. Further, USFBL also provides non-credit offerings comprising ATM-cum-debit cards, bill payment system and distributes third party point of sales terminals, mutual funds and insurance products. USFBL's branches provide a full range of banking services as permissible for small finance banks.

The gross loan portfolio and deposits of the Bank stood at ₹8,415.66 crore and ₹7,507.57 crore respectively as on March 31, 2021.

USFBL uses technology to provide transactional ease through internet and mobile banking. The Bank, in addition, provides digital on-boarding convenience of customers by using mobiles, tabs and laptops.

In line with the objective of providing financial services to the customers in underserved and unserved sections of the society, USFBL has widespread presence in the states of Bihar and Uttar Pradesh. These two states together accounted for 65.93% of the portfolio of the Bank as on March 31, 2021. These geographies offer good growth potential for microfinance business and financial inclusion related opportunities.

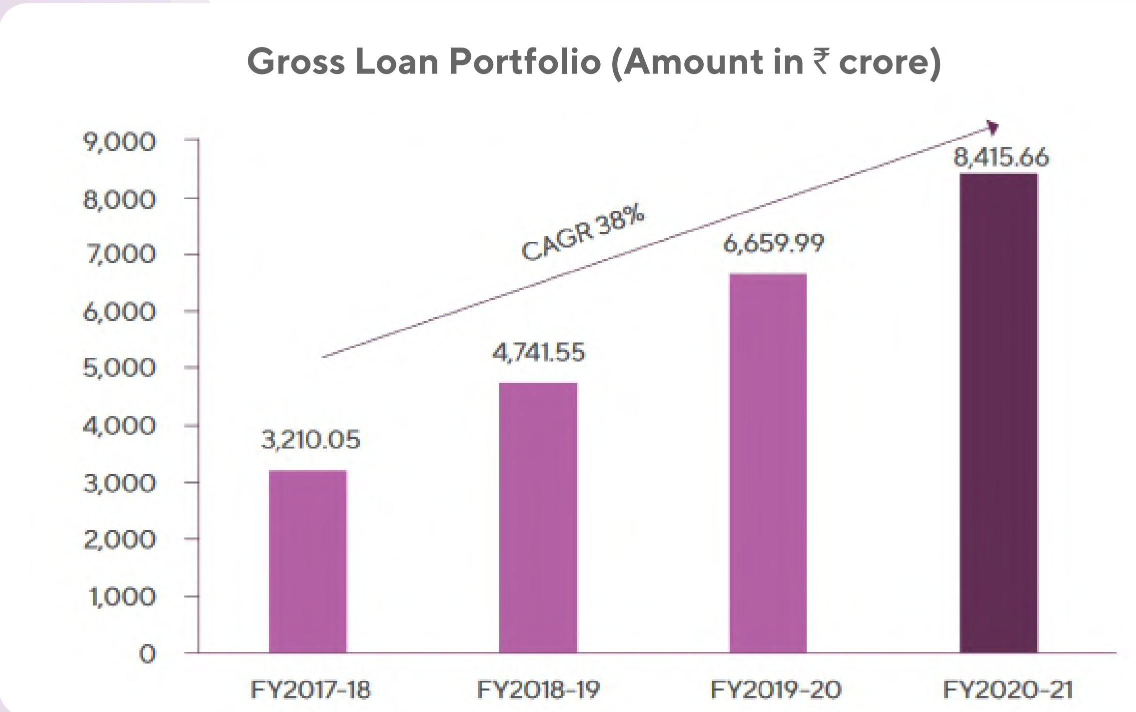
Expanding presence despite COVID-19 disruption

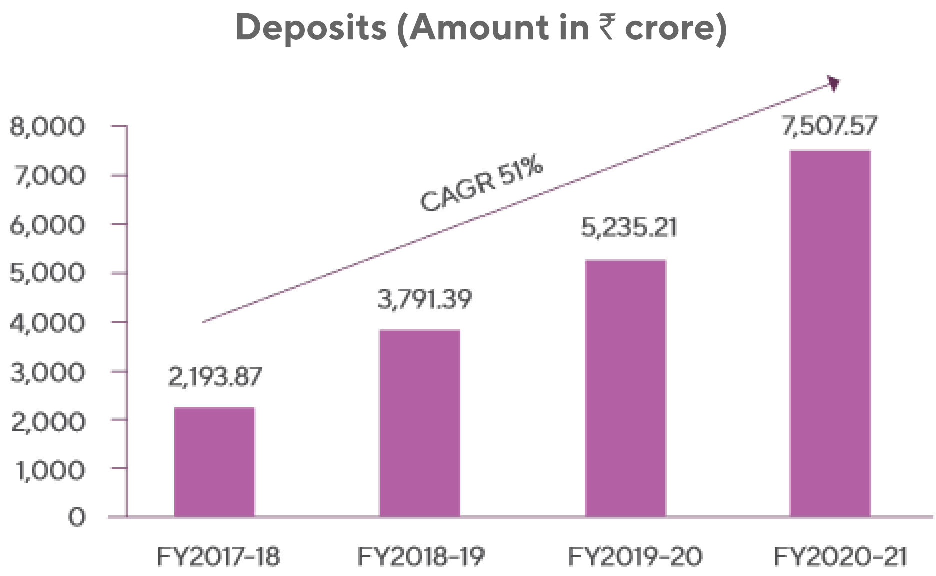
Particular	March 31, 2021	March 31, 2020	Expansion during FY21
States	18 states & UT	17 states & UT	1 state
Districts	188	173	15
General banking outlets	138	103	35
Micro banking outlets	420	404	16
Total banking outlets	558	507	51
ATMs	210	177	33

The Bank has successfully expanded its presence despite the disruption caused by the COVID-19 Pandemic. The Bank opened 51 new banking outlets during FY 2020-21 and expanded its presence over 15 new districts of the country. The Bank offers MSME and housing loan products through its select General Banking (GB) and Micro-banking branches. As on March 31, 2021, the Bank was operating its MSME lending vertical and housing loan vertical across 50 and 37 locations respectively. Apart from the branches, USFBL services its customers through 210 ATMs and the internet banking and mobile banking platforms.

BUSINESS PERFORMANCE

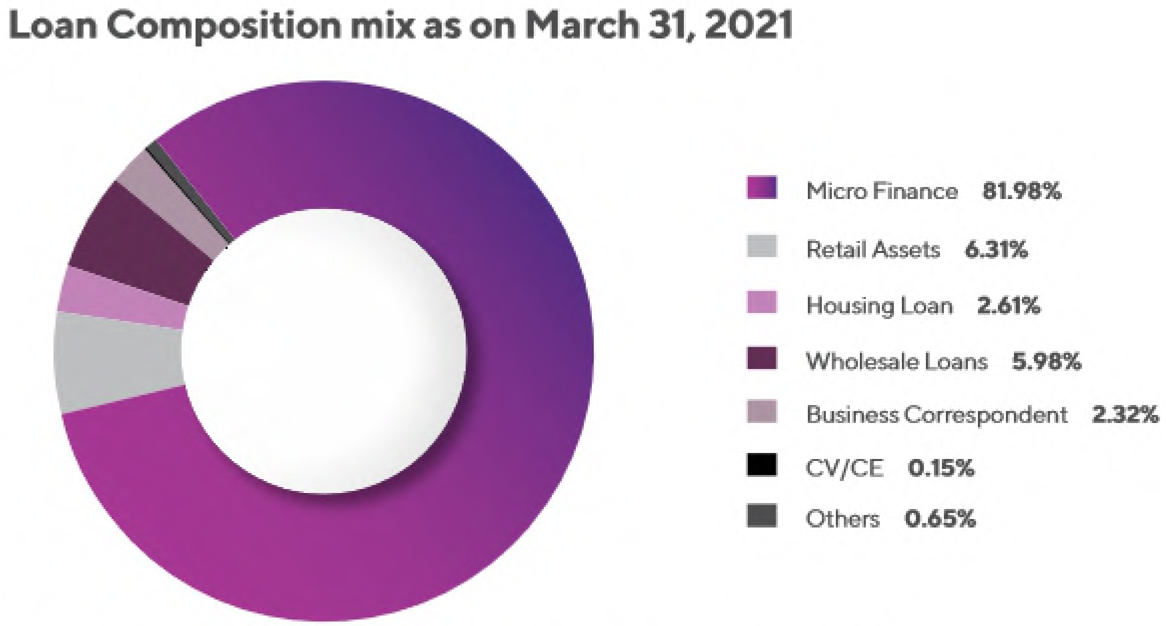
USFBL has a strong and established rural and semi-urban presence, validated by the proportion of its branches present in semi-urban and rural geographies standing at 65.59% as on March 31, 2021. The consistent asset penetration of the rural and semi urban markets, with a strategic approach to expand in urban and metropolitan markets by the Bank specifically for the liabilities segment, has augured well for the Bank's growth in portfolio and deposits. The Bank's gross loan portfolio and deposits have grown at a CAGR of 38% and 51% respectively over the last three (3) years.





ASSETS – LENDING PRODUCTS

USFBL is a retail focused Bank primarily engaged in microfinance lending through Joint Liability Group (JLG) product, loans to MSMEs, housing finance and other loans. During FY 2020-21, gross loan portfolio of the Bank increased by 26.36% year-on-year to reach ₹8,415.66 crore as on March 31, 2021.



Note: Bank's overall exposure to JLG (including BC JLG) is 83.71% as on March 31, 2021

Microfinance

Given the track record and experience of UCL (promoter entity) as an NBFC-MFI, microfinance remains a focused business segment for the Bank. Microfinance lending comprised 81.98% of the gross loan portfolio of the Bank as on March 31, 2021. Under microfinance lending, the Bank focuses on financial inclusion of the underprivileged and economically weaker sections of the society, who get very limited or no access to financial services. The Bank provides JLG loans, individual loans, swacchata loan and two-wheeler loans under micro finance lending. During the FY 2020-21, the Bank also launched 'PM SVANidhi' loan product, a special micro credit facility scheme for providing affordable loan to street vendors, helping them resume their livelihoods, post the Pandemic disruptions.

Bihar and Uttar Pradesh has been the core geography for the Bank's microfinance portfolio. Microfinance loans continues to be substantially diversified with an average ticket size of ₹27K (based on outstanding loan portfolio) with tenors ranging between 12 to 24 months.

As on March 31, 2021, the Bank had more than 25 lakh active loan accounts under microfinance lending spread across 141 districts and 11 states, serving through 420 micro banking outlets. During FY 2020-21, the Bank successfully opened 16 new micro banking branches. Bank's microfinance loan portfolio has grown by 17.82% during FY 2020-21 to reach ₹6,899.38 crore as on March 31, 2021.

Microfinance outreach	March 31, 2021	March 31, 2020	Expansion during 2020-21
No. of states	11	11	-
No. of districts	141	135	6
No. of micro banking outlets	420	404	16
Active loan accounts (in lakh)	25 lakh plus	25 lakh plus	-
Loan portfolio outstanding (₹ in Crore)	6,899.38	5,856	1,043

The Bank offers following products under microfinance lending:

Joint Liability Group (JLG) loans

Under this specific loan, the Bank offers group loans built on the peer-guarantee loan model (Joint Liability Group), enabling individuals to take loans without any collateral or security on an individual basis. However, the individuals are encouraged to promote credit discipline through mutual support within the group, encourage prudent financial conduct among the group, and ensure prompt repayment of their loans.

Group loan products are offered to the economically weaker sections of the society to meet their individual requirements. The primary target customer segment are women in households, engaged in income-generating activities, or are intending to begin new income-generating activity on their own. JLGs congregate at centres comprising 10-30 members, with the group-lending technique used to extend loans to women members. The Bank offers group loan products on the basis of credit worthiness. The maximum household income for the credit worthiness is limited to ₹1,25,000 per annum and ₹ 2,00,000 per annum for rural & semi-urban and urban areas, respectively. The methodology includes either fortnightly or bi-fortnightly centre meetings and 'stepped-up' loans that can grow each time a client takes a loan and successfully repays, thereby demonstrating good credit worthiness and the need for higher amount of loan.

As on March 31, 2021, all of the Bank's customers in the JLG loans segment were female, with loans ranging between ₹6,000 and ₹1,00,000 for agriculture and allied activities and other income generating activities. The Bank also offers 'Swacchata Loan' with a single ticket size of ₹27,500 to the existing JLG customers for construction, repair and renovation of toilets.

Individual business loans

In order to meet the increasing funding requirement of customers who have completed multiple loan cycles and are matured borrowers, the Bank introduced individual business loans for specific amounts of ₹1,00,000, ₹1,50,000 and ₹2,00,000. The Bank focuses on providing individual loans to a specific subset of their JLG customers, who have shown good credit behaviour and have relatively higher fund requirements. USFBL disburses the loan in the bank account of these customers, the collection from whom is then routed through the bank account of the customer. During FY 2020-21, the number of individual business loans clients increased from 1,100 as on March 31, 2020 to 4,352 as on March 31, 2021.

Two-wheeler loans

The Bank provides two-wheeler loans to existing micro banking customers, who have completed their two JLG loan cycles with a minimum repayment of 24 months.

During the FY 2020-21, the Bank realised the increasing need of credit by the underbanked and unbanked sections of the society. To cater to the financial requirement of such people in the midst of the Pandemic, the Bank launched following products:

Utkarsh Sambal

This product was specifically designed to meet the livelihood support requirements of customers owing to the disruption caused by the Pandemic. This is a need-basis loan, the quantum of which is decided based on the current credit assessments and parameters applicable to the JLG customers. The loans ranged between ₹6,000 and ₹10,000 with a tenor of 12 months, and rate of interest of 15% per annum. As on March 31, 2021, the number of outstanding Utkarsh Sambal loans stood at 7,046.

PM SVANidhi loan scheme

The Ministry of Housing and Urban Affairs has recently launched Prime Ministers Street Vendor's Atmanirbhar Nidhi (PM SVANidhi), which is a special micro credit facility scheme for providing affordable loans to street vendors to resume their livelihoods that have been adversely affected due to the Pandemic. The loan amount is capped to a maximum amount of ₹10,000 with a tenor of 12 months, and a rate of interest of 15% per annum. As on March 31, 2021, the number of outstanding loans under PM SVANidhi loan scheme were 1,553.

Retail assets

Retail assets of the Bank comprises MSME loans and personal loans. Under this vertical, the Bank offers a combination of secured and unsecured loans to the small and medium size businesses, catering to manufacturing and services sector. The increasing branch network, new geographies and innovative products have enabled the MSME vertical to reach out to new markets and customers. During the year under review, the Bank's MSME loan book grew by 115.79% year-on-year to reach ₹531.14 crore, from ₹246.14 crore in FY 2019-20. The growth in MSME loan book has been supported by activation of new locations and new product variants during the fiscal.

Within retail assets lending, the Bank has been focusing more on secured loans. As a result, the share of secured loans in total retail assets portfolio has increased to 65.11% as on March 31, 2021 compared to 37.05% as on March 31, 2020. The Bank has also strengthened its Direct Sales Agent (DSA) network during the year, enabling the MSME vertical to reach out to newer geographies and to a new set of borrowers without significant addition to the fixed cost.

Housing loans

USFBL has sharpened its focus on catering to the financing needs of self-employed and salaried individuals for affordable housing loans. USFBL's housing loan offerings are spread across formal, informal and semi-formal income segments, aiding in purchase and construction of plots, purchase and construction of house, and renovation, restoration and extension of existing house. Such loans range between ₹2,00,000 and ₹1,00,00,000, with a tenor of 3-30 years.

The housing loan portfolio of USFBL saw a year-on-year growth of 156.85% during FY 2020-21 to reach ₹219.59 crore compared to ₹85.49 crore in the previous fiscal. The growth in housing loan book of the Bank has been supported by continuous focus on building housing loan book, relatively small base of the Bank's housing loan portfolio, and expansion in number of branches during FY 2020-21.

During FY 2020-21, the Bank has also received additional special refinance facility of ₹85 crore from National Housing Bank at attractive rate of interest to boost its housing finance business.

Wheels financing

Commercial vehicle and construction equipment loans

During the FY 2020-21, the Bank forayed into commercial vehicle and construction equipment loan, catering to the needs of both the new customers and the existing customers. Such loans start from a minimum value of ₹2,00,000, against the collateral of the vehicle which the Bank is funding. These loans have tenor of 12-60 months, and an interest rate of 10-15% per annum. USFBL's commercial vehicle finance customers typically include fleet operators, such as bus service providers, goods carriers, chemical transporters, and vehicle transporters. As on March 31, 2021, Bank's lending under wheels vertical stood at ₹12.78 crore.

Wholesale lending

This vertical focuses on catering to SMEs, corporates and financial sector entities for their term loans and working capital requirements. Under this product vertical, the Bank's portfolio stood at ₹503.11 crore as on March 31, 2021, with a base of 52 active clients. During the FY 2020-21, the Bank also launched overdraft (OD) and drop-line overdraft (DLOD) products for the customers.

The various wholesale lending products offered along with their nature and purpose are as below:

Types of wholesale lending products	Nature	Purpose
Overdraft	Short term	Working capital
Dropline overdraft	Long term	Working capital, business expansion
Term loan	Short term and long term	On-lending, business expansion
Bank guarantee	Short term and long term	Customer's specific requirement

During the FY 2020-21, the Bank has also started offering non-fund based limits in the form of bank guarantee to the customers.

As on March 31, 2021, there were no NPAs under wholesale lending product of the Bank.

Business Correspondent (BC)

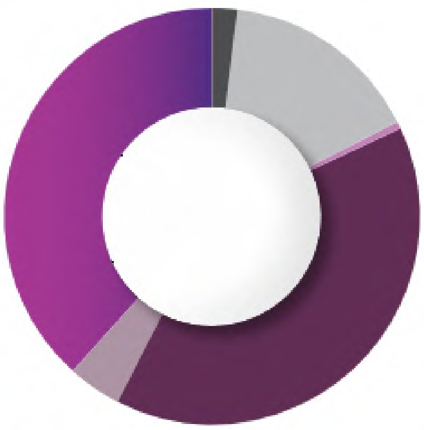
The Bank initiated the business correspondent model in FY 2017-18 with the objective to expand across new untapped geographies through banking outlets. The BCs acquire, manage and service customers as an extended arm of the Bank by following all the policies and procedures laid out as per the internal governance structure. As on March 31, 2021, the BCs were responsible for sourcing and servicing customers for 2.32% of the Bank's gross loan portfolio.

During the FY 2020-21, the Bank partnered with nine (9) BCs in the states of Andhra Pradesh, Chhattisgarh, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Telangana and West Bengal for micro loans and retail assets. The portfolio under this segment stood at ₹194.71 crore as on March 31, 2021 comprising of JLG BC portfolio of ₹191.26 crore and LAP / HL BC portfolio of ₹3.45 crore.

Liabilities – Deposits

Over the past four (4) years, USFBL has garnered deposits across both retail and institutional customers. During the FY 2020-21, the Bank expanded its physical footprint by opening 35 new general banking outlets and increased its outreach across 16 states and two (2) union territories. In order to increase the absorption of deposit customers across the country, expanding physical presence and deepening presence is of innate importance.

Deposits Composition as on March 31, 2021



The Bank's total deposit base stood at ₹7,507.57 crore as on March 31, 2021 compared to ₹5,235.21 crore as on March 31, 2020, registering a year-on-year growth of 43.41%. During the year under review, the Bank focused on building its CASA book, which saw a growth of 87.78% year-on-year to reach ₹1,326.99 crore as on March 31, 2021 over ₹706.66 crore as on March 31, 2020. Further, the Bank's Retail Term Deposits (RTD) grew by 64.81% to reach ₹2,990.52 crore as on March 31, 2021. During the year under review, the Bank prioritised ease of banking for the customers through digital channels such as internet banking, mobile banking and tab banking, among others.

The Bank has been consistently focusing on improving granularity of its deposits and improving share of CASA and retail term deposits. The Bank's CASA and retail term deposits portfolio together stood at ₹4,317.51 crore (57.51% of total deposits) as on March 31, 2021, compared to ₹2,521.18 crore as on March 31, 2020 (48.16% of total deposits). Alongside, an improvement in deposits profile, the Bank also witnessed decline in cost of deposits by 121 bps from 9.10% in FY 2019-20 to 7.89% in FY 2020-21.

Under its retail segment, USFBL has an array of diversified products ranging from retail savings account, current account and retail term deposit. The Bank has also been consistently increasing its deposit portfolio by raising deposits from wholesale and institutional clients as well.

In addition, more than five (5) lakh deposit accounts were on-boarded during FY 2020-21, taking the total number of active accounts to more than 10 lakh, a more than 2x increase over the previous fiscal. Further, the Bank is using its vast network of micro banking outlets to reach out to rural and semi-urban customers for deposit mobilisation.

The Bank offers RuPay Debit Card to all its customers. During FY 2020-21, the Bank also launched a global co-branded Debit Card in association with Master Card. The Bank is taking proactive steps for easier and convenient on-boarding of customers through its digital channels.

Particulars		As on March 31, 2021	As on March 31, 2020	Change y-o-y
No. of states/UT		16/2	15/2	1/0
No. of general banking outlets		138	103	35
Total deposits	Amount in ₹ crore	**7,507.57**	**5,235.21**	**2,272.36**
Current deposits		159.77	119.16	40.61
Savings deposits		1,167.22	587.50	579.72
CASA Deposits		1,326.99	706.66	620.33
Retail term deposits		2,990.52	1,814.52	1,176.00
Bulk term deposits (including certificate of deposits)		3,190.06	2,714.03	476.03
Total term deposits		6,180.58	4,528.55	1652.03

Particulars	As on March 31, 2021	As on March 31, 2020	Change y-o-y
CASA ratio	17.68%	13.50%	4.18%
No. of savings accounts	8,56,985	4,10,842	4,46,143
Of these no. of BSBDAs	6,00,868	2,54,018	3,46,850
No. of current deposits	17,300	14,199	3,101
No. of term deposits	1,90,817	89,825	100,992

Other products and offerings

USFBL also provides a host of other products ranging from debit cards and locker services for the customers to third party products such as life insurance, general insurance and mutual funds, among others. Further, with the help of the internet banking platform, the Bank offers basic remittance services such as IMPS, NEFT and RTGS, in addition to Bharat Bill Pay system.

Customer services and digitalisation

USFBL has been consistently taking decisive steps towards a comprehensive technology-driven process and system, ensuring superior customer experience. In the process, the Bank has focused on building a strong technological infrastructure with high availability and a robust architectural foundation for overall deposit growth. The Bank continues to enhance customer experience with digital channels such as debit cards, POS, ATMs, internet banking, mobile banking and 24x7 customer care call centre, along with a consistently expanding branch network.

In servicing its customers with a differentiated banking experience, USFBL has undertaken the following initiatives during FY 2020-21:

- Ensuring ease of payments through digital channels such as internet and mobile banking
- The Bank has launched Master Card during FY 2020-21
- Ensuring ease of transaction for the MSME customers by ideating the launch of mPOS machines
- During the FY 2020-21, the Bank launched 'DIGI onboarding tab banking' for smooth customer on -boarding process
- Planning strategic partnerships with various e-commerce players to promote USFBL debit card on their respective portals

To provide easy access to the rural and remote customers, the Bank has started deploying micro ATMs across micro banking branches as a pilot project in remote areas. Micro ATMs provide basic banking facilities, such as cash deposit, cash withdrawal and fund transfer, among others. The Bank has scaled to 107 micro ATMs across its micro banking branches in FY 2020-21. USFBL further intends to scale up the micro ATM network across all the micro banking branches.

Business strengths

Deep understanding of microfinance segment and strong presence in rural and semi urban areas

USFBL leverages the legacy of the promoter company UCL, owing to its experience as an NBFC specialised in microfinance for rural and semi-urban customers. The focus of UCL catering to the financing needs of the unbanked and the underbanked sections of the society has been transferred to USFBL's core vision as an SFB.

Fast growing deposits with strong focus on retail deposits

The Bank offers a diverse mix of demand and time deposit products and other services, helping the customers with their savings and transactional needs. Further, the Bank has an array of liability products at competitive rates, predominantly targeting retail customers across various segments – senior citizens, middle-class individuals and self-employed and salaried individuals. The Bank has been consistently focusing on improving granularity of its deposits and improving share of CASA and retail term deposits. The Bank's CASA and retail term deposits portfolio together stood at ₹4,317.51 crore (57.51% of total deposits) compared to ₹2,521.18 crore as on March 31, 2020 (48.16% of total deposits).

Diversified distribution network with significant cross-selling opportunities

The Bank has an established distribution network comprising 558 banking outlets across 16 states and two (2) union territories, covering 188 districts in India as on March 31, 2021. Of the 558 banking outlets, 366 are located in rural and semi-urban areas, validating USFBL's core vision of financial inclusion. Leveraging the widespread distribution network across the country, the Bank services the existing customers and focuses on on-boarding new customers. The Bank's network also reduces the dependence on a particular region in the country and allows it to replicate best practices developed in one region to other regions.

Healthy growth with healthy financial and cost-efficient operational performance despite COVID-19 disruption

During the year under review, the Bank's gross loan portfolio and deposits have grown by 26.36% and 43.41% respectively, on the back of continuously expanding franchises and focused approach towards growing secured loan book, retail and CASA deposits base. Further, USFBL maintained healthy operational performance during the FY 2020-21, validated by a 25% year-on-year growth in operating profits (before provisions) to reach ₹438.34 crore compared to ₹350.30 crore in FY 2019-20. During the year under review, the Bank improved its cost-to-income ratio to 55.43% compared to 57.63% during FY 2019-20.

Leadership team complementing the strengths

The promoting institution's i.e. UCL's diversified and marque support of institutional investors viz. CDC Group PLC, International Finance Corporation (IFC), NMI Frontier Fund KS, Aavishkaar Goodwell, Lok Capital, Sarva Capital, responsAbility Participations Mauritius, Sustainability Finance - Real Economies SICAV-SIF, Small Industries Development Bank of India (SIDBI), Faering Capital India Evolving Fund, RBL Bank Limited, Housing Development Finance Corporation Limited (HDFC), HDFC Ergo General Insurance Company Limited, HDFC Life Insurance Company Limited, ICICI Prudential Life Insurance Company Limited, Shriram Life Insurance Company Limited and Jhelum Investment, translates into an enriched credibility of USFBL.

The Bank has an experienced management team comprising qualified professionals. The Managing Director and Chief Executive Officer, Mr. Govind Singh comes with an experience of over three (3) decades in the banking and financial services sector and in particular the microfinance industry. The Board comprises of individuals across various fields with diverse experience. The Bank's Independent Directors help ensure transparency and accountability in all operations. Further, the senior management team comprises individuals with diverse and rich experience across various sectors and fields of operations besides business domains, such as accounts and finance, treasury, operations, technology, compliance, internal audit, credit & risk and human resources.

Further, in order to diversify the shareholding pattern and raise capital for growth in March 2021, the Bank raised equity capital of ₹240.47 crore from six (6) institutional investors viz. Olympus ACF Pte. Ltd., responsAbility Participations Mauritius, Aavishkaar Bharat Fund, Triodos SICAV II - Triodos Microfinance Fund, Legal Owner Triodos Funds B.V. in its capacity as legal owner of Triodos Fair Share Fund & Growth Catalyst Partners LLC. This not only provided capital buffer to support growth plans of the Bank, but also diversified the Bank's shareholding pattern, as a step towards achieving the dilution in promoter shareholding for the SFB to the level prescribed by the RBI. As a result of primary capital raise of ₹240.47 crore in March 2021 by the Bank, UCL's shareholding declined to 89.50% as on March 31, 2021 from 100% in the previous fiscal.

Continue diversifying the retail asset portfolio

The primary focus of the Bank is to keep diversifying the asset portfolio to cater to the existing customers from the unserved and underserved sections of the society. The Bank intends to extend the offering from JLG loans to individual loans, two-wheeler loans, micro enterprise loans, affordable housing loans and other new products to cater to the evolving financing needs of its customers.

On the retail assets front, the Bank has focused on offering working capital and term loans to MSMEs, small and medium sized corporates, besides other retail assets products such as housing loans, business loans, personal loans, loan against properties, loans for purchase of commercial properties, two-wheeler loans and commercial vehicle and construction equipment loans. further, the Bank has also focused on upselling to the existing customer base in rural and semi-urban locations leveraging the robust distribution network across urban and metro locations.

Grow retail deposits mix across geographies and customer segments to build stable funding source

In its resolve to strengthen the liability franchise of the Bank, USFBL has focused increasingly on the CASA and retail deposit base to ensure a steady growth. In doing so, the Bank has been expanding the deposit base on the back of expanding the outreach of banking outlets coupled with the digital offerings. In order to strengthen the deposit base, increase CASA ratio and offer multi-channel customer experience, the Bank intends to enhance the digital offering at various touch points of customer life cycle by various initiatives such as digital onboarding, self-onboarding, internet and mobile banking, corporate internet banking, micro-ATMs and customer relationship management. USFBL has further laid down a two-pronged strategy to expand its retail footprint viz. (i) further penetration in the existing geographies; and (ii) expand the reach into newer states in western and southern India.

The Bank is focusing upon cross-sell liabilities products to the retail asset and JLG customer base by assisting them with opening current and savings accounts, and promoting financial prudence to save more among the masses with the help of recurring deposits, fixed deposits and other products. Further, the Bank offers Rupay debit cards for domestic use and Master Card debit cards for both domestic and international use. This is in addition to internet payment gateway, UPI payment solutions, e-NACH and public financial management system.

Increase share of fee income and capitalise on cross-selling opportunities

To create a robust and steady revenue stream, the Bank focused on diversifying the fee and non-interest based revenues, by generating fee income from own products and cross-selling third-party products such as life insurance and general insurance products, mutual funds, Atal Pension Yojana, National Pension Scheme and micro-insurance. USFBL formed strategic partnerships with certain third parties to develop and service its customers with new and a more diversified portfolio.

The Bank strives to generate a revenue stream from non-individual segment comprising processing fees for advances, commission on issuance of letters of credit, bank guarantees, cash management services and other transaction banking services. Further, the Bank also intends to provide various payment solutions through mobile and internet banking to increase the fee income generated from debit cards, bill payments, and money transfers.

The Bank also focused increasingly on bancassurance channels to distribute various types of third-party insurance products to existing customers. As on March 31, 2021, the Bank had four bancassurance relationships with insurance companies to offer life insurance, general insurance and health insurance products.

On the liability side, the Bank consistently engaged with customers in urban and metropolitan locations to promote wealth management services such as mutual fund investments and strengthen distribution of such products. Further, the bank also focuses on enhanced engagement with the existent customer base to drive debit card and online spending behaviour through active promotions, in order to drive growth of the transaction fee income.

Increasing use of technology and digital offerings for last mile delivery to customers

The Bank has been continuously focusing on optimal utilisation of technology to ensure cost-effective operations marked rapid growth. Further, the focus is to increase efficiencies and promoting customers to migrate from an assisted model to a self-service delivery model. USFBL has plans of developing bespoke products designed with the help of data analytics, for various customers spread across various sections of the society and in different geographies. In achieving this, the Bank has undertaken various initiatives such as the implementation of data-lake, master data management, next generation internet and mobile banking, digital on-boarding and micro-banking platform, among others. The Bank has also invested for improving the data security infrastructure and cyber security components.

USFBL has embarked on building data centres for high availability of data, accessibility to data from anywhere and for disaster recovery. The Bank intends to retain its focus on the unserved and underserved segment with the help of the introduction of customised digital channels across all the product segments, such as tab-based account opening for savings account customers and installation of micro-ATMs across key markets.

Financial inclusion and priority sector lending

USFBL has more than 25 lakh active JLG loan accounts (with an outstanding of ₹7,045 crore), carving out 83.71% of the total loan book during FY 2020-21, ensuring financial inclusion across the underbanked and unbanked sections of the society for agriculture, livestock and small business activities. Since its inception, the Bank has been providing Basic Savings Bank Deposit Account (BSBDA) to its customers, which has summed up to more than 6,00,000 BSBDA savings accounts, promoting financial inclusion. Further, on the lending front, the Bank accounts for 86.15% of loan portfolio towards priority sectors, as on March 31, 2021. The Bank's PSL achievement stood at 78.17% during FY 2020-21 against the backdrop of a minimum regulatory requirement of 75%. Similarly, the Bank's lending to ticket size of less than ₹25,00,000 carved out 90.09% chunk of the loan portfolio, against the backdrop of a minimum regulatory requirement of 50%.

On the back of good proportion of PSL loan portfolio in total portfolio of the Bank, the Bank has been able to comfortably maintain PSL targets, as well as selling surplus PSL portfolio through Priority Sector Lending Certificate (PSLCs) to earn non-interest income for the Bank.

COVID-19 IMPACT AND RESPONSE STRATEGY

The World Health Organisation declared the 2019 novel coronavirus (COVID-19) outbreak as a global Pandemic on March 11, 2020, following which, the Government of India declared a nationwide lockdown on March 24, 2020 to combat the spread of COVID-19, causing trade disruption and a standstill in the economic activities, barring few sectors which were still performing as essential services. Banking services were determined to be under the purview of essential services, which allowed USFBL to continue operations across majority of its banking outlets during the lockdown albeit with limited workforce, following the safety guidelines as laid down by government.

To address the financial implications of the Pandemic, the RBI announced monetary, fiscal and administrative measures. Under the guidelines of RBI, all term loans were declared eligible for moratoriums on instalments, and working capital facilities on interest due during a period of six months, between March and August 2020. Such moratorium periods were suggested to be excluded by the lending institutions (including SFBs) for calculating the number of days past-due for the purpose of asset classification under the income recognition and asset classification norms prescribed by the RBI.

In accordance with these guidelines, USFBL provided a moratorium to eligible borrowers on the payment of all principal amounts and interest between March and August 2020, resulting in a decline in the collections during such period.

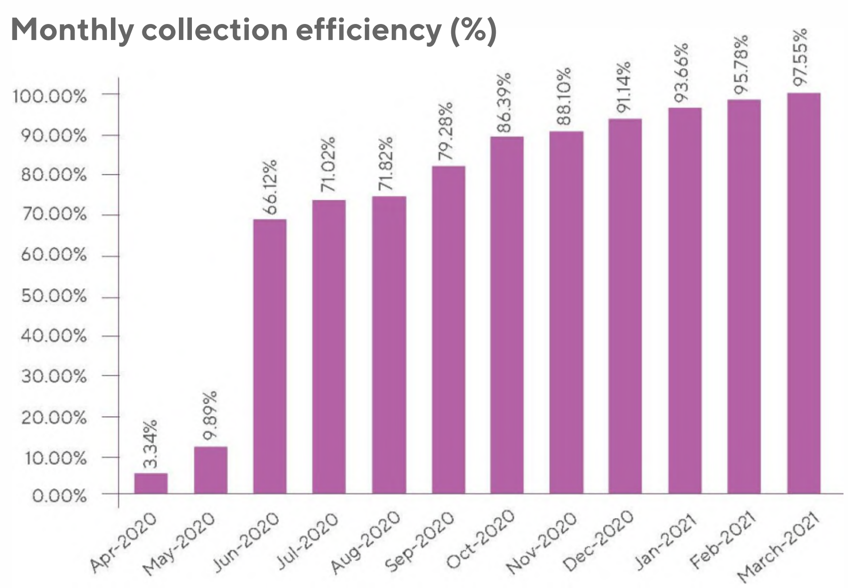
Business Continuity Plan (BCP)

The Bank has implemented a business continuity policy and formed a crisis management team to ensure that the operations continue with minimum disruption. The business continuity plan involves the creation and implementation of strategies that recognise threats and risks that the Bank may be subject to, with a focus on the protection of personnel and assets, while maintaining continued operations in the event of a disaster. Further, the crisis management team is responsible for taking remedial action in case of any breakdown or failure of critical systems, occurrence of natural disasters or accidents or any other events affecting business continuity.

Since the onset of the COVID-19 Pandemic in March 2020, the Bank has responded swiftly by implementing various processes to ensure the operations and services to the customers continue seamlessly. The Bank has efficiently managed to run its Banking Outlets with reduced manpower and also manage its other banking channels such as ATMs, internet and mobile banking, and call centre without any disruptions. The Bank maintains a robust VPN infrastructure, which has enabled and equipped the employees to work from home to ensure no service disruptions and provide support to the customers. The Bank has also deployed security systems to safeguard assets and customer data as well as issued detailed work from home protocols to enable secure usage. The central processing centres at Mumbai and Varanasi have continued their daily operations, in accordance with the safety guidelines provided by the Government of India, to ensure timely settlement of all transactions. The Bank has also undertaken additional safety measures, such as, regular temperature checks, regular sanitisation, and compulsory use of masks and hand sanitisation.

To cater to the immediate financing needs of customers, the Bank launched products such as Sambal loan, PM SVANidhi loan, Emergency Credit Line Guarantee Scheme (ECGLS) during the year under review. Further, the Bank also implemented 'work from home' to ensure continuity of business and critical functions permitted through secured VPN with strict controls in place. The Bank successfully maintained adequate liquidity amidst the Pandemic, ensuring the ability to meet all commitment towards customers and lenders. Special efforts were made to reach out to customers to check their well-being and sharing advice to tide over this difficult situation.

As a result of the COVID-19-induced crisis, there was a severe negative impact on economic activities in the country. Collection efficiency of the Bank dropped significantly in the month of April and May 2020. However, with the improvement in economic activities and easing of lockdown restrictions, collection efficiencies started improving in subsequent months, even during the loan repayment moratorium period. The collection efficiency witnessed a substantial improvement towards end of FY 2020-21 (in the months of February and March 2021) as the COVID-19 impact receded further.



Note: Collection efficiency is calculated as the aggregate EMI amounts collected (excluding prepayment) in the relevant period, divided by the current month EMI due for collection (had there been no moratorium) in such period.

Snapshot on asset quality

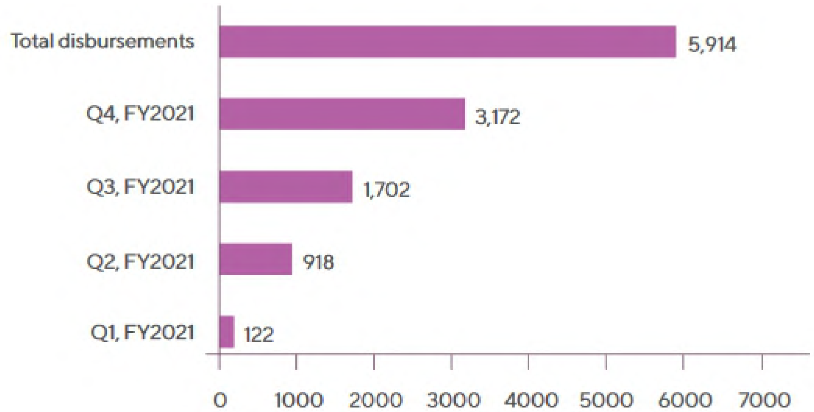
COVID-19 effect led to lower collection efficiency in FY 2020-21 vs. FY 2019-20, which impacted the Bank's asset quality profile during FY 2020-21. As on March 31, 2021, the Bank's gross and net NPAs stood at 3.75% and 1.33% respectively, with a provision coverage ratio of 65.49%. Further, in line with RBI guidelines, the Bank restructured loans worth ₹283.63 crore for 98,475 eligible borrowers. As on March 31, 2021, ₹263.24 crore of standard restructured loans were outstanding.

To address the impact of Pandemic on the Bank's business, USFBL made accelerated provisions during FY 2020-21. The Bank also created provision for standard restructured at 20% in FY 2020-21, compared to a minimum regulatory requirement of 5% for MSME restructured and 10% for non MSME restructured. In addition, the Bank is also carrying a COVID-19 additional provision of ₹50.13 crore as on March 31, 2021 to cover the potential stress in advances, including restructured portfolio.

	March 31, 2021		March 31, 2020	
	Amount	(%)	Amount	(%)
Gross NPAs (₹ Crore)	315.29	3.75%	44.66	0.71%
Net NPAs (₹ Crore)	108.82	1.33%	11.09	0.18%
Provision against gross NPAs (₹ Crore)	206.47		33.56	
Provision Coverage Ratio (PCR)	65.49%		75.16%	
Standard restructured advances (₹ Crore)	263.24	3.13%	Nil	Nil
Provision against standard restructured (₹ Crore)	52.65			
Provision cover on standard restructured (₹ Crore)	20.0%			
Additional COVID-19 provision (₹ Crore)	50.13		49.96	

USFBL's gross loan portfolio and deposits grew at 26.36% and 43.41% respectively during FY 2020-21, despite the Pandemic. While the fresh disbursements to the clients were affected in the first half of the FY 2020-21, the Bank witnessed an improvement in disbursements during the second half of the fiscal on the back of improvement in operating environment and the on-ground situation. This improvement is validated by the quarterly disbursement trend during FY 2020-21, which are as here under:

Quarterly Disbursement Trend (Amount in ₹ crore)



Financial performance

Income Statement (₹ In Crores)	2020-21	2019-20	Change y-o-y
Deposits	7,507.57	5,235.21	43.41%
Gross Loan Portfolio	8,415.66	6,659.99	26.36%
Net advances (Net)	8,216.86	6,281.60	30.81%
Investments	2,313.94	1,192.39	94.06%
Capital + Reserves	1,368.35	1,019.50	34.22%
Net interest income	839.25	728.22	15.25%
Non-interest income	144.15	98.56	46.26%
Total income	1,725.14	1,406.24	22.68%
Operating expenses	545.06	476.48	14.39%
Operating profit	438.34	350.30	25.13%
Provisions	286.90	99.88	187.25%
PBT	151.44	250.42	(39.53%)
TAX	39.62	63.67	(37.77%)
PAT	111.82	186.74	(40.12%)
Net interest margin	8.20%	10.13%	
Cost to income	55.43%	57.63%	
Return on Average Total Assets (ROAA)	1.05%	2.51%	
Return on Average Net-worth (RONW)	9.99%	20.32%	
Gross Non-performing assets (GNPA)	3.75%	0.71%	
Net Non-performing assets (NNPA)	1.33%	0.18%	
GLP/Capital and Reserves	6.15	6.53	

Income

Net interest income of the Bank stood at ₹839.25 crore in FY 2020-21 compared to ₹728.22 crore in FY 2019-20, registering a year-on-year growth of 15.25%, despite the COVID-19 impact which resulted in higher NPAs and consequently affected the interest income.

The Bank's other income grew by 46.26% to ₹144.15 crore in FY 2020-21 from ₹98.56 crore in FY 2019-20. Operating profit (before provisions) grew at 25.13% year-on-year to reach ₹438.34 crore in FY 2020-21 compared to ₹350.30 crore in FY 2019-20. The Bank has also been able to optimise cost-to-income ratio to 55.43% in FY 2020-21 from 57.63% in FY 2019-20.

PAT

Despite making a substantial provision of ₹286.90 crore during FY 2020-21 compared to ₹99.88 crore during FY 2019-20, primarily on account of higher provision for NPAs and restructured advances, the Bank posted Profit After Tax (PAT) of ₹111.82 crore in FY 2020-21 compared to ₹186.74 crore in FY 2019-20.

Loan portfolio

The gross loan portfolio of the Bank stood at ₹8,415.66 crore as on March 31, 2021 compared to ₹6,659.99 crore as on March 31, 2020, registering a year-on-year growth of 26.36% on the back of expanding franchise and growth in non-JLG portfolio. Total net advances of the Bank grew 30.81% year-on-year to reach ₹8,216.86 crore in FY 2020-21 from ₹6,281.60 crore in FY 2019-20.

Deposits

The aggregate deposit of the Bank stood at ₹7,507.57 crore as on March 31, 2021, registering a year-on-year growth of 43.41%. The Bank's CASA deposits grew by 87.78% year-on-year to reach ₹1,326.99 crore in FY 2020-21 compared to ₹706.66 crore in FY 2019-20. Further, the retail term deposits of the Bank grew by 64.81% year-on-year to ₹2,990.52 crore in FY 2020-21 compared to ₹1,814.52 crore in FY 2019-20.

NPA

The Pandemic has had an impact on the asset quality of the Bank, increasing the gross NPA to 3.75% as on March 31, 2021 compared to 0.71% as on March 31, 2020. Further, the Bank has created accelerated provision to cover asset quality impact, in turn, keeping the provision coverage ratio of the Bank at 65.49% as on March 31, 2021.

CRAR

The Bank raised equity capital of ₹240.47 crore from six (6) institutional investors to augment its capital base and support growth plans during the FY 2020-21. Despite growth in loan portfolio and moderation in profitability, the Bank has been able to maintain healthy capitalisation. The Bank's Capital to Risk Weighted Asset Ratio (CRAR) stood at 21.88% as on March 31, 2021 compared to 22.19% as on March 31, 2020. Further, the Tier-I CRAR of the Bank stood at 19.98% as on March 31, 2021 compared to 19.41% as on March 31, 2020.

Particulars	2020-21	2019-20
CRAR	21.88%	22.19%
Tier-I	19.98%	19.41%
Tier-II	1.90%	2.78%

Return ratios

Due to COVID-19 disruptions, the Bank's PAT was impacted in FY 2020-21, leading to lower Return on Average Assets (ROAA) of 1.05% during FY 2020-21 compared to 2.51% in FY 2019-20, and a lower Return on Average Networth (RONW) of 9.99% in FY 2020-21 compared to 20.32% in FY 2019-20.

OUTLOOK

USFBL strives to be a retail-focused Bank, providing financial services and quality products and solutions. The Bank intends to develop and offer a comprehensive suite of assets and liabilities products that will draw in new customers and deepen the relationship with existing customers. The Bank also intends to grow the asset portfolio by offering new products that cater to all customer segments. USFBL is planning to augment the liabilities franchise by expanding across newer geographies and targeting top 100 cities in terms of overall deposits, including the tapping of metropolitan and urban areas by promoting savings accounts and other deposit products.

In this endeavour, the Bank expects technology to be a key enabler. With an eye on the same, the Bank intends to enhance its digital capabilities through internet and mobile banking application and other digital channels, in addition to leveraging data analytics to gain deeper insights into customer trends and develop customised products for specific customer segments.

Branch banking and operations

Central Processing Centre (CPC)

The objective of having a CPC is to support the various initiatives undertaken by the Bank to improve its operational efficiency. The CPCs of the Bank are based out of Varanasi and Navi Mumbai. Continuing this pursuit, during FY 2020-21, the Bank's CPCs supervised:

- 24*7 operations to support 24*7 NEFT and RTGS
- 365 days operations to facilitate reconciliation and settlement of IMPS services
- Setting up micro-ATMs
- Operationalising 'Positive Pay'
- Optimising and scaling capacity of liabilities by introducing night shifts

During the year under review, the CPCs also supported the Business Continuity Plan (BCP) of the Bank, ensuring all payment systems were fully operational.

Internal Ombudsman (IO)

In compliance with the guidelines of the RBI, the Bank appointed Internal Ombudsman (IO) as an independent authority to review the complaints that are partly or wholly rejected by the Bank. The IO mechanism has been set up by the Bank with the objective to strengthen the internal grievance redressal system, ensuring customer complaints are addressed efficiently. With the implementation of IO scheme, the Bank has been able to improve the turnaround time for redressal of grievances and satisfactorily enrich the banking experience of the customers. The Bank has synchronised its IO mechanisms with the Customer Relationship Management (CRM) system, to ensure synergy in value created for the stakeholders with a view of achieving fair, transparent and customer-centric grievance redressal system.

Grievances closed by IO in FY 2020-21

No. of grievance received by the Bank during 2020-21	No. of cases rejected by Bank partly/fully during 2020-21	No. of cases reviewed by IO during 2020-21	No. of grievances closed by IO during 2020-21	No. of grievances outstanding as on March 31, 2021
25,170	64	64	64	0

Disposal of grievances by bank during FY 2020-21

No. of grievances at the beginning of 2020-21	No. of grievances received by the Bank in 2020-21	No. of grievances disposed by the Bank in 2020-21	No. of grievances outstanding/open as on March 31, 2021
51	25,170	24,964	257

Credit operations

The credit risk department of the Bank is tasked with the implementation of policies and processes for the identification, assessment, measurement, monitoring and control of various risks.

Collection mechanism

Over the years, USFBL has been consistently strengthening its underwriting, collection processes and systems. During the FY 2020-21, the Bank focused on the overdue clients, as listed by the in-house collection team, and kept following up accordingly. This not only ensured good results but also helped the Bank maintain cordial customer relationship. Collections are carried out through personnel engaged by the Bank only if the customer fails to make payments by the due date.

Treasury

Treasury team focuses primarily on the management of the funds, maintenance of statutory reserves (cash reserve ratio and statutory liquidity ratio), asset liability gaps, interest rate risks, liquidity positions, investments and trading activities. The Treasury also has access to the priority sector lending certificate platform for the sale, if any, of excess portfolios under the priority sector. The Bank has a Board-approved investment policy framed in accordance with RBI guidelines and a standard operating procedure for carrying out treasury transactions and governing investments in various instruments such as bonds, treasury bills, commercial papers, certificate of deposits, mutual funds, debentures and other products.

The Bank is a member of the market infrastructure in reporting and settlement systems, such as, NDS-Call, NDS-OM, TREPS, C-BRICS and FTRAC. In its role to manage liquidity, the treasury department ensures availability of adequate liquidity to meet the needs of asset growth, operational expenses and payment obligations. Further, in order to manage liquidity mismatches, the treasury department actively participates in money market operations, such as, call/notice/term money, certificate of deposits, commercial papers and IBPC. In addition, it also raises liability resources through refinance, IBPC, issue of certificate of deposits and bulk FDs. The resource mobilisation strategy plays a vital role in managing the sources of funds with an optimal mix of term deposits and interbank term money.

Credit ratings

The Bank has following credit ratings outstanding from ICRA and CARE:

Instruments	Ratings	Rating agency
Certificate of Deposit	ICRA A1+	ICRA
Tier-II NCDs	ICRA A (Stable Outlook)	ICRA
Tier-II NCDs	CARE A (Stable Outlook)	CARE

RISK MANAGEMENT

The Bank has in place an effective risk management structure to identify, address and mitigate risks across all areas of operations. The Risk Management Committee of the Board (RMCB) supervises the entire risk management framework of the Bank, which meets on periodic basis to discuss and mitigate risks.

RISKS AND MITIGATION STRATEGIES

1. **Concentration risk:** The overdependence of USFBL on the microfinance segment and the major geographies of its operation might impact the business in the long run. The JLG lending segment contributed 83.7% of the outstanding loan portfolio as on March 31, 2021. Further, the Bank's JLG portfolio is largely concentrated in Bihar and Uttar Pradesh with a share of 39% and 27%, respectively of the overall portfolio as on March 31, 2021. While there seems to be state-level geographical concentration, the Bank's portfolio is well-diversified in terms of districts, with no single district accounting for more than 3% of the Bank's total asset under management.

   Mitigation measures: In order to reduce its dependence on specific product segments and geographies, the Bank has consciously started focusing on growing other retail loans with particular focus on secured lending book, and on expanding across new geographies and deepening its presence in existing geographies. In FY 2020-21, the Bank made substantial progress on the disbursements in categories such as home loans and loan against property in the MSME space, reducing the proportion of MFI loans in the total portfolio to 83.71% from 89.60% in FY 2019-20. The Bank also launched overdraft/cash credit products, along with commercial vehicles and construction equipment lending, which is expected to further reduce the proportion of MFI loans in the total portfolio. The Bank has also expanded its footprint in new states and union territories during the year under review.

2. **Operational risk:** Inadequate or failed internal processes, people and systems might have an adverse impact on the profitability of the business.

   Mitigation measures: To mitigate this risk, USFBL has put together a comprehensive operational risk management policy, with a framework to identify, assess and monitor risks, strengthen controls, improve services, and minimise operational losses. Amidst the Pandemic, the Bank ensured operational continuity with the help of its Business Continuity Policy (BCP) and a crisis management team.

3. **Fraud risk:** Fraud risks comprise cyber threats, scam, processing errors and document mishandling, among others, affecting the goodwill and the revenue generation of the Bank.

   Mitigation measures: To mitigate this risk, the Bank has put together a Fraud Risk Management (FRM) unit as an independent group in the Bank to enable fraud prevention, monitoring, investigation, reporting and awareness creation. Further, the Bank also has a dedicated Risk Containment Unit (RCU), which is tasked with thorough online checking of all loan files and liabilities. During the year under review, the Bank has forayed into the adoption of artificial intelligence tools such as Hunter, C.A.R.T. and Sherlock, among others, ensuring improved scrutiny of assets and liabilities applications. Further, the Bank is using the Inline Fraud Risk Management (IFRM) tool for monitoring fraudulent transactions across all channels.

4. **IT risk:** The risks associated with the increasing adoption of technology include non-availability of systems and processes, resulting in business loss from both unintentional (faulty use) and intentional (cyber frauds) events.

   Mitigation measures: To ensure efficient management of IT risk and ensuring confidentiality and integrity of business and customer information, the Bank has implemented security controls in accordance with the RBI cybersecurity framework. Regular security monitoring is in place and the Bank is in compliance with the regulatory guidelines issued from time to time. Further, to ensure business continuity through work from home, securing people, process and technology was of innate importance. In doing so, the Bank has put in place the BCP and incident response plans for handling both operational and security risks.

5. **Credit risk:** When the borrower defaults on the due date of repayment, with an inadequate collateral (if received), it adversely impacts both the revenue and margins of the Bank.

   Mitigation measures: USFBL assesses the credit worthiness of each customer, product, enterprise, geography at multiple levels. This helps the Bank identify risks and take informed decisions, which are aligned to the rules laid down by the committees authorised by the Board. USFBL has been continuously evolving, which has helped the Bank identify early warning signals to minimise credit costs both in a pre- and post-Pandemic environment.

6. **Market risk:** Risks arising from the movement in market prices might impact the revenue generation ability of the Bank.

   Mitigation measures: Both the investment committee and asset liability committee of the Bank is tasked with supervision of the investment and market risks; accordingly approve the framework for market risk and its thresholds. The mid-office prepares and analyses daily reports on various activities of the Bank's treasury department. A comprehensive market and liquidity risk dashboard is circulated to senior management on a monthly basis, which comprises all relevant information related to investment portfolio, liquidity position, depositors and borrowing, enabling improved and informed decision-making by the senior management.

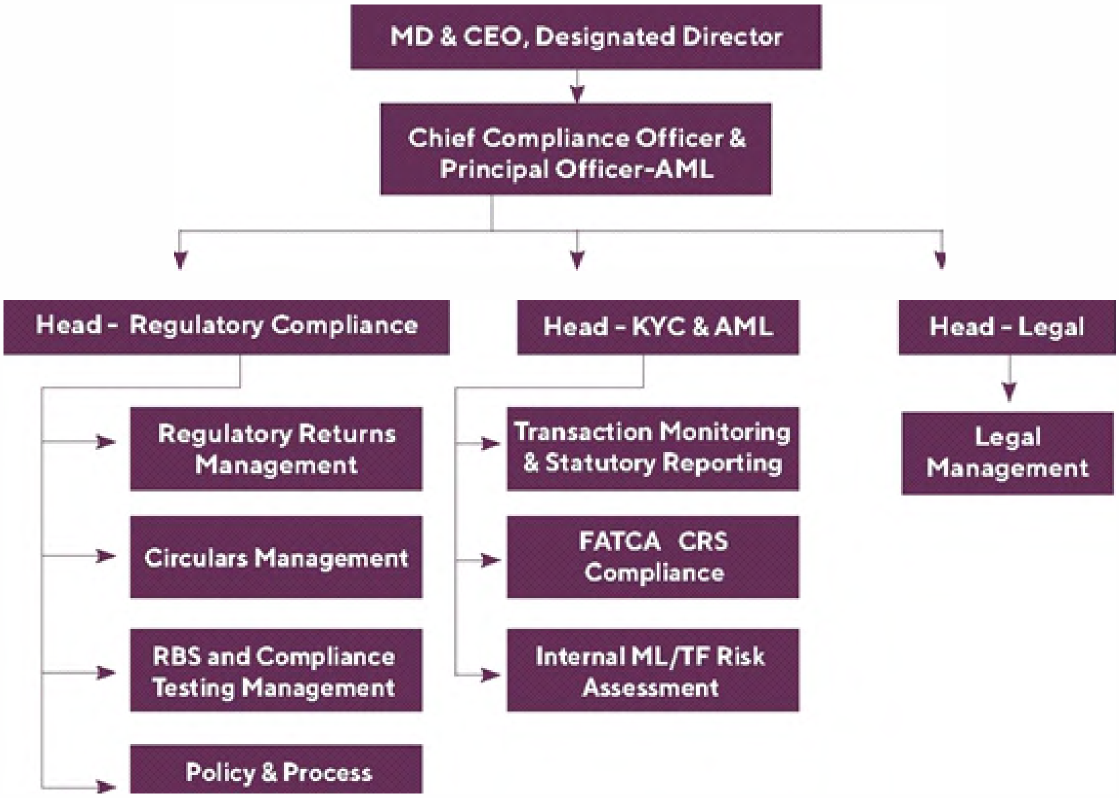
7. **Liquidity risk:** An asset-liability mismatch might result in liquidity risk for the Bank, which would result in raising fresh liabilities at higher cost or liquidating assets at a higher discount rate, thus, impacting the margins of the Bank.

   Mitigation measures: USFBL has set prudential internal limits in addition to regulatory limits on liquidity gaps, borrowings, deposits and placements, among others. The asset liability committee of the Bank reviews treasury operations, interest rate and cash flows on a monthly basis. The liquidity profile of the Bank is analysed every week by tracking all cash inflows and outflows based on the actual maturity and expected occurrence predicted. Premature withdrawals of term deposits and drawdown of unavailed credit limits are also analysed by the Bank to measure the actual liquidity position on an ongoing basis.

COMPLIANCE ARCHITECTURE

Compliance is an integral feature of ensuring that a business creates fair value for all its stakeholders, including the regulatory authorities. Being a bank, the expectations and stringency of applicability of RBI guidelines are higher. Further, compliance department of a bank acts as an important interface between regulators and regulations on one hand, and the regulators and business on the other.

USFBL endeavours to create and follow industry benchmark compliance practices, ensuring easy receipt and dissemination of all statutory, regulatory and internal guidelines and instructions in the matters of compliance across all business departments.



Process framework within compliance department

The Bank's compliance department has established a process of dissemination of regulatory changes to the various departments and for updating policies, informing timely submission of returns to regulatory authorities, and correspondence with regulatory authorities. This helps the Bank ensure effective compliance of policies or guidelines created by regulatory authorities.

Following is the key process framework of the compliance department:

1. Circular Management Process
2. Returns Management Process
3. Policy Management Process
4. AML/Transaction Monitoring Process
5. Compliance Risk Assessment Framework (Compliance Testing)
6. Risk Based Supervision (RBS) Data Management
7. Legal Management

Circular management process

All Scheduled Commercial Banks (SCBs) in India are required to adhere to various guidelines issued by the RBI and various other regulators from time to time. Failure to meet the said guidelines within the stipulated timeline might be considered as non-compliance, in turn, attracting financial fines. The Bank's compliance department has institutionalised a well-defined circular management process that inter alia covers the dissemination and tracking of the circulars, until they are implemented.

Returns management process

All SCBs in India are required to submit various returns to RBI and other regulators on periodic intervals as directed by the regulators. These returns are submitted on online portals like XBRL, ORFS and DCS; or through email, physical copies and reply letters, as directed by the regulators. The Banks' compliance department has institutionalised a robust returns management process to ensure timely submission of such returns.

Policy, product and process management

The compliance department of the Bank maintains the repository of all policies of by the Board. To ensure transparency, all departments of the Bank, while reviewing any existing policy or drafting any new policy seeks views of the compliance department, before seeking approval of the Board of Directors. The Bank's compliance department has also institutionalised a framework for rolling out products and processes through a management level committee, named Product and Process Management Committee (PPMC).

AML/ Transaction monitoring process

The AML cell of the compliance department is tasked with the supervision of the Bank to ensure it follows the prescribed guidelines with respect to transaction monitoring and statutory reporting under Prevention of Money Laundering Act (PMLA) to financial Intelligence Unit – India (FIU IND)

Compliance risk assessment framework

The compliance risk assessment framework of the Bank helps in assessment of its compliance risk through compliance testing. Under this testing, the compliance department tests the efficiency of controls available in various departments towards adherence of regulatory requirements and recommends measures to plug the gaps, if any, in the present controls.

Legal management

The legal management process helps in addressing queries related to the following:

- Clarification on branch operations queries such as account opening, drafting and vetting of letters and replies to customer, replies to be filed before Banking Ombudsman, courts and tribunal, and drafting and vetting of draft FIR to police
- Drafting of reply to various notices received from DRT, notices issued under Cr. P. C. and other statutory notices
- Drafting and vetting of agreements and supplementary agreements (Non-disclosure agreement, service level agreement, purchase order and other administrative agreements)
- Issues relating to title investigation report prepared by empanelled advocates
- Drafting of notices pertaining to collections, vetting of submissions on behalf of the Bank in cases filed against the Bank, opinion in respect of recovery measures to be taken, actions to be taken under arbitration proceedings to be taken under SARFAESI Act

In addition to the sharpened focus on contact with the regulators, the compliance department periodically apprises the Bank's management, Board of Directors and Board Committees on the changes in regulatory environment and status of compliance thereof in the Bank. During the FY 2020-21, the Bank strengthened the compliance testing and automation of certifications to be submitted by various stakeholders. Conscious steps were initiated towards cultivating and building a strong compliance culture within the Bank.

VIGILANCE MECHANISM

The vigilance and security department of the Bank supervises the investigation of fraud, corruption cases and grievances, including those issued under the Bank's whistle-blower policy. The vigilance department also educates and spreads awareness among the staff on preventive vigilance, punitive actions, surveillance and identification areas. During the FY 2020-21, the vigilance and security team conducted a variety of inquiries related to fraud, cash theft and serious employee abuse, among others, and performed branch visits, surprise visits, and liaisons in association with local governments.

INFORMATION TECHNOLOGY (IT)

Bank believes that information technology is one of the key differentiators for improving customer experience. The use of technology, over the years, has enabled us to scale up the operations in an efficient manner. The Bank has collaborated with third party software solution providers and software service providers in order to automate the back-end operations which are supported by a core banking system and loan management function. Bank's various technology platforms support major functions, such as, customer experience, enterprise accounting, expense management and human resources, process management, risk management, and governance are also supported by various technology platforms. The Bank also provides digital end-to-end onboarding for quick savings bank account opening with limited documentation through handheld devices. In addition, the Bank has enabled digital facilities including internet banking, mobile banking, corporate internet banking, bill payments and debit cards.

The Bank aims at leveraging technology to better serve the customers, identify opportunities, deliver innovative products and services and advance on the goal of financial inclusion. The Bank has introduced robotics process automation to increase efficiency and improve operational productivity. The Bank has recently started new data-lake and analytics projects for better understanding of core customers and decision taking in real time. The Bank believes this will increase its ability to deliver improved customer experience and facilitate customer acquisition and deepen the relationship with customers.

Over the years, the Bank has invested in technological adoption, leading to introduction of new age digital platforms such as UPI and BBPS. The Bank has undertaken several initiatives to enhance the digital landscape and drive automation across operations on the back of initiatives such as digital onboarding, self-onboarding, internet banking and mobile banking upgrade. Further, the Bank also undertook the following initiatives:

- Atal Pension Yojana (APY)
- Mastercard integration for debit cards
- RTGS 24*7
- Micro ATM
- Robotic process automation to increase the automation in operations

All these platforms and technology upgrades are part of bank's strategy towards getting into Technology Driven Bank with keen focus towards automation and analytics.

Bank is also working towards strengthening of core back-end infrastructure to support the growing business volumes through continuous upgrades of network, core hardware and data center capabilities. Bank is also in process of getting NDR (Near DR) setup functioning in the bank for it's critical information and systems.

HUMAN RESOURCES AND TRAINING

As a progressive organisation, the Bank's human resource and training programmes have been centred around hiring the best talent, retaining them and providing learning and development environment. The Bank takes concerted efforts to increase the representation of women in the workforce of the Bank. During the fiscal 2020-2021, there has been a net addition of 4,705 employees in the Bank, including 694 female employees. As on March 31, 2021, the Bank's employee base stood at more than 10,300. The annualised attrition rate for fiscal year 2021 was 23.3%.

USFBL is developing an internal talent pool through training programs from various institutions, to grow and expand in new geographies and products. Apart from this, numerous workplace training programs were implemented including refresher trainings, promotion trainings, capacity building certification programs, mandatory certification programs and soft skill programs, among others. In addition to employees' participation in various external programs conducted by regulatory and industry consortium bodies to stay updated about the latest developments in the industry, the Bank also has an in-house team of well-qualified trainers comprising retired bankers, senior management employees and training experts. During the year under review, more than 6,000 employees were educated under various programs.

Over the years, the Bank has worked upon creating various engagement channels for employees through which, they can share their feedback and suggestions, including an online grievance redressal platform to get their grievances addressed, online HR query helpdesk for timely query resolution with a dedicated section for COVID-related issues and regular virtual town halls of all the employees with the senior management to brief them on various developments and growth in the bank. At the aggregate level, the Bank strives to build and imbibe its unique culture in the employees.

AUDIT AND INTERNAL CONTROL SYSTEMS

The internal audit department of the Bank comprises of more than 140 employees with audit experience across different products ranging from micro banking and liabilities to retails assets, and different functions such as treasury, operations, risk, credit, information security and information technology, among others. The Bank has put in place an integrated end-to-end auditing software for execution and reporting of internal audits, namely 'Pentana'.

During the FY 2020-21, the internal audit team has conducted different types of audit, covering regulatory requirements such as risk-based internal audit of all branches and central functions, concurrent audit of asset and liabilities branches as per extant guidelines, offsite audit of critical transactions, concurrent audit of centralised account opening, retail asset and home loan disbursement, vendor payments, customer complaints, GL reconciliation and various other ad hoc audits. Further, during the FY 2020-21, in collaboration with the audit experts and consultancy firms, the internal audit team also conducted management audit, information security and cyber security audit, concurrent audit of treasury transactions and testing of internal financial controls.

FINANCE, ACCOUNTS AND COMPANY SECRETARIAL

The finance department of the Bank focuses primarily on preparing financial plans, monitoring and analysis of financial performance, planning and raising of capital and investor relations. The finance department monitors priority sector target achievement and financial inclusion performance of the Bank and computes MCLR for the Bank on a monthly basis. The team also manages the Bank's credit ratings and interacts with credit rating agencies. The accounts department is responsible for publishing financial results, substantiation and reconciliations of all accounts, reporting to the RBI and tax compliance. The company secretarial function is to update, monitor, report and comply with the requirements of the applicable laws. The department is also responsible for the conduct of meetings of the Board and committees.

CAUTIONARY STATEMENT

Statements included in this MD&A describing the Bank's priorities, forecasts, predictions, general market conditions, expectations, etc., can constitute 'forward-looking statements' within the scope of applicable legislation. Such factors and uncertainties include, but are not limited to, the Bank's ability to execute plans for development and expansion, variation between anticipated and actual non-performing advances, credit loss reserve, technological change, investment income and various risk profiles.

WELFARE INITIATIVES

Utkarsh Welfare Foundation ('UWF' or 'the Foundation') has been working closely with the community to provide various products and services with the aim of empowering the underprivileged population. Since its inception in August 2010, the institution has made consistent efforts in various sectors such as Health, Financial Awareness, Skill Development, Micro Enterprise Training and Sustainable Livelihoods. UWF has made a meaningful and sustainable impact in the lives of the community through a multi thematic, service oriented market led approach. UWF interventions are focused on developing ideas and solutions that are based on deep understanding of the needs of low income households in remote and underserved areas.

Utkarsh Welfare Foundation' (UWF), erstwhile 'Samutkarsh Welfare Services' (SWS), was incorporated in August 2010 and is registered under section 25 of Companies Act, 1956 (now Section 8, as per Companies Act, 2013) and aims to provide various services and products for the development and assistance to the underprivileged population in rural & urban sectors by way of market linkage opportunities, education, health and vocational training program.

UWF aims at empowering grass root population especially women, making them self - reliant and transforming them into successful entrepreneurs. The Objective is to make a meaningful and sustainable impact in the lives of the community through a multi - pronged service oriented market led approach. UWF has initiatives that focuses on education, health, skill development, micro enterprise training & environment conservation.

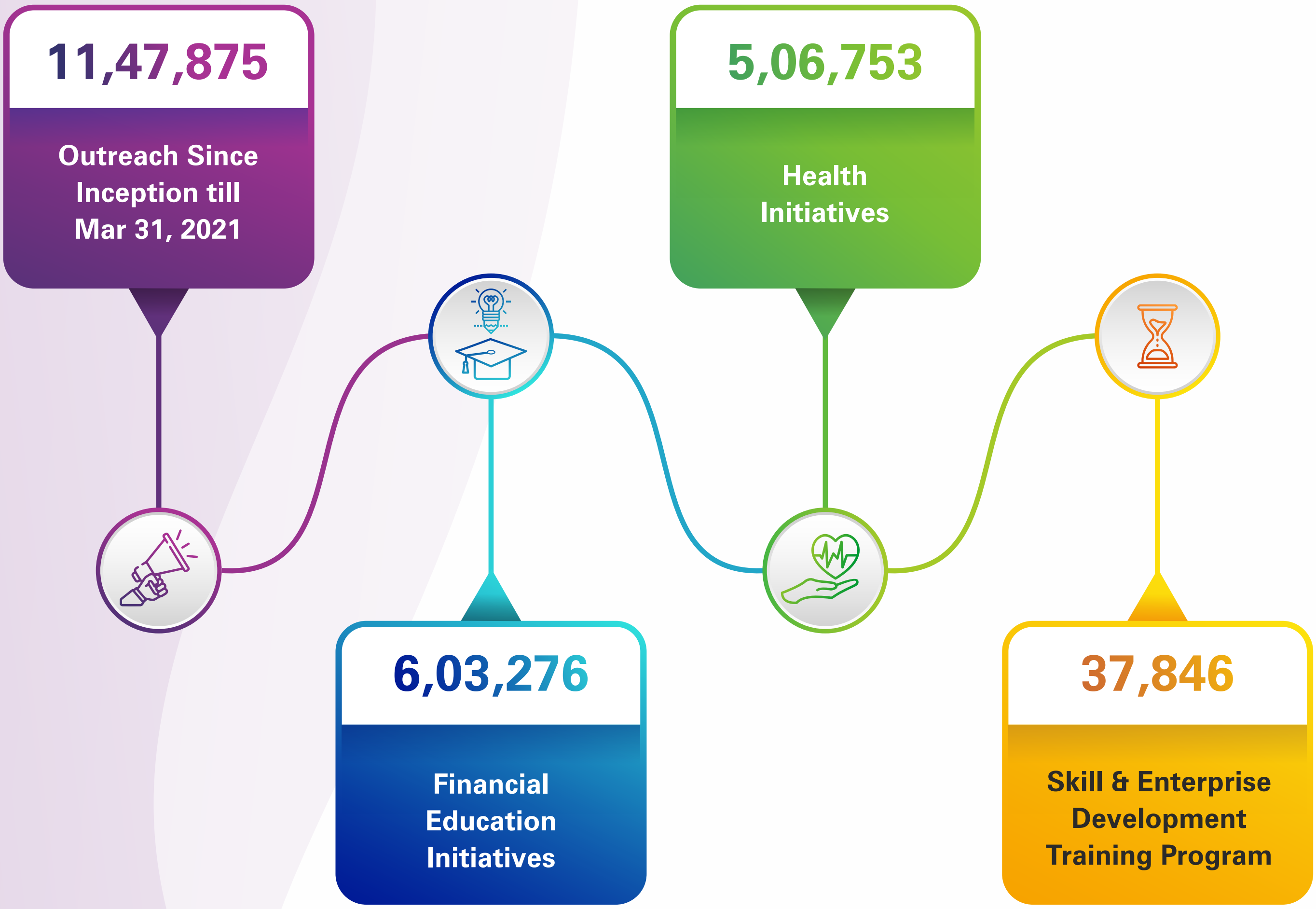
It has a Vision to be an institution of excellence in promoting holistic development through inclusive growth leading to greater participation in equitable socio - economic opportunities. And the Mission is to promote sustainable development through technology driven, impactful & scalable interventions in the identified thematic areas including primary healthcare, education, skill training, livelihoods, financial inclusion & environmental conservation.

With this Vision and Mission, the Foundation's initiatives, during the Financial Year 2020-21, were focused around building economic resilience and livelihood restoration for migrants, low-income households, and vulnerable communities, besides focusing on the regular key thematic areas of education, health & hygiene initiatives. This was primarily in context of the COVID-19 pandemic, which adversely affected all and sundry but the impact had been severe for the section at the bottom of the pyramid in terms of both health and economic hardships.

In this direction, UWF expanded its network and collaborated with sector leaders, reputed development partners and Government agencies such as United Nations Development Programme (UNDP), Indian Red Cross Society (IRCS), and Uttar Pradesh State Rural Livelihood Mission (UPSRLM) to intensify the COVID-19 response mechanisms.

Through its annual outreach initiatives across the key thematic interventions such as financial literacy, health, skill and vocational training for strengthening livelihoods, the Foundation reached out to 2,87,719 beneficiaries during the FY 2020-21.

Currently, the outreach is in six (6) States viz. Bihar, Himachal Pradesh, Jharkhand, Madhya Pradesh, Uttarakhand and Uttar Pradesh. A snapshot of the thematic area outreach is as illustrated here below:



There has been a paradigm shift from 'outreach' to 'outcome' based approach in project interventions. With this intended objective, the Foundation adopted the 'Community Resource Person' (CRP) model, which aims at the capacity building of communities at local level in a sustainable manner.

A Snapshot of the various projects and programmes implemented with support of various partners, are as under:

A. Health Initiatives

The Health Initiatives taken up by the Foundation have been expanded to the remotest villages of the project areas. The initiative is especially benefitting resource poor sections in the underserved geographies with no access to even the basic medical services. Various preventive as well as promotional approaches were taken as part of various health initiatives which included Health Awareness Camps, Regular and Mobile Polyclinics . Currently, the Regular Polyclinic is organized at 16 locations and Mobile Polyclinic is organized at 32 locations across five (5) districts of Bihar (Bhojpur, Buxar, Kaimur, Patna and Rohtas), three (3) districts in Jharkhand (Giridih, Hazaribagh and Koderma), eight (8) districts of Uttar Pradesh (Allahabad, Chandauli, Gorakhpur, Jaunpur, Kushinagar, Maharajganj, Mirzapur and Varanasi) and four (4) districts of Madhya Pradesh (Jabalpur, Katni, Rewa and Satna). Health initiatives were implemented with the support of partners such as Utkarsh Small Finance Bank Limited (USFBL) and HDFC Life Insurance Comapny Limited (HDFC Life). Total outreach across various health initiatives during FY 2020-21 has been 1,08,460 beneficiaries.

B. Financial Awareness Initiatives

Financial education programs are aimed at building financial capabilities to enhance the financial decision making process among the resource poor and financially excluded sections in the underprivileged and underserved geographies through right information, instructions and advices.

Models for delivering financial awareness and advisory services to the beneficiaries incorporates best practices in the domain through partnerships. Currently, the Foundation is implementing Financial Education initiatives at 49 locations across 33 districts in six (6) States (Bihar, Himachal Pradesh, Jharkhand, Madhya Pradesh, Uttarakhand and Uttar Pradesh), through various intensive as well as extensive approaches such as Class Room Trainings and Mass Awareness Programmes for delivering financial literacy and digital financial literacy. Programmes were implemented with the support of partners such as Utkarsh Small Finance Bank Limited (USFBL) and HDFC Life Insurance Comapny Limited (HDFC Life). Total beneficiary outreach under various financial literacy initiatives during FY 2020-21 has been 1,54,924 beneficiaries.

C. Skill and Vocational Training for Livelihood Promotion and Entrepreneurship Development

i. Women Entrepreneurship & Empowerment (Mahila Udyami Sashaktikaran)

During FY 2020-21, the Foundation combined its learnings from previous SIDBI project, which coupled with support from partnership project on women entrepreneurship, designed an intensive training program and hand-holding support for selected women entrepreneurs. This program identified viability gap in each of the key trades. UWF with support of USFBL CSR, built sustained livelihood opportunities for women entrepreneurs and trained them to promote entrepreneurship. The project was undertaken in Varanasi district and 200 women micro-entrepreneurs were digitally on-boarded and provided with range of business development support. As on March 31, 2021, under the business development services and hand-holding support, UWF facilitated issuance of total 33 PAN cards, six (6) GST Registrations, 113 Income Tax Filings, 78 Udyam Registrations, 10 FSSAI Licence Registrations and 112 credit linkages from formal financial institution. The progress poverty index and client index are also covered in Baseline survey.

ii. Micro Enterprise Promotion Program (MEPP)

The Micro Enterprise Promotion Program aims to identify, motivate, and guide the entrepreneurs in setting up micro enterprises leading to employment generation in semi-urban / rural India. SIDBI is currently implementing MEPP in 126 districts of 26 States promoting about 43,000 enterprises. UWF has partnered with SIDBI under USFBL CSR support for the promotion of two (2) Micro Enterprise Promotion Centre launched in December 2018 in the districts of Ghazipur and Varanasi (Uttar Pradesh). The program is being implemented with the support of four (4) project employees, two (2) each in Ghazipur and Varanasi. For FY 2020-21 the project supported 726 entrepreneurs to train and facilitate credit linkages for setting up their enterprises.

iii. United Nations Development Programme (UNDP) collaborative project - Social Protection for Migrants and Vulnerable Communities

Utkarsh Welfare Foundation bid the United Nations Development Programme (UNDP) project for Social Protection Scheme on May 28, 2020 and the bid was awarded on June 14, 2020. The project period timeline was six (6) months (June 2020 to November 2020). There were three (3) collaborating institutions in the project viz. United Nations Development Programme (UNDP), Uttar Pradesh State Rural Livelihood Mission (UPSRLM) and Utkarsh Welfare Foundation (UWF). The programme is to facilitate social protection and crisis response under COVID-19 rapid response facility programme in the State of Uttar Pradesh. The project was implemented in six (6) districts (Chandauli, Deoria, Gorakhpur, Mirzapur, Sonbhadra and Varanasi). After review of the technical and financial proposal, UNDP accepted the UWF proposal. Utkarsh Welfare Foundation, in coordination with UPSRLM, had selected 120 community cadres that were mostly women leaders associated with Self-Help Groups (SHGs) and Federations to work as the messengers and champions of the cause. Ready reckoner and Manual comprising of more than 100 Social Protection Schemes launched by Central and State Government had been prepared by the technical agency for wider circulation.

Booklets on 20 selected and targeted Social Protection Schemes were printed for circulation and use by the community leaders for the purpose of training and knowledge dissemination at the grass -root level. Technology platforms like GEET (GPS enabled) were leveraged and other digital platforms for information dissemination were used for awareness generation at the last mile. A total 12,671 beneficiaries (migrant workers / women, and families affected by COVID-19) were benefited from this project and 1,202 of them had been linked to at least one of the Social Protection Schemes. Moreover, a knowledge repository has also been prepared to advance the impact of the project. One of the critical achievements of the project was the sensitization of 565 Panchayati Raj Representatives (PRRs), across 362 villages in six (6) selected districts of Uttar Pradesh on key aspects of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

iv. United Nations Development Program (UNDP) – Building Economic Resilience of Artisans and Micro-Entrepreneurs post COVID-19 (Non-Farm Project)

UWF successfully bid for second project towards COVID-19 recovery efforts in the state of Uttar Pradesh. The project period was for six (6) months from July 2020 to December 2020. The project was successfully completed as on December 31, 2020. Major achievements under the project were the mobilisation of 2,760 artisans and micro-entrepreneurs, on-boarding and trained during the UNDP Non-Farm project period from both Mirzapur and Varanasi districts. Forty (40) identified and selected community cadres (24 from Varanasi and 16 from Mirzapur district) received around 50 hours of TOT (Training of Trainers) in 10 days. Annual business plans of 200 micro-entrepreneurs were successfully completed. Total 10 buyers-sellers meets were organized in which more than 600 artisans and micro-entrepreneurs participated in Mirzapur and Varanasi districts. An artisans' producer company 'Sangharsh Textile Weaver Producer Company Limited' was registered for women weavers. Linkage with digital marketing platform named Banarsee (banarsee.in) was done for 520 weavers associated with newly formed artisan producer company "Sangharsh".

v. Restoration of Livelihoods & Economic Recovery for Migrants and Low Income Households (Skill & Enterprise)

The COVID-19 pandemic and consequent lockdowns adversely impacted the livelihoods of street vendors / migrants / low-income households. They usually work with a small capital base and the pandemic has severely impacted their cash flows. Therefore, there was an urgent need to provide credit for working capital to street vendors to resume their businesses. Utkarsh Welfare Foundation in collaboration with HDFC Life CSR, took the initiative to provide low-income households, preferably to the street vendors, the orientation and hand-holding support for their holistic development and economic upliftment. The program had put an effort to facilitate PM SVANidhi launched by the Ministry of Housing and Urban Affairs on June 01, 2020 for providing affordable Working Capital loan to street vendors to resume their livelihoods that have been adversely affected due to COVID-19 lockdown. The project was implemented in four (4) locations of Bihar and Uttar Pradesh, focusing the livelihood & economic restoration among street vendors & low-income households. During FY 2020-21, a total of 7,858 beneficiaries had been provided with the skill & enterprise training support.

D. Village Development Programme

Village Development Programme envisages integrated and holistic development of identified villages in consultation with village community. Emphasis under this program is on participatory planning amid convergence of various intensive development programmes for overall development of the identified five (5) villages viz. Bhimchandi, Dholapur, Dindaspur, Karnadandi and Mahmadpur under Arajiline block in Varanasi district.

i. **Learning Enhancement Program for School Children**

Total 130 children in the age group of 5-12 years were identified and enrolled for the program under which UWF is organizing tutorial classes on Language skills (English and Hindi), Numeracy skills, Science and Drawing with the use of various creative learnings tools, audio-visuals, games, and participatory tools. Further, the program was extended to four (4) villages viz. Bhimchandi, Dindaspur, Karnadandi and Mahmadpur, covering 130 children under Arajiline block in Varanasi with the support of Community Resource Persons (CRPs) at field level.

ii. **Financial Inclusion Initiative through BC**

Efforts towards deepening financial inclusion was facilitated in the villages under the model Village Development Program. An Individual BC (Business Correspondent) has started working from December 08, 2020 with the support of Micro ATM device. Total transactions of ₹22,000 have been done till March 31, 2021.

E. COVID response measures and way forward

UWF initiatives were focused on economic recovery and livelihood restoration for migrants, street vendors, low-income households and vulnerable communities. In this direction, UWF has collaborated with Indian Red Cross Society (IRCS), United Nations Development programme (UNDP) and Uttar Pradesh State Rural livelihood Mission (UPSRLM) to intensify the COVID-19 response mechanisms. Strategies adopted for COVID responses mainly comprises of institutional support and collaboration and various community level initiatives towards relief and rehabilitation. Way forward includes health infrastructure creation. UWF collaborated with Indian Red Cross Society (IRCS) a voluntary humanitarian organization having a network of over 1,100 branches throughout the country, providing relief in times of disasters/emergencies and promotes health & care of the vulnerable people and communities. For better impacts, collaboration with United Nations Development Programme (UNDP) and Uttar Pradesh State Rural Livelihoods Mission (UPSRLM) has been conceptualized and urgent responses to the fallouts of the pandemic by supporting low income households, migrants, artisans, and women entrepreneurs were implemented. Over 37,000 beneficiaries were covered though various community level relief and rehabilitation initiatives.

F. Inauguration of E-Clinic Centre in Varanasi District

Utkarsh Welfare Foundation took initiatives to set up E-Clinic as successful model to provide primary health care services. The Foundation has set up its first E-Clinic centre at Nihalapur village of Pindra block in Varanasi district, which was inaugurated on March 12, 2021. Pilot run of the E-Clinic centre has been done on the day of the inauguration ceremony. The main objective of opening E-Clinics by UWF is to provide qualitative, effective, preventive, safe and accessible healthcare from specialist doctors in remote areas as a part of CSR activity.

G. Corporate Environment Responsibility (CER) Project - Inauguration of Solar Street Lighting Initiative by Utkarsh Welfare Foundation (UWF) in Varanasi District

Under the Corporate Environmental Responsibility (CER) of Utkarsh Small Finance Bank Limited (USFBL), with the support of the Foundation as the implementing partner, an initiative is taken to install solar street lights as green energy to provide sustainable electrification services. Total 22 villages have been selected for installation of 120 solar lights. One such Solar Street Light was inaugurated at Gokulpur village of Harahua block in Varanasi district, on March 18, 2021. The demo of Solar Street Light activities was presented before the rural beneficiaries and the guests.

H. Other Initiatives

Other initiatives included the following:

i. Mask Distribution at Health Camps

In view of COVID-19 pandemic, the Foundation took up the initiative of Mask distribution drives, under which masks had been distributed in scheduled health camps organized in States of Bihar, Jharkhand, Madhya Pradesh and Uttar Pradesh. The Foundation distributed a total of 24,550 masks which included masks with Utkarsh Logo during the FY 2020-21.

ii. Supporting Homes of Orphanages for Children and Old Age Homes for Elderly, Destitute and Poor

The Company continued its support to special homes for children and elderly persons. The company sponsored meals and also provided them with some items of their daily needs. For better engagements and understanding needs, monthly visits are organized by volunteers to the orphanages and old age homes on regular time to time basis, necessary and required needs have been provided to the homes of special children and elderly persons.

DIRECTORS' REPORT

To
The Members
Utkarsh CoreInvest Limited

Dear Shareholders

On behalf of the Board of Directors, it is our pleasure to present the 31st Annual Report on the business and operations of Utkarsh CoreInvest Limited (UCL), together with the Audited Financial Statements of the Company for the year ended March 31, 2021.

A. FINANCIAL PERFORMANCE

The Company has adopted Ind-AS since April 01, 2018 and accordingly the financials have been prepared in accordance with the Indian Accounting Standard ("Ind-AS"), as notified by the Ministry of Corporate Affairs, Government of India under the Companies (Indian Accounting Standard) Rules, 2015 and as amended from time to time.

The Company has recorded the following financial performance (on Standalone basis) for the year ended March 31, 2021:

(Amount in ₹ crore)

Particulars	For the Year ended March 31, 2021	For the Year ended March 31, 2020	Change in %
Total Income	3.39	6.21	(45.4%)
Profit Before Interest, Depreciation & Tax (EBITDA)	**0.32**	**2.10**	**(85.0%)**
Finance Charges	-	-	-
Depreciation	0.04	0.07	(44.8%)
Provision for Income Tax	0.14	1.48	(90.4%)
Profit / (Loss) After Tax	**0.13**	**0.55**	**(75.8%)**
Other Comprehensive Income	0.00	0.00	(89.7%)
Total Comprehensive Income	**0.13**	**0.55**	**(75.8%)**

Further, the Company has recorded the following financial performance (on Consolidated basis) for the year ended March 31, 2021:

(Amount in ₹ crore)

Particulars	For the Year ended March 31, 2021	For the Year ended March 31, 2020	Change in %
Total Income	1,782.23	1,417.12	25.8%
Profit Before Interest, Depreciation & Tax (EBITDA)	**857.85**	**914.67**	**(6.2%)**
Finance Charges	762.53	589.53	29.3%
Depreciation	59.00	48.81	20.9%
Provision for Income Tax	10.81	73.81	(85.4%)
Profit / (Loss) After Tax	**25.52**	**202.51**	**(87.4%)**
Other Comprehensive Income	(16.57)	19.86	(183.4%)
Total Comprehensive Income	**8.95**	**222.37**	**(96.0%)**

B. FINANCIAL DISCLOSURES

Dividend
Your directors have not recommended any dividend for this financial year ended FY 2021.

Net Worth
The Company's Net-worth as on March 31, 2021 stood at ₹830.50 crore comprising of paid-up equity capital of ₹97.65 crore and Reserves of ₹732.85 crore (excluding Revaluation Reserve, Investment Reserve and Intangible Assets) on Standalone basis. Whereas, on a Consolidated basis, the Net-worth stood at ₹1,339.62 crore comprising of paid-up equity capital of ₹97.65 crore, Reserves of ₹1,107.91 crore and non-controlling interest of ₹134.06 crore.

C. CORPORATE GOVERNANCE

The Company's Philosophy
The Company has a Corporate Governance framework that lays out various requirements of Corporate Governance as set out under various regulations and best practices.

Constitution of the Board of Directors
The Board of Directors is constituted in accordance with the provisions of the Companies Act, 2013 (CA 2013) and the Articles of Association (AoA) of the Company.

The Board consists of eminent persons with considerable professional expertise in Audit, Banking, Compliance, Finance, Risk, Strategy, Technology and other related fields. Their experience and professional credentials have helped the Company to gain insights for strategy formulation, monitoring control framework and direction setting for the Company, thus adding value to set a strong foundation enabling the overall growth objective of the Company.

The Board of the Company comprised of six (6) Directors consisting of two (2) Independent Directors, three (3) Nominee Directors and one (1) Managing Director & CEO as on March 31, 2021. The terms of appointment of Ms. Ramni Nirula expired on May 19, 2020, being the last date of her second consecutive term and Mr. Vishal Mehta has stepped down from the Board on September 29, 2020.

All the Independent Directors have given the declarations that they meet the criteria of independence, as laid down under Section 149(6) of the Companies Act, 2013. Based on the declaration of independence provided by them, all the aforesaid two (2) Independent Directors would qualify to be classified as Independent Directors under Section 149 of the Companies Act, 2013.

Committees of the Board of Directors
For effective decision-making, the Board acts through various Committees, which oversee specific operational or strategic matters falling within the ambit of the specific terms of reference of those Committees. The Board has constituted four (4) Committees. All the Board Committees have specific charter and these Committees monitor activities falling within their terms of reference.

Composition of the Committees and attendance of the Directors at the Committee and Board Meetings held during the financial year under review have been given as **Annexure -'A'** to this report.

Board Evaluation and Remuneration Policy
The Independent Directors of the Company carried out an Annual Performance Evaluation of the entire Board, the Chairperson, the Directors, individually as well as the evaluation of the working of its Committees.

The Board has framed a Corporate Governance Policy, which inter alia deals with remuneration structure and criteria for selection and appointment of Directors.

D. STATUTORY DISCLOSURE

Conservation of Energy and Technology Absorption

The particulars to be disclosed under Section 134(3)(m) of the Companies Act, 2013, relating to conservation of energy and technology absorption are not applicable to the Company.

Foreign Exchange Earnings / Outgo

As the Company has not carried out any activities relating to the export and import during the financial year, there are no foreign exchange expense and foreign exchange income during the financial year.

Changes in Directors and Key Managerial Personnel (KMP)

The details of the changes in the Board of Directors and Key Managerial Personnel (KMP) by way of appointment, re-designation, resignation, death or disqualification, variation made or withdrawn, etc. during the year under review are as follows:

SI No.	Name of Director / KMP	Designation	Date of Appointment	Date of Cessation
1.	Ms. Ramni Nirula	Independent Director	December 18, 2009	May 19, 2020
2.	Mr. Vishal Mehta	Nominee Director	January 05, 2015	September 29, 2020

Whistle Blower Policy (Vigil Mechanism / Anti Bribery)

Pursuant to the provisions of Section 177(9) of the Companies Act, 2013 and the guidelines issued by Reserve Bank of India (RBI) and other applicable laws, the Company has established the Vigil Mechanism, as part of its Whistle Blower Policy, for the employees to report concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. Additionally, the Company places zero tolerance for any integrity issue. Towards this end, all employee after joining is trained to maintain high standards of integrity of their work area. The Company's Whistle Blower Policy, thus enables the employees to escalate any perceived integrity issues. The policy also encourages stakeholders other than employees to escalate such concerns.

In the FY2021, no case of bribery or whistle blower disclosures or any case of corruption have been reported.

Statutory Auditors

M/s. Haribhakti & Co. LLP, Chartered Accountants [Firm Registration No. 103523W / W100048] are the Statutory Auditors of the Company, pursuant to Section 139 and 141 of the Companies Act, 2013, for a period of five years (5) from FY 2019-20 upto FY 2023-24.

Issue of Employee Stock Options

As a part of the policy of retention of employees in Utkarsh Group, the company has Board approved ESOP policy. During FY2021, as per policy, the ESOPs of the Company have also been allotted to the employees of the subsidiary – 'Utkarsh Small Finance Bank Ltd.' (USFBL). The employees of the subsidiary and of the respective Company were assessed and recommended by the Board Committees and the options at the employee level were decided by the respective Boards.

Details of ESOPs offered during the year are as below:

Particular	31 March 2021		31 March 2020	
	Number of share options (in Units)	Average exercise price (₹) per share	Number of share options (in Units)	Average exercise price (₹) per share
Outstanding options at the beginning of the year	38,51,484	105.89	25,48,234	80.43
Add: Granted during the year	16,59,575	125.00	18,36,225	109.36
Add: Granted during the year with Grant effective date pertaining to FY 19-20	5,00,000	110.92	-	-
Less: Lapsed/forfeited during the year	6,85,829	107.75	2,06,874	108.18
Less: Exercised during the year	2,07,558	101.63	3,26,101	73.01
Less: Adjustment of previous year	1,62,434	88.29	-	-
Outstanding options at the end of the year	**49,55,238**	**113.29**	**38,51,484**	**105.89**
Options vested and exercisable at the end of the year	**11,18,318**	**102.95**	**9,34,521**	**95.06**

Deposits

The Company is a non-deposit taking company i.e., Non-Banking Financial Company - Non-Deposit taking - Systemically Important - Core Investment Company (NBFC-ND-SI-CIC) and thus has not accepted any deposits during the FY2021.

Detail of Top Ten (10) employees in terms of Remuneration of the Company

The company had only nine (9) employees during FY2021, the details of which are as under:

Sl.	Name	Designation	DOJ	Qualifications	Age	Experience	Remuneration (₹)	Last Employment
1.	Mr. Ashwani Kumar	MD & CEO	Mar 19, 2019	PGDRM CAIIB	39 years	15 years +	35,98,300	USFBL
2.	Mr. Harshit Agrawal	Chief Financial Officer	Apr 02, 2018	CA	32 years	9 years +	8,08,478	USFBL
3.	Mr. Neeraj Kumar Tiwari	Company Secretary	Nov 10, 2014	CS	31 years	7 years +	4,82,925	-
4.	Ms. Priyanka Bisht	Deputy Manager, HR, IT & Admin	Apr 02, 2018	MCA	29 years	8 years +	5,07,230	USFBL
5.	Ms. Prashansha Chaurasiya	Assistant Manager, Finance & Accounts	Sep 22, 2020	CA	29 years	2 years +	2,06,325	Prashansha Chaurasiya & Co. Chartered Accountants
6.	Ms. Ruchi Seth	Assistant Manager, Secretarial	Nov 04, 2019	PGDM	28 years	2 years +	3,41,692	Bajaj Consumer Care Ltd.
7.	Mr. Raju Pandey	Senior Executive, Accounts	Oct 04, 2018	M. Com	29 years	8 years +	2,33,074	USFBL
8.	Mr. Saurabh Jaiswal	Senior Executive, Internal Audit	Apr 15, 2019	MBA	33 years	9 years +	2,62,685	India First Life Insurance
9.	Mr. Vikas Kumar Singh	Senior Executive, HR, IT & Admin	Sep 23, 2019	MCA	33 years	11 years +	2,53,014	CMS IT Services Pvt. Ltd

Other Statutory Disclosures:

a. All related party transactions that were entered into FY2021, were at arm's length basis, and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large;

b. There were no significant / material orders passed by the Regulators / a Court / Tribunal, etc. during FY2021, which would impact the going concern status of the Company and its future operations;

c. There are no adverse observations / qualifications in the Statutory Auditors' Report;

d. All recommendations of the Audit Committee were approved by the Board;

e. Proper internal financial controls were in place, and that the financial controls were adequate and were operating effectively;

f. There are no material changes and commitments, affecting the financial position of the Company, that have occurred between the end of the Financial Year of the Company i.e. March 31, 2021.

E. OTHER DISCLOSURES

Code of Conduct

The Company has adopted a Code of Conduct for all the Directors and Key Managerial Personnel. Some of the areas which are covered by the Code of Conduct are fairness of employment practices, protection of intellectual property, integrity, customer confidentiality and conflict of interest.

Vigilance

Your Company is responsible, both to the members and to the communities in which the company operates and aspires to be transparent in all the dealings. The Code of Conduct requires the employees not to be engaged in integrity related issues. The Code mentions that the Company maintains the highest level of professional ethics and personal integrity to avoid situations in which an individual's personal interest may conflict or appear to be in conflict with the interest of the Company.

Secretarial Auditors

Pursuant to the section 204 of Companies Act, 2013 and relevant provisions of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Company has appointed M/s. S. N. Ananthasubramanian & Co. as the Secretarial Auditors for the FY2021. The Secretarial Auditors have carried out the audit and the audit report is enclosed as **Annexure 'B'** to this report.

Corporate Social Responsibility (CSR)

Your Company has Board approved policy for CSR, which is drawn in line with the existing regulations. The CSR initiatives of the Company is routed through the Subsidiary, i.e. Utkarsh Welfare Foundation (UWF).

Your Company has been providing at least 2% of its Profit Before Tax (PBT) in line with statutory requirements (currently 2% of average of last 3 years' profit), every year as part of its CSR initiatives to UWF, for undertaking various welfare activities.

However, for the FY2021, as the average of last three (3) years' profit was negative owing to losses marked in FY2019, there was no requirement of 2% CSR contribution. Nonetheless, in spirit of supporting the welfare activities, ₹10 lakh was contributed by the Company during the FY2021, as a 'Corpus Pool Fund' to the regular CSR Partner viz. Utkarsh Welfare Foundation, primarily to be utilized as a Pool Account to meet their temporary or such other liquidity requirements, while carrying out the welfare activities.

The CSR Activities are monitored by the CSR Committee of the Board comprised of the following members:

i. Mr. G. S. Sundararajan, Independent Director
ii. Mr. Aditya Deepak Parekh, Nominee Director
iii. Mr. Ashwani Kumar, Managing Director & CEO

F. WEB LINK FOR ANNUAL RETURN

The Company is having website i.e., **www.utkarshcoreinvest.com**; and Annual Return of Company has been published on such website at the web-link :
https://www.utkarshcoreinvest.com/index.php/InvestorRelations/annuals_reports

G. DIRECTORS' RESPONSIBILITY STATEMENT

In Pursuance of Section 134(3) (C) of the Companies Act, 2013, your Directors do hereby confirm and declare that: In Pursuance of Section 134(3) (C) of the Companies Act, 2013, your Directors do hereby confirm and declare that:

a) in the preparation of the annual accounts for financial year ended March 31, 2021, the applicable accounting standards have been followed and there are no material departures from the same;

b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the FY 2021 and of the profit or loss of the Company for the FY 2021;

c) 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;

d) the Directors had prepared the annual accounts on a going concern basis and

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

H. ACKNOWLEDGMENT

Your Directors would like to express their sincere appreciation for the co-operation and assistance received from all the stakeholders including shareholders, bankers, regulatory bodies and other business constituents during the year under review.

The Directors of the Company are thankful to its customers for posing their faith in the products and services offered by Utkarsh Group and their continued patronage.

Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all the employees of the company, resulting in the committed performance of the Company and its subsidiaries during the year of review.

For and on behalf of the Board of Directors

G. S. Sundararajan
Chairperson
DIN - 00361030

Place: Chennai
Date: June 30, 2021

Ashwani Kumar
Managing Director & CEO
DIN - 07030311

Place: Varanasi
Date: June 30, 2021

ANNEXURE 'A'

COMMITTEES OF BOARD OF DIRECTORS

The Board functions either as a full Board or through various Committees which oversee specific operational or strategic matters.

The Board has constituted various such Committees of Directors, required as per the Companies Act, 2013, to monitor the activities falling within their terms of reference. Composition, date of meetings and name of the members of these Committees as on March 31, 2021 are given below:

Sl.	Name of the Committee	Members	No. of Meetings held During the FY2021	Date of Meetings
1.	Audit Committee of Board (ACB)	1.Mr. G. S. Sundararajan (Chairperson) 2.Ms. Ramni Nirula* (erstwhile Chairperson) 3.Mr. Atul 4.Mr. Harjeet Toor 5.Mr. Vishal Mehta#	4	09-Jun-2020 29-Sep-2020 02-Dec-2020 26-Mar-2021
2.	Corporate Social Responsibility (CSR) Committee	1.Mr. G. S. Sundararajan (Chairperson) 2.Mr. Aditya Deepak Parekh 3.Mr. Ashwani Kumar	1	09-Jun-2020
3.	Nomination & Remuneration Committee (NRC)	1.Mr. Atul (Chairperson) 2.Mr. G. S. Sundararajan 3.Mr. Gaurav Malhotra 4.Ms. Ramni Nirula*	2	29-Sep-2020 02-Dec-2020
4.	Share Allotment Committee (SAC)	1.Mr. Aditya Deepak Parekh 2.Mr. Harjeet Toor 3.Mr. Ashwani Kumar	3	09-May-2020 20-Oct-2020 01-Mar-2021

* Ms. Ramni Nirula's term of appointment expired on May 19, 2020, being the last date of her second consecutive term.

#Mr. Vishal Mehta had stepped down from the Board of UCL on September 29, 2020.

BOARD MEETINGS

The Board of Directors of the Company met nine (9) times during FY 2021. The maximum gap between any two (2) Board meetings was not more than one hundred and twenty (120) days at any point of time. The details of the Meetings conducted are as under:

Members	Directorship	Date of Meeting	No. of Meetings
Mr. G. S. Sundararajan	Chairperson, Independent Director	30-Apr-2020	9
Mr. Atul	Independent Director	09-Jun- 2020	
Ms. Ramni Nirula*	Independent Director	22-Jul-2020	
Mr. Aditya Deepak Parekh	Nominee Director	14-Aug-2020	
Mr. Gaurav Malhotra	Nominee Director	29-Sep-2020	
Mr. Harjeet Toor	Nominee Director	02-Dec-2020	
Mr. Vishal Mehta#	Nominee Director	30-Jan-2021	
Mr. Ashwani Kumar	Managing Director & CEO	15-Feb-2021 26-Mar-2021	

* Ms. Ramni Nirula's term of appointment expired on May 19, 2020, being the last date of her second consecutive term.

#Mr. Vishal Mehta had stepped down from the Board of UCL on September 29, 2020.

ATTENDANCE OF THE BOARD OF DIRECTORS

The details of the attendance of Directors at the Board Meetings, Committee Meetings and Annual General Meeting held during FY2021 along with the number of other Directorships and Committee Membership(s) / Chairmanship(s) held by them, are given below:

Sl.	Name of Director	DIN	Category	BOD*	ACB*	CSR*	NRC*	SAC*	No. of Directorship	
Number of meetings held during the FY 2021				9	4	1^	2	3	Public	Private
1.	Mr. G. S. Sundararajan	00361030	Chairperson, Independent Director	9	4	1	2	-	7	1
2.	Mr. Atul	07711079	Independent Director	9	4	-	2	-	1	-
3.	Ms. Ramni Nirula**	00015330	Independent Director	1	-	-	-	-	7	2
4.	Mr. Aditya Deepak Parekh	02848538	Nominee Director	7	-	-	-	3	1	9
5.	Mr. Gaurav Malhotra	07640504	Nominee Director	8	-	-	2	-	1	3
6.	Mr. Harjeet Toor	02678666	Nominee Director	5	4	-	-	3	2	1
7.	Mr. Vishal Mehta#	00256331	Nominee Director	4	1	-	-	-	2	4
8.	Mr. Ashwani Kumar	07030311	MD & CEO	9	-	1	-	3	1	1

* BOD : Board of Directors Meetings
* ACB : Audit Committee of Board Meetings
* CSR : Corporate Social Responsibility Committee Meetings
* NRC : Nomination & Remuneration Committee Meetings
* SAC : Share Allotment Committee Meetings

^The CSR Committee met once only during the year, as there were no specific CSR Activities mandated, owing to no minimum 2% CSR contribution requirement for FY2021 [on account of a negative average profits of last three (3) years for the company].

** Ms. Ramni Nirula's term of appointment expired on May 19, 2020, being the last date of her second consecutive term.

#Mr. Vishal Mehta had stepped down from the Board of UCL on September 29, 2020.

SECRETARIAL AUDIT REPORT: Form No. - MR-3

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2021

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

To,

The Members,
Utkarsh Coreinvest Limited,
CIN: U65191UP1990PLC045609
S-24 /1-2, 4th Floor, Mahavir Nagar, Orderly bazar,
New Mahavir Mandir, Varanasi, Uttar Pradesh,
India – 221002.

We have conducted Secretarial Audit of compliance with the applicable statutory provisions and adherence to good corporate practices by **Utkarsh Coreinvest Limited** (hereinafter called 'the Company') for the **Financial Year** ended **31st March, 2021**. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books and papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the **Financial Year ended 31st March, 2021** complied with statutory provisions listed hereunder and also, that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books and papers, minute books, forms and returns filed and other records maintained by the Company for the **Financial Year ended 31st March, 2021** according to the provisions of:

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

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder **[Not applicable as the securities of the Company are not listed on any Stock Exchange].**

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

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; **[Not applicable to the extent of Overseas Direct Investment and External Commercial Borrowings];**

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): **[Not applicable as the securities of the Company are not listed on any of the Stock Exchange];**

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

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

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

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

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

f) 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;

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

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

i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;

(vi) The management has identified and confirmed the following laws as being specifically applicable to the Company:

a) Reserve Bank of India Act, 1934 and guidelines made there under;

b) Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016, and circulars issued, guidelines made thereunder;

c) Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions 2016 and modifications thereof.

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

(i) Secretarial Standards with respect to Meetings of Board of Directors **(SS-1)** and General Meetings **(SS-2)** issued by The Institute of Company Secretaries of India;

(ii) Listing Agreement entered into with the Stock Exchanges. **[Not applicable as the securities of the Company are not listed on any Stock Exchange];**

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

We further report that:

(i) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, and Independent Directors. Changes in the composition of Board of Directors that took place during the year under review, were carried out in compliance with the provisions of the Act;

(ii) Adequate notice is given to all Directors to schedule Board Meetings; agenda and detailed notes on agenda were sent at least seven days in advance before the meeting except where consent of directors was received for receiving notice of meetings, circulation of the Agenda and notes on Agenda at a shorter notice, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting;

(iii) As recorded in the minutes, all the decisions of the Board and Committees thereof were carried through with requisite majority.

We further report that based on the representation made by the Company and on the basis of the internal Compliance Certificate(s) taken on record by the Board of Directors at their meeting(s), we are of the opinion that the management has adequate systems and processes commensurate with its size and operations, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines, and

(i) As informed, the Company has responded appropriately to notices received from various statutory/ regulatory authorities including, payment of penalties/ compounding fees, initiating actions for corrective measures, wherever found necessary.

We further report that during the review period, following major action having a bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. above have taken place: -

(i) The Board of Directors of the Company had previously approved a Composite Scheme of Arrangement, between the Company, its Shareholders and Utkarsh Small Finance Bank Limited, its subsidiary Company and the same was filed with National Company Law Tribunal (NCLT), for approval. The Board of Directors vide their Circular Resolution dated 25th August, 2020 approved the withdrawal of the said Scheme from NCLT and the same has been withdrawn.

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

For **S. N. ANANTHASUBRAMANIAN & Co.**
Company Secretaries
ICSI Unique Code: P1991MH040400
Peer Review Cert. No.: 606/2019

Ashwini Rahul Vartak
Partner
ACS: 29643 | COP No.: 16723
ICSI UDIN : A029463C000434868

Date: June 08, 2021
Place: Thane

Annexure A

To,

The Members,
Utkarsh Coreinvest Limited,
CIN: U65191UP1990PLC045609
S-24 /1-2, 4th Floor, Mahavir Nagar, Orderly bazar,
New Mahavir Mandir, Varanasi, Uttar Pradesh,
India – 221002.

Our Secretarial Audit Report for the financial year ended 31st March, 2021 of even date is to be read along with this letter.

Management's Responsibility:

1. It is the responsibility of management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

Auditor's Responsibility:

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.

3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.

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

Disclaimer:

5. Due to the pandemic caused by COVID-19 and prevailing lockdowns /restrictions on movement of people imposed by the Government, for the purpose of issuing the Report, we have conducted our audit remotely based on the records and information made available to us by the Bank electronically.

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

7. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

For **S. N. ANANTHASUBRAMANIAN & Co.**
Company Secretaries
ICSI Unique Code: P1991MH040400
Peer Review Cert. No.: 606/2019

Ashwini Rahul Vartak
Partner
ACS: 29463 | COP No.: 16723
ICSI UDIN : A029463C000434868

Date: June 08, 2021
Place: Thane

INDEPENDENT AUDITOR'S REPORT

To the Members of
Utkarsh CoreInvest Limited
(Formerly known as Utkarsh Micro Finance Limited)

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of **Utkarsh CoreInvest Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and notes to the standalone Ind AS financial statements including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "standalone Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 accounting principles generally accepted in India including the Indian Accounting Standards ("Ind AS") prescribed under section 133 of the Act, of the state of affairs of the Company as at March 31, 2021, its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing (SAs) prescribed under section 143(10) of the Act. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the standalone Ind AS 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 standalone Ind AS financial statements under the provisions of the Act and Rules thereunder and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the standalone Ind AS financial statements.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the Standalone Ind AS financial statements, consolidated Ind AS financial statements and our auditor's report thereon.The other information is expected to be made available to us after the date of this report.

Our opinion on the Standalone Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the Standalone Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether such other information is materially inconsistent with the Standalone Ind AS Financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Standalone Ind AS 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 Standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind Accounting Standards prescribed under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Ind AS 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.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Standalone Ind AS 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 this standalone Ind AS financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Standalone Ind AS financial statements, including the disclosures, and whether the Standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

(2) As required by section 143(3) of the Act, we report that:

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

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

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

d. In our opinion, the aforesaid Standalone Ind AS financial statements comply with the Ind Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;

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

f. With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure 2";

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, In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid/ provided 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, 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 Standalone Ind AS financial statements – Refer Note 21 and 22 to the 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.

For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 103523W / W100048

Purushottam Nyati
Partner
Membership No. 118970
UDIN: 21118970AAAAFN8563

Place: Mumbai
Date: June 30, 2021

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section in the Independent Auditor's Report of even date to the members of Utkarsh CoreInvest Limited on the standalone financial statements for the year ended March 31, 2021]

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

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a program of physical verification of fixed assets to cover all the items in a phased manner over a period of 1 year, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, fixed assets were physically verified by the management during the year and no material discrepancies were noticed on such verification.

(c) The Company does not own any immovable property and hence, Matters specified in paragraph 3(i)(c) of the Order are not applicable to the Company.

(ii) The Company is a Non-Banking Finance Company ("NBFC"). Accordingly, it does not hold any inventory. Hence the provisions of Clause 3(ii) of the said order is not applicable to the company.

(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 Act. Accordingly, clause 3(iii) of the Order is not applicable to the Company.

(iv) The Company has not granted any loans, made investments or provided guarantees under section 185 and has complied with the provisions of Section 186(1) of the Act. The Company being a NBFC, nothing contained in Section 186 is applicable, except subsection (1) of that section.

(v) In our opinion, the Company has not accepted any deposits from the public within the provisions of sections 73 to 76 of the Act and the rules framed there under. Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) The Central Government has not prescribed the maintenance of cost records for any of the services rendered by the Company under sub-section (1) of section 148 of the Act and the rules framed there under.

(vii) (a) The Company is regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, income tax, goods and service tax (GST), cess and any other material statutory dues applicable to it and no undisputed amounts payable in respect of provident fund, income tax, GST, cess and any other material statutory dues applicable to it, were outstanding, at the year end, for a period of more than six months from the date they became payable. As explained to us, the company did not have any dues on account of Employee's State Insurance, Duty of Customs and Duty of Excise.

(b) There are no dues with respect to income tax, sales tax, service tax, value added tax, GST, which have not been deposited on account of any dispute except-

Nature of Statutory Dues	Forum where pending	Amount involved (Rs. In Million)
Income tax	CIT(A)	10.39

(viii) During the year, the Company has not taken any loans or borrowings from any financial institution, bank or government nor has it issued any debentures. Accordingly, clause 3(viii) of the Order is not applicable to the Company.

(ix) The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) or term loans during the year. Accordingly, clause 3(ix) of the Order is not applicable to the Company.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or any fraud on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such instance by the management.

(xi) Managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Therefore, clause 3(xii) of the Order is not applicable to the Company.

(xiii) All transactions entered into by the Company with the related parties are in compliance with section 188 of Act, where applicable and the details have been disclosed in the Financial Statements as required by the applicable Indian Accounting standards.

(xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Therefore, clause 3(xiv) of the Order is not applicable to the Company.

(xv) The Company has not entered into any non-cash transactions with directors or persons connected with him during the year and hence provisions of section 192 of the Act are not applicable.

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

For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 103523W / W100048

Purushottam Nyati
Partner
Membership No. 118970
UDIN: 21118970AAAAFN8563

Place : Mumbai
Date : June 30, 2021

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 2(f)under 'Report on Other Legal and Regulatory Requirements' section in our Independent Auditor's Report of even date to the members of Utkarsh CoreInvest Limited on the Standalone Ind AS financial statements for the year ended March 31, 2021]

Report on the Internal Financial Controls with reference to Financial Statements under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial statements of **Utkarsh CoreInvest Limited** ("the Company") as of March 31, 2021 in conjunction with our audit of the Standalone 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 with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing specified under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements 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 with reference to financial statements and their operating effectiveness.

Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls 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 obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with reference to Financial Statements

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements 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 with reference to Financial Statements

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal controls stated in the Guidance Note issued by the ICAI.

For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No.103523W/W100048

Purushottam Nyati
Partner
Membership No.118970
UDIN: 21118970AAAAFN8563

Place : Mumbai
Date : June 30, 2021

Utkarsh CoreInvest Limited
(Formerly known as Utkarsh Micro Finance Limited)
Standalone Balance Sheet as at 31 March 2021
(All amounts are in Rupees millions unless otherwise stated)

	Notes	As at 31 March 2021	As at 31 March 2020
Assets			
Financial assets			
Cash and cash equivalents	3	35.33	15.35
Bank balance other than above	3	293.91	229.16
Other financial assets	4	6.30	7.10
Non-financial assets			
Investments in subsidiaries	5	7,855.12	7,816.09
Current tax assets (net)		119.75	121.63
Property, plant and equipment	7	0.51	0.92
Other non-financial assets	8	0.21	8.51
Total assets		**8,311.13**	**8,198.76**

Liabilities and equity

	Notes	As at 31 March 2021	As at 31 March 2020
Liabilities			
Financial liabilities			
Other financial liabilities	9	5.21	3.36
Non-financial liabilities			
Provisions	10	0.60	0.18
Other non-financial liabilities	11	0.35	0.39
Equity			
Equity share capital	12	976.46	973.99
Other equity	13	7,328.51	7,220.84
Total liabilities and equity		**8,311.13**	**8,198.76**

Summary of significant accounting policies 2
The accompanying notes are an integral part of these standalone financial statements.

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 30 June 2021

Place: Varanasi & Chennai*
Date: 30 June 2021

Utkarsh CoreInvest Limited
(Formerly known as Utkarsh Micro Finance Limited)
Standalone Statement of Profit and Loss for the year ended 31 March 2021
(All amounts are in Rupees millions unless otherwise stated)

	Notes	For the year ended 31 March 2021	For the year ended 31 March 2020
Other income	14	33.88	62.05
Total income		**33.88**	**62.05**
Expenses			
Employee benefits expenses	15	9.92	9.00
Depreciation	16	0.41	0.74
Others expenses	17	20.80	32.05
Total expenses		**31.13**	**41.79**
Profit/(Loss) before tax		2.75	20.26
Tax Expense:			
Current tax	6	1.42	6.31
Tax for earlier years	6	-	8.45
Profit/(Loss) for the year		**1.33**	**5.50**
Other comprehensive income			
Items that will not be reclassified to profit or loss :			
• Actuarial gain/(loss) on defined benefit obligation*		0.00	0.00
• Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss		-	-
Total		**0.00**	**0.00**
Total Comprehensive Income for the year		**1.33**	**5.51**

**Absolute amount for 31 March 21 is INR 512 (31 March 2020: INR 4,948)*

	Notes	For the year ended 31 March 2021	For the year ended 31 March 2020
Earnings per equity share			
Basic earnings per share of INR 10 each	32	0.01	0.06
Diluted earnings per share of INR 10 each	32	0.01	0.06

Summary of significant accounting policies 2
The accompanying notes are an integral part of these standalone financial statements.

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 30 June 2021

Place: Varanasi & Chennai*
Date: 30 June 2021

Utkarsh CoreInvest Limited
(Formerly known as Utkarsh Micro Finance Limited)
Cash Flow Statement for the year ending 31 March 2021
(All amounts are in Rupees millions unless otherwise stated)

	Notes	For the year ended 31 March 2021	For the year ended 31 March 2020
A. CASH FLOW FROM OPERATING ACTIVITES			
Net Profit/(loss) before Tax		**2.75**	**20.26**
Adjustments for:			
Depreciation and amortisation		0.41	0.74
Loss on sale of property, plant and equipment		-	0.46
Interest income		(21.12)	(36.57)
Operating (Loss)/profit before Working Capital Changes		**(17.96)**	**(15.11)**
Adjustments for:			
Decrease in other financial assets		14.97	32.15
Decrease in other non financial asset		8.30	0.10
Increase/(Decrease) in other financial liability		1.85	(0.31)
(Decrease)/Increase in other non financial liability		(0.04)	0.16
Increase/(Decrease) in provision		0.42	(0.86)
Cash Flow before taxation		**25.50**	**31.24**
Income Tax (paid)/ refund - Net		0.46	(11.25)
Net cash flow from operating activities		**8.00**	**4.89**
B. CASH FLOW FROM INVESTING ACTIVITIES			
Investments in subsidiaries		0.00	(601.48)
Net sale of mutual funds		-	0.22
Interest income		13.25	30.92
Net proceeds from sale of property, plant and equipments		-	0.40
Fixed deposits with maturity of more than three months		(56.88)	(128.32)
Net cash used in Investing Activities		**(43.63)**	**(698.26)**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Issue of Equity Shares including Securities premium		55.60	30.82
Net cash flow from Financing Activities		**55.60**	**30.82**
Net (Decrease)/Increase in Cash and Cash Equivalent Flow (A+B+C)		19.98	(662.55)
Opening Cash and Cash Equivalent	3	15.35	677.90
Closing Cash and Cash Equivalent	3	35.33	15.35

Summary of significant accounting policies 2
The accompanying notes are an integral part of these standalone financial statements

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

Purushottam Nyati
Partner
Membership No: 118970

Place: Mumbai
Date: 30 June 2021

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Varanasi & Chennai*
Date: 30 June 2021

Utkarsh CoreInvest Limited
(Formerly known as Utkarsh Micro Finance Limited)
Standalone statement of changes in equity as at year ended 31 March 2021
(Amount in millions unless otherwise stated)

A. Equity Share Capital

	Balance as at 1 April 2019	Changes during the year	Balance as at 31 March 2020	Changes during the year	As at 31 March 2021
Paid up share capital	972.02	1.97	973.99	2.47	976.46
	972.02	**1.97**	**973.99**	**2.47**	**976.46**

B. Other Equity

	Reserve and Surplus									Other Comprehensive Income		
	Share application money pending allotment	Equity component of financial instruments	Statutory reserve	Other Equity - Fair valuation changes	Capital redemption reserve	Securities premium	ESOP Reserve	Treasury shares	Retained earnings	Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss	Actuarial gain / loss on post employment defined benefit plan	Total
Balance as at 1 April 2019	**0.66**	**(109.01)**	**207.23**	**4,121.67**	**90.00**	**6,302.31**	**52.00**	**(5.08)**	**(3,372.36)**	**(160.62)**	**(0.13)**	**7,126.66**
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	5.50	-	0.00	5.51
Issue of equity shares	(0.66)	-	-	-	-	-	-	-	-	-	-	(0.66)
Transfer to / from retained earnings	-	-	1.10	-	-	-	-	-	(1.10)	-	-	-
Share options exercised	-	-	-	-	-	32.36	(10.53)	1.35	-	-	-	23.18
Equity settled share based plan	-	-	-	-	-	-	59.82	-	-	-	-	59.82
Share application money received	6.32	-	-	-	-	-	-	-	-	-	-	6.32
Balance as at 31 March 2019	**6.32**	**(109.01)**	**208.33**	**4,121.67**	**90.00**	**6,334.67**	**101.29**	**(3.73)**	**(3,367.96)**	**(160.62)**	**(0.13)**	**7,220.84**
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	1.33	-	0.00	1.33
Share options exercised	-	-	-	-	-	36.20	(10.99)	0.56	-	-	-	25.76
Transfer to / from retained earnings	-	-	0.40	-	-	-	(2.97)	-	2.57	-	-	-
Equity settled share based plan	-	-	-	-	-	-	53.21	-	-	-	-	53.21
Shares issued	(6.32)	-	-	-	-	-	-		-	-	-	(6.32)
Share application money received	33.69	-	-	-	-	-	-	-	-	-	-	33.69
As at 31 March 2021	**33.69**	**(109.01)**	**208.73**	**4,121.67**	**90.00**	**6,370.87**	**140.54**	**(3.17)**	**(3,364.06)**	**(160.62)**	**(0.13)**	**7,328.51**

Summary of significant accounting policies 2
The accompanying notes are an integral part of these standalone financial statements.

As per our report of even date attached

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

Purushottam Nyati
Partner
Membership No: 118970

Place: Mumbai
Date: 30 June 2021

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Varanasi & Chennai*
Date: 30 June 2021

1. Reporting Entity

Utkarsh Coreinvest Limited ("the Company' or 'Holding Company") is domiciled in India. The Company is having its registered office at Varanasi. The Company was formerly known as Utkarsh Micro Finance Limited and got the name changed to Utkarsh Coreinvest Limited w.e.f. 11 October 2018.

The company was primarily engaged in the business of micro finance, following group lending methodology and providing small value unsecured bank loans to lower income group of below poverty line ('BPL') in urban and rural areas. During the financial year 2016-17, the Company executed a business transfer agreement with its subsidiary Company 'Utkarsh Small Finance Bank Limited' ('USFB') and transferred all its assets and liabilities (except certain statutory assets, vehicle and statutory liabilities). Accordingly, the business of micro finance was also transferred to USFB.

On 3 May 2018, the RBI has granted its approval to the Holding Company for carrying on the business of a Non-Deposit taking- Systemically Important Core Investment Company (CIC-ND-SI) under the Certificate No C.07.00781.

2. Significant Accounting Policies

The Company has consistently applied the following accounting policies to all periods presented in the financial statements.

a. Basis of preparation

i. Statement of compliance

The financial statements of the Company comply in all material aspects with Indian Accounting Standards ("Ind AS") as prescribed under Section 133 of the Companies Act, 2013 ("the Act"), as notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) and other relevant provisions of the Act.

These financial statements were authorized for issue by the Company's Board of directors on 30 June 2021.

The Company is regulated by the Reserve Bank of India ('RBI'). The RBI periodically issues/amends directions, regulations and/or guidance (collectively "Regulatory Framework") covering various aspects of the operation of the Company, including those relating to accounting for certain types of transactions. The Regulatory Framework contains specific instructions that need to be followed by the Company in preparing its financial statements. The financial statements for the current and previous year may need to undergo changes in measurement and / or presentation upon receipt of clarifications on the Regulatory Framework or changes thereto.

ii. Basis of measurement

These financial statements have been prepared on a historical cost basis, except for Net defined benefit (asset)/ liability - fair value of plan assets less present value of defined benefit obligation.

iii. Functional and presentation currency

These financial statements are presented in Indian Rupee (INR), which is the Company's functional currency. All amounts have been rounded to the nearest million rupees, unless otherwise stated.

iv. Use of judgements and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Management believes that the estimates used in the preparation of these financial statements are prudent and reasonable. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

A. Judgements

Information about the judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the standalone financial statements have been given below:

Note 29 - classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the standalone financial statements for every period ended is included below:

- Note 25 - measurement of defined benefit obligations: key actuarial assumptions.
- Note 7 - useful life and residual value of property, plant and equipment
- Note 29 - impairment of financial assets: key assumptions in determining the average loss rate
- Note 29 - fair value measurement of financial instruments

b. Revenue Recognition

i. Dividend income is accounted on an accrual basis when the right to receive the dividend is established. This is generally when the shareholders approve the dividend.

ii. Income from interest on deposits and interest bearing securities is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

iii. All other fees are accounted for as and when they become due.

c. 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.

Financial assets

Initial recognition and measurement

The Company initially recognizes loans and advances on the date on which they are originated. All other financial assets are recognized on the trade date, which is the date on which the Company becomes a party to the contractual provision of the instrument.

Financial instrument are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at Fair value through profit or loss (FVTPL), transaction costs are added to, subtracted from, this amount. Trade receivables are measured at the transaction price.

Classification and subsequent measurement

Classifications

The Company classifies its financial assets as subsequently measured at either amortized cost or fair value depending on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- The frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Debt instruments at amortised cost

A financial asset is measured at amortized cost only if both of the following conditions are met:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method. Amortized 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 amortization is included in finance income in the profit or loss. The losses arising from ECL impairment are recognized in the profit or loss.

Debt instrument at fair value through Other Comprehensive Income (FVTOCI)

A financial asset is measured at amortised cost only if both of the following conditions are met:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

After initial measurement, such financial assets are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (OCI). Interest income is recognized basis EIR method and the losses arising from ECL impairment are recognized in the profit or loss.

Debt instrument at fair value through profit and loss (FVTPL)

Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

Instruments at fair value through profit and loss (FVTPL)

The Company classifies its investment in financial assets at fair value through profit and loss. The said classification depends upon the entity's business model for managing the financial assets and the contractual terms of the cash flow. The said assets are measured at fair value whose gains and losses shall be recorded in statement of profit or loss.

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights 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 (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. If the Company evaluates that substantial risk and reward have not been transferred, the Company continues to recognize the transferred asset. If the Company evaluates that substantial risk and rewards are neither transferred nor retained and the control of the asset is also not transferred, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or amortized cost, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of amortized cost, net of directly attributable transaction costs.

Classification and subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities measured at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in the statement of profit and loss.

Financial liabilities designated at fair value through profit and loss

When a financial liability contract contains one or more embedded derivative, the Company may designate the entire hybrid contract as at fair value through profit and loss unless:

- the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or
- it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortized cost.

The fair valuation change on the liabilities subsequently measured at fair value through profit and loss account is recognized in profit and loss account except the changes in the liability's credit risk, which is recognized in 'Other Comprehensive Income'

Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability or equity based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability or equity recognized with modified terms is recognized in profit or loss or in other equity in case the same is a transaction with the shareholders.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously ('the offset criteria').

Fair value measurement

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Company has classified the financial instruments based on a hierarchy of valuation techniques, as summarized below:

Level 1 financial instrument, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 financial instrument, if there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction like quoted price for identical instruments, interest rates and yields adjusted for condition and location of the asset or to the extent to which it relates.

Level 3 financial instrument, if adjustments are based on one or more unobservable inputs where there is no market activity for the asset or liability at the measurement date

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument.

d. Impairment of Financial Assets

Impairment of financial instruments

The Company recognizes impairment allowances for ECL on all the financial assets that are not measured at FVTPL:

- Financial assets that are debt instruments
- Bank balance
- Other financial assets

No impairment loss is recognized on equity investments.

ECL are probability weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit impaired – as the present value of all cash shortfalls that are possible within 12 months after the reporting date.
- Financial assets with significant increase in credit risk but not credit impaired – as the present value of all cash shortfalls that result from all possible default events over the expected life of the financial asset.
- Financial assets that are credit impaired – as the difference between the gross carrying amount and the present value of estimated cash flows.

With respect to other financial assets, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For financial assets at FVTOCI, the loss allowance is recognized in the Statement of Profit or Loss.

e. Investment in Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amounts are recognized in the Statement of Profit and Loss.

f. Foreign Currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the Statement of Profit and Loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year end rates. The resultant exchange differences are recognized in the Statement of Profit and Loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g. Property, Plant and Equipment (PPE)

Initial Measurement

Property, plant and equipment are stated at cost less accumulated depreciation as adjusted for impairment, if any.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as a separate item (major components) of property, plant and equipment. Any gain on disposal of property, plant and equipment is recognized in statement of Profit and loss.

The Company has elected to continue with the carrying value for all of its property, plant and equipment as recognized in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and used it as its deemed cost as at the date of transition.

Subsequent Measurement

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

Impairment

Carrying amounts of cash generating assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is recognised in the statement of Profit and Loss whenever the carrying amount exceeds the recoverable amount.

Depreciation

Depreciation is provided as per straight-line method from the date of addition over the estimated useful life of the asset. The management believes that depreciation rates currently used, fairly reflect its estimate of the useful lives and residual values of property, plant and equipment which are in accordance with lives prescribed under Schedule II of Companies Act, 2013.

Depreciation methods, useful lives and residual values are reviewed in each financial year end and changes, if any, are accounted for prospectively.

h. Employee benefits

i. **Short term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Share-based payment arrangements

The Company has formulated an Employees Stock Option Scheme to be administered through a Trust and also issues options to employees which are not routed through trust. The scheme provides that subject to continued employment with the Company, the employees are granted an option to acquire equity shares of the Company that may be exercised within a specified period.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

iii. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. The Company has following defined contribution plans:

Provident Fund

The Company contributes to mandatory government administered provident funds which are defined contribution schemes as the Company does not carry any further obligation, apart from the contributions made on a monthly basis. The contributions are accounted for on an accrual basis and recognized in the statement of Profit and Loss

iv. Defined benefit plans

The Company's net obligation in respect of gratuity is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

v. **Other long-term employee benefits**

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

i. Income Tax

Income tax expense comprises of current tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in Other Comprehensive Income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Company:

- has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

j. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

k. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors of the Company has been identified as the chief operating decision maker for the Company.

l. Provision, Contingent Liabilities and Contingent Assets

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

The provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate.

A disclosure for Contingent Liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Where an inflow of economic benefits is probable, an entity shall disclose a brief description of the nature of the contingent assets at the end of the reporting period, and, where practicable, an estimate of their financial effect.

Contingent assets are not recognized in the financial statements but disclosed, where an inflow of economic benefit is probable.

m. Leases

The Company's lease asset class consists of lease for building taken on lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company recognizes the lease payments associated with these leases as an expense over the lease term.

n. Recent Accounting pronouncements

On 24 March 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 01, 2021. Key amendments relating to Division III which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

Balance Sheet:

- Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.
- Specified format for ageing schedule of trade receivables, trade payables, capital work-in -progress and intangible asset under development.
- Specified format for disclosure of shareholding of promoters.
- If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.
- Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held, utilization of borrowed funds etc.

Statement of Profit or Loss:

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

Utkarsh CoreInvest Limited
(Formerly known as Utkarsh Micro Finance Limited)
Notes to standalone financial statements as at 31 March 2021
(Amount in millions unless otherwise stated)

	As at 31 March 2021	As at 31 March 2020
3 Cash and bank balances		
Cash and cash equivalents		
Balances with Banks		
- On current accounts	35.33	15.35
Total (A)	**35.33**	**15.35**
Bank balance other than above		
Deposits with maturities greater than three months	293.91	229.16
Total (B)	**293.91**	**229.16**
Grand Total (A) + (B)	**329.24**	**244.51**

Information about the Company's exposure to credit risk is included in Note 30

	As at 31 March 2021	As at 31 March 2020
4 Other Financial Assets:		
Receivable from Utkarsh Small Finance Bank Limited	6.29	7.09
Other recoverables	0.01	0.01
Total	**6.30**	**7.10**

Information about the Company's exposure to credit risk is included in Note 30

	As at 31 March 2021	As at 31 March 2020
5 Investments in subsidiaries		
Investment in -		
- 759,272,222 (31 March 2020: 759,272,222) Equity shares of Utkarsh Small Finance Bank Limited	7,854.62	7,815.59
- 50,000 (31 March 2020: 50,000) Equity shares of Utkarsh Welfare Foundation	0.50	0.50
	7,855.12	**7,816.09**

(Amount in millions unless otherwise stated)

6 Income tax

A. Amounts recognised in profit or loss

Particulars	For the year ended 31 March 2021	Year ended 31 March 2020
Current tax expense	1.42	6.31
Tax for earlier years	-	8.45
Tax expense	**1.42**	**14.76**

B. Reconciliation of effective tax rate

Particulars	For the year ended 31 March 2021		Year ended 31 March 2020	
	%	Amount	%	Amount
Profit before tax		2.75		20.26
Tax using the Company's domestic tax rate	25.17%	0.69	25.17%	5.10
Effect of:				
Permanent differences	9.19%	0.25	3.53%	0.72
Tax for earlier years	0.00%	-	41.70%	8.45
Tax exempt income	0.00%	-	0.00%	-
Change in unrecognised temporary differences	17.43%	0.48	1.81%	0.37
Others	0.00%	-	0.62%	0.13
Effective tax rate/tax expense	**51.79%**	**1.42**	**72.83%**	**14.76**

C. Uncertain tax positions

Claims against the company not acknowledged as debts in respect of Income Tax is INR 124.69 (31 March 2020: INR 114.30).

D. Unrecognised deferred tax balances

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

Particulars	As at 31 March 2021	As at 31 March 2020
Deductible temporary differences	0.94	0.46
Deferred tax on account of indexation on equity shares of investment in subsidiary	293.11	209.62
Total	**294.05**	**210.08**

Utkarsh CoreInvest Limited
(Formerly known as Utkarsh Micro Finance Limited)
Notes to standalone financial statements as at 31 March 2021
(Amount in millions unless otherwise stated)

7 Property, Plant and Equipment

Particulars	Gross value				Depreciation				Net value
	Balance as at 1 April 2019	Additions	Disposals	As at 31 March 2020	Balance as at 1 April 2019	For the year	Disposals	As at 31 March 2020	As at 31 March 2020
Owned Assets									
Vehicles	4.36	-	2.40	1.96	1.83	0.73	1.42	1.14	0.83
Computers	-	0.10	-	0.10	-	0.00	-	0.00	0.09
Total	**4.36**	**0.10**	**2.40**	**2.06**	**1.83**	**0.74**	**1.42**	**1.14**	**0.92**

Particulars	Gross value				Depreciation				Net value
	As at 31 March 2020	Additions	Disposals	As at 31 March 2021	As at 31 March 2020	For the year	Disposals	As at 31 March 2021	As at 31 March 2021
Owned Assets									
Vehicles	1.96	-	-	1.96	1.14	0.38	-	1.52	0.44
Computers	0.10	-	-	0.10	0.00	0.03	-	0.03	0.07
Total	**2.06**	-	-	**2.06**	**1.14**	**0.41**	-	**1.55**	**0.51**

(Amount in millions unless otherwise stated)

	As at 31 March 2021	As at 31 March 2020
8 Other non-financial assets		
Balance with tax authorities	-	8.23
Staff advances	-	0.02
Pre-paid expenses	0.21	0.26
Total	**0.21**	**8.51**
9 Other financial liabilities		
Employee benefits payable	1.22	0.94
Expenses payable	3.99	2.42
	5.21	**3.36**
Information about the Company's exposure to liquidity risk is included in note 30		
10 Provisions		
Provision for employee benefits		
Provision for gratuity	0.14	0.00
Provision for leave benefits	0.46	0.18
Total	**0.60**	**0.18**
Refer Note 25 for employee benefits		
11 Other non-financial liabilities		
Statutory dues payable	0.35	0.39
	0.35	**0.39**

(Amount in millions unless otherwise stated)

	As at 31 March 2021	As at 31 March 2020
12 Share capital		
Authorised		
Equity shares		
100,000,000 (31 March 2020: 100,000,000) Equity shares of INR 10 each	1,000.00	1,000.00
Issued, subscribed and paid-up		
Equity shares		
(97,645,891) (31 March 2020 - 97,398,806) equity shares of INR 10 each, fully paid up	976.46	973.99
	976.46	**973.99**

(a) Reconciliation of the number of shares outstanding is set out below:

Particulars	31 March 2021		31 March 2020	
	Number of shares (in units)	Amount	Number of shares (in units)	Amount
Outstanding as at the beginning of the year	9,73,98,806	973.99	9,72,01,786	972.02
Issued during the year	2,47,085	2.47	1,97,020	1.97
Outstanding at the end of the year	**9,76,45,891**	**976.46**	**9,73,98,806**	**973.99**

(b) Rights, preferences and restrictions attached to equity shares

The Company has single class equity shares having a par value of INR 10 per equity share. They entitle the holders to participate in the dividends in proportion to the number of shares held.

However, as per the Shareholders Agreement, in the event of liquidation, the net proceeds shall be distributed in the following manner:

- First preference shall be given to the Investors (ABF, AGIMDC II, AVMS, CDC, FCIEF II, FCIEF III, HDFC Ergo, HDFC Life, HDFC Ltd., Hero, ICICI Pru, IFC, JIF, Lok CGF, NMI, rAPM, RBL, Sarva Capital, SFRE-SICAV-SIF, Shriram and SIDBI), shareholders which have been allotted equity shares pursuant to ESOP plan 2010 and other shareholders (other than the shareholders which have been allotted equity shares pursuant to grant of employee stock option of the Company excluding ESOP Plan 2010)
- Second preference shall be with shareholders which have been allotted equity shares pursuant to grant of employee stock options of the Company (excluding ESOP Plan 2010) and sponsors of the Company.
- Remaining shareholders shall have third preference over the residual assets of the Company at the time of liquidation.

(c) Details of shareholder holding more than 5% shares is set below:

Equity shares	As at 31 March 2021		As at 31 March 2020	
Name of the shareholder	Number of shares (in units)	Amount	Number of shares (in units)	Amount
NMI Frontier Fund KS, Norway	77,02,602	7.89%	77,02,602	7.91%
CDC Group PLC	1,37,26,978	14.06%	1,37,26,978	14.09%
Faering Capital India Evolving FUND II	76,60,082	7.84%	76,60,082	7.86%
RBL Bank Limited	97,02,950	9.94%	97,02,950	9.96%
	3,87,92,612	**39.73%**	**3,87,92,612**	**39.83%**

(d) Shares reserved for issue under options - Refer Note 26 for details of shares to be issued under employee stock option plan.

(e) Pursuant to Shareholder Agreement dated September 27, 2016 (post receipt of RBI's in-principle approval for issue of SFB licence) and subsequent amendments thereto, Mr. Govind Singh was to be issued upto three percent (3%) of the paid up share capital of the promoter company either by the promoter company or by the SFB entity on a fully diluted basis within a period of Six (6) years from the date of commencement of banking operations i.e. upto January 22, 2023.

Subject to RBI approval, the Board of Directors of the Bank has, vide the resolution passed at its meeting held on January 14, 2020, read along with resolution passed by it on July 20, 2020, approved the grant of options equivalent to 0.60% of the paid up share capital of the Bank as of March 31, 2020 constituting 4,555,633 Equity Shares to Mr. Govind Singh, Managing Director and Chief Executive Officer of the Bank under the MD & CEO ESOP Plan. However, as on date, pending RBI approval, no options have been granted to Mr. Govind Singh.

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(Amount in millions unless otherwise stated)

	As at 31 March 2021	As at 31 March 2020
13 Other equity		
Capital redemption reserve		
Balance as at the beginning of the year	90.00	90.00
Add: Transfer from surplus in Statement of Profit and Loss	-	-
Balance as at the end of the year	**90.00**	**90.00**
Securities premium		
Balance as at the beginning of the year	6,334.67	6,302.31
Add: Transfer from stock option outstanding	36.20	32.36
Balance as at the end of the year	**6,370.87**	**6,334.67**
Employees stock options outstanding		
Balance as at the beginning of the year	101.29	52.00
Add: Compensation for options granted	53.21	59.82
Less: Transfer to Retained Earnings	(2.97)	-
Exercise of stock options	(10.99)	(10.53)
Balance as at the end of the year	**140.54**	**101.29**
Equity component of financial instruments		
Balance as at the beginning of the year	(109.01)	(109.01)
Balance as at the end of the year	**(109.01)**	**(109.01)**
Remeasurement of defined benefit plans		
Balance as at the beginning of the year	(0.13)	(0.13)
Other comprehensive income	0.00	0.00
Balance as at the end of the year	**(0.13)**	**(0.13)**
Statutory reserve		
Balance as at the beginning of the year	208.33	207.23
Add: Transferred from surplus	0.40	1.10
Balance as at the end of the year	**208.73**	**208.33**
Other Equity - Fair valuation changes		
Balance as at the beginning of the year	4,121.67	4,121.67
Add: Fair valuation of equity share capital	-	-
Less: Loss on extinguishment	-	-
Balance as at the end of the year	**4,121.67**	**4,121.67**
Retained earnings		
Balance as at the beginning of the year	(3,367.96)	(3,372.36)
Add: Profit/(loss) for the year	1.33	5.50
Add: Amount transferred to statutory reserve (created under Section 45-1C of RBI Act, 1934)	(0.40)	(1.10)
Add: ESOP Reserve Adjustment	2.97	-
Balance as at the end of the year	**(3,364.06)**	**(3,367.96)**

	As at 31 March 2021	As at 31 March 2020
Share Application money pending allotment		
Balance as at the beginning of the year	6.32	0.66
Shares issued during the year	(6.32)	(0.66)
Share application money received during the year	33.69	6.32
	33.69	**6.32**
Treasury shares		
Balance as at the beginning of the year	(3.73)	(5.08)
Treasury shares exercised during the year	0.56	1.35
Balance as at the end of the year	**(3.17)**	**(3.73)**
Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss		
Balance as at the beginning of the year	(160.62)	(160.62)
Total Comprehensive Income for the year	-	-
	(160.62)	**(160.62)**
Total	**7,328.51**	**7,220.84**

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Nature and purpose of other reserve :

Capital Redemption Reserve

Capital Redemption Reserve represents amount transferred from surplus in statement of profit and loss towards redemption of preference shares without fresh issue of capital, as was required under Companies Act, 2013.

Securities premium

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

ESOP Reserve

The said amount is used to recognise the grant date fair value of options issued to employees under Utkarsh CoreInvest Ltd and its subsidiary Utkarsh Small Finance Bank.

Equity component of financial instruments

This represents the equity component of the financial liability created on account of classification of equity share capital as financial liability.

Remeasurement of defined benefit plans

Remeasurements of defined benefit plans represents the following as per Ind AS 19, Employee Benefits:

(a) actuarial gains and losses

(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and

(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)

Statutory reserve

The said reserve has been created under Section 45-IC of Reserve Bank of India Act, 1934. As per the said section, every Non-Banking Financial Company shall create a reserve fund and transfer a sum not less than 20% of net profit every year before declaration of dividend.

Other Equity - Fair valuation changes

The said reserve represents the premium amount paid by the shareholders transferred on account of reclassification of equity share capital as financial liabilities. During the year ended 31 March 2019, due to substantial modification of the shareholder agreement, the Company has reclassified the equity share capital from financial liability to equity. Accordingly, the amount debited to said reserve in the previous periods was credited. Further, on the date of said reclassification, the Company has recorded the equity at the fair valuation on the date of reclassification and accordingly, the impact of the same has been booked in other equity. Loss on extinguishment of financial liability has been recorded in the said reserve.

Retained Earnings

The said amount represents accumulated surplus/(deficit) of the profits earned by the Company.

Share Application money pending allotment

This amount represents amount received from share holders against which shares are yet to be allotted.

Treasury shares

The said amount represents shares issued to the ESOP trust and subsequently issued to the employees of the Company.

Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss

The said amount represents fair value changes on financial liabilities designated at fair value through profit or loss relating to own credit risk which is recognised in other comprehensive income.

Utkarsh CoreInvest Limited
(Formerly known as Utkarsh Micro Finance Limited)
Notes to standalone financial statements as at 31 March 2021
(Amount in millions unless otherwise stated)

	For the year ended 31 March 2021	For the year ended 31 March 2020
14 Other Income		
Interest on financial assets at amortised cost	21.12	36.57
Recovery from written off portfolio	12.26	24.70
Miscellaneous income	0.50	0.79
Total	**33.88**	**62.05**
15 Employee benefit expenses		
Salaries and bonus	8.95	8.28
Contribution to provident and other funds	0.39	0.50
Share based payment to employees	0.16	0.22
Staff welfare expenses	0.42	-
Total	**9.92**	**9.00**
16 Depreciation		
Depreciation of property, plant and equipment	0.41	0.74
Total	**0.41**	**0.74**
17 Other expenses		
Repairs and maintenance	0.00	0.08
Contribution towards Corporate Social Responsibilities (refer note 18 below)	1.00	4.00
Legal and professional charges (Refer note 19 on auditor remuneration below)	7.45	17.57
Loss on sale of property, plant and equipment	-	0.46
Director sitting fees	2.05	1.32
RBI Compounding fees	-	4.31
Communication expenses	0.06	-
Miscellaneous expenses #	9.29	3.38
Lease rent *	0.95	0.93
Total	**20.80**	**32.05**
* Represents lease rentals for short term leases in the current year # Includes INR 0.01 (31 March 2020 INR 1.2) for director travel		
18 Details of corporate social responsibility expenditure		
Average net profit of the Company for last three financial years	(660.80)	(512.96)
Prescribed CSR expenditure to be spent (2% of the average net profit)	Nil	Nil
Amount spent	1.00	4.00
Amount unspent	Nil	Nil

As per Section 135 of the Companies Act 2013, the Company has formed a CSR Committee of the Board of Directors. The CSR Committee has also approved a CSR Policy where certain focus areas out of list of activities covered in Schedule VII of the Companies Act 2013, has been identified.

	For the year ended 31 March 2021	For the year ended 31 March 2020
19 Auditors remuneration (Included in legal and professional charges, excluding taxes)		
Payments to auditor (excluding tax)		
- Statutory auditor	1.40	1.80
- Other services	-	0.40
- Reimbursement of expenses	-	0.06
Total	**1.40**	**2.26**

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(Amount in millions unless otherwise stated)

20 Amounts payable to Micro and Small enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2021 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Particulars	As at 31 March 2021	As at 31 March 2020
Principal amount remaining unpaid to any supplier as at the end of the year.	1.5	0.8
Interest due thereon remaining outstanding as at the end of the year.	Nil	Nil
The amount of interest paid by the buyer as per Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
The amount of the payments made to micro and small suppliers beyond the appointed date during each accounting year.	Nil	Nil
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 period) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the accounting year.	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil

21 A. Contingent liabilities

Claims against the company not acknowledged as debts in respect of Income Tax is INR 124.69 (31 March 2020: INR 114.30).

B. Commitments

There are no commitments as at 31 March 2021 and 31 March 2020.

C. Contingent assets

There are no contingent assets as at 31 March 2021 and 31 March 2020.

22 Details of pending litigations

	As at 31 March 2021	As at 31 March 2020
Proceedings by Company against theft	2.51	2.51

An amount of INR 0.14 (31 March 2020: 0.14) has been recovered in earlier years and INR 2.37 (31 March 2020 : 2.37) is yet to be recovered. The total unrecovered amount is written off in the previous years.

(Amount in millions unless otherwise stated)

23 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.

	As at 31 March 2021			As at 31 March 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
(I) Assets						
A Financial assets						
Cash and cash equivalents	35.33	-	35.33	15.35	-	15.35
Bank balance other than above	83.71	210.20	293.91	144.16	85.00	229.16
Other financial assets	6.30	-	6.30	7.10	-	7.10
Total financial assets	**125.34**	**210.20**	**335.54**	**166.61**	**85.00**	**251.61**
B Non-financial assets						
Investment in subsidiary	-	7,855.12	7,855.12	-	7,816.09	7,816.09
Current tax assets (net)	-	119.75	119.75	-	121.63	121.63
Property, plant and equipment	-	0.51	0.51	-	0.92	0.92
Other non-financial assets	0.21	-	0.21	8.51	-	8.51
Total non-financial assets	**0.21**	**7,975.38**	**7,975.59**	**8.51**	**7,938.64**	**7,947.15**
Total Assets	**125.55**	**8,185.58**	**8,311.13**	**175.12**	**8,023.64**	**8,198.76**
(II) Liabilities						
A Financial liabilities						
Other financial liabilities	5.21	-	5.21	3.36	-	3.36
B Non-financial liabilities						
Provisions	0.60	-	0.60	0.18	-	0.18
Other non-financial liabilities	0.35	-	0.35	0.39	-	0.39
Total non-financial liabilities	**6.16**	**-**	**6.16**	**3.93**	**-**	**3.93**
Total Liabilities	**6.16**	**-**	**6.16**	**3.93**	**-**	**3.93**
Net	**119.39**	**8,185.58**	**8,304.97**	**171.19**	**8,023.64**	**8,194.83**

24 Segment reporting

The Board of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, "Operating Segments." The Company's operating segments are established in the manner consistent with the components of the Company that are evaluated regularly by the Chief Operating Decision Maker as defined in 'Ind AS 108 - Operating Segments.' As the Company is not having any commercial operations, hence there are no separate reportable segments as per Ind AS 108.

Information about products and services:

The Company does not have any commercial operations. Hence, the said disclosure is not applicable.

Information about geographical areas:

The Company does not have any commercial operations. Hence, the said disclosure is not applicable.

Information about major customers (from external customers):

The Company does not have any commercial operations. Hence, the said disclosure is not applicable.

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(Amount in millions unless otherwise stated)

25 Employee benefits

The Company operates the following post-employment plans -

i. Defined Benefit plan

Gratuity

Every employee is entitled to a benefit equivalent to 15 days salary last drawn for each completed year of service in line with the payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement, whichever is earlier.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2021. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

	31 March 2021	31 March 2020
Net defined benefit liability	**0.13**	**0.00**

A. Funding

The scheme is fully funded with Life Insurance Corporation of India (LIC). The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in Section D below. Employees do not contribute to the plan.

Expected contributions to gratuity plan for the year ending 31 March 2022 is INR 0.26

B. Reconciliation of the net defined benefit (asset) / liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

	As at 31 March 2021			As at 31 March 2020		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability
Balance at the beginning of the year	0.77	0.77	0.00	0.50	0.01	0.49
Included in profit or loss						
Current service cost	0.14	-	0.14	0.11	-	0.11
Past Service cost	-	-	-	0.10	0.10	(0.00)
Interest cost (income)	0.04	0.04	0.00	0.05	0.01	0.04
Total (A)	**0.18**	**0.04**	**0.14**	**0.26**	**0.11**	**0.15**
Included in Other comprehensive income						
Remeasurements loss (gain)						
- Actuarial loss (gain) arising from:						
- demographic assumptions	-	-	-	(0.37)	-	(0.37)
- financial assumptions	0.02	-	0.02	0.38	-	0.38
- experience adjustment	(0.01)	-	(0.01)	0.01	-	0.01
- Return on plan assets excluding interest income	-	0.00	(0.00)	-	0.02	(0.02)
Total (B)	**0.00**	**0.00**	**(0.00)**	**0.02**	**0.02**	**(0.00)**
Other						
Contributions paid by the employer	-	0.01	(0.01)	-	0.63	(0.63)
Total (C)	**-**	**0.01**	**(0.01)**	**-**	**0.63**	**(0.63)**
Balance at the end of the year	0.95	0.82	0.13	0.77	0.77	0.00

C. **Plan assets**

	31 March 2021	31 March 2020
Insurer managed funds	100%	100%

The Company has purchased insurance policy, which is basically a year-on-year cash accumulation plan in which the interest rate is declared on yearly basis and is guaranteed for a period of one year. The insurance Company, as part of the policy rules, makes payment of all gratuity outgoes happening during the year (subject to sufficiency of funds under the policy). The policy, thus, mitigates the liquidity risk. However, being a cash accumulation plan, the duration of assets is shorter compared to the duration of liabilities. Thus, the Company is exposed to movement in interest rate (in particular, the significant fall in interest rates, which should result in a increase in liability without corresponding increase in the asset).

D. **Actuarial assumptions**

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	31 March 2021	31 March 2020
Discount rate	4.95%	5.40%
Future salary growth	7% for first two years and 9% thereafter	7% for first two years and 9% thereafter
Withdrawal rate:		
All ages	12% - 31.90%	12% - 31.90%
Retirement Age (in year)	60	60
Mortality	Indian Assured Lives Mortality (2012-14)	Indian Assured Lives Mortality (2012-14)

Discount rate: The rate used to discount post-employment benefit obligations is determined by reference to market yields at the balance sheet date on government bonds. The currency and term of the government bonds is consistent with the currency and estimated term of the post-employment benefit obligations.

Salary escalation rate: Salary increase takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

E. **Sensitivity analysis of significant assumptions**

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

	31 March 2021		31 March 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(0.07)	0.08	(0.05)	0.06
Salary growth rate (1% movement)	0.06	(0.06)	0.05	(0.05)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

F. **Expected maturity analysis of the defined benefit plans in future years**

	31 March 2021	31 March 2020
0 to 1 Year	0.13	0.11
1 to 5 Year	0.39	0.33
5 Year onwards	0.97	0.80
Total	**1.49**	**1.24**

As at 31 March 2021, the weighted-average duration of the defined benefit obligation was 7 years (31 March 2020: 7 years)

G. **Description of risk exposures**

Investment risk

The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Interest risk (discount rate risk)

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

Mortality risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants. For the current year, we have used Indian Assured Lives Mortality (2012-14) ultimate table and in the previous year, Indian Assured Lives Mortality (2006-08) had been used.

A change in mortality rate will have a bearing on the plan's liability.

Salary risk

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

ii. Defined contribution plan

The Company makes monthly contribution towards Provident Fund which is a defined contribution plan. The Company has no obligations other than to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. The amount recognised as expense towards such contribution are as follows:

	Year ended 31 March 2021	Year ended 31 March 2020
Provident fund	0.38	0.35

iii. Other long-term benefits

The Company provides compensated absences benefits to the employees of the Company which can be carried forward to future years. Amount recognised in the Statement of Profit and Loss for compensated absences is as under-

	Year ended 31 March 2021	Year ended 31 March 2020
Amount recognised in Statement of Profit and Loss	0.42	0.43
Provision for leave encashment and Gratuity		

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(Amount in millions unless otherwise stated)

26 Employee stock options

A. Description of share-based payment arrangements

The Company has formulated an Employees Stock Option Scheme to be administered through a Trust. The Scheme is applicable to all the eligible employees of the Company and its subsidiary Companies ('Group'). The scheme provides that subject to continued employment with the company, the employees are granted an option to acquire equity shares of the Company that may be exercised within a specified period.

The Company formed Utkarsh ESOP Welfare Trust ('Trust') to issue ESOPs to employees of the Company as per Employee Stock Option Scheme. Total 1,200,000 equity shares has been reserved under ESOP scheme 2016 and pursuant to Shareholder agreement executed in the year 2016-17 additional 5,989,594 equity shares has been reserved for the purpose of ESOP scheme.

The trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the compensation committee. The Trust in turn allots the shares to employees on exercise of their right against cash. The compensation costs of stock options granted to employees are accounted by the Company using fair value method.

The Trust does not have any transactions/activities other than those mentioned above, hence it is treated as a part of the Company and gets consolidated with the standalone books of the Company.

The Company granted 2,159,575 (31 March 2020 1,836,225) options to the employees of the Company out of which 5,00,000 options have grant effective date of F.Y. 19-20 and which are not routed through the Trust.

The options vested shall be exercised within a period of 24 months from the date of vesting. The plan shall be administered, supervised and implemented by the Compensation Committee under the policy and frame work laid down by the Board of Directors of the Company in accordance with the authority delegated to the Compensation Committee in this regard from time to time.

The said ESOP scheme is an equity settled scheme as the same would lead to a settlement in its own equity instruments.

These options shall vest on graded basis as follows:

Time period	Percentage	Vesting condition
On completion of 1 year	25%	Service
On completion of 2 years	25%	Service
On completion of 3 years	25%	Service
On completion of 4 years	25%	Service

B. Reconciliation of outstanding share options

Set out below is a summary of options granted under the plan

	31 March 2021		31 March 2020	
	Number of share options (in Units)	Average exercise price per share	Number of share options (in Units)	Average exercise price per share
Outstanding options at the beginning of the year	3,851,484	105.89	2,548,234	80.43
Add: Granted during the year	1,659,575	125.00	1,836,225	109.36
Add: Granted during the year with Grant effective date pertaining to FY 19-20	500,000	110.92	-	-
Less: Lapsed/forfeited during the year	685,829	107.75	206,874	108.18
Less: Exercised during the year	207,558	101.63	326,101	73.01
Less: Adjustment of previous year	162,434	88.29	-	-
Outstanding options at the end of the year	**4,955,238**	**113.29**	**3,851,484**	**105.89**
Options vested and exercisable at the end of the year	1,118,318	102.95	934,521	95.06

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2021 was INR 101.63 (31 March 2020 - 78.54).

C. Share options outstanding at the end of the year have the following contractual expiry date and exercise options

Grant date	Expiry date	Exercise price	No of options outstanding	
			As at 31 March 2021	As at 31 March 2020
1 April 2014	1 April 2016 - 1 April 2019	21.60	-	9,750
1 April 2015	1 April 2017 - 1 April 2020	21.60	14,467	39,824
1 April 2016	1 April 2018 - 1 April 2021	21.60	68,046	102,692
1 April 2017	1 April 2019 - 1 April 2022	109.36	384,532	520,475
1 April 2018	1 April 2020 - 1 April 2023	109.36	1,177,302	1,398,768
1 April 2019	1 April 2021 - 1 April 2024	109.36	15,750	-
1 June 2019	1 June 2021 - 1 June 2024	109.36	1,585,566	1,779,975
9 Dec 2019	9 Dec 2021 - 9 Dec 2024	125.00	50,000	-
1 Oct 2020	1 Oct 2022 - 1 Oct 2025	125.00	1,659,575	-

Weighted average remaining contractual life of options outstanding at the end of the year	4.06 years	4.23 years

D. Measurement of Fair values

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option on the grant date ranged between INR 9.54 - 67.99

The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plans are as follows:

Grant date	Expiry date	Historical volatility	Exercise price	Share price	Risk free rate	Fair value
1 April 2014	1 April 2016 - 1 April 2019	33.83%	21.6	28.72	8.81%	11.57 - 16.12
1 April 2015	1 April 2017 - 1 April 2020	43.09%	21.6	45.51	7.74%	27.54 - 32.21
1 April 2016	1 April 2018 - 1 April 2021	52.41%	21.6	71.4	7.46%	53.15 - 57.95
1 April 2017	1 April 2019 - 1 April 2022	30.91%	109.36	82.19	6.68%	9.54 - 23.70
1 April 2018	1 April 2020 - 1 April 2023	29.51%	109.36	107.19	7.40%	23.88 - 42.55
1 June 2019	1 June 2021 - 1 June 2024	19.60%	109.36	132.13	7.03%	49.31 - 67.99
1 Oct 2020	1 Oct 2022 - 1 Oct 2025	47.00%	125.00	131.59	5.55%	50.10 - 65.77

The dividend yield has been taken as 0% in all the fair value calculations as Company has never distributed dividend in the past and does not intend to distribute its earnings in the foreseeable future.

E. Expense recognised in statement of profit and loss

For details on the employee benefits expense, refer Note 25

As the scheme is applicable to all the employees of the group, the Company has made a cross charge to Utkarsh Small Finance Bank for the ESOP expense incurred by the Company on behalf of Utkarsh Small Finance Bank.

(Amount in millions unless otherwise stated)

27. Related party disclosure

i. Name of the related party and nature of relationship:-

A.	Name of the Related Party	Nature of Relationship
a.	**Key managerial personnel**	
i	Mr. Ashwani Kumar	Managing Director & CEO (w.e.f. 19 March 2019)
ii	Mr. G.S. Sundararajan	Director
iii	Mr. Gaurav Malhotra	Nominee Director
iv	Mr. Atul	Director
v	Ms. Ramni Nirula	Director (ceased to be Director w.e.f. 19 May 2020)
vi	Mr. Harjeet Toor	Nominee Director
vii	Mr. Aditya Deepak Parekh	Nominee Director
viii	Mr. Vishal Mehta	Nominee Director (ceased to be Director w.e.f. 29 Sep 2020)
b.	**Subsidiaries**	
		Utkarsh Small Finance Bank Limited
		Utkarsh Welfare Foundation

B. Related party transactions during the year and balance receivable from and payable to related parties as at the balance sheet date:

Name of related party	Nature of transaction	Year ended 31 March 2021	Year ended 31 March 2020
Utkarsh Welfare Foundation	(i) Contribution towards CSR activities	1.00	4.00
Utkarsh Small Finance Bank Limited (SFB)	(i) Transactions (collection and payment) carried out on behalf of Bank, net	8.80	23.54
	(ii) ESOP cost cross charge	14.02	17.37
	(iii) Fixed deposits placed during the year	195.20	2,085.90
	(iv) Fixed deposits matured during the year	136.00	2,621.18
	(v) Interest received	21.12	44.46
	(vi) Service Charge on Collection	0.14	0.25
	(vii) Right Issue subscribed	-	600.00
	(viii) Rent Paid	0.95	0.93
Key Managerial Personnel	(i) Purchase of Securities	-	0.03

C. Compensation of key managerial personnel	As at 31 March 2021	As at 31 March 2020
Short-term employee benefits		
Ashwani Kumar	3.60	2.49
G.S. Sundararajan*	0.85	-
Post-employment defined benefit plan		
Ashwani Kumar	0.61	0.47
Other long term benefits		
Ashwani Kumar	0.84	0.60

C. Compensation of key managerial personnel	As at 31 March 2021	As at 31 March 2020
Share-based payments		
Ashwani Kumar	0.11	0.15
Sitting fees		
G.S. Sundararajan	0.59	0.42
Atul	0.57	0.54
Ramni Nirula	0.05	0.35
	7.22	**5.03**

Terms and conditions

All transactions with these related parties are priced on an arm's length basis and at normal commercial terms.

* Annual Commission paid to chairperson for FY20 which had been passed in Board meeting held on August 14, 2020, so booked in CY.

D. Receivables as at balance sheet date:

Name of related party	As at 31 March 2021	As at 31 March 2020
Utkarsh Small Finance Bank Ltd. - Investment in FDR	280.20	221.00
Utkarsh Small Finance Bank Ltd. - Current Account	35.23	12.35
Utkarsh Small Finance Bank Ltd. - Other receivables/(Payables)	6.22	7.00

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(Amount in millions unless otherwise stated)

28. Earnings per share

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
a) Basic earning per share		
Profit/(loss) after tax	1.33	5.50
Weighted average number of equity shares outstanding during the year – Basic	9,72,00,515	9,69,21,588
b) Diluted		
Profit/(loss) after tax	1.33	5.50
Weighted average number of equity shares outstanding during the year – Basic	9,72,00,515	9,69,21,588
Add: Weighted average number of potential equity shares on account of employee stock options	8,84,436	9,49,175
Weighted average number of equity shares outstanding during the year – Diluted	9,80,84,950	9,78,70,763
Earnings per share		
Basic – par value of INR 10 each	0.01	0.06
Diluted - par value of INR 10 each	0.01	0.06

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(Amount in millions unless otherwise stated)

29. Financial instruments - fair value and risk management

A. Financial instruments by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

	As at 31 March 2021		
	FVTPL	FVTOCI	Amortised cost
Financial assets:			
Cash and cash equivalents	-	-	35.33
Bank balance other than above	-	-	293.91
Other financial assets	-	-	6.30
	-	**-**	**335.54**
Financial liabilities:			
Other financial liabilities	-	-	5.21
	-	**-**	**5.21**

	As at 31 March 2020		
	FVTPL	FVTOCI	Amortised cost
Financial assets:			
Cash and cash equivalents	-	-	15.35
Bank balance other than above	-	-	229.16
Other financial assets	-	-	7.10
	-	-	**251.61**
Financial liabilities:			
Other financial liabilities	-	-	3.36
	-	-	**3.36**

B. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:

Financial assets and liabilities measured at fair value - recurring fair value measurements

Financial assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2021	Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	35.33	-	-	35.33	35.33
Bank balance other than above	293.91	-	-	293.91	293.91
Other financial assets	6.30	-	-	6.30	6.30
	335.54	-	-	**335.54**	**335.54**
Financial liabilities:					
Other financial liabilities	5.21			5.21	5.21
	5.21	-	-	**5.21**	**5.21**

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2020	Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	15.35	-	-	15.35	15.35
Bank balance other than above	229.16	-	-	229.16	229.16
Other financial assets	7.10	-	-	7.10	7.10
	251.61	**-**	**-**	**251.61**	**251.61**
Financial liabilities:					
Other financial liabilities	3.36			3.36	3.36
	3.36	**-**	**-**	**3.36**	**3.36**

The respective carrying values of certain on-balance sheet financial instruments approximated their fair value. These financial instruments include cash in hand, balances with other banks and certain other financial assets and liabilities. Carrying values were assumed to approximate fair values for these financial instruments as they are short-term in nature and their recorded amounts approximate fair values or are receivable or payable on demand.

C. Valuation framework

The finance department of the Company includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values.

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. 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 in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Bank develops Level 3 inputs based on the best information available in the circumstances.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

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30. Financial risk management

The Company's activities exposure is to credit risk, liquidity risk, market risk and operational risk.

A. Risk management framework

(a) Risk management structure and Company's risk profile

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

Efficient and timely management of risks involved in the Company's activities is critical for the financial soundness and profitability of the Company. Risk management involves the identifying, measuring, monitoring and managing of risks on a regular basis. The objective of risk management is to increase shareholders' value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the Company employs leading risk management practices and recruits skilled and experienced people.

The Company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

B. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment in debentures, cash and cash equivalents, other bank balances, etc.

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

Cash and bank balances

Cash and bank balances of the Company are held with banks which have high credit rating. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

C. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial labilities at the reporting date. The amount are gross and undiscounted.

As at 31 March 2021	Contractual cash flows						
	Carrying amount	Gross nominal inflow/(outflow)	6 month or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non - derivative financial liabilities							
Other financial liabilities	5.21	(5.21)	(5.21)	-	-	-	-

As at 31 March 2020	Contractual cash flows						
	Carrying amount	Gross nominal inflow/(outflow)	6 month or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non - derivative financial liabilities							
Other financial liabilities	3.36	(3.36)	(3.36)	-	-	-	-

(This space is intentionally left blank.)

D. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The company is not exposed to any currency risk as Company does not have any foreign currency transactions during the current year and comparative year.

(ii) Interest rate risk

The Company does not have any borrowings

Exposure to interest rate risk
The interest rate profile of the Company's interest-bearing financial instruments as reported to the management is as follows:

Particulars	31 March 2021	31 March 2020
Fixed rate instruments		
Financial assets	293.91	229.16
Financial liabilities	-	-

(iii) Legal and operational risk

a. Legal risk

Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

The Company has developed preventive controls and formalised procedures to identify legal risks so that potential losses arising from non-adherence to laws and regulations, negative publicity, etc. are significantly reduced. The Company also has well established legal procedures to scrutinise product offerings and manage risks arising out of its transactions.

b. Operational

Operational risk is the exposure to loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company has clearly defined operations procedures for each of its products and services. It also has advanced computer systems that enable it to run operations with speed and accuracy.

The operational risk department operates independently from other units of the Company and reports directly to the Audit Committee, which consists of members of the Board. It conducts regular reviews of all business areas of the Company and reports control deficiencies and exceptions to the Company's policies and procedures. It also recommends measures to mitigate operational risk, which are implemented by management immediately.

(Amount in millions unless otherwise stated)

31 Capital management

The basic approach of capital adequacy framework is that, a financial institution should have sufficient capital to absorb shocks on account of any unexpected losses arising from the risks in its business.

As per RBI guidelines, the Company is required to maintain a minimum capital to risk weighted asset ratio. Capital management entails optimal utilization of scarce capital to meet extant regulatory capital requirements. The Company has put in place an appropriate Risk Appetite framework and computes its capital requirements and adequacy as per extant regulatory guidelines. Going forward, attempt shall be made to strengthen Capital allocation practices and enhance efficiency of capital.

i. Regulatory capital

The Company's regulatory capital consists of the sum of the following elements :

Common equity Tier 1 (CET1) capital, which includes ordinary share capital, related share premiums, retained earnings and reserves after adjustment for dividend declared and deduction for goodwill, intangible assets and other regulatory adjustments relating to items that are not included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes preference shares, qualifying subordinated liabilities and any excess of impairment over expected losses.

	As at 31 March 2021	As at 31 March 2020
Common equity Tier 1 (CET1) capital		
Paid up share capital	976.46	973.99
Capital redemption reserve	90.00	90.00
Securities premium account	6,370.87	6,334.67
(Deficit) in the statement of profit and loss account	(3,364.06)	(3,367.96)
Statutory reserve	208.73	208.33
ESOP outstanding account	137.37	97.57
Prepaid expenditure	(0.21)	(0.26)
	4,419.16	**4,336.34**
Tier 2 capital instruments		
Less: Investment in excess of 10% of Own fund	-	-
	4,419.16	**4,336.34**
Total regulatory capital	4,419.16	4,336.34
Risk weighted assets	7,861.93	7,824.11
CRAR (%) - Refer note 34 (a)	56.21%	55.42%
CRAR -Tier I Capital (%)	56.21%	55.42%
CRAR -Tier II Capital (%)	0.00%	0.00%

ii. Capital allocation

Management uses extant regulatory capital ratios to monitor its capital base. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements. Theoretically, maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Company to particular operations or activities. Going forward, capital allocation for various lines of business and activities shall be attempted, as part of annual business plan based on synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Company's longer-term strategic objectives.

32 The Company has elected not to recognise right of use assets and lease liabilities for short term lease of building that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on straight line basis.

Rent expense recognised in the statement of profit and loss on account of short term exemption is INR 1 (31 March 2020 : INR 1)

33 The composite scheme of arrangement (Scheme) between the Utkarsh Small Finance Bank (Bank) and Utkarsh CoreInvest Limited (UCL), its holding company, and their respective shareholders under Section 230 and other applicable provisions of the Companies Act, 2013, was filed with the National Company Law Tribunal, bench at Allahabad (NCLT) on 25 October 2019 for the reduction in the face value of equity share capital of the Bank and for the issuance and allotment of fully paid-up equity shares of the Bank to the shareholders of UCL (on account of their invested capital) from the reserves created from such reduction of share capital. The objective of the Scheme was, amongst others, to achieve dilution in shareholding of UCL in the Bank in line with the small finance bank's licensing guidelines.

In relation to the Scheme, the Bank had approached RBI seeking a certificate u/s 44B (1) of the Banking Regulation Act, 1949 and RBI had vide its letter dated 21 July, 2020 communicated to the Bank that the mode of dilution of promoter shareholding proposed under the Scheme militates against the spirit of the licensing guidelines for Small Finance Banks. Further, RBI had advised that it may consider issuing the required certificate u/s Section 44(1) in the event the board of both the Bank and UCL agree and approve that the combined shareholding of UCL and shareholders of UCL, who would be allotted the equity shares of the Bank, will be diluted to 40% of the voting shares in the Bank by 22 January, 2022 and till that time together they will exercise only 26% voting rights in the Bank. Basis deliberations, the respective boards of UCL and the Bank decided to withdraw the application for approval of Scheme. Subsequently, the Bank withdrew the petition and the NCLT by its order dated August 27, 2020 dismissed the petition as withdrawn.

The Bank vide its letter dated September 03, 2020 addressed to RBI to withdraw its application seeking certificate from RBI.

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(Amount in millions unless otherwise stated)

34 Additional Disclosures as required by Reserve Bank of India (RBI)

a) Capital to Risk Asset Ratio (CRAR)

Particulars	As at 31 March 2021	As at 31 March 2020
i) CRAR % (refer Note below)	56.21%	55.42%
ii) CRAR – Tier I Capital (%)	56.21%	55.42%
iii) CRAR – Tier II Capital (%)	0.00%	0.00%
iv) Amount of sub-ordinated debt raised as Tier II capital	-	-
v) Amount raised by issue of Perpetual Debt Instruments	-	-

Note: The CRAR as at 31 March 2021 disclosed above is as per RBI circular "DNBS (PD) CC No.393/ 03.02.001/ 2014-15 dated 1 July 2014, Master Circular- Regulatory Framework for Core Investment Companies (CICs)".

CRAR% as at 31 March 2021 has been calculated without considering the fair value changes in other equity as part of free reserves. If the Company consider the fair value changes in other equity and equity component of financial instruments, the CRAR% as at 31 March 2021 will be 107.26% (31 March 2020: 106.71%)

b) The Company has the following direct exposure to real estate sector:

Particulars	As at 31 March 2021	As at 31 March 2020
Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	-	-

c) Maturity pattern of certain items of assets and liabilities:

Particulars (31 March 2021)	1 day to 30/31 days (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Borrowings	-	-	-	-	-	-	-	-
Advances	-	-	-	-	-	-	-	-
Deposits accepted	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	7,971.93

Particulars (31 March 2020)	1 day to 30/31 days (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Borrowings	-	-	-	-	-	-	-	-
Advances	-	-	-	-	-	-	-	-
Deposits accepted	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	7,971.93

d) Investments:

Particulars	31 March 2021	31 March 2020
Value of Investments		
(i) Gross Value of Investments		
(a) in India	7,971.93	7,971.93
(a) outside India,	-	-
(ii)Provisions for Depreciation		
(a) in India	-	-
(a) outside India,	-	-
(iii)Net Value of Investments		
(a) in India	7,971.93	7,971.93
(a) outside India,	-	-
Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / write-back of excess provisions during the year	-	-
(iv) Closing balance	-	-

e) Business Ratio:

Particulars	31 March 2021	31 March 2020
Return on Equity	0.02%	0.07%
Return on Assets	0.02%	0.07%
Net Profit per Employee	0.13	0.55

f) Provision and contingency

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Provisions for depreciation on Investment	-	-
Provision towards NPA	-	-
Provision made towards Income tax	1.42	14.76
Provision for Standard Assets	-	-

g) Draw down from Reserves

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

h) Concentration of Advances, Exposures and NPAs

Particulars	As at 31 March 2021	As at 31 March 2020
Concentration of Advances		
Total advances to twenty largest borrowers	-	-
(%)of advances to twenty largest borrowers to total advances	-	-

i) Sector wise Non-Performing Assets (NPA)

Sector	Percentage of NPAs to total advances in that sector	
	As at 31 March 2021	As at 31 March 2020
Agriculture & allied activities	-	-
MSME	-	-
Corporate borrowers	-	-
Services	-	-
Unsecured personal loans	-	-
Auto loans	-	-
Other personal loans	-	-

j) **Movement in Non-Performing Asset (NPA)**

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Net NPA to net advances percentage	-	-
Movement of NPAs (Gross)		
a) Opening balance	-	-
b) Additions during the year	-	-
c) Reduction during the year	-	-
d) Closing balance	-	-
Movement of net NPAs		
a) Opening balance	-	-
b) Additions during the year	-	-
c) Reduction during the year	-	-
d) Closing balance	-	-
Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	-	-
b) Provisions made during the year	-	-
c) Write off/ write back of excess provisions	-	-
d) Closing balance	-	-

k) **Disclosure with respect to customer complaints**

Particulars	Number of complaints	
	For the year ended 31 March 2021	For the year ended 31 March 2020
No. of complaints pending at the beginning of the year	-	-
No. of complaints received during the year	-	-
No. of complaints redressed during the year	-	-
No. of complaints pending at the end of the year	-	-

l) **Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by the NBFC:**

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2021 and 31 March 2020

m) **Registration obtained from other financial sector regulators**

Regulator	Registration No.	Date of Registration
Ministry of Corporate Affairs	U65191UP1990PLC045609	24 June 2016

n) **Details of penalties imposed by RBI and other regulators**

No penalties has been imposed by RBI and other regulators on the Company during the financial year ended 31 March 2021 and 31 March 2020. Aside, during FY21, an amount of INR Nil (FY20 : INR 4.31) has been paid to RBI against compounding fees.

o) **Unsecured Advances**

The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the financial year ended 31 March 2021 and 31 March 2020

p) **Details of non-performing financial assets purchased / sold**

The Company has not purchased/sold any non-performing financial assets during the financial year ended 31 March 2021 and 31 March 2020

q) Disclosure of frauds reported during the year ended 31 March 2021 vide DNBS. PD. CC No. 256/03.10.042/2011-12 dated 2 March 2012
During the year ended 31 March 2021

Particulars	Less than INR 1 Lakh		INR 1 Lakh to INR 5 Lakh		More than INR 5 Lakh	
	No. of accounts	Value (INR)	No. of accounts	Value (INR)	No. of accounts	Value (INR)
A) Person involved						
Staff	-	-	-	-	-	-
Customers	-	-	-	-	-	-
Staff and Customers	-	-	-	-	-	-
Total	-	-	-	-	-	-
B) Type of Fraud						
Misappropriation and	-	-	-	-	-	-
Criminal Breach of Trust						
Fraudulent Encashment/ manipulation of books of accounts or through fictitious accounts and conversion of property.	-	-	-	-	-	-
Unauthorised credit facilities extended for reward or for illegal gratification	-	-	-	-	-	-
Negligence and cash shortages	-	-	-	-	-	-
Cheating and forgery	-	-	-	-	-	-
Irregularities in foreign exchange transactions	-	-	-	-	-	-
Any other type of fraud not coming under the specific heads as above	-	-	-	-	-	-
Total	-	-	-	-	-	-

r) Disclosure of frauds reported during the year ended 31 March 2020 vide DNBS. PD. CC No. 256/03.10.042/2011-12 dated 2 March 2012 (continued)

During the year ended 31 March 2020:-

Particulars	Less than INR 1 Lakh		INR 1 Lakh to INR 5 Lakh		More than INR 5 Lakh	
	No. of accounts	Value (INR)	No. of accounts	Value (INR)	No. of accounts	Value (INR)
A) Person involved						
Staff	-	-	-	-	-	-
Customers	-	-	-	-	-	-
Staff and Customers	-	-	-	-	-	-
Total	-	-	-	-	-	-
B) Type of Fraud						
Misappropriation and	-	-	-	-	-	-
Criminal Breach of Trust						
Fraudulent Encashment/ manipulation of books of accounts or through fictitious accounts and conversion of property.	-	-	-	-	-	-
Unauthorised credit facilities extended for reward or for illegal gratification	-	-	-	-	-	-
Negligence and cash shortages	-	-	-	-	-	-
Cheating and forgery	-	-	-	-	-	-
Irregularities in foreign exchange transactions	-	-	-	-	-	-
Any other type of fraud not coming under the specific heads as above	-	-	-	-	-	-
Total	-	-	-	-	-	-

s) The Company has no exposure or transactions regarding overseas assets.

t) There are no derivatives as at 31 March 2021 and 31 March 2020. Accordingly disclosure pertaining to derivatives vide DNBR (PD) CC.No.053/03.10.119/2015-16 dated 01 July 2015 are not provided.

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

Purushottam Nyati
Partner
Membership No: 118970

Place: Mumbai
Date: 30 June 2021

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Varanasi & Chennai*
Date: 30 June 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of Utkarsh Coreinvest Limited
(formerly known as Utkarsh Micro Finance Limited)

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS financial statements of **Utkarsh CoreInvest Limited** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its **subsidiaries** together referred to as "the Group"), comprising of the Consolidated Balance Sheet as at March 31, 2021, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated Ind AS financial statements including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditor on separate Ind AS financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated Ind AS 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 accounting principles generally accepted in India including the Indian Accounting Standards ("Ind AS") prescribed under section 133 of the Act, of the consolidated state of affairs of the Group, as at March 31, 2021, their consolidated profit (including other comprehensive income), their consolidated changes in equity and their consolidated cash flows for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 44 to the Consolidated Ind AS Financial Statements which explains that the extent to which COVID-19 pandemic will impact the Group's operations and financial results is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Holding Company's Annual Report, but does not include the standalone Ind AS financial statements, consolidated Ind AS financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this report.

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

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including Ind AS prescribed under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS 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 consolidated Ind AS financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company and its subsidiary companies, which are companies incorporated in India, have adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group 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 consolidated Ind AS 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the Ind AS financial statements of such entities included in the consolidated Ind AS financial statements of which we are the independent auditors. For the other entities included in the consolidated Ind AS financial statements, which have been audited by other auditor, such other auditor remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on Other Legal and Regulatory Requirements

As required by section 143(3) of the Act, based on our audit and the other financial information of subsidiaries, as noted in the Other Matters section above we report, to the extent applicable, that:

a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements;

b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books;

c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

d. In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Ind AS specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;

e. On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, incorporated in India, none of the directors of the Group companies, incorporated in India, is disqualified as on March 31, 2021 from being appointed as a director in terms of section 164(2) of the Act;

f. With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate report in "Annexure 1";

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:

   In our opinion and to the best of our information and according to the explanations given to us by the Holding Company and the reports of the statutory auditors of its subsidiary company incorporated in India, the remuneration paid/ provided to their directors during the year by the Holding Company and subsidiary company other than Bank incorporated in India is in accordance with the provisions of section 197 of the Act. Further, requirements prescribed under section 197 of the Act is not applicable to the Bank by virtue of section 35B (2A) of the Banking Regulation Act, 1949;

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, in our opinion and to the best of our information and according to the explanations given to us:

   (i) The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer Note 31 to the consolidated Ind AS financial statements;

(ii) Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long -term contracts including derivative contracts – Refer Note 4 and 16 to the consolidated Ind AS financial statements in respect of such items as it relates to the Group;

(iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies incorporated in India.

For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No.103523W / W100048

Purushottam Nyati
Partner
Membership No. 118970
UDIN: 21118970AAAAFN8563

Place: Mumbai
Date: July 07, 2021

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section in our Independent Auditor's Report of even date to the members of Utkarsh Coreinvest Limited on the consolidated Ind AS financial statements for the year ended March 31, 2021]

Report on the Internal Financial Controls with reference to Financial Statements under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated Ind AS financial statements of Utkarsh Coreinvest Limited ("Holding Company") as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its subsidiary companies which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of Holding Company and its subsidiary companies, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to financial statements of Holding Company and its subsidiary companies.

Meaning of Internal Financial Controls with reference to Financial Statements

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements 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 with reference to Financial Statements

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No.103523W / W100048

Purushottam Nyati
Partner
Membership No. 118970
UDIN: 21118970AAAAFN8563

Place: Mumbai
Date: July 07, 2021

Utkarsh CoreInvest Limited

Consolidated Balance Sheet as at 31 March 2021
(All amounts are in Rupees millions unless otherwise stated)

	Notes	As at 31 March 2021	As at 31 March 2020
Assets			
Financial assets			
Cash and cash equivalents	3	11,670.16	16,120.74
Bank balance other than above	3	34.73	39.74
Derivative financial instruments	4	10.50	25.78
Loans	5	79,253.54	65,633.33
Investments	6	23,704.11	12,402.27
Other financial assets	7	682.09	355.33
Non-financial assets			
Current tax assets (net)	8	453.57	217.54
Deferred tax assets (net)	8	868.80	318.99
Property, plant and equipment	9	2,781.55	2,520.25
Capital work-in-progress		550.96	216.95
Other intangible assets	10	266.68	219.97
Other non-financial assets	11	217.53	161.75
Total assets		**1,20,494.22**	**98,232.64**

Liabilities and equity

	Notes	As at 31 March 2021	As at 31 March 2020
Liabilities			
Financial liabilities			
Borrowings (other than debt securities)	12	24,359.92	30,123.05
Deposits	13	77,406.45	54,275.82
Subordinated liabilities	14	3,830.25	1,977.93
Other financial liabilities	15	1,337.89	888.19
Non-financial liabilities			
Current tax liabilities (net)		8.73	-
Provisions	16	64.90	50.25
Other non-financial liabilities	17	89.85	89.86
Equity			
Equity share capital	18	976.46	973.99
Other equity	19	11,079.16	9,851.21
Equity attributable to equity holders of the parent		12,055.62	10,825.20
Non controlling interest		1,340.61	2.34
Total liabilities and equity		**1,20,494.22**	**98,232.64**

Summary of significant accounting policies 2
The accompanying notes are an integral part of these financial statements.

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

Purushottam Nyati
Partner
Membership No: 118970

Place: Mumbai
Date: July 07, 2021

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Varanasi and Chennai*
Date: July 07, 2021

Utkarsh CoreInvest Limited

Statement of Consolidated profit and loss for the year ended 31 March 2021
(All amounts are in Rupees millions unless otherwise stated)

		Notes	For the year ended 31 March 2021	For the year ended 31 March 2020
I.	**Revenue from operations**			
	Interest income	20	16,700.82	13,407.31
	Dividend income		-	27.56
	Fees and commission income	21	122.65	94.29
	Net gain on fair value changes	25	136.34	-
	Total revenue from operations		**16,959.81**	**13,529.16**
II.	Other income	22	862.51	642.08
III.	**Total income**		**17,822.32**	**14,171.24**
IV.	**Expenses**			
	Finance costs	23	7,625.26	5,895.32
	Fees and commission expense	24	162.33	122.07
	Net loss on fair value changes	25	-	3.15
	Impairment on financial instruments	26	3,327.86	775.32
	Employee benefits expenses	27	3,321.80	2,678.92
	Depreciation and amortisation	28	590.00	488.10
	Others expenses	29	2,431.83	1,445.13
	Total expenses		**17,459.08**	**11,408.01**
V.	**Profit/(loss) before tax**		**363.24**	**2,763.23**
	Tax Expense:			
	Current tax	8	630.62	852.25
	Tax for earlier years	8	(28.42)	8.45
	Deferred tax	8	(494.12)	(122.61)
VI.	**Profit/(Loss) for the year**		**255.16**	**2,025.15**
VII.	**Other comprehensive income**			
A.	**(i) Items that will not be reclassified to profit or loss**			
	• Actuarial gain/(loss) on defined benefit obligation		(1.07)	(3.91)
	• Income tax relating to items that will not be reclassified to profit or loss		0.25	1.00
	Subtotal (A)		**(0.82)**	**(2.91)**
B.	**(i) Items that will be reclassified to profit or loss**			
	• Debt securities measured at FVTOCI - reclassified to other comprehensive income		(220.27)	270.23
	• Income Tax relating to items that will be reclassified to profit or loss		55.44	(68.74)
	Subtotal (B)		(164.83)	201.49
	Other comprehensive income (A + B)		**(165.65)**	**198.58**

	Notes	For the year ended 31 March 2021	For the year ended 31 March 2020
VIII. Total comprehensive income for the year		**89.51**	**2,223.72**
IX. Profit / (loss) for the year attributable to :			
• Equity holders of the parent		250.03	2,024.19
• Non-controlling interest		5.13	0.96
X. Other comprehensive income for the year attributable to :			
• Equity holders of the parent		(164.65)	198.53
• Non-controlling interest		(1.00)	0.05
XI. Total comprehensive income for the year attributable to :			
• Equity holders of the parent		85.38	2,222.72
• Non-controlling interest		4.13	1.00
XII. Earnings per equity share			
Basic earnings per share of INR 10.00 each		2.63	20.89
Diluted earnings per share of INR 10.00 each		2.60	20.69
Summary of significant accounting policies	2		
The accompanying notes are an integral part of these financial statements.			

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: July 07, 2021

Place: Varanasi and Chennai*
Date: July 07, 2021

Utkarsh CoreInvest Limited

Cash Flow Statement for the year ending 31 March 2021
(All amounts are in Rupees millions unless otherwise stated)

	Notes	For the year ended 31 March 2021	For the year ended 31 March 2020
I. Cash flows from operating activities			
Net Profit / (loss) before Tax		363.24	2,763.23
Adjustments for:			
Depreciation and amortisation		590.00	488.10
Impairment provision/ write offs		3,327.86	775.32
Net (gain) / loss in fair value changes		(136.34)	3.15
Interest expense		7,602.59	5,853.12
Interest income on investments		(1,372.58)	(917.38)
Modification loss on loans		1,022.21	-
Employee share based expense		53.21	59.82
Impairment on non-financial asset		7.56	-
Loss on sale of property, plant and equipment		0.21	2.85
Foreign exchange (loss)		(3.19)	(1.52)
Dividend income		-	(27.56)
Operating cash flow before working capital changes		**11,454.76**	**8,999.13**
Adjustments for:			
(Increase) in loans		(17,969.57)	(20,012.12)
(Increase) in other financial assets		(326.76)	(196.79)
Decrease/ (increase) in other non-financial asset		7.62	(15.46)
Increase in deposits		22,623.25	14,965.17
Increase in other financial liability		449.70	321.83
Increase in other non-financial liability		(0.01)	30.46
Increase in provision		13.58	21.19
Cash flow from operations		16,252.58	4,113.43
Income tax paid		(950.58)	(902.42)
Net cash flow from operating activities (A)		**15,302.00**	**3,211.00**
II. Cash flow from investing activities			
Purchase of property, plant and equipments (including capital work in progress)		(633.10)	(518.88)
Proceeds from sale of property, plant and equipments		0.17	0.79
Purchase of intangible assets		(142.18)	(135.29)
Purchase of investments		(40,135.76)	(62,933.23)
Sale/(purchase) of non controlling interest		2,370.36	(1.48)
Proceeds from sale of investments		28,879.24	59,823.92
Deposit/withdrawal in other bank balances		7.25	110.62
Dividend income		-	27.56
Interest received		1,255.70	655.36
Net cash used in investing activities (B)		**(8,398.32)**	**(2,970.63)**
III. Cash flow from financing activities			
Issue of equity shares		55.60	30.82
Repayment of debt securities		-	(3,118.16)
Repayment of borrowings		(9,560.72)	(4,401.12)
Payment of lease liabilities		(372.44)	(320.87)
Proceeds from borrowings		3,850.00	23,500.00
Proceeds from issue of subordinated liabilities		1,950.00	-
Reapyment of subordinated liabilities		(100.00)	-
Interest paid		(7,176.70)	(4,849.43)
Net cash (used in)/ from financing activities (C)		**(11,354.26)**	**10,841.24**

	Notes	For the year ended 31 March 2021	For the year ended 31 March 2020
Net increase/(decrease) in cash and cash equivalents (A + B + C)		(4,450.58)	11,081.61
Opening Cash and Cash Equivalent		16,120.74	5,039.13
Closing Cash and Cash Equivalent		11,670.16	16,120.74
For composition of cash & cash equivalents	3		
Notes:			
1. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Indian Accounting Standard 7 (Ind AS 7) on Cash Flow Statement. 2. Figures in Bracket represents Cash Outflow.			
Summary of significant accounting policies	2		
The accompanying notes are an integral part of these financial statements.			

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

Purushottam Nyati
Partner
Membership No: 118970

Place: Mumbai
Date: July 07, 2021

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Varanasi and Chennai*
Date: July 07, 2021

Utkarsh CoreInvest Limited
Statement of changes in equity as at 31 March 2021
(All amounts are in Rupees millions unless otherwise stated)

A. Equity Share Capital

	Balance as at 31 March 2019	Changes during the year	Balance as at 31 March 2020	Changes during the year	Balance as at 31 March 2021
Paid up share capital	972.02	1.97	973.99	2.47	976.46
	972.02	**1.97**	**973.99**	**2.47**	**976.46**

B. Other Equity

	Reserve and Surplus											Other Comprehensive Income					
	Share application money pending allotment	Equity component of financial instruments	Statutory reserve	Capital redemption reserve	Securities premium	Other Equity - Fair valuation changes	ESOP Reserve	Investment fluctuation reserve	Treasury shares	Capital reserve	Retained earnings	Debt instruments through other comprehensive income	Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss	Actuarial gain / loss on post employment defined benefit plan	Total attributable to equity holders of the parent	Total non-controlling interest	Total
Balance as at 31 March 2019	0.66	(109.01)	454.04	90.00	6,302.30	4,121.67	52.00	13.17	(5.08)	-	(3,206.20)	(4.85)	(160.62)	(7.32)	**7,540.76**	1.89	**7,542.65**
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	2,024.14	201.49	-	(2.92)	2,222.72	1.00	2,223.72
Transactions with Non-Controlling Interest				-							(0.93)				(0.93)	(0.55)	(1.48)
Transfer to / (from) retained earnings	-	-	467.96	-	-	-	-	39.24	-	3.59	(510.79)	-	-	-	-	-	-
Issue of equity shares	(0.66)		-	-		-	-	-	-	-	-	-	-	-	(0.66)	-	(0.66)
Share options exercised	-	-	-	-	32.36	-	(10.53)	-	-	-	-	-	-	-	21.83	-	21.83
Others	-	-	-	-	-	-	-	-	1.35	-	-	-	-	-	1.35	-	1.35
Equity settled share based plan	-	-	-		-	-	59.82	-		-	-	-	-	-	59.82	-	59.82
Share application money received	6.32	-	-	-	-	-	-	-	-	-	-	-	-	-	6.32	-	6.32
															-		
Balance as at 31 March 2020	**6.32**	**(109.01)**	**922.00**	**90.00**	**6,334.66**	**4,121.67**	**101.29**	**52.41**	**(3.73)**	**3.59**	**(1,693.78)**	**196.64**	**(160.62)**	**(10.24)**	**9,851.21**	**2.34**	**9,853.55**
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	250.03	(163.74)	-	(0.91)	85.38	4.13	89.51
Transactions with Non-Controlling Interest	-	-	(102.42)	-	-	-	-	(18.95)	-	(8.67)	1,173.62	(4.43)	-	0.38	1,039.53	1,330.83	2,370.36
Transfer to/(from) retained earnings	-	-	278.09	-	-	-	(2.97)	135.75	-	83.74	(497.92)	-	-	-	(3.31)	3.31	-
Share options exercised	-	-	-		36.20	-	(10.99)	-	0.56	-	-	-	-	-	25.77	-	25.77
Equity settled share based plan	-	-	-	-	-	-	53.21	-	-	-	-	-	-	-	53.21	-	53.21
Shares issued	(6.32)	-	-	-	-	-	-	-	-	-	-	-	-	-	(6.32)	-	(6.32)
Share application money received	33.69	-	-	-	-	-	-	-	-	-	-	-	-	-	33.69	-	33.69
				-													
Balance as at 31 March 2021	**33.69**	**(109.01)**	**1,097.67**	**90.00**	**6,370.86**	**4,121.67**	**140.54**	**169.21**	**(3.17)**	**78.66**	**(768.04)**	**28.47**	**(160.62)**	**(10.77)**	**11,079.16**	**1,340.61**	**12,419.77**

As per our report of even date attached

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

Purushottam Nyati
Partner
Membership No: 118970

Place: Mumbai
Date: July 07, 2021

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Varanasi and Chennai*
Date: July 07, 2021

1. Reporting Entity

Utkarsh Coreinvest Limited ("the Company' or 'Holding Company") is domiciled in India. The Company is having its registered office at Varanasi. The Company was formerly known as Utkarsh Micro Finance Limited and got the name changed to Utkarsh CoreInvest Limited w.e.f. 11 October 2018.

The Company together with its subsidiaries Utkarsh Small Finance Bank Limited ('the Bank or 'SFB') and Utkarsh Welfare Foundation ('UWF') are collectively referred to as "the Group". The Group has been engaged in the business of micro finance and banking operations as further explained below.

The holding company was primarily engaged in the business of micro finance, following group lending methodology and providing small value unsecured bank loans to lower income group of below poverty line ('BPL') in urban and rural areas. The tenure of these loans was generally spread over a period of up to 2 years. During the financial year 2016-17, the Company executed a business transfer agreement with its subsidiary Company 'Utkarsh Small Finance Bank Limited' ('USFB') and transferred all its assets and liabilities (except certain statutory assets, vehicle and statutory liabilities). Accordingly, the business of micro finance was also transferred to USFB.

UWF is in to providing welfare services, development, help and assistance to the under privileged inhabitants, groups of rural and urban slum sectors by way of financial products, market linkages, opportunities, education, health and vocational training programs.

On 3 May 2018, the RBI has granted its approval to the Holding Company for carrying on the business of a Non-Deposit taking- Systemically Important Core Investment Company (CIC-ND-SI) under the Certificate No C.07.00781.

2. Significant Accounting Policies

a. Basis of preparation of consolidated financial statements

i. **Statement of compliance**

The Consolidated financial statements of the Company have been prepared in accordance with the Ind AS 110-'Consolidated Financial Statements' as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Companies Act, 2013 ("the Act") and the other relevant provisions of the Act.

The financial statements of the Subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company i.e. year ended March 31, 2021 and are prepared based on the accounting policies consistent with those used by the Company.

These consolidated financial statements were authorised for issue by the Group's Board of directors on 7 July 2021.

Subsidiaries considered in the consolidated financial statements

Name of the Subsidiary	Country of incorporation	Percentage of holding	
		31 March 2021	31 March 2020
Utkarsh Small Finance Bank Limited	India	89.50%	100%
Utkarsh Welfare Foundation*	India	78.49%	78.49%

* The Holding Company acquired the stake in UWF on 17 November 2017. Further, since the said company is a Section 8 Company, hence the economic interest is NIL.

The Group has consistently applied accounting policies to all periods.

ii. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following material items:

- Financial assets at FVTOCI that is measured at fair value
- Financial instruments at FVTPL that is measured at fair value
- Net defined benefit (asset)/ liability - fair value of plan assets less present value of defined benefit obligation

iii. Principles of Consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

The group combines the consolidated financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests in the results are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet respectively.

iv. Functional and presentation currency

These consolidated financial statements are presented in Indian Rupee (INR), which is the Group's functional currency. All amounts have been rounded to the nearest million rupees, unless otherwise stated.

v. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Management believes that the estimates used in the preparation of these consolidated financial statements are prudent and reasonable. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

Information about the judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Consolidated financial statements have been given below:

- Note 48 – Measurement of lease liabilities and right of use assets
- Note 40 - classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the Consolidated financial statements for the every period ended is included below:

- Note 34 - measurement of defined benefit obligations: key actuarial assumptions;
- Note 8- recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used;
- Note 9-10- useful life and residual value of property, plant and equipment and intangible assets
- Note 31- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- Note 41 – impairment of financial assets: key assumptions in determining the average loss rate
- Note 40 – Fair value measurement of financial instruments

b. Revenue Recognition

i. Interest income from financial assets is recognised on an accrual basis using Effective Interest Rate ('EIR') method. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate to the net carrying amount of the financial asset. The EIR is computed basis the expected cash flows by considering all the contractual terms of the financial instrument. The calculation includes all fees, transaction costs, and all other premiums or discounts paid or received between parties to the contract that are an integral part of the effective interest rate.

ii. The interest revenue continues to be recognised at the original EIR applied on the gross carrying amount for financial assets (when the asset is not credit impaired). However, for the financial assets that have become credit impaired subsequent to the initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

iii. For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset.

iv. Dividend is accounted on an accrual basis when the right to receive the dividend is established.

v. Income from interest on deposits and interest bearing securities is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate.

vi. Any differences between the fair values of financial assets classified as fair value through the profit or loss, held by the Company on the balance sheet date is recognised as an unrealised gain/loss. In cases there is a net gain in the aggregate, the same is recognised in "Net gains on fair value changes" under Revenue from operations and if there is a net loss the same is disclosed under "Expenses" in the statement of profit and loss. Similarly, any realised gain or loss on sale of financial instruments measured at FVTPL and debt instruments measured at FVOCI is recognised in net gain / loss on fair value changes.

vii. All other fees are accounted for as and when they become due.

c. 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. Financial instruments also include derivative contracts such as foreign exchange forward contracts, embedded derivatives in the host contract, etc.

Financial assets
Initial recognition and measurement
The Group initially recognises loans and advances on the date on which they are originated. All other financial assets are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provision of the instrument.

All financial assets are recognised initially at fair value plus, 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.

Classification and subsequent measurement

Classifications

The Group classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Debt instruments at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from ECL impairment are recognised in the profit or loss.

Debt instrument at fair value through Other Comprehensive Income (FVTOCI)

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

After initial measurement, such financial assets are subsequently measured at fair value with changes in fair value recognised in other comprehensive income (OCI). Interest income is recognised basis EIR method and the losses arising from ECL impairment are recognised in the profit or loss.

Debt instrument at fair value through profit and loss (FVTPL)
Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

Reclassification of financial assets
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Derecognition of 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 (i.e. removed from the Group's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights 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 (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. If the Group evaluates that substantial risk and reward have not been transferred, the Group continues to recognise the transferred asset. If the Group evaluates that substantial risk and rewards are neither transferred nor retained and the control of the asset is also not transferred, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of

(i) the consideration received (including any new asset obtained less any new liability assumed) and

(ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of amortised cost, net of directly attributable transaction costs.

Classification and subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities measured at amortised cost
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or 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.

Financial liabilities designated at fair value through profit and loss
When a financial liability contract contains one or more embedded derivative, the Company may designate the entire hybrid contract as at fair value through profit and loss unless:

- the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract; or
- it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

The fair valuation change on the liabilities subsequently measured at fair value through profit and loss account is recognised in profit and loss account except the changes in the liablity's credit risk which is recognised in 'Other Comprehensive Income'

Derecognition of financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Modifications of financial assets and financial liabilities

Financial assets
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability or equity based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability or equity recognized with modified terms is recognised in profit or loss or in other equity in case the same is a transaction with the shareholders.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously ('the offset criteria').

Fair value measurement

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects it non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument.

d. Impairment of Financial Assets

Impairment of financial instruments

The Group recognises impairment allowances for ECL on all the financial assets that are not measured at FVTPL:

- Financial assets that are debt instruments
- Loan commitment issued

No impairment loss is recognised on equity investments

ECL are probability weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit impaired – as the present value of all cash shortfalls that are possible within 12 months after the reporting date.
- Financial assets with significant increase in credit risk but not credit impaired – as the present value of all cash shortfalls that result from all possible default events over the expected life of the financial asset.
- Financial assets that are credit impaired – as the difference between the gross carrying amount and the present value of estimated cash flows

- Undrawn loan commitments – as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive

With respect to trade receivables and other financial assets, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For financial assets at FVTOCI, the loss allowance is recognised in statement of profit and loss.

e. Foreign Currency transactions and balances

Holding Company

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Statement of Profit and Loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year end rates. The resultant exchange differences are recognised in the Statement of Profit and Loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

Banking company in the group

Transactions denominated in foreign currency are recorded at exchange rates prevailing on the date of the transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of Profit and Loss account. Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the Balance Sheet date based on exchange rates notified by Foreign Exchange Dealers' Association of India ('FEDAI') and the resultant exchange differences are recognized in the statement of Profit and Loss.

f. Property, Plant and Equipment (PPE)

Initial Measurement

Property, plant and equipment are stated at cost less accumulated depreciation as adjusted for impairment, if any.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as a separate items (major components) of property, plant and equipment. Any gain on disposal of property, plant and equipment is recognised in statement of Profit and loss.

Leasehold improvements are amortised on straight line basis over the primary period of the lease or the estimated useful life of the assets, whichever is lower.

The Company has elected to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and used it as its deemed cost as at the date of transition.

Subsequent Measurement

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

Impairment

Carrying amounts of cash generating assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is recognised in the statement of Profit and Loss whenever the carrying amount exceeds the recoverable amount.

Depreciation

Depreciation is provided as per straight-line method from the date of addition over the estimated useful life of the asset. The Group has carried out a technical assessment of the useful life of its assets taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use. If the management's estimate of the useful life of a property, plant and equipment at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter, then the depreciation is provided at a higher rate based on management's estimate of the useful life/remaining useful life. The management believes that depreciation rates currently used, fairly reflect its estimate of the useful lives and residual values of property, plant and equipment which are in accordance with lives prescribed under Schedule II of Companies Act, 2013.

Improvements and installations of capital nature on the leasehold property are depreciated over the primary lease term.

Depreciation methods, useful lives and residual values are reviewed in each financial year end and changes, if any, are accounted for prospectively.

De-recognition

Property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income / expense in the statement of profit and loss in the year the asset is de-recognised. Depreciation on assets sold during the year is recognised on a pro-rata basis to the statement of profit and loss upto the date of sale.

Capital Work in Progress

Capital work in progress includes cost of fixed assets that are not ready for their intended use.

g. Intangible assets

Initial Measurement

Intangible assets that are acquired by the Group are measured initially at cost and are stated at cost less accumulated depreciation as adjusted for impairment, if any.

The Company has elected to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and used it as its deemed cost as at the date of transition.

Subsequent Measurement

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

Impairment

The Group assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of Profit and Loss. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

Amortisation

Intangible assets are amortised in the statement of profit and loss over their estimated useful lives from the date they are available for use based on the expected pattern of consumption of economic benefits of the asset. Intangible assets are amortised on straight line basis. Computer software are amortised on straight line basis over their estimated useful life of three years

Amortisation methods and useful lives are reviewed in each financial year end and changes, if any, are accounted for prospectively.

De-recognition

Intangible asset is de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is recognised in other income / expense in the statement of profit and loss in the year the asset is de-recognised. Amortisation on assets sold during the year is recognised on a pro-rata basis to the statement of profit and loss upto the date of sale.

h. Leases

The Group's lease asset classes primarily consist of leases for ATMs, Software and buildings. The Group, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after 01 April 2019.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense over the lease term.

i. Employee benefits

i. **Short term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. **Share-based payment arrangements**

Utkarsh Core Invest Ltd. has formulated an Employees Stock Option Scheme to be administered through a Trust. The scheme provides that subject to continued employment with the Group, the employees are granted an option to acquire equity shares of the Holding Company that may be exercised within a specified period.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Parent Company is the grantor of its equity instrument for all share options provided to the employee of the Bank. The Bank reimburses the parent company for the equity-settled share -based payment arrangements granted to the employees of the Bank

iii. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. The Group has following defined contribution plans:

Provident Fund

The Group contributes to mandatory government administered provident funds which are defined contribution schemes as the Group does not carry any further obligation, apart from the contributions made on a monthly basis. The contributions are accounted for on an accrual basis and recognised in the statement of Profit and Loss

iv. Defined benefit plans

The Group's net obligation in respect of gratuity is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

v. Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

j. Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Group:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if:

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

k. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

l. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors of the Group has been identified as the chief operating decision maker for the Group.

m. Earnings Per share

The Company reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

n. Provision, Contingent Liabilities and Contingent Assets

The Group creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A disclosure for Contingent Liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

The provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. Where an inflow of economic benefits is probable, an entity shall disclose a brief description of the nature of the contingent assets at the end of the reporting period, and, where practicable, an estimate of their financial effect.

Contingent assets are not recognised in the consolidated financial statements but disclosed, where an inflow of economic benefit is probable.

o. Recent Indian Accounting Standards (Ind AS)

On 24 March 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from 01 April 1 2021. Key amendments relating to Division III which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

Balance Sheet:

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

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

- Specified format for disclosure of shareholding of promoters.

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

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

Statement of Profit and Loss:

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

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

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Utkarsh CoreInvest Limited
Notes to consolidated financial statements for the year ended 31 March 2021
(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2021	As at 31 March 2020
3 Cash and bank balances		
Cash and cash equivalents		
Cash in hand	627.42	412.74
Balances with banks		
- in current accounts	620.38	152.67
- in RBI current accounts	2,121.96	1,503.84
- term lending (with less than three months maturity)	-	250.00
Reverse repo	8,300.76	13,801.59
	11,670.52	16,120.84
Less : Allowance for Impairment loss	0.36	0.10
Total (A)	**11,670.16**	**16,120.74**
Balances with banks earn interest at fixed rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The Company has not taken bank overdraft, therefore the cash and cash equivalent for cash flow statement is same as cash and for cash equivalent given above		
Bank balance other than above		
Deposits with maturity more than 3 months	34.75	39.74
	34.75	39.74
Less : Allowance for Impairment loss	0.02	-
Total (B)	**34.73**	**39.74**
Total (A+B)	**11,704.89**	**16,160.48**

Information about the Group's exposure to fair value measurement and credit and market risks are included in Note 40 and 41 respectively.

	As at 31 March 2021			As at 31 March 2020		
	Notional amounts	Fair Value - Assets	Fair Value - Liabilities	Notional amounts	Fair Value - Assets	Fair Value - Liabilities
4 Derivative financial instruments						
Cross currency interest rate swap (CCIRS)	91.69	10.50	-	189.58	25.78	-
Total derivatives	**91.69**	**10.50**	**-**	**189.58**	**25.78**	**-**
Included in above are derivatives held for hedging and risk management purposes as follows:						
Undesignated Derivatives	91.69	10.50	-	189.58	25.78	-
Total derivatives	**91.69**	**10.50**	**-**	**189.58**	**25.78**	**-**

	As at 31 March 2021	As at 31 March 2020
5 Loans		
At Amortised cost		
(A)		
Term Loans	83,583.16	66,881.82
Total (A) - Gross	**83,583.16**	**66,881.82**
Less : Allowance for Impairment loss	(4,329.62)	(1,248.49)
Total (A) - Net	**79,253.54**	**65,633.33**
(B)		
(i) Secured by tangible assets and intangible assets	11,355.94	5,236.41
(ii) Covered by Bank/Government Guarantees	1.51	-
(iii) Unsecured	72,225.71	61,645.41
Total (B)- Gross	**83,583.16**	**66,881.82**
Less : Allowance for Impairment loss	(4,329.62)	(1,248.49)
Total (B)-Net	**79,253.54**	**65,633.33**
(C)		
(i) Priority Sector	70,592.07	60,892.86
(ii) Banks	-	39.07
(iii) Others	12,991.09	5,949.89
Total (C)- Gross	**83,583.16**	**66,881.82**
Less : Allowance for Impairment loss	(4,329.62)	(1,248.49)
Total (C)-Net	**79,253.54**	**65,633.33**

All the Loans above are Loans in India.

For details pertaing to Allowance for Impairment Loss refer note 41

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(All amounts are in Rupees millions unless otherwise stated)

	Amortised cost (1)	At Fair Value			Sub- Total (5)=(2)+(3)+(4)	Others* (6)	Total (7)=(1)+(5)+(6)
		Through other comprehensive income (2)	Through profit or loss (3)	Designated at fair value through profit or loss (4)			
6 Investments:							
As at 31 March 2021							
Government securities	-	22,002.22	-	-	22,002.22	-	22,002.22
Debt securities	-	1,701.89	-	-	1,701.89	-	1,701.89
Total - Gross (A)	**-**	**23,704.11**	**-**	**-**	**23,704.11**	-	**23,704.11**
(i) Investments in India	-	23,704.11	-	-	23,704.11	-	23,704.11
(ii) Investments outside India	-	-	-	-	-	-	-
Total (B)	**-**	**23,704.11**	**-**	**-**	**23,704.11**	**-**	**23,704.11**
Less: Allowance for Impairment loss (C)	-	-	-	-	-	-	-
Total - Net D= (A)-(C)	**-**	**23,704.11**	**-**	**-**	**23,704.11**	**-**	**23,704.11**
As at 31 March 2020							
Mutual funds	-	-		-	-	-	-
Government securities	-	12,402.27	-	-	12,402.27	-	12,402.27
Other approved securities					-		-
Debt securities	-	-	-	-	-	-	-
Equity instruments	-	-	-	-	-	-	-
Total - Gross (A)	**-**	**12,402.27**	**-**	**-**	**12,402.27**	**-**	**12,402.27**
(i) Investments in India	-	12,402.27	-	-	12,402.27	-	12,402.27
(ii) Investments outside India	-	-	-	-	-	-	-
Total (B)	**-**	**12,402.27**	**-**	**-**	**12,402.27**	**-**	**12,402.27**
Less: Allowance for Impairment loss (C)	-	-	-	-	-	-	-
Total - Net D= (A)-(C)	-	**12,402.27**	-	-	**12,402.27**	-	**12,402.27**

	As at 31 March 2021	As at 31 March 2020
7 Other financial assets		
Advances recoverable in cash	682.81	356.01
Other recoverables	0.01	0.01
	682.82	356.02
Less : Allowance for Impairment loss	0.73	0.69
Total	**682.09**	**355.33**

Information about the group's exposure to fair value measurement and credit and market risks are included in note 40 and 41.

(All amounts are in Rupees millions unless otherwise stated)

8 Income tax

	For the year ended 31 March 2021	For the year ended 31 March 2020
A. Amounts recognised in profit or loss		
Particulars		
Current tax		
Current period (a)	**630.62**	**852.25**
Changes in estimates related to prior years (b)	**(28.42)**	**8.45**
Deferred tax (c)		
Attributable to-		
Origination and reversal of temporary differences	(494.12)	(207.48)
Increase/reduction in tax rate	-	69.62
MAT credit writte off	-	15.25
Sub-total (c)	**(494.12)**	**(122.61)**
Tax expense (a)+(b)+(c)	**108.08**	**738.09**

B. Income tax recognised in other comprehensive income

	For the year ended 31 March 2021			For the year ended 31 March 2020		
	Before tax	Tax (expense) / income	Net of tax	Before tax	Tax (expense) / income	Net of tax
Remeasurements of the net defined benefit liability/ asset	(1.07)	0.25	(0.82)	(3.91)	1.00	(2.92)
Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
Debt Instruments fair value through Other Comprehensive Income	(220.27)	55.44	(164.83)	270.24	(68.74)	201.50
	(221.34)	**55.69**	**(165.65)**	**266.33**	**(67.74)**	**198.58**

C. Reconciliation of effective tax rate

Particulars	Year ended 31 March 2021		Year ended 31 March 2020	
	%	Amount	%	Amount
Profit before tax	25.17%	363.24	25.17%	2,763.23
Tax using the Company's domestic tax rate	-	91.42	-	695.45
Effect of:				
Permanent differences	1.87%	6.81	1.36%	37.63
Tax exemption/deduction	-6.31%	(22.93)	-0.25%	(6.93)
Change in unrecognised temporary differences	0.13%	0.48	0.00%	0.11
Changes in estimate related to prior years	-7.82%	(28.42)	0.31%	8.45
Changes in tax rate	0.00%	-	2.49%	68.93
MAT credit written off	0.00%	-	0.55%	15.25
Others	16.72%	60.72	-2.92%	(80.81)
Effective tax rate/tax expense		**108.08**		**738.09**

D. Recognised deferred tax assets and liabilities

Movement of deferred tax assets / liabilities presented in the balance sheet

Particulars	As at 01 April 2020	Recognised in profit or loss during the year	Recognised in OCI during the year	As at 31 March 2021
Deferred tax assets:				
Loans	206.43	584.93	-	791.36
Lease Liabilities	66.65	20.32	-	86.97
Others	71.41	(122.75)	55.69	4.35
	344.49	**482.50**	**55.69**	**882.68**
Deferred tax liabilities:				
Property, plant and equipment	17.59	(10.98)	-	6.61
Others	7.91	(0.64)	-	7.27
	25.50	**(11.62)**	-	**13.88**
Net deferred tax assets	**318.99**	**494.12**	**55.69**	**868.80**

	As at 1 April 2019	Recognised in profit or loss during the year	Recognised in OCI during the year	As at 31 March 2020
Deferred tax assets:				
Loans	126.74	79.69	-	206.43
Lease liabilities	60.70	5.95	-	66.65
MAT credit	15.25	(15.25)	-	-
Others	119.05	20.11	(67.75)	71.41
	321.74	**90.50**	**(67.75)**	**344.49**
Deferred tax liabilities:				
Property, plant and equipment	41.5	(23.91)	-	17.59
Others	16.13	(8.22)	-	7.91
	57.63	**(32.13)**	**-**	**25.50**
Net deferred tax assets	**264.11**	**122.63**	**(67.75)**	**318.99**

E. Unrecognised deferred tax balances

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	As at 31 March 2021	As at 31 March 2020
Deductible temporary differences	0.94	0.46
Total	**0.94**	**0.46**

F. Uncertain tax positions

Refer Note 31 on contingent liabilities and commitment relating to income tax matter under dispute.

Particulars	As at 31 March 2021	As at 31 March 2020
Current Tax Assets (net of Provision of INR 444.84 (31 March 2020: INR 217.54)	453.57	217.54
Total	**453.57**	**217.54**

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(All amounts are in Rupees millions unless otherwise stated)

9. Property, Plant and Equipment

	Gross Block					Depreciation				Net Block	
	As at 1 April 2020	Adjustment	Additions	Disposals	As at 31 March 2021	As at 1 April 2020	For the year	Disposals	As at 31 March 2021	As at 31 March 2021	As at 1 April 2020
Owned Assets											
Leasehold improvement	183.36	-	74.86	-	258.22	22.00	24.96	-	46.96	211.26	161.36
Computers	251.09	-	132.15	0.15	383.09	148.27	79.22	0.15	227.34	155.75	102.80
Vehicles	6.34	-	-	-	6.34	2.43	0.97	0.00	3.40	2.94	3.91
Office equipment	86.13	-	29.56	0.03	115.66	30.22	23.02	0.02	53.22	62.44	55.91
Electrical equipment	128.18	-	27.21	0.58	154.81	29.71	16.03	0.22	45.52	109.29	98.47
Furniture and fixtures	355.60	-	26.69	0.09	382.20	108.09	41.30	0.08	149.31	232.89	247.51
Generator	51.69	-	8.61	-	60.30	11.80	5.83	-	17.63	42.67	39.89
Land	121.20	-	-	-	121.20	-	-	-	-	121.20	121.20
Right of use assets											
Premises	1,875.02	-	446.04	-	2,321.06	232.32	293.68	-	526.00	1,795.06	1,642.70
ATM Machines	61.41	-	11.07	-	72.48	14.91	9.52	-	24.43	48.05	46.50
TOTAL	**3,120.02**	-	**756.19**	**0.85**	**3,875.36**	**599.75**	**494.53**	**0.47**	**1,093.81**	**2,781.55**	**2,520.25**

	Gross Block					Depreciation				Net Block	
	As at 1 April 2019	Adjustment	Additions	Disposals	As at 31 March 2020	As at 1 April 2019	For the year	Disposals	As at 31 March 2020	As at 31 March 2020	As at 1 April 2019
Owned Assets											
Leasehold improvement	78.38	-	104.98	-	183.36	6.99	15.01	-	22.00	161.36	71.39
Computers	203.91	-	85.80	38.63	251.09	106.05	79.60	37.37	148.27	102.80	97.86
Vehicles	8.74	-	-	2.40	6.34	2.54	1.32	1.42	2.43	3.91	6.20
Office equipment	44.53	-	42.23	0.63	86.13	14.04	16.71	0.53	30.22	55.91	30.49
Electrical equipment	97.74	-	31.82	1.38	128.18	15.50	14.88	0.67	29.71	98.47	82.25
Furniture and fixtures	302.30	-	54.80	1.50	355.60	68.58	40.44	0.93	108.09	247.51	233.72
Generator	41.82	-	9.91	0.04	51.69	6.97	4.84	0.01	11.80	39.89	34.85
Land	121.20	-	-	-	121.20	-	-	-	-	121.20	121.20
Right of use assets											
Premises	-	1,368.64	506.38	-	1,875.02	-	232.32	-	232.32	1,642.70	-
ATM Machines	43.40	-	18.01	-	61.41	7.45	7.46	-	14.91	46.50	35.95
TOTAL	**942.04**	**1,368.64**	**853.92**	**44.58**	**3,120.02**	**228.12**	**412.57**	**40.94**	**599.75**	**2,520.25**	**713.92**

10. Intangible assets

	Gross Block					Amortisation				Net Block	
	As at 1 April 2020	Adjustment	Additions	Disposals	As at 31 March 2021	As at 1 April 2020	For the year	Disposals	As at 31 March 2021	As at 31 March 2021	As at 1 April 2020
Owned Assets											
Computer software	208.49	-	142.18	-	350.67	83.14	71.82	-	154.96	195.71	125.35
Right of use assets											
Core banking software	165.58	-	-	-	165.58	70.95	23.65	-	94.60	70.97	94.62
Total	**374.07**	**-**	**142.18**	**-**	**516.25**	**154.09**	**95.47**	**-**	**249.56**	**266.68**	**219.97**

	Gross Block					Amortisation				Net Block	
	As at 1 April 2019	Adjustment	Additions	Disposals	As at 31 March 2020	As at 1 April 2019	For the year	Disposals	As at 31 March 2020	As at 31 March 2020	As at 1 April 2019
Owned Assets											
Computer software	73.20	-	135.29	-	208.49	31.27	51.87	-	83.14	125.35	41.93
Right of use assets											
Core banking software	165.58	-	-		165.58	47.30	23.65	-	70.95	94.62	118.28
Total	**238.77**	-	**135.29**	-	**374.07**	**78.57**	**75.53**	-	**154.09**	**219.97**	**160.21**

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(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2021	As at 31 March 2020
11 Other non-financial assets		
Capital advances	29.62	54.96
Balance with GST authority	-	8.27
Prepaid expenses	187.91	98.52
Total	**217.53**	**161.75**

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(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2021	As at 31 March 2020
12 Borrowings (Other than Debt Securities)		
At Amortised cost		
Term loans		
- from banks	107.01	4,529.38
- from financial institution	21,161.63	22,559.56
- from others	91.69	189.58
RBI repo	918.39	983.98
Lease liability	2,081.20	1,860.55
Total	24,359.92	30,123.05
Borrowings in India	24,268.23	29,933.47
Borrowings outside India	91.69	189.58
Total	**24,359.92**	**30,123.05**

Information about the group's exposure to fair value measurement and credit and market risks are included in note 40 & 41

Information about the lease liabilities is included in Note 48

Terms of Borrowings (Other than debt securities)

Nature of Facility	Amount o/s	Contractual amount o/s	ROI	Date of first repayment	Terms of repayment	Date of maturity
As at 31 March 2021						
Unsecured term loans from Banks						
Term loan - 1	107.01	100.00	8.00%	15-May-21	Bullet repayment	15-May-21
Secured Refinance from Financial Institution						
Term loan - 2	20.37	20.00	11.50%	31-Jan-17	Half yearly/11	31-Jan-22
Unsecured Refinance from Development Financial Institution						
Term loan - 3	152.12	150.00	8.75%	31-Jan-18	Half yearly/10	31-Jul-22
Term loan - 4	3,023.95	3,000.00	9.50%	31-Aug-19	Half yearly/10	29-Feb-24
Term loan - 6	2,116.05	2,100.00	9.00%	31-Jan-20	Half yearly/10	31-Jul-24
Term loan - 7	2,417.33	2,400.00	8.50%	31-Jul-20	Half yearly/10	31-Jan-25
Term loan - 8	1,611.46	1,600.00	8.50%	31-Aug-20	Half yearly/10	28-Feb-25
Term loan - 9	4,032.37	4,000.00	8.50%	30-Sep-20	Half yearly/10	31-Mar-25
Term loan - 10	402.23	400.00	9.80%	10-Nov-19	Quarterly/10	10-Feb-22
Term loan - 11	2,008.49	2,000.00	8.25%	2-Mar-23	Bullet repayment	2-Mar-23
Term loan - 12	1,506.94	1,499.90	9.00%	10-Sep-20	Quarterly/12	10-Apr-24
Term loan - 14	3,009.49	3,000.00	Repo rate + 125 bps	14-Apr-21	Bullet repayment	14-Apr-21
Term loan - 15	860.84	850.00	5.15%	30-Aug-21	Bullet repayment	30-Aug-21
Unsecured Refinance from Development Financial Institution	91.69	91.39	13.27%	15-Sep-18	Half yearly/8	15-Mar-22

Nature of Facility	Amount o/s	Contractual amount o/s	ROI	Date of first repayment	Terms of repayment	Date of maturity
RBI Repo						
LTRO - 1	126.96	120.00	5.15%	16-Feb-23	Bullet repayment	16-Feb-23
LTRO - 2	95.04	90.00	5.15%	1-Mar-23	Bullet repayment	1-Mar-23
LTRO - 3	147.83	140.00	5.15%	1-Mar-23	Bullet repayment	1-Mar-23
LTRO - 4	274.28	260.00	5.15%	7-Mar-23	Bullet repayment	7-Mar-23
LTRO - 5	274.28	260.00	5.15%	7-Mar-23	Bullet repayment	7-Mar-23
As at 31 March 2020						
Unsecured term loans from Banks						
Term loan - 1	1,005.99	1,000.00	6.25%	27-May-20	Bullet repayment	27-May-20
Secured Refinance from Financial Institution						
Term loan - 2	40.75	40.00	11.50%	31-Jan-17	Half yearly/11	31-Jan-22
Unsecured Refinance from Development Financial Institution						
Term loan - 3	253.59	250.00	8.75%	31-Jan-18	Half yearly/10	31-Jul-22
Term loan - 4	4,032.27	4,000.00	9.50%	31-Aug-19	Half yearly/10	29-Feb-24
Term loan - 5	628.33	625.00	9.50%	10-Sep-19	Half yearly/4	10-Mar-21
Term loan - 6	2,720.64	2,700.00	9.00%	31-Jan-20	Half yearly/10	31-Jul-24
Term loan - 7	3,021.65	3,000.00	8.50%	31-Jul-20	Half yearly/10	31-Jan-25
Term loan - 8	2,020.02	2,000.00	8.50%	31-Aug-20	Half yearly/10	28-Feb-25
Term loan - 9	5,024.45	5,000.00	8.50%	30-Sep-20	Half yearly/10	31-Mar-25
Term loan - 10	804.17	800.00	9.80%	10-Nov-19	Quarterly/10	10-Feb-22
Term loan - 11	2,011.43	2,000.00	8.25%	2-Mar-23	Bullet repayment	2-Mar-23
Term loan - 12	2,002.28	2,000.00	9.00%	10-Sep-20	Quarterly/12	10-Apr-24
Secured borrowings from Bank						
Term loan - 13	3,523.39	3,520.00	4%-7%	25-Sep-20	Bullet repayment	25-Sep-20
Secured ECB from Foreign Financial Institution	189.58	189.16	13.27%	15-Sep-18	Half yearly/8	15-Mar-22
RBI Repo						
LTRO - 1	120.74	120.00	5.15%	16-Feb-23	Bullet repayment	16-Feb-23
LTRO - 2	110.57	110.00	5.15%	23-Feb-21	Bullet repayment	23-Feb-21
LTRO - 3	90.38	90.00	5.15%	1-Mar-23	Bullet repayment	1-Mar-23
LTRO - 4	140.59	140.00	5.15%	1-Mar-23	Bullet repayment	1-Mar-23
LTRO - 5	260.84	260.00	5.15%	7-Mar-23	Bullet repayment	7-Mar-23
LTRO - 6	260.84	260.00	5.15%	7-Mar-23	Bullet repayment	7-Mar-23

All secured term loans were secured by way of exclusive charge on the standard assets portfolio receivables pertaining to micro credit loans and cash collateral as per the respective agreements.

(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2021	As at 31 March 2020
13 Deposits (at amortized cost)		
Deposits		
(i) From Banks	23,215.36	19,419.85
(ii) From Others*	54,191.09	34,855.97
Total	**77,406.45**	**54,275.82**
* Includes deposit received from related parties refer Note no.36 for the same		
14 Subordinated Liabilities (at amortized cost)		
Subordinated term loans	-	100.86
Subordinated debt	3,830.25	1,877.07
Total (A)	3,830.25	1,977.93
Subordinated Liabilities in India	2,335.83	487.71
Subordinated Liabilities outside India	1,494.42	1,490.22
Total (B)	**3,830.25**	**1,977.93**

Concentration by location is based on the subscriber country of incorporation.

Information about the Group's exposure to fair value measurement and credit and market risks are included in Note 40 and 41

Terms of Subordinated liabilities

Nature of Facility	Amount o/s	Contractual amount o/s	ROI	Date of first repayment	Terms of repayment	Date of maturity
As at 31 March 2021						
Unsecured						
Redeemable non convertible debt - 2	1,494.42	1,500.00	12.00%	30-Jun-22	Bullet repayment	30-Jun-22
Redeemable non convertible debt - 14	243.05	250.00	10.58%	9-Jul-25	Bullet repayment	9-Jul-25
Redeemable non convertible debt - 15	145.70	150.00	10.58%	30-Aug-25	Bullet repayment	30-Aug-25
Redeemable non convertible debt - 16	1,947.08	1,950.00	12.50%	26-Jun-27	Bullet repayment	26-Jun-27
As at 31 March 2020						
Unsecured						
Redeemable non convertible debt - 2	1,490.22	1,500.00	12.00%	30-Jun-22	Bullet repayment	30-Jun-22
Redeemable non convertible debt - 14	241.85	250.00	10.58%	9-Jul-25	Bullet repayment	9-Jul-25
Redeemable non convertible debt - 15	145.00	150.00	10.58%	30-Aug-25	Bullet repayment	30-Aug-25
Term loans	100.86	100.00	15.50%	10-Oct-20	Bullet repayment	10-Oct-20

(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2021	As at 31 March 2020
15 Other financial liabilities		
Employee benefits payable	260.93	200.57
Security deposit from staff	80.85	74.34
Expenses payable	971.29	613.02
Client insurance payable	24.82	0.26
Total	**1,337.89**	**888.19**
16 Provisions		
For Employee Benefits		
Provision for gratuity	11.08	4.62
Provision for leave benefits	42.14	44.60
Allowance on impairment loss on off-book exposure*	4.89	1.03
Others	6.79	-
Total	**64.90**	**50.25**
Notes:		
a) Movement for Other Provisions:		
Opening Balance	-	-
Add: Provision made during the year	6.79	-
Less: Provision utilized / reversed during the year	-	-
Closing Balance	6.79	-
b) Refer note 34 for employee benefits -		
c) *For information about allowance on impairment loss on off book exposure refer note 41		
17 Other non-financial liabilities		
Statutory dues payable	89.85	79.86
Advance contribution received	-	10.00
Total	**89.85**	**89.86**
18 Share capital		
Authorised		
Equity shares		
100,000,000 (31 March 2020: 100,000,000) Equity shares of INR 10 each	1,000	1,000
Issued, subscribed and paid-up		
Equity shares		
97,645,891 (31 March 2020 - 97,398,806) equity shares of INR 10 each, fully paid up	976.46	973.99
	976.46	**973.99**

(a) Reconciliation of the number of shares outstanding is set out below:

	As at 31 March 2021		As at 31 March 2020	
	Number of shares (in units)	Amount	Number of shares (in units)	Amount
Outstanding as at the beginning of the year	9,73,98,806	973.99	9,72,01,786	972.02
Issued during the period	2,47,085	2.47	1,97,020	1.97
Outstanding at the end of the period	**9,76,45,891**	**976.46**	**9,73,98,806**	**973.99**

(b) Rights, preferences and restrictions attached to equity shares

(i) Equity shares

The Group has single class equity shares having a par value of INR 10 per equity share. They entitle the holders to participate in the dividends in proportion to the number of shares held.

However, as per the Shareholders Agreement, in the event of liquidation, the net proceeds shall be distributed in the following manner:

- First preference shall be given to the Investors (ABF, AGIMDC II, AVMS, CDC, FCIEF II, FCIEF III, HDFC Ergo, HDFC Life, HDFC Ltd., Hero, ICICI Pru, IFC, JIF, Lok CGF, NMI, rAPM, RBL, Sarva Capital, SFRE-SICAV-SIF, Shriram and SIDBI), shareholders which have been allotted equity shares pursuant to ESOP plan 2010 and other shareholders (other than the shareholders which have been allotted equity shares pursuant to grant of employee stock option of the Group excluding ESOP Plan 2010)
- Second preference shall be with shareholders which have been allotted equity shares pursuant to grant of employee stock options of the Group (excluding ESOP Plan 2010) and sponsors of the Group.
- Remaining shareholders shall have third preference over the residual assets of the Group at the time of liquidation.

(c) Details of shareholder holding more than 5% shares is set below:

Equity shares	As at 31 March 2021		As at 31 March 2020	
Name of the shareholder	Number of shares (in units)	% of Holding	Number of shares (in units)	% of Holding
NMI Frontier Fund KS, Norway	77,02,602	7.89%	77,02,602	7.91%
CDC Group PLC	1,37,26,978	14.06%	1,37,26,978	14.09%
Faering Capital India Evolving FUND II	76,60,082	7.84%	76,60,082	7.86%
RBL Bank Limited	97,02,950	9.94%	97,02,950	9.96%
	3,87,92,612	**39.73%**	**3,87,92,612**	**39.83%**

(d) Shares reserved for issue under options –

Refer Note 35 for details of share to be issued under employee stock option plan.

(All amounts are in Rupees millions unless otherwise stated)

		As at 31 March 2021	As at 31 March 2020
19	**Other equity**		
	Share Application money pending allotment		
	Balance as at the beginning of the year	6.32	0.66
	Shares issued during the year	(6.32)	(0.66)
	Amount received during the year	33.69	6.32
	Balance as at the end of the year	**33.69**	**6.32**
	Equity component of compound financial instruments		
	Balance as at the beginning of the year	(109.01)	(109.01)
	Balance as at the end of the year	**(109.01)**	**(109.01)**
	Statutory reserve		
	Balance as at the beginning of the year	922.00	454.04
	Add: Transferred from retained earnings	278.09	467.96
	Add: Transactions with Non-Controlling Interest	(102.42)	
	Balance as at the end of the year	**1,097.67**	**922.00**
	Capital redemption reserve		
	Balance as at the beginning of the year	90.00	90.00
	Balance as at the end of the year	**90.00**	**90.00**
	Securities premium		
	Balance as at the beginning of the year	6,334.66	6,302.30
	Add: Transfer from stock option outstanding	36.20	32.36
	Balance as at the end of the year	**6,370.86**	**6,334.66**
	Other Equity - Fair valuation changes		
	Balance as at the beginning of the year	4,121.67	4,121.67
	Add: Fair valuation of financial liability	-	
	Balance as at the end of the year	**4,121.67**	**4,121.67**
	Employees stock options outstanding		
	Balance as at the beginning of the year	101.29	52.00
	Add: Compensation for options granted	53.21	59.82
	Less: transfer to retained earnings	(2.97)	-
	Exercise of stock options	(10.99)	(10.53)
	Balance as at the end of the year	**140.54**	**101.29**
	Investment fluctuation reserve		
	Balance as at the beginning of the year	52.41	13.17
	Add: transfer from retained earnings	135.75	39.24
	Add: Transactions with Non-Controlling Interest	(18.95)	-
	Balance as at the end of the year	**169.21**	**52.41**

	As at 31 March 2021	As at 31 March 2020
Treasury shares		
Balance as at the beginning of the year	(3.73)	(5.08)
Treasury shares exercised during the year	0.56	1.35
Balance as at the end of the year	**(3.17)**	**(3.73)**
Retained earnings		
Balance as at the beginning of the year	(1,693.78)	(3,206.20)
Add: Profit for the year	250.04	2,024.14
Add: Amount transferred to various reserves	(497.92)	(510.79)
Share issue expenses	-	-
Transactions with Non controlling interest	1,173.62	(0.93)
Balance as at the end of the year	**(768.04)**	**(1,693.78)**
Debt instruments through other comprehensive income		
Balance as at the beginning of the year	196.64	(4.85)
Other comprehensive income for the year	(163.74)	201.49
Transactions with Non-Controlling Interest	(4.43)	
Balance as at the end of the year	**28.47**	**196.64**
Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss		
Balance as at the beginning of the year	(160.62)	(160.62)
Total Comprehensive Income for the year	-	-
Balance as at the end of the year	**(160.62)**	**(160.62)**
Remeasurement of defined benefit plans ((gain)/loss)		
Balance as at the beginning of the year	(10.24)	(7.32)
Other comprehensive income for the year	(0.91)	(2.92)
Transactions with Non-Controlling Interest	0.38	
Balance as at the end of the year	**(10.77)**	**(10.24)**
Capital reserve		
Balance as at the beginning of the year	3.59	3.59
Additions during the year	75.07	-
Balance as at the end of the year	**78.66**	**3.59**
Non-controlling interest		
Balance as at the beginning of the year	2.34	1.89
Other comprehensive income for the year	4.13	1.00
Purchase of Non controlling interest	1,330.83	(0.55)
Transfer from retained earnings	3.31	-
Balance as at the end of the year	**1,340.61**	**2.34**
Total	**12,419.77**	**9,853.55**

Nature and purpose of other reserve :

Share Application money pending allotment

This amount represents amount received from share holders against which shares are yet to be allotted.

Equity component of financial instruments

This represents the equity component of the financial liability created on account of classification of equity share capital as financial liability.

Statutory reserve

The said reserve has been created under section 45-IC of Reserve Bank of India Act, 1934. As per the said section, every Non-Banking Financial Group shall create a reserve fund and transfer a sum not less than 20% of net profit every year before declaration of dividend.

The Bank has made an appropriation of 25% out of profits for the year ended March 31, 2021 to the Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949.

Capital Redemption Reserve

Capital Redemption Reserve represents amount transferred from surplus in statement of profit and loss towards redemption of preference shares without fresh issue of capital, as was required under Companies Act, 2013.

Securities premium

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

Other Equity - Fair valuation changes

The said reserve represents the premium amount paid by the shareholders transferred on account of reclassification of equity share capital as financial liabilities as at 31 March 2018 and 1 April 2017.

ESOP Reserve

The said amount is used to recognise the grant date fair value of options issued to employees of Utkarsh CoreInvest Ltd and its subsidiary Utkarsh Small Finance Bank.

Investment fluctuation reserve

As per the notification issued by Reserve Bank of India on Investment Fluctuation Reserve (IFR) on April 02, 2018, the Bank is required to create reserve of at least 2% of the HFT and AFS portfolio, on continuing basis. Notification further says that this should be achieved within a period of 3 years. As per the policy, the Bank is required to create Investment Fluctuation Reserve within 2 years starting from financial year 2018-19. The Bank has created Investment Fluctuation Reserve at 2% on HFT & AFS portfolio. Any adjustment (drawdown) to the reserve due to change in HFT & AFS portfolio is permitted only at the end of the accounting year.

Treasury shares

The said amount represents shares issued to the ESOP trust and subsequently issued to the employees of the Group.

Retained Earnings

The said amount represents accumulated surplus/(deficit) of the profits earned by the Group.

Debt instruments through other comprehensive income

This comprises changes in the fair value of debt instruments recognised in other comprehensive income and accumulated within equity. The Group transfers amounts from such component of equity to retained earnings when the relevant debt instruments are derecognised.

Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss

The said amount represents fair value changes on financial liabilities designated at fair value through profit or loss relating to own credit risk which is recognised in other comprehensive income.

Remeasurement of defined benefit plans

Remeasurements of defined benefit plans represents the following as per Ind AS 19, Employee Benefits:

(a) actuarial gains and losses
(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)

Capital Reserve

The amount relates to profit on sale of HTM securities as stated by RBI guidelines.

Non-controlling interest

The said amount represents non-controlling interest in the subsidiaries.

(All amounts are in Rupees millions unless otherwise stated)

	For the year ended 31 March 2021		For the year ended 31 March 2020	
	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost
20 Interest Income				
Interest income on loan portfolio	-	14,862.28	-	12,250.84
Income from securitised portfolio	-	-	-	21.14
Interest income on fixed deposits	-	2.44	-	6.32
Interest income on investments	1,372.58	-	917.38	-
Others (Interest on RBI Reverse Repo, TREPS Reverse Repo, Call / Term Lending)	-	463.51	-	211.63
Total	**1,372.58**	**15,328.23**	**917.38**	**12,489.93**

	For the year ended 31 March 2021	For the year ended 31 March 2020
21 Fees and commission income		
ATM interchange - acquirer fees	21.48	17.70
Insurance commission	79.75	59.29
Others	21.42	17.30
	122.65	**94.29**
22 Other income		
Foreign exchange gain	3.19	1.52
Miscellaneous income *	859.32	640.56
Total	**862.51**	**642.08**
* includes fee received on sale of PSLCs of INR 637.30 (31 March 2020: INR 452.70)		
23 Finance costs		
(on Financial Liability measured at amortized cost)		
Interest on deposits	4,773.65	4,100.02
Interest on borrowings	2,413.27	1,280.16
Interest on non-convertible debentures	-	232.84
Interest on subordinated debt	415.67	240.10
Other borrowing costs	22.67	42.20
Total	**7,625.26**	**5,895.32**
24 Fees and commission expenses		
ATM interchange - issuer fees	22.56	21.78
Commission on business correspondent	139.77	100.29
Total	**162.33**	**122.07**

(All amounts are in Rupees millions unless otherwise stated)

	For the year ended 31 March 2021	For the year ended 31 March 2020
25 Net (gain)/loss on fair value changes		
Derivative instruments	15.29	10.65
Reclassified from OCI for sale of investments	(151.63)	(7.50)
Net (gain)/loss on fair value changes	**(136.34)**	**3.15**
Fair value changes :		
- Realised	(151.63)	(7.50)
- Unrealised	15.29	10.65
Total	**(136.34)**	**3.15**

	For the year ended 31 March 2021		For the year ended 31 March 2020	
	On Financial Assets measured at fair value through OCI	On Financial assets measured at Amortised Cost	On Financial Assets measured at fair value through OCI	On Financial assets measured at Amortised Cost
26 Impairment on financial instruments				
Loans	-	3,323.29	-	777.75
Investments	0.71	-	0.19	-
Other assets	-	3.86	-	(2.62)
Total	**0.71**	**3,327.15**	**0.19**	**775.13**

	For the year ended 31 March 2021	For the year ended 31 March 2020
27 Employee benefit expenses		
Salaries and wages	2,966.69	2,320.08
Contribution to provident and other funds	218.30	178.59
Share Based Payments to employees	53.21	59.82
Staff welfare expenses	83.60	120.43
Total	**3,321.80**	**2,678.92**
Refer note 34 for employee benefits		
28 Depreciation and amortisation		
Depreciation of property, plant and equipment	494.53	412.57
Amortisation of intangible assets	95.47	75.53
Total	**590.00**	**488.10**

	For the year ended 31 March 2021	For the year ended 31 March 2020
29 Other expenses		
Repairs and maintenance	27.52	41.45
Contribution towards Corporate Social Responsibilities (refer Note 46)	10.00	-
Legal and professional charges	97.09	155.00
Auditor's fees and expenses (Refer Note 30)	11.57	9.01
Subscription and membership expenses	5.20	17.80
Recruitment expenses	15.31	46.68
Loss on account of theft and fraud	1.58	5.90
Loss/write off on sale of property, plant and equipment	0.21	2.85
Insurance	52.66	28.31
Director sitting fees	14.62	7.19
Rent	1.30	1.61
Travelling expenses	74.32	140.83
Printing and stationery	92.02	109.27
Communication expenses	111.26	89.41
Credit bureau expenses	12.29	13.50
Power and fuel	81.55	71.59
Provision against unreconciled balances	7.56	-
Office maintenance	65.78	81.71
Software charges	382.49	276.06
Modification loss on financial instruments	1,022.21	-
Miscellaneous expenses	345.29	346.95
Total	**2,431.83**	**1,445.13**
30 Payment to Auditors		
Statutory audit fees*	9.33	7.23
Certification and other services	2.00	1.60
Reimbursement of expenses	0.24	0.19
Total	**11.57**	**9.01**

* of which INR 0.23 pertain to previous Financial Year.

(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2021	As at 31 March 2020
31 Contingent Liabilities, commitments and contingent assets		
A. Contingent liabilities and capital commitments		
(i) Claims not acknowledged as debts	139.72	114.30
(ii) Other items for which the group is contingently liable *	605.70	199.45
Total	**745.42**	**313.75**

* Includes capital commitments of INR 392.65 (31 March 2020: 185) and Bank Guarantee of INR 213.05 (31 March 2020 : Nil)

Claims against the company not acknowledged as debts in respect of Income Tax is INR 139.72 (31 March 2020: INR 114.30).

"The group's pending litigations include claims against the Bank by counterparties and proceedings pending with tax authorities. The group has reviewed its pending litigations and proceedings and has adequately provided for where provisions are required, and disclosed as contingent liabilities where applicable"

B. Commitments

There are no other commitments as at 31 March 2021 and 31 March 2020.

C. Contingent assets

There are no contingent assets as at 31 March 2021 and 31 March 2020.

(All amounts are in Rupees millions unless otherwise stated)

32 Maturity analysis of assets and liabilities

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

	For the year ended 31 March 2021			For the year ended 31 March 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	11,670.16	-	11,670.16	16,120.74	-	16,120.74
Bank balance other than above	30.00	4.73	34.73	39.74	-	39.74
Derivative financial instruments	10.50	-	10.50	25.78	-	25.78
Loans	46,808.91	32,444.63	79,253.54	36,174.12	29,459.21	65,633.33
Investments	2,970.58	20,733.53	23,704.11	3,978.80	8,423.47	12,402.27
Other financial assets	569.54	112.55	682.09	220.44	134.90	355.33
Non-financial assets						
Current tax assets (net)	-	453.57	453.57	-	217.54	217.54
Deferred tax assets (net)	-	868.80	868.80	-	318.99	318.99
Property, plant and equipment	-	2,781.55	2,781.55	-	2,520.25	2,520.25
Capital work-in-progress	-	550.96	550.96	-	0.75	0.75
Other intangible assets	-	266.68	266.68	-	219.97	219.97
Other non-financial assets	153.43	64.10	217.53	106.78	271.16	377.95
Total Assets	**62,213.12**	**58,281.10**	**1,20,494.22**	**56,666.40**	**41,566.24**	**98,232.63**
Liabilities						
Financial liabilities						
Borrowings (other than debt securities)	9,427.38	14,932.54	24,359.92	10,038.13	20,084.91	30,123.05
Deposits	41,047.26	36,359.19	77,406.45	35,145.75	19,130.07	54,275.82
Subordinated liabilities	-	3,830.25	3,830.25	1,601.43	376.51	1,977.93
Other financial liabilities	1,206.65	131.25	1,337.90	813.85	74.34	888.19
Non-financial liabilities						
Current tax liabilities (net)	8.73	-	8.73	-	-	-
Provisions	-	64.90	64.90	-	50.25	50.25
Other non-financial liabilities	89.85	-	89.85	89.86	-	89.86
Total Liabilities	**51,779.87**	**55,318.13**	**1,07,098.00**	**47,689.02**	**39,716.08**	**87,405.10**
Net	**10,433.25**	**2,962.97**	**13,396.22**	**8,977.39**	**1,850.15**	**10,827.53**

33 Change in liabilities arising from financing activities

	As at 1 April 2020	Interest Accrued	Cashflows	Adjustment on account of Ind AS 116	Exchange differences	Others	As at 31 March 2021
Borrowings (other than debt securities)	30,123.05	36.36	(6,083.16)	407.02	(3.19)	(120.16)	24,359.92
Deposits	54,275.82	507.32	22,623.25	-	-	0.06	77,406.45
Subordinated liabilities	1,977.93	3.05	1,850.00	-	-	(0.73)	3,830.25
Total Liabilities from financing activities	**86,376.80**	**546.73**	**18,390.09**	**407.02**	**(3.19)**	**(120.83)**	**1,05,596.62**

	As at 1 April 2019	Interest Accrued	Cashflows	Adjustment on account of Ind AS 116	Exchange differences	Others	As at 31 March 2020
Debt securities	3,200.62	(77.18)	(3,118.16)	-	-	(5.29)	-
Borrowings (other than debt securities)	9,404.73	99.27	18,778.00	1,846.05	(1.52)	(3.48)	30,123.05
Deposits	38,322.12	988.71	14,965.17	-	-	(0.19)	54,275.82
Subordinated liabilities	1,976.09	(0.45)	-	-	-	2.29	1,977.93
Total Liabilities from financing activities	**52,903.57**	**1,010.35**	**30,625.01**	**1,846.05**	**(1.52)**	**(6.67)**	**86,376.80**

(All amounts are in Rupees millions unless otherwise stated)

34 Employee benefits

The Group operates the following post-employment plans -

i) Defined Benefit plan

Gratuity

Every employee is entitled to a benefit equivalent to 15 days salary last drawn for each completed year of service in line with the payment of Gratuity Act, 1972. The same is payable at the time of separation from the Group or retirement, whichever is earlier.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2021. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Group's financial statements as at balance sheet date:

	As at 31 March 2021	As at 31 March 2020
Net defined benefit liability / (asset)	11.09	4.61

A) Funding

The scheme is fully funded with Life Insurance Corporation of India (LIC). The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in Section E below. Employees do not contribute to the plan.

Expected contributions to gratuity plan for the year ending 31 March 2022 is INR 51.74.

B) Reconciliation of the net defined benefit (asset) / liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset)/ liability and its components:

	As at 31 March 2021			As at 31 March 2020		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) / liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) / liability
Balance at the beginning of the year	114.54	109.92	4.62	73.93	59.22	14.71
Included in profit or loss			-			
Current service cost	42.76	-	42.76	35.81	1.16	34.65
Past Service credit	-	-	-	0.10	0.10	(0.00)
Interest cost (income)	6.18	5.93	0.25	5.71	4.61	1.10
Total (A)	**48.94**	**5.93**	**43.01**	**41.61**	**5.86**	**35.75**
Included in Other comprehensive income						
Remeasurements loss (gain)						
– Actuarial loss (gain) arising from:						
- demographic assumptions	-	-	-	(28.57)	-	(28.57)
- financial assumptions	(9.56)	-	(9.56)	23.66	-	23.66
- experience adjustment	8.56	-	8.56	7.40	-	7.40
– Return on plan assets excluding interest income	-	(2.07)	2.07	-	(1.42)	1.42
Total (B)	**(1.00)**	**(2.07)**	**1.07**	**2.49**	**(1.42)**	**3.91**

	As at 31 March 2021			As at 31 March 2020		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) / liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) / liability
Other						
Contributions paid by the employer	-	37.61	(37.61)	-	49.76	(49.76)
Benefits paid	-	(3.60)	3.60	(0.16)	(3.50)	3.35
Benefits paid from revenue account of the Group	(3.60)	-	(3.60)	(3.35)	-	(3.35)
Total (C)	**(3.60)**	**34.01**	**(37.61)**	**(3.50)**	**46.26**	**(49.76)**
Balance at the end of the year	**158.88**	**147.80**	**11.09**	**114.53**	**109.92**	**4.61**

	For the year ended 31 March 2021	For the year ended 31 March 2020
Gratuity Expenses	43.01	35.75

For detailed Break up please refer column 'Net defined benefit (asset)/ liability' in the above table

C. Plan assets

	As at 31 March 2021	As at 31 March 2020
Insurer managed funds	100%	100%

The group has purchased insurance policy, which is basically a year-on-year cash accumulation plan in which the interest rate is declared on yearly basis and is guaranteed for a period of one year. The insurance Company, as part of the policy rules, makes payment of all gratuity outgoes happening during the year (subject to sufficiency of funds under the policy). The policy, thus, mitigates the liquidity risk. However, being a cash accumulation plan, the duration of assets is shorter compared to the duration of liabilities. Thus, the group is exposed to movement in interest rate (in particular, the significant fall in interest rates, which should result in a increase in liability without corresponding increase in the asset).

D. Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	As at 31 March 2021	As at 31 March 2020
Discount rate	4.95%	5.40%
Future salary growth	7% for first two years and 9% thereafter	7% for first two years and 9% thereafter
Withdrawal rate:		
For management	12%-13.10%	12%-13.10%
For junior staff	31.90%	31.9%
Expected rate of return on plan assets	6.45%	7.40%
Mortality	Indian Assured Lives Mortality (2012-14)	Indian Assured Lives Mortality (2012-14)

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion

E. Sensitivity analysis of significant assumptions

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

	As at 31 March 2021		As at 31 March 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(7.77)	8.60	6.05	6.82
Future salary growth (1% movement)	8.22	7.40	6.45	5.86

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

F. Expected maturity analysis of the defined benefit plans in future years

	As at 31 March 2021	As at 31 March 2020
(i) Duration of defined benefit obligation		
Duration (Years)		
0-1 years	28.73	16.95
1 to 5 years	90.80	64.70
More than 5	93.33	82.17
Total	212.86	163.81
(ii) Weighted Average duration of the defined benefit obligation	4-7 years	4-7 years

G. Description of risk exposures

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such group is exposed to various risks as follow -

Investment risk

The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Interest risk (discount rate risk)

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

Mortality Risk

"The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants. For the current year, we have used Indian Assured Lives Mortality (2012-14) ultimate table and in the previous year, Indian Assured Lives Mortality (2006-08) had been used.

A change in mortality rate will have a bearing on the plan's liability."

Salary Risk

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

ii. Defined contribution plan

The Group makes monthly contribution towards Provident Fund which is a defined contribution plan. The Group has no obligations other than to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. The amount recognised as expense towards such contribution are as follows:

	As at 31 March 2021	As at 31 March 2020
Contribution to Provident Fund and other funds	218.30	178.59

iii. Other long-term benefits

The Group provides compensated absences benefits to the employees of the Group which can be carried forward to future years. Amount recognised in the Statement of Profit and Loss for compensated absences is as under-

	Year ended 31 March 2021	Year ended 31 March 2020
Amount recognised in Statement of Profit and Loss	37.69	81.80

(All amounts are in Rupees millions unless otherwise stated)

35 Employee stock options

A Description of share-based payment arrangements

The Group has formulated an Employees Stock Option Scheme to be administered through a Trust. The Scheme is applicable to all the eligible employees of the Group. The scheme provides that subject to continued employment with the Group, the employees are granted an option to acquire equity shares of the Group that may be exercised within a specified period.

The Group formed Utkarsh ESOP Welfare Trust ('Trust') to issue ESOPs to employees of the Group as per Employee Stock Option Scheme. Total 1,200,000 equity shares has been reserved under ESOP scheme 2016 and pursuant to Shareholder agreement executed in the year 2016-17 additional 5,989,594 equity shares has been reserved for the purpose of ESOP scheme. The Group has given interest and collateral free loan to the trust, to provide financial assistance to purchase equity shares of the Group under such schemes.

The Group has allotted 343,507 equity shares of Rs.10 each and 856,493 equity shares of Rs.10 each in the years ended 31 March 2011 and 31 March 2013 respectively. The trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the compensation committee. The Trust in turn allots the shares to employees on exercise of their right against cash. The compensation costs of stock options granted to employees are accounted by the Group using fair value method.

The Trust does not have any transactions/activities other than those mentioned above, hence it is treated as a part of the Group and gets consolidated with the books of the Group.

The Company granted 2,159,575 (31 March 2020: 1,836,225) options to the employees of the Group out of which 5,00,000 options have grant effective date of F.Y. 19-20 and which are not routed through the Trust.

The options vested shall be exercised within a period of 24 months from the date of vesting. The plan shall be administered, supervised and implemented by the Compensation Committee under the policy and frame work laid down by the Board of Directors of the Group in accordance with the authority delegated to the Compensation Committee in this regard from time to time.

The said ESOP scheme is an equity settled scheme as the same would lead to a settlement in its own equity instruments.

These options shall vest on graded basis as follows:

Time period	Percentage	Vesting condition
On completion of 1 year	25%	Service
On completion of 2 years	25%	Service
On completion of 3 years	25%	Service
On completion of 4 years	25%	Service

Pursuant to Shareholder Agreement dated September 27, 2016 (post receipt of RBI's in-principle approval for issue of SFB license) and subsequent amendments thereto, Mr. Govind Singh was to be issued upto three percent (3%) of the paid up share capital of the promoter company either by the promoter company or by the SFB entity on a fully diluted basis within a period of Six (6) years from the date of commencement of banking operations i.e. upto January 22, 2023.

Subject to RBI approval, the Board of Directors of the Bank has, vide the resolution passed at its meeting held on January 14, 2020, read along with resolution passed by it on July 20, 2020, approved the grant of options equivalent to 0.60% of the paid up share capital of the Bank as of March 31, 2020 constituting 4,555,633 Equity Shares to Mr. Govind Singh, Managing Director and Chief Executive Officer of the Bank under the MD & CEO ESOP Plan.

During the year, the Bank in the group introduced Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020 to offer, grant and issue in one or more tranches, the Stock Options to Mr. Govind Singh, MD & CEO. As per Section 35B of the Banking Regulation Act, 1949, the Bank mandatory requires RBI approval before granting ESOPs. RBI approval is awaited and hence no options have been granted to Mr. Govind Singh and no accounting adjustment has been made in the financial statements on 31 March 2021.

B Reconciliation of outstanding share options

Set out below is a summary of options granted under the plan

	31 March 2021		31 March 2020	
	Number of share options (in Units)	Average exercise price per share	Number of share options (in Units)	Average exercise price per share
Outstanding options at the beginning of the year	38,51,484	105.89	25,48,234	80.43
Add: Granted during the year	16,59,575	125.00	18,36,225	109.36
Add: Granted during the year with Grant effective date pertaining to FY 19-20	5,00,000	110.92	-	-
Less: Lapsed/forfeited during the year	6,85,829	107.75	2,06,874	108.18
Less: Exercised during the year	2,07,558	101.63	3,26,101	73.01
Less: Adjustment of previous year	1,62,434	88.29	-	-
Outstanding options at the end of the year	**49,55,238**	**113.29**	**38,51,484**	**105.89**
Options vested and exercisable at the end of the year	11,18,318	102.95	9,34,521	95.06

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2021 was INR 101.63 (31 March 2020 - 78.54).

C Share options outstanding at the end of the year have the following contractual expiry date and exercise options

Grant date	Expiry date	Exercise price	No of options outstanding	
			As at 31 March 2021	As at 31 March 2020
1 April 2014	1 April 2016 - 1 April 2019	21.60	-	9,750
1 April 2015	1 April 2017 - 1 April 2020	21.60	14,467	39,824
1 April 2016	1 April 2018 - 1 April 2021	21.60	68,046	1,02,692
1 April 2017	1 April 2019 - 1 April 2022	109.36	3,84,532	5,20,475
1 April 2018	1 April 2020 - 1 April 2023	109.36	11,77,302	13,98,768
1 April 2019	1 April 2021 - 1 April 2024	109.36	15,750	-
1 June 2019	1 June 2021 - 1 June 2024	109.36	15,85,566	17,79,975
9 Dec 2019	9 Dec 2021 - 9 Dec 2024	125.00	50,000	-
1 Oct 2020	1 Oct 2022 - 1 Oct 2025	125.00	16,59,575	-
Weighted average remaining contractual life of options outstanding at the end of the period			4.06 years	4.23 years

D Measurement of Fair values

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option on the grant date ranged between INR 9.54 - 67.99

The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plans are as follows:

Grant date	Expiry date	Historical volatility	Exercise price	Share price	Risk free rate	Fair value
1 April 2014	1 April 2016 - 1 April 2019	33.83%	21.60	28.72	8.81%	11.57 - 16.12
1 April 2015	1 April 2017 - 1 April 2020	43.09%	21.60	45.51	7.74%	27.54 - 32.21
1 April 2016	1 April 2018 - 1 April 2021	52.41%	21.60	71.4	7.46%	53.15 - 57.95
1 April 2017	1 April 2019 - 1 April 2022	30.91%	109.36	82.19	6.68%	9.54 - 23.70
1 April 2018	1 April 2020 - 1 April 2023	29.51%	109.36	107.19	7.40%	23.88 - 42.55
1 June 2019	1 June 2021 - 1 June 2024	19.60%	109.36	132.13	7.03%	49.31 - 67.99
1 Oct 2020	1 Oct 2022 - 1 Oct 2025	47.00%	125.00	131.59	5.55%	50.10 - 65.77

The dividend yield has been taken as 0% in all the fair value calculations as Group has never distributed dividend in the past and does not intend to distribute its earnings in the foreseeable future.

E Expense recognised in statement of profit and loss

For details on the employee benefits expense, refer Note 27

(All amounts are in Rupees millions unless otherwise stated)

36 Related party disclosure

i. Name of the related party and nature of relationship:-

A. Name of the Related Party

		Nature of Relationship
a.	**Key managerial personnel / Others**	
i	Mr. Ashwani Kumar	– Managing Director & CEO
ii	Mr. G.S. Sundararajan	– Director
iii	Mr. Gaurav Malhotra	– Nominee Director
iv	Mr. Atul	– Director
v	Ms. Ramni Nirula	– Director (ceased to be Director w.e.f. 19 May 2020)
vi	Mr. Harjeet Toor	– Nominee Director
vii	Mr. Aditya Deepak Parekh	– Nominee Director
viii	Mr. Vishal Mehta	– Nominee Director (ceased to be Director w.e.f. 29 Sep 2020)
ix	CDC	– Investor (holding more than 10% equity share capital)

B. Compensation of key managerial personnel

	As at 31 March 2021	As at 31 March 2020
Short-term employee benefits		
Ashwani Kumar	3.60	2.49
G.S. Sundararajan*	0.85	-
Post-employment defined benefit plan		
Ashwani Kumar	0.61	0.47
Other long term benefits		
Ashwani Kumar	0.84	0.60
Share-based payments		
Ashwani Kumar	0.11	0.15
Sitting fees		
G.S. Sundararajan	0.59	0.42
Atul	0.57	0.54
Ramni Nirula	0.05	0.35
	7.22	**5.03**

Terms and conditions

All transactions with these related parties are priced on an arm's length basis and at normal commercial terms.

* Annual Commission paid to chairperson for FY20 which had been passed in Board meeting held on August 14, 2020, so booked in CY.

C. Transactions with related parties

	As at 31 March 2021	As at 31 March 2020
CDC: Interest expense	181.50	181.99
Key Managerial Personnel: Purchase of Securities	-	0.03
Bank deposits		
Mr. Ashwani Kumar	7.06	7.14
Mr. Atul	-	0.40
Ms. Ramni Nirula	1.17	3.32
Mr. Aditya Deepak Parekh	0.00	0.10

Terms and conditions

All transactions with these related parties are priced on an arm's length basis and at normal commercial terms.

D. (Payable)/ receivables as at balance sheet date:

Name of related party	As at 31 March 2021	As at 31 March 2020
i. CDC		
Debt securities issued to CDC	1,494.42	1,490.22
ii. Mr. Ashwani Kumar		
Saving bank deposits	2.74	0.90
Fixed deposits	0.01	0.01
iii. Mr. Atul		
Saving bank deposits	-	0.01
iv. Ms. Ramni Nirula		
Saving bank deposits	1.94	0.77
Fixed deposits	6.85	7.33
v. Mr. Aditya Deepak Parekh		
Saving bank deposits	0.00	0.00
vi. Mr. G.S. Sundararajan		
Fixed deposits	10.22	0.00

(All amounts are in Rupees millions unless otherwise stated)

37. Earnings per share

Particulars		For the year ended 31 March 2021	For the year ended 31 March 2020
a) Basic earning per share			
Profit/(Loss) after tax		255.16	2,025.15
Weighted average number of equity shares outstanding during the year – Basic	Nos.	9,72,00,515	9,69,21,588
b) Diluted earning per share			
Adjusted net profit/(loss) for the year		255.16	2,025.15
Weighted average number of equity shares outstanding during the year – Basic	Nos.	9,72,00,515	9,69,21,588
Add: Weighted average number of potential equity shares on account of employee stock options	Nos.	8,84,436	9,49,175
Weighted average number of equity shares outstanding during the year – Diluted	Nos.	9,80,84,950	9,78,70,763
Earnings per share			
Basic – par value of Rs.10 each	INR	2.63	20.89
Diluted - par value of Rs.10 each	INR	2.60	20.69

38 Operating segments

The Board has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, “Operating Segments.” The Group's operating segments are established in the manner consistent with the components of the Group that are evaluated regularly by the Chief Operating Decision Maker as defined in 'Ind AS 108 - Operating Segments.' The Group is engaged primarily in the business of banking and there are no separate reportable segments as per Ind AS 108.

a. Information about products and services:
The Group deals in only one product i.e. granted loans to customers. Hence, no separate disclosure is required.

b. Information about geographical areas:
The entire sales of the Group are made to customers which are domiciled in India. Also, all the assets of the Group are located in India.

c. Information about major customers (from external customers):
The Group does not earn revenues from the customers which amount to 10 per cent or more of Group’s revenues

39 Transfers of financial assets

"In the ordinary course of business, the Group enters into transactions that result in the transfer of loans and advances. In accordance with the accounting policy set out in Note 2, the transferred financial assets continue to be recognised in their entirety or to the extent of the Group's continuing involvement, or are derecognised in their entirety.

The Inter-Bank Participatory Certificates (IBPC) arrangement has been done in March 2020 with Risk sharing basis. As per the terms of participation and the de-recognition requirements of Ind AS 109, since, the risk and rewards are not transferred, hence we have not de-recognized it."

(All amounts are in Rupees millions unless otherwise stated)

40 Financial instruments - fair value and risk management

A. Financial instruments by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

Particulars	As at 31 March 2021		
	FVTPL	FVTOCI	Amortised cost
Financial assets:			
Cash and cash equivalents	-	-	11,670.16
Bank balance other than above	-	-	34.73
Derivative financial instruments	10.50	-	-
Loans	-	-	79,253.54
Investments	-	23,704.11	-
Other financial assets	-	-	682.09
	10.50	**23,704.11**	**91,640.52**
Financial liabilities:			
Borrowings (other than debt securities)	-	-	24,359.92
Deposits	-	-	77,406.45
Subordinated liabilities	-	-	3,830.25
Other financial liabilities	-	-	1,337.89
	-	**-**	**1,06,934.51**

Particulars	As at 31 March 2020		
	FVTPL	FVTOCI	Amortised cost
Financial assets:			
Cash and cash equivalents	-	-	16,120.74
Bank balance other than above	-	-	39.74
Derivative financial instruments	25.78	-	-
Loans	-	-	65,633.33
Investments	-	12,402.27	-
Other financial assets	-	-	355.33
	25.78	**12,402.27**	**82,149.13**
Financial liabilities:			
Borrowings (other than debt securities)	-	-	30,123.05
Deposits	-	-	54,275.82
Subordinated liabilities	-	-	1,977.93
Other financial liabilities	-	-	888.19
	-	**-**	**87,264.99**

B. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:

(a) recognised and measured at fair value and

(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table. During the year there were no transfer between Level 1 and Level 2. Similarly, there were no transfers from or transfer to Level 3.

Financial assets measured at fair value - recurring fair value measurements

As at 31 March 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	10.50	-	10.50
Investments	23,704.11	-	-	23,704.11
	23,704.11	**10.50**	-	**23,714.61**

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2021	Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	11,670.16	-	-	11,670.16	11,670.16
Bank balance other than above	34.73	-	-	34.73	34.73
Loans	79,253.54	-	-	79,521.39	79,521.39
Other financial assets	682.09	-	-	682.09	682.09
	91,640.52	-	-	**91,908.37**	**91,908.37**
Financial liabilities:					
Borrowings (other than debt securities)	24,359.92	-	-	24,470.46	24,470.46
Deposits	77,406.45	-	-	77,406.45	77,406.45
Subordinated liabilities	3,830.25	-	-	4,375.29	4,375.29
Other financial liabilities	1,337.89	-	-	1,337.89	1,337.89
	1,06,934.51	-	-	**1,07,590.09**	**1,07,590.09**

Financial assets measured at fair value - recurring fair value measurements

As at 31 March 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	25.78	-	25.78
Investments	12,402.27	-	-	12,402.27
	12,402.27	**25.78**	-	**12,428.05**

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2020	Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	16,120.74	-	-	16,120.74	16,120.74
Bank balance other than above	39.74	-	-	39.74	39.74
Loans	65,633.33	-	-	65,637.29	65,637.29
Other financial assets	355.33	-	-	355.33	355.33
	82,149.13	-	-	**82,153.09**	**82,153.09**
Financial liabilities:					
Borrowings (other than debt securities)	30,123.05	-	-	30,275.53	30,275.53
Deposits	54,275.82	-	-	54,275.82	54,275.82
Subordinated liabilities	1,977.93	-	-	2,147.77	2,147.77
Other financial liabilities	888.19	-	-	888.19	888.19
	87,264.99	-	-	**87,587.31**	**87,587.31**

C. Valuation framework

The finance department of the group relies on external valuers to perform the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held between the CFO and the external valuer at every twelve months, in line with the group's annual reporting periods. Specific controls include:

- verification of observable pricing
- re-performance of model valuations
- review and approval process for new models and changes to models
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. 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 in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Bank develops Level 3 inputs based on the best information available in the circumstances.

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for OTC derivatives such as forward rate agreements. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values.

Financial instruments valued at carrying value

The respective carrying values of certain on-balance sheet financial instruments approximated their fair value. These financial instruments include cash in hand, balances with other banks, trade receivables, trade payables and certain other financial assets and liabilities. Carrying values were assumed to approximate fair values for these financial instruments as they are short-term in nature and their recorded amounts approximate fair values or are receivable or payable on demand.

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41 Financial risk management

The group's activities exposure it to credit risk, liquidity risk, market risk and operational risk.

A. Risk management framework

(a) Risk management structure and group's risk profile

The group's board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

Efficient and timely management of risks involved in the group's activities is critical for the financial soundness and profitability of the group. Risk management involves the identifying, measuring, monitoring and managing of risks on a regular basis. The objective of risk management is to increase shareholders' value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the group employs leading risk management practices and recruits skilled and experienced people.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group's audit committee oversees how management monitors compliance with the group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

B. Credit risk

Credit risk arises from loans and advances, cash and cash equivalents, investment in debt securities and deposits with banks and financial institutions and any other financial assets.

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's asset on finance and trade receivables from customers; loans and investments in debt securities.

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

(a) Credit risk management

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the group on terms that the group would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial re-organization;

The risk management committee has established a credit policy under which each new customer is analyzed individually for credit worthiness before the group's standard payment and delivery terms and conditions are offered. The group's review includes external ratings, if they are available, background verification, financial statements, income tax returns, credit agency information, industry information, etc. Credit limits are established for each customer and reviewed quarterly. Any loan exceeding those limits require approval from the risk management committee.

(b) Definition of default and cure

The group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

The group considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Following indicators are incorporated:

- DPD analysis as on each reporting date
- actual or expected significant adverse changes in business, financial or economic condition that are expected to cause a significant change to borrower's ability to meet its obligations.
- significant increase in credit risk on other financial instruments of same borrower.
- significant changes in value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements.
- significant changes in expected performance and behavior of the borrower including changes in payment status of borrowers and changes in operating results.

Macroeconomic information (such as regulatory changes, market interest rate or growth rates) is incorporated as part of the internal rating model. In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

(c) Exposure at default

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

To calculate the EAD for a Stage 1 loan, the group assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The Ind AS 109 PDs are then assigned to each economic scenario based on the outcome of group's models.

(d) Loss given default

"For JLG loans, loss given default (LGD) values are assessed based on historical data at least every three months by the group's specialised credit risk department.

For MSME unsecured loan and corporate loans, regulatory LGD is considered as defined by RBI in IRB approach for capital calculation.

For MSME Secured and Housing Loan 30% LGD is considered while the calculated LGD is much lower.

"The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

"The group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data.

Under Ind AS 109, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI Ind AS 109 segment of each asset class.

(e) Significant increase in credit risk

The group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

(f) Expected credit loss on Loans

The group assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account accounting instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, collateral type and other relevant factors.

The group considers defaulted assets as those which are contractually past due 90 days, other than those assets where there is empirical evidence to the contrary. Financial assets which are contractually past due 30 days are classified under Stage 2 – life time ECL, not credit impaired, barring those where there is empirical evidence to the contrary. The group considers financial instruments to have low credit risk if they are rated internally or externally within the investment grade. An asset migrates down the ECL stage based on the change in the risk of a default occurring since initial recognition. If in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision stage reverses to 12-months ECL from lifetime ECL.

The group measures the amount of ECL on a financial instrument in a way that reflects an unbiased and probability-weighted amount. The group considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the group's internally developed statistical models and other historical data. In addition, the group uses reasonable and supportable information on future economic conditions including macroeconomic factors such as interest rates, gross domestic product, inflation, industry and expected direction of the economic cycle. Since incorporating these forward looking information increases the judgment as to how the changes in these macroeconomic factor will affect ECL, the methodology and assumptions are reviewed regularly. The following table presents the key macroeconomic indicators used for the purposes of measurement of ECL in the periods presented.

Macro economic indicator	As at 31 March 2021	As at 31 March 2020
Agriculture (% real change)	4.2	3.50
GDP growth	13	2.10
Industry (% real change)	14.4	1.80

The group's exposure to credit risk for loans, investments and other financial assets by type of counterparty is as follows.

	As at 31 March 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances at amortised cost					
Current (not past due)	68,941.32	-	-	-	68,941.32
1-30 days past due	5,511.39	-	-	-	5,511.39
31-60 days past due	-	4,875.67	-	-	4,875.67
61-90 days past due	-	919.32	-	-	919.32
More than 90 days past due	-	-	3,335.46	-	3,335.46
	74,452.71	5,794.99	3,335.46	-	83,583.16
Loss allowance	(731.06)	(1,486.56)	(2,112.00)	-	(4,329.62)
Carrying value	**73,721.65**	**4,308.44**	**1,223.46**	-	**79,253.54**
Other financial assets at amortised cost					
BBB - to AAA	682.82	-	-	-	682.82
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	682.82	-	-	-	682.82
Loss allowance	(0.73)	-	-	-	(0.73)
Carrying value	**682.09**	-	-	-	**682.09**
Investment in debt securities at FVTOCI					
BBB - to AAA	23,705.42	-	-	-	23,705.42
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	23,705.42	-	-	-	23,705.42
Loss allowance	(1.31)	-	-	-	(1.31)
Amortised cost	**23,704.11**	-	-	-	**23,704.11**

	As at 31 March 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Bank balances					
BBB - to AAA	11,077.85	-	-	-	11,077.85
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	11,077.85	-	-	-	11,077.85
Loss allowance	(0.38)	-	-	-	(0.38)
Amortised cost	**11,077.47**	-	-	-	**11,077.47**

	As at 31 March 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances at amortised cost					
Current (not past due)	65,830.24	-	-	-	65,830.24
1-30 days past due	360.82	-	-	-	360.82
31-60 days past due	-	136.00	-	-	136.00
61-90 days past due	-	62.83	-	-	62.83
More than 90 days past due	-	-	491.92	-	491.92
	66,191.06	198.83	491.92	-	66,881.81
Loss allowance	(809.50)	(64.35)	(374.63)	-	(1,248.49)
Carrying value	**65,381.56**	**134.48**	**117.29**	-	**65,633.32**
Other financial assets at amortised cost					
BBB - to AAA	356.02	-	-	-	356.02
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	356.02	-	-	-	356.02
Loss allowance	(0.69)	-	-	-	(0.69)
Carrying value	**355.33**	-	-	-	**355.33**
Investment in debt securities at FVTOCI					
BBB - to AAA	12,402.88	-	-	-	12,402.88
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	12,402.88	-	-	-	12,402.88
Loss allowance	(0.61)	-	-	-	(0.61)
Amortised cost	**12,402.27**	-	-	-	**12,402.27**

	As at 31 March 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Bank balances					
BBB - to AAA	15,747.84	-	-	-	15,747.84
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	15,747.84	-	-	-	15,747.84
Loss allowance	(0.10)	-	-	-	(0.10)
Amortised cost	**15,747.74**	-	-	-	**15,747.74**

The group has applied a three-stage approach to measure expected credit losses (ECL) on loans and investment in debt securities accounted for at amortised cost and FVOCI. Loss rates are calculated using a 'Transition Matrix' method based on the probability of a receivable in 12 months time interval. Assets migrate through following three stages based on the changes in credit quality since initial recognition:

(a) Stage 1: 12- months ECL: For exposures where there is no 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 recognized.

(b) Stage 2: Lifetime ECL, not credit-impaired: For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognized.

(c) Stage 3: Lifetime ECL, credit-impaired: Financial assets are assessed as credit impaired upon occurrence of one or more events that have a detrimental impact on the estimated future cash flows of that asset. For financial assets that have become credit-impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortised cost.

At each reporting date, the group assesses whether there has been a significant increase in credit risk of its financial assets since initial recognition by comparing the risk of default occurring over the expected life of the asset. In determining whether credit risk has increased significantly since initial recognition, the group uses information that is relevant and available without undue cost or effort. This includes the group's internal credit rating grading system, external risk ratings and forward-looking information to assess deterioration in credit quality of a financial asset.

As at 31 March 2021

Macro economic indicator	2021	2022	2023	2024	2025
Agriculture (% real change)	Base - 3.5	Base - 4.2	Base - 3.1	Base - 3.3	Base - 3.0
	Upside - 3.5	Upside - 4.2	Upside - 3.1	Upside - 3.3	Upside - 3.0
	Downside - 3.5	Downside - 3.4	Downside - 2.5	Downside - 2.6	Downside - 2.4
GDP growth	Base - (7.0)	Base - 13.0	Base - 4.5	Base - 5.5	Base - 5.3
	Upside - (7.0)	Upside - 13.0	Upside - 4.5	Upside - 5.5	Upside - 5.3
	Downside - (7.0)	Downside - 10.4	Downside - 3.6	Downside - 4.4	Downside - 4.2
Industry (% real change)	Base - (7.5)	Base - 14.4	Base - 4.2	Base - 6.4	Base - 6.6
	Upside - (7.5)	Upside - 14.4	Upside - 4.2	Upside - 6.4	Upside - 6.6
	Downside - (7.5)	Downside - 11.5	Downside - 3.4	Downside - 5.1	Downside - 5.3

Macro economic indicator	2020	2021	2022	2023	2024
Agriculture (% real change)	Base - 2.9	Base - 3.5	Base - 3.2	Base - 3.4	Base - 3.3
	Upside - 2.9	Upside - 3.7	Upside - 3.4	Upside - 3.6	Upside - 3.5
	Downside - 2.9	Downside - 1.8	Downside - 1.6	Downside - 1.7	Downside - 1.7
GDP growth	Base - 4.9	Base - 2.1	Base - 5.1	Base - 6.5	Base - 6.1
	Upside - 4.9	Upside - 2.2	Upside - 5.4	Upside - 6.8	Upside - 6.4
	Downside - 4.9	Downside - 1.1	Downside - 2.6	Downside - 3.3	Downside - 3.1
Industry (% real change)	Base - 6.3	Base - 1.8	Base - 6.6	Base - 6.8	Base - 6.7
	Upside - 6.3	Upside - 1.9	Upside - 6.9	Upside - 7.1	Upside - 7.0
	Downside - 6.3	Downside - 0.9	Downside - 3.3	Downside - 3.4	Downside - 3.4

Expected credit loss on other financial assets

The group assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account accounting instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower, collateral type, and other relevant factors.

The group monitors changes in credit risk by tracking published external credit ratings. In order to determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the group supplements this by reviewing changes in government bond yields together with available press and regulatory information about issuers.

Expected credit loss on Investments in Debt securities

The group limits its exposure to credit risk by investing only in government securities and only with counterparties that have a credit rating of at least A-1 from S&P and/ or from CRISIL.

The group monitors changes in credit risk by tracking published external credit ratings. In order to determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the group supplements this by reviewing changes in government bond yields together with available press and regulatory information about issuers.

12-month and lifetime probabilities of default are based on historical data supplied by S&P for each credit rating and are recalibrated based on current government bond yields. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 40% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The following table presents an analysis of the credit quality of debt securities at amortised cost, at FVTOCI and FVTPL. It indicates whether assets measured at amortised cost or FVTOCI were subject to a 12 month expected credit loss (ECL) or lifetime ECL allowance and, in the latter case, whether they were credit impaired.

Bank balances

The significant portion of Bank balances are held with bank and financial institution counterparties, which are rated A+ to AAA, based on Credit ratings.

Impairment on bank balances has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The group considers that its bank balances have low credit risk based on the external credit ratings of the counterparties.

The group uses a similar approach for assessment of ECLs for bank balances as used for investment in debt securities.

(g) Movements in the allowance for impairment in respect of loans, Investment in debt securities, trade receivables and other financial assets

The movement in the allowance for impairment in respect of asset on finance, trade receivables and other financial assets is as follows:

Loans and advances at amortised cost (including loan commitments)

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses		Total
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired	
Loss allowance on 31 March 2019	**327.70**	**55.04**	**626.37**	**1,009.11**
Transfer to Stage 1	1.28	(1.21)	(0.07)	-
Transfer to Stage 2	(0.67)	0.77	(0.10)	-
Transfer to Stage 3	(2.02)	(30.23)	32.26	-
Net remeasurement of loss allowance	72.05	61.28	336.01	469.35
New financial assets originated or purchased	638.26	-	-	638.26
Transfer - financial assets originated or purchased	(1.72)	0.65	1.08	-
Financial assets that have been derecognised	(225.29)	(21.95)	(60.38)	(307.62)
Write offs	-	-	(559.56)	(559.56)
Loss allowance on 31 March 2020	**809.58**	**64.35**	**375.61**	**1,249.54**

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses		Total
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired	
Transfer to Stage 1	5.63	(5.40)	(0.22)	0.00
Transfer to Stage 2	(69.50)	69.84	(0.35)	0.00
Transfer to Stage 3	(38.43)	(32.54)	70.97	-
Net remeasurement of loss allowance	(62.20)	1,415.10	2,077.68	3,430.58
New financial assets originated or purchased	515.81	-	-	515.81
Transfer - financial assets originated or purchased	(1.33)	1.04	0.29	-
Financial assets that have been derecognised	(423.61)	(25.82)	(59.60)	(509.04)
Write offs	-	-	(352.38)	(352.38)
Loss allowance on 31 March 2021	**735.95**	**1,486.57**	**2,112.00**	**4,334.51**

The contractual amount outstanding on loans and advances measured at amortised cost that were written off during the year ended 31 March 2021 and are still subject to enforcement activity is INR 352.37 (31 March 2020 - INR 559.58).

All restructured accounts are standard and classified as stage 2 for ECL working.

Investment in Debt securities at FVTOCI

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses		Total
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired	
Loss allowance on 31 March 2019	**0.42**	-	-	**0.42**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	0.16	-	-	0.16
New financial assets originated or purchased	0.20	-	-	0.20
Financial assets that have been derecognised	(0.17)	-	-	(0.17)
Write offs	-	-	-	-
Loss allowance on 31 March 2020	**0.61**	-	-	**0.61**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	0.01	-	-	0.01
New financial assets originated or purchased	0.77	-	-	0.77
Financial assets that have been derecognised	(0.08)	-	-	(0.08)
Write offs	-	-	-	-
Loss allowance on 31 March 2021	**1.31**	-	-	**1.31**

Other financial assets at amortised cost

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses		Total
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired	
Loss allowance on 31 March 2019	**0.64**	-	-	**0.64**
New financial assets originated or purchased	0.69	-	-	0.69
Financial assets that have been derecognised	(0.64)	-	-	(0.64)
Loss allowance on 31 March 2020	**0.69**	-	-	**0.69**
New financial assets originated or purchased	0.73	-	-	0.73
Financial assets that have been derecognised	(0.69)	-	-	(0.69)
Loss allowance on 31 March 2021	**0.73**	-	-	**0.73**

Bank balances

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired	Total
Loss allowance on 31 March 2019	**1.31**	-	-	**1.31**
Net remeasurement of loss allowance	(1.21)	-	-	(1.21)
Loss allowance on 31 March 2020	**0.10**	-	-	**0.10**
Net remeasurement of loss allowance	0.28	-	-	0.28
Loss allowance on 31 March 2021	**0.38**	-	-	**0.38**

(h) Collateral held and other credit enhancements

As of 31 March 2021, 86.46% of the Bank's retail loans were unsecured (31 March 2020: 91.73%). The Bank's retail loans are generally secured by a charge on the asset financed (vehicle loans and property loans). Retail business banking loans are secured with current assets as well as immovable property and fixed assets in some cases.

Collateral securing each individual loan may not be adequate in relation to the value of the loan. All borrowers must meet the Bank's internal credit assessment procedures, regardless of whether the loan is secured. In addition to the collateral stated above, the Bank holds other types of collateral such as second charges and floating charges for which specific values are generally not available.

The following table sets out the principal types of collateral held against different types of financial assets.

As at 31 March 2021	Maximum exposure to credit risk	Land or Building	Fixed Deposits	Total Collateral	Net Exposure	Associated ECLs
Cash and cash equivalents	11,670.52	-	-	-	11,670.52	(0.36)
Other bank balances	34.75	-	-	-	34.75	(0.02)
Loans and advances	83,583.16	5,688.61	544.98	6,233.59	77,349.56	(4,329.62)
Other financial assets	682.82	-	-	-	682.82	(0.73)
Total financial assets at amortised cost	**95,971.25**	**5,688.61**	**544.98**	**6,233.59**	**89,737.66**	**(4,330.73)**
Investments in debt securities	23,704.11	-	-	-	23,704.11	(1.31)
Total financial assets at FVTOCI	**23,704.11**	-	-	-	**23,704.11**	**(1.31)**
Total financial assets at FVTPL	**-**	-	-	-	**-**	**-**

As at 31 March 2020	Maximum exposure to credit risk	Land or Building	Fixed Deposits	Total Collateral	Net Exposure	Associated ECLs
Cash and cash equivalents	16,120.84	-	-	-	16,120.84	(0.10)
Other bank balances	39.74	-	-	-	39.74	-
Loans and advances	66,881.82	5,576.70	751.70	6,328.40	60,553.42	(1,248.49)
Other financial assets	356.02	-	-	-	356.02	(0.69)
Total financial assets at amortised cost	**83,398.43**	**5,576.70**	**751.70**	**6,328.40**	**77,070.02**	**(1,249.28)**
Investments in debt securities	12,402.27	-	-	-	12,402.27	(0.61)
Total financial assets at FVTOCI	**12,402.27**	-	-	-	**12,402.27**	**(0.61)**
Total financial assets at FVTPL	-	-	-	-	-	-

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECLs when the expected value of the collateral is greater than the LGD, even in if the future value of collateral is forecast using multiple economic scenarios. However, the Stage 3 ECL can be higher than net exposure show below when the future value of collateral, measured using multiple economic scenarios, is expected to decline.

As at 31 March 2021	Maximum exposure to credit risk	Land or Building	Fixed Deposits	Total Collateral	Net Exposure	Associated ECLs
Loans and advances	3,335.46	15.54	-	15.54	3,319.93	(2,112.00)
Total financial assets at amortised cost	**3,335.46**	**15.54**	-	**15.54**	**3,319.93**	**(2,112.00)**

As at 31 March 2020	Maximum exposure to credit risk	Land or Building	Fixed Deposits	Total Collateral	Net Exposure	Associated ECLs
Loans and advances	491.92	78.68	-	78.68	413.24	(374.63)
Total financial assets at amortised cost	**491.92**	**78.68**	-	**78.68**	**413.24**	**(374.63)**

(i) Concentration of risk

The group monitors credit risk by sector and by geographic location. An analysis of grouping of credit risk from loans and advances, loan commitments, financial guarantees and investment securities is shown below.

Loans and advances to customers	As at 31 March 2021	As at 31 March 2020
Carrying amount	83,583.16	66,881.82
Concentration by sector		
Corporate:		
Wholesale Lending	5,031.09	3,095.05
Retail:		
Mortgages	6,364.31	2,158.26
Unsecured lending	72,761.20	57,835.96
Total	**84,156.60**	**63,089.27**
Concentration by location		
India	84,156.60	63,089.27

Investments	As at 31 March 2021	As at 31 March 2020
Carrying amount	23,704.11	12,402.27
Concentration by sector		
Corporate		
Government	1,650.80	
Banks	22,053.31	12,402.27
Mutual funds		
Total	**23,704.11**	**12,402.27**
Concentration by location		
India	23,704.11	12,402.27

Concentration by location for loans and advances, loan commitments and financial guarantees, is based on the customer's country of domicile.

Concentration by location for investment securities is based on the country of domicile of the issuer of the security.

Modification loss on Financial Instruments

As per Ind AS 109, when the contractual cash flows of a financial asset are renegotiated or otherwise modified the entity shall evaluate whether said modification is a substantial modification or not. For modification of financial assets standard do not state any threshold test however a reference can be drawn from quantitative and qualitative tests provided for modification of financial liability.

As per regulatory guideline, the Group has granted 6 months moratorium period to its borrowers w.r.t payment of installment during the moratorium period. The said amounts to modification in the original contractual cash flows. As per Ind AS 109, the Group has to evaluate whether such modification in original contractual cash flows is substantial or not and accordingly account for in the books of accounts.

The Group has performed a 10% quantitative test for the modification of cash flows by comparing present value of modified cash flows using original EIR rate with the outstanding balances as per EIR method on the date of modification and the difference between present value of future cash flows and outstanding balances is less than 10%. According the Group has conclude said modification as non-substantial in nature.

As per Ind AS 109, if the modification is not substantial, the Group shall continue to recognise the loan at the present value of modified cash flows discounted using the original EIR rate and the difference between the carrying value and present value is recognised as a modification loss in the profit and loss account.

The said modification loss would result in reduction of carrying value of the loan and the same will be un-winded by recognition of higher interest income in profit and loss account as compared to the contractual interest income over the remaining tenure of the loan

During the year, the Group has restructured loans & accordingly the net impact of modification loss on Moratorium plus restructuring of INR 1,022.21 has been accounted in the books.

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(All amounts are in Rupees millions unless otherwise stated)

C. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities over the next six months. The Group also monitors the level of expected cash inflows on asset on finance, trade receivables and loans together with expected cash outflows on borrowings, payables and other financial liabilities.

Currently the Group is not having any lines of credit.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial labilities at the reporting date. The amount are gross and undiscounted, and excludes contractual interest payments and exclude the impact of netting agreements.

As at 31 March 2021	Contractual cash flows						
	Carrying amount	Gross nominal inflow/ (outflow)	6 month or less	6-12 months	1-3 years	3-5 years	More than 5 years
Non - derivative financial liabilities							
Borrowings (Other than Debt Securities)	24,359.92	(24,363.45)	6,793.36	2,636.88	11,708.70	2,883.09	341.41
Deposits	77,406.45	(77,405.46)	27,358.13	13,689.13	35,305.89	561.17	491.13
Subordinated Liabilities	3,830.25	(3,854.47)	4.47	-	1,500.00	400.00	1,950.00
Other financial liabilities	1,337.89	(1,337.89)	602.80	603.84	116.36	-	14.89
Non-derivative financial assets							
Cash and cash equivalents*	11,670.16	11,670.52	11,670.52	-	-	-	-
Bank balances other than cash and cash equivalents	34.73	34.75	29.33	1.89	0.52	-	3.02
Loans	79,253.54	82,458.08	27,106.98	21,713.10	29,654.00	2,834.80	1,149.20
Investments	23,704.11	23,586.74	1,371.76	1,598.83	4,365.97	5,971.72	10,278.46
Other Financial assets	682.09	714.18	481.69	87.85	17.46	127.18	-
Derivative financial assets							
Risk management:							
- Outflow	-	-	-	-	-	-	-
- Inflow	10.50	10.50	10.50	-	-	-	-

As at 31 March 2020	Contractual cash flows						
	Carrying amount	Gross nominal inflow/ (outflow)	6 month or less	6-12 months	1-3 years	3-5 years	More than 5 years
Non - derivative financial liabilities							
Borrowings (Other than Debt Securities)	30,123.05	(30,986.60)	7,368.51	1,661.78	14,378.75	6,454.49	1,123.07
Deposits	54,275.82	(54,274.98)	21,732.55	13,413.20	18,772.16	328.39	28.68
Subordinated Liabilities	1,977.93	(2,001.43)	101.43	1,500.00	-	400.00	-
Other financial liabilities	888.19	(888.19)	813.85	-	-	-	74.34
Non-derivative financial assets							
Cash and cash equivalents*	16,120.74	16,120.84	16,120.84	-	-	-	-
Bank balances other than cash and cash equivalents	39.74	39.74	39.74	-	-	-	-
Loans	65,633.33	66,931.11	16,967.30	20,189.25	28,458.20	809.69	506.67
Investments	12,402.27	12,142.88	3,373.49	596.34	1,684.28	1,688.35	4,800.42
Other Financial assets	355.33	356.02	140.90	79.53	26.91	108.68	-
Derivative financial assets							
Risk management:							
- Outflow	-	-	-	-	-	-	-
- Inflow	25.78	25.78	25.78	-	-	-	-

* It includes CRR requirement of INR 1,809.47 (31 March 20: INR 1087.67)

The inflows/(outflows) disclosed in the above table represents contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contract maturity. The disclosure shows net cash flow amounts for derivatives that are net cash settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross settlement.

As disclosed in Note 12, the Group has a secured bank loan that contains a loan covenant. A future breech of covenant may require the Group to repay the loan earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance with the agreement.

The future cash flows on contingent consideration and derivative instruments may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(All amounts are in Rupees millions unless otherwise stated)

D. Market risk

The fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately. Such risks for the trading portfolio is managed and monitored based on a VaR methodology that reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analyses. All such transactions are carried out within the guidelines set by the Risk Management Committee.

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

	Market risk measure		
	Carrying amount	**Trading portfolios**	**Non-trading portfolios**
As at 31 March 2021			
Financial assets:			
Cash and cash equivalents	11,670.16	-	11,670.16
Bank balance other than above	34.73	-	34.73
Derivative financial instruments	10.50	-	10.50
Loans	79,253.54	-	79,253.54
Investments	23,704.11	-	23,704.11
Other financial assets	682.09	-	682.09
	1,15,355.13	-	**1,15,355.13**
Financial liabilities:			
Borrowings (other than debt securities)	24,359.92	-	24,359.92
Deposits	77,406.45	-	77,406.45
Subordinated liabilities	3,830.25	-	3,830.25
Other financial liabilities	1,337.89	-	1,337.89
	1,06,934.51	-	**1,06,934.51**
As at 31 March 2020			
Financial assets:			
Cash and cash equivalents	16,120.74	-	16,120.74
Bank balance other than above	39.74	-	39.74
Derivative financial instruments	25.78	-	25.78
Loans	65,633.33	-	65,633.33
Investments	12,402.27	-	12,402.27
Other financial assets	355.33	-	355.33
	94,577.19	**-**	**94,577.19**
Financial liabilities:			
Borrowings (other than debt securities)	30,123.05	-	30,123.05
Deposits	54,275.82	-	54,275.82
Subordinated liabilities	1,977.93	-	1,977.93
Other financial liabilities	888.19	-	888.19
	87,264.99	-	**87,264.99**

Market risk - Non-trading portfolios

(i) Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which borrowings are denominated and the respective functional currencies of Group. The functional currency for the Group is INR. The Foreign currency in which these transactions are primarily denominated is USD.

Currency risks related to the principal amounts of the Group's USD loans, have been fully hedged using forward contracts that mature on the same dates as the loans are due for repayment.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management is as follows:

Particulars	31 March 2021		31 March 2020	
	INR	USD	INR	USD
Subordinated liabilities	79.30	1.25	158.60	2.50
Swap Contract	(79.30)	(1.25)	(158.60)	(2.50)
Net exposure in respect of recognised assets and liabilities	-	-	-	-

Sensitivity analysis

A reasonably possible strengthening (weakening) of INR and USD against all currencies at 31 March would not have any affect on measurement of financial instruments denominated in foreign currency as the exposure is hedged.

Particulars	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
31 March 2021				
USD (1% movement)	-	-	-	-
31 March 2020				
USD (1% movement)	-	-	-	-

(ii) Interest rate risk

The Groups maximum interest rate exposure is at a fixed rate. This is achieved mostly by entering into fixed rate instruments and partly by borrowing at a floating rate.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management is as follows:

Particulars	31 March 2021	31 March 2020
Fixed rate instruments		
Financial assets	1,10,479.61	91,211.07
Financial liabilities	1,02,587.13	86,376.80
Variable rate instruments		
Financial assets	5,143.18	2,164.34
Financial liabilities	3,009.49	-

Fair value sensitivity analysis for fixed rate instruments

A reasonably possible change of 100 basis points in interest rate at the reporting date would have increased or decreased profit or loss before tax by INR 387.08 (31 March 2020: INR 210.66). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rate at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss before Tax		**Equity, net of tax**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp increase**
31 March 2021				
Variable rate instruments	2,133.69	2,133.69	1,596.68	1,596.68
Cash flow sensitivity (net)	21.34	(21.34)	15.97	(15.97)
31 March 2020				
Variable rate instruments	2,164.34	2,164.34	1,619.62	1,619.62
Cash flow sensitivity (net)	21.64	(21.64)	16.20	(16.20)

E. Legal and operational risk

(i) Legal risk

"Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

The Bank had engaged the services of a Legal Consultant for addressing legal matters pertaining to the Bank", including vetting of agreements entered into by the Bank. The Bank also availed the services of Legal firms / Legal Counsels, wherever warranted. The Bank also has a system in place to respond to legal and statutory notices.

There were 9 legal cases pending against the Bank aggregating INR 0.42 (31 March 2020 : 0.41)

The Bank has since appointed Head - Legal in April 2019 and at present Legal Department is functioning with Head-Legal, one Chief Manager (Legal) and one Senior Executive. The Bank also has a team of Officers with legal background in its Retail Assets Collection Team for filing of cheque bounce cases u/s 138 of N.I Act and initiating arbitration / civil proceedings wherever required."

(ii) Operational

Operational risk is the exposure to loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company has clearly defined operations procedures for each of its products and services. It also has advanced computer systems that enable it to run operations with speed and accuracy.

The operation risk department under risk department operates independently from other units of the group and reports directly to the Risk Management Committee of the Board. It conducts regular reviews of all business areas of the group and reports control deficiencies and exceptions to the Company's policies and procedures. It also recommends measures to mitigate operational risk, which are implemented by management immediately.

The group also has a contingency plan to take care of any failure of its computer systems. Regular backups are made for all important datasets, and stored outside the group's premises. This ensures that in case of any system failure, the group will be able to continue its operations without losing critical data or business transactions. As part of its disaster recovery plan, the group has established a back-up site which would and operate during an emergency.

The group has a specific Business Continuity Plan (""BCP"") unit. The main objective of the BCP is to ensure that in the event of full or partial disaster which includes Pandemic, the group is well set to be able to continue providing essential services to customers, minimizing any adverse effects on the group's business, through business impact analysis, business restoration.

The Group is using various tools under operational risk for monitoring operational risk such as conducting risk & control self assessments, capturing operational loss data and monitoring of KRIs.

42. Capital management

The basic approach of capital adequacy framework is that, a financial institution should have sufficient capital to absorb shocks on account of any unexpected losses arising from the risks in its business.

As per RBI guidelines, the Group is required to maintain a minimum capital to risk weighted asset ratio. Capital management entails optimal utilization of scarce capital to meet extant regulatory capital requirements. UCIL has put in place an appropriate Risk Appetite framework and computes its capital requirements and adequacy as per extant regulatory guidelines.

i The Group maintains minimum capital to risk weighted asset ratio entity wise for all the entities forming part of the group and accordingly manage the capital requirements among all the entities in the group.

ii Capital allocation

The amount of capital allocated to each operation or activity is undertaken with the objective of minimisation of return on the risk adjusted capital. Allocation of capital is to various lines of business basis annual business plan drawn at the beginning of the year. Various consideration for allocating capital include synergies with existing operations and activities, availability of management and other resources, and benefit of the activity with the Group's long term strategic objectives.

43. Spread of COVID-19 and global health concerns relating to this outbreak have had a severe negative impact on, among other things, financial markets, liquidity, economic conditions and trade and could continue to do so or could worsen for an unknown period of time, that could in turn have a material adverse impact on our business, cash flows, results of operations and financial condition, including asset quality. Further the impact of second wave of COVID -19 on economic growth of the country is difficult to predict and the extent of negative impact will mainly depend on the future developments in containment of COVID-19, vaccination drive by government and responses of businesses, which is highly uncertain.

Existing ECL model was primarily based on historical data, recent performance of our loan, customer behaviour and related factors. Bank considers base, best and worst scenarios to determine the ECL. Weightage of worst scenarios was increased while it was reduced for best case scenario. Similarly macro-economic factors was further stressed with higher percentage in case of worst scenario while it was reduced for best scenario. This has helped company to build in additional cushion for increased uncertainty.

The underlying forecasts and assumptions applied in the determination of ECL provision are subject to uncertainties which are often outside of the company's control and accordingly, actual results may differ from these estimates.

44. The composite scheme of arrangement (Scheme) between the Utkarsh Small Finance Bank (Bank) and Utkarsh CoreInvest Limited (UCL), its holding company, and their respective shareholders under Section 230 and other applicable provisions of the Companies Act, 2013, was filed with the National Company Law Tribunal, bench at Allahabad (NCLT) on 25 October 2019 for the reduction in the face value of equity share capital of the Bank and for the issuance and allotment of fully paid-up equity shares of the Bank to the shareholders of UCL (on account of their invested capital) from the reserves created from such reduction of share capital. The objective of the Scheme was, amongst others, to achieve dilution in shareholding of UCL in the Bank in line with the small finance bank's licensing guidelines.

In relation to the Scheme, the Bank had approached RBI seeking a certificate u/s 44B (1) of the Banking Regulation Act, 1949 and RBI had vide its letter dated 21 July, 2020 communicated to the Bank that the mode of dilution of promoter shareholding proposed under the Scheme militates against the spirit of the licensing guidelines for Small Finance Banks. Further, RBI had advised that it may consider issuing the required certificate u/s Section 44(1) in the event the board of both the Bank and UCL agree and approve that the combined shareholding of UCL and shareholders of UCL, who would be allotted the equity shares of the Bank, will be diluted to 40% of the voting shares in the Bank by 22 January, 2022 and till that time together they will exercise only 26% voting rights in the Bank. Basis deliberations, the respective boards of UCL and the Bank decided to withdraw the application for approval of Scheme. Subsequently, the Bank withdrew the petition and the NCLT by its order dated August 27, 2020 dismissed the petition as withdrawn.

The Bank vide its letter dated September 03, 2020 addressed to RBI to withdraw its application seeking certificate from RBI.

45. Amounts payable to Micro and Small enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 that came into force from 02 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments during the years ended 31 March 2021 and 31 March 2020. The above is based on the information available with the Group, which has been relied upon by the statutory auditors.

Particulars	As at 31 March 2021	As at 31 March 2020
a. Principal amount due to suppliers under MSMED Act, 2006	1.50	0.80
b. Interest accrued, due to suppliers under MSMED Act on the above amount, and unpaid	-	-
c. Payment made to suppliers (other than interest) beyond the appointed day during the year	50.24	-
d. Interest paid to suppliers under MSMED Act (Section 16)	-	-
e. Interest due and payable towards suppliers under MSMED Act for payments already made	0.67	-
f. Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (including interest mentioned in (e) above)	0.67	-

46. Details of corporate social responsibility expenditure

Particulars	As at 31 March 2021	As at 31 March 2020
Prescribed CSR expenditure to be spent at Group level (2% of the average net profit)	20.30	4.00
Amount spent	26.00	14.00
Amount unspent	Nil	Nil

As per Section 135 of the Companies Act 2013, the Company has formed a CSR Committee of the Board of Directors. The CSR Committee has also approved a CSR Policy where certain focus areas out of list of activities covered in Schedule VII of the Companies Act 2013, has been identified.

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(All amounts are in Rupees millions unless otherwise stated)

47. Interest in other entities

a) Interest in subsidiaries

i. The group's subsidiaries at 31 March 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Country of incorporation	Ownership held by the group		Ownership interest held by non-controlling interests		Principle activities
		31 March 2021	31 March 2020	31 March 2021	31 March 2020	
Subsidiaries						
Utkarsh small finance bank	India	89.50%	100.00%	10.50%	0.00%	Small finance bank
Utkarsh welfare foundation*	India	0.00%	0.00%	100.00%	100.00%	Section 8 company for CSR activities

* The Group had acquired 78.49% of stake in Utkarsh welfare foundation, however said foundation is a section 8 company and thus the Group holds no economic interest in the said subsidiary. Accordingly the group has consolidated the same with 100% non-controlling interest.

ii. Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet

Particulars	Utkarsh Welfare Foundation	
	As at 31 March 2021	As at 31 March 2020
Current Assets	19.54	14.03
Current liabilities	12.79	11.80
Net current assets	**6.75**	**2.23**
Non current assets	0.61	0.61
Non current liabilities	-	-
Net non current assets	**0.61**	**0.61**
Net Assets	**7.36**	**2.84**

Particulars	Utkarsh Small Finance Bank Ltd.
	As at 31 March 2021
Total Assets	1,20,418.60
Total Liabilities	1,07,432.70
Net Assets	**12,985.90**

The data for 31 March 2020 in above table has not been presented for Utkarsh small finance bank as there was no non controlling interest and entire 100% stake was held by the Parent Company

Summarised statement of profit and loss

Particulars	Utkarsh Welfare Foundation	
	For the year ended 31 March 2021	For the year ended 31 March 2020
Revenue from operation	47.76	37.58
Profit for the year	3.60	1.30
Other Comprehensive income	(0.09)	0.05
Total Comprehensive income	3.52	1.34
Total Comprehensive income attributable to non controlling interest	3.52	1.34

Particulars	Utkarsh Small Finance Bank Ltd.
	As at 31 March 2021
Revenue from operation	16,823.46
Profit for the year	257.23
Other Comprehensive income	(165.57)
Total Comprehensive income	91.66
Total Comprehensive income attributable to non controlling interest	0.61

The data for 31 March 2020 in above table has not been presented for Utkarsh small finance bank as there was no non controlling interest and entire 100% stake was held by the Parent Company

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b) **Additional disclosure under Schedule III of Companies Act 2013.**

Name of the Entity	Net Assets		Share in Profit or Loss		Share in other comprehensive income		Share in total comprehensive income	
	% of Consolidated Net Assets	Amount (in millions)	% of Consolidated profit or loss	Amount (in millions)	% of Consolidated profit or loss	Amount (in millions)	% of Consolidated profit or loss	Amount (in millions)
Parent Company								
31-Mar-21	61.99%	8,304.97	0.52%	1.33	0.00%	0.00	1.49%	1.33
31-Mar-20	75.69%	8,194.83	0.27%	5.50	0.00%	0.00	0.25%	5.51
Utkarsh small finance bank								
31-Mar-21	96.94%	12,985.90	100.81%	257.23	99.95%	(165.57)	102.40%	91.66
31-Mar-20	96.83%	10,484.83	98.59%	1,996.53	103.66%	205.85	99.04%	2,202.38
Utkarsh welfare foundation								
31-Mar-21	0.05%	7.36	1.41%	3.60	0.05%	(0.09)	3.93%	3.52
31-Mar-20	0.03%	2.84	0.06%	1.30	0.02%	0.05	0.06%	1.34
Non-controlling interest								
31-Mar-21	10.01%	1,340.61	2.01%	5.13	0.61%	(1.00)	4.61%	4.12
31-Mar-20	0.02%	2.34	0.05%	0.95	0.02%	0.05	0.04%	1.00
Consolidation/other adjustments								
31-Mar-21	-68.99%	(9,242.61)	-4.76%	(12.14)	-0.61%	1.01	-12.43%	(11.13)
31-Mar-20	-72.57%	(7,857.30)	1.03%	20.86	-3.71%	(7.37)	0.61%	13.49
Total								
31-Mar-21	100.00%	13,396.23	100.00%	255.16	100.00%	(165.65)	100.00%	89.50
31-Mar-20	100.00%	10,827.54	100.00%	2,025.14	100.00%	198.58	100.00%	2,223.72

(All amounts are in Rupees millions unless otherwise stated)

48 Lease as lessee

The group has taken various premises on lease for undertaking its banking and allied business

Following are the changes in the carrying values of right of use assets

Particulars	Category of ROU Assets		
	Premises	ATM Machines	Core Banking software
Balance as at 1 April 2019	**1,368.64**	-	-
Reclassified on account of adoption of Ind AS 116		35.95	118.28
Additions	506.38	18.01	-
Depreciation	232.32	7.46	23.65
Balance as at 31 March 2020	**1,642.70**	**46.50**	**94.63**
Additions	446.04	11.07	-
Adjustments	-	-	-
Depreciation	293.68	9.52	23.65
Balance as at 31 March 2021	**1,795.06**	**48.05**	**70.98**

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of profit and loss.

The following is the movement in lease liabilities

Particulars	Lease liabilities
Balance as at 1 April 2019	**1,330.94**
Reclassified on account of adoption of Ind AS 116	166.21
Additions	524.36
Finance cost accrued during the period	159.91
Payment of lease liabilities	(320.87)
Balance as at 31 March 2020	**1,860.55**
Additions	454.00
Adjustment on account on rent concession	(22.65)
Finance cost accrued during the period	161.74
Payment of lease liabilities	(372.44)
Balance as at 31 March 2021	**2,081.20**

The table below provides details regarding the contractual maturities of lease liabilities as at 31 March 2021 on an undiscounted basis:

Particulars	As at 31 March 2021	As at 31 March 2020
Less than one year	441.16	396.69
One to five years	1,728.90	1,598.76
More than five years	573.12	723.07

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.

Rental expense recorded for short-term leases was INR 0.26 for the year ended 31 March 2021 (31 March 2020 : INR 0.23)

During the year ended 31 March 2021, the Group has renegotiated with certain landlords on the rent reduction/ waiver due to COVID 19 pandemic. The Management believes that such reduction/ waiver in rent is short term in nature and also meets the other conditions specified in the notification issued by the Central Government in consultation with National Financial Reporting Authority dated 24 July 2020 as Companies (Indian Accounting Standards) Amendment Rules, 2020 with effect from 1 April 2020. Thus, in accordance with the said notification, the Group has elected to apply exemption as the reduction/ waiver does not necessitate a lease modification as envisaged in the Standard by recording in the "Other income". Accordingly, the Group has recognised INR 22.65 during the year ended 31 March 2021 in the statement of profit and loss.

Transition Note

On transition to Ind AS 116, the adoption of the new standard resulted in recognition of 'Right of use asset' on account of premises and ATM leases of INR 1,369 and a 'lease liability' of INR 1,331 and derecognition of 'Prepaid rent' of INR 38. The company has also reclassified assets under finance lease of INR 154 to Right of use assets.

The average incremental borrowing rate applied to lease liabilities as at April 1, 2019 is 8.65%

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, Ind AS 116 is applied only to contracts that were previously identified as leases under AS 17

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(All amounts are in Rupees millions unless otherwise stated)

49 Expected credit loss (ECL) impairment provision - Loans

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	74,452.71	731.06	73,721.65	991.44	(260.38)
	Stage 2	5,794.99	1,486.56	4,308.44	496.51	990.05
Subtotal		**80,247.70**	**2,217.62**	**78,030.09**	**1,487.95**	**729.67**
Non-Performing Assets (NPA)						
Substandard	Stage 3	3,289.97	2,083.20	1,206.77	1,945.62	137.58
Doubtful - upto 1 year	Stage 3	43.37	27.46	15.91	40.55	(13.09)
1 - 3 years	Stage 3	2.12	1.34	0.78	1.85	(0.51)
more than 3 years	Stage 3	-	-	-	-	-
Subtotal for Doubtful		**45.49**	**28.80**	**16.69**	**42.40**	**(13.60)**
Loss	**Stage 3**	**-**	**-**	**-**	**-**	**-**
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	1,195.05	4.89	1,190.16	-	4.89
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		**1,195.05**	**4.89**	**1,190.16**	**-**	**4.89**
Total	**Stage 1**	**75,647.76**	**735.95**	**74,911.81**	**991.44**	**(255.49)**
	Stage 2	**5,794.99**	**1,486.56**	**4,308.44**	**496.51**	**990.05**
	Stage 3	**3,335.46**	**2,112.00**	**1,223.46**	**1,988.02**	**123.98**
	Total	**84,778.21**	**4,334.51**	**80,443.71**	**3,475.97**	**858.54**

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	66,191.08	809.50	65,381.57	371.88	437.62
	Stage 2	198.83	64.35	134.47	0.91	63.44
Subtotal		**66,389.91**	**873.85**	**65,516.04**	**372.79**	**501.06**
Non-Performing Assets (NPA)						
Substandard	Stage 3	452.21	344.39	107.82	237.02	107.37
Doubtful - upto 1 year	Stage 3	36.40	27.72	8.68	33.44	(5.72)
1 - 3 years	Stage 3	3.31	2.52	0.79	3.04	(0.52)
more than 3 years	Stage 3	-	-	-	-	-
Subtotal for Doubtful		**39.71**	**30.24**	**9.47**	**36.48**	**(6.24)**
Loss	**Stage 3**	**-**	**-**	**-**	**-**	**-**
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	256.91	1.03	255.88	-	1.03
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		**256.91**	**1.03**	**255.88**	**-**	**1.03**
Total	**Stage 1**	**66,447.99**	**810.53**	**65,637.45**	**371.88**	**438.65**
	Stage 2	**198.83**	**64.35**	**134.47**	**0.91**	**63.44**
	Stage 3	**491.92**	**374.63**	**117.29**	**273.50**	**101.13**
	Total	**67,138.74**	**1,249.51**	**65,889.21**	**646.29**	**603.22**

As on March 31,2021, loans amounting to INR 2,836.27 has been restructured under the resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated 6 August 2020 . Restructured loans amounting to INR 203.87, has been pre-closed or classified as NPA and accordingly restructuring provision as on 31 March 2021 amounting to INR 526.48 as per IRAC Norms classified under stage 1 and amounting to INR 795.32 as per ECL provision classified under stage 2.

for Haribhakti & Co. LLP
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: July 07, 2021

Place: Varanasi & Chennai*
Date: July 07, 2021

CHIEF EXECUTIVE OFFICER (CEO) & CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

We, Ashwani Kumar, Managing Director & Chief Executive Officer and Harshit Agrawal, Chief Financial Officer of Utkarsh CoreInvest Ltd. (erstwhile Utkarsh Micro Finance Limited), "the Company", hereby certify to the Board that:

a) We have reviewed financial statements and the cash flow statement of the Financial Year ended March 31, 2021 and that to the best of our knowledge and belief:

   i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

c) We accept responsibility for establishing and maintaining internal controls for financial reporting in the Company and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware of and the steps we have taken or proposed to be taken to rectify these deficiencies.

d) We have indicated to the Auditors and the Audit Committee:

   i. Significant changes in internal control over financial reporting during the year;

   ii. Significant changes in accounting policies during the year and the same have been disclosed in the Notes of the financial statements; and

   iii. Instances of significant fraud of which we have become aware of and involvement therein; if any, of the Management or an employee having a significant role in the Company's internal control system over financial reporting.

e) We affirm that we have not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct, if any).

Ashwani Kumar
Managing Director & CEO
Place: Varanasi
Date: June 30, 2021

Harshit Agrawal
Chief Financial Officer
Place: Varanasi
Date: June 30, 2021

THE ANNUAL REPORT ON CSR ACTIVITIES FINANCIAL YEAR 2020-21

I. **Brief outline of the company's CSR policy, including overview of the projects or programs undertaken:**

A. Policy Statement

Utkarsh CoreInvest Limited (formerly known as Utkarsh Micro Finance Ltd.) will discharge of its responsibility as a corporate citizen by contributing actively to the Community Welfare Measures. As a part of CSR activities, the Company will take up impactful Social, Economic & Environment related initiatives. For achieving the goals of sustainable and inclusive development, it will actively involve various Social & Development Organizations.

It aims to socially uplift the underserved, underprivileged and low-income household community in collaboration with reputed Institutions engaged in developmental activities, Social Organizations & Technical Resource Partners. Its overall approach is to support programs for social & economic development by intervening in domain of Health and Financial Awareness at large, providing vocational training for skill development and adoption of green and clean energy projects. etc.

B. CSR Philosophy and Guiding Principles

The Company continues its efforts to impact the society positively, particularly to underserved and unsecured communities for social development based on the following guiding principles:

- Adopting an approach that aims at achieving a greater balance between social development and economic development.
- Adopting new measures to accelerate and ensure the basic needs of deprived section of society.
- Work towards elimination of barriers for the social inclusion of disadvantaged groups- such as the poor and the disabled.
- Support underprivileged and underserved segments by providing financial and non-financial services through a socially responsible, sustainable and scalable institution.

C. Management Structure: CSR Committee

Corporate Social Responsibility Committee ("CSR Committee") of the Board of Directors A Board level Corporate Social Responsibility Committee (CSR Committee) is constituted having three (3) Directors / Executives, out of whom, one (1) Director is an Independent Director.

Present Composition of the CSR committee is as under:

I. Mr. G. S. Sundararajan, Independent Director and Chairperson
ii. Mr. Aditya Deepak Parekh, Nominee Director
iii. Mr. Ashwani Kumar, Managing Director & CEO

D. Roles & Responsibility of the Board and its Committee

The CSR Projects in Utkarsh are implemented under the guidance of the Board's Sub-Committee on CSR.

The terms and reference of the committee is given below:

I. Specify the theme of the CSR projects and programmes to be undertaken.

ii. Prepare a list of CSR projects / programmes, which the company plans to undertake during the year of implementation with modalities of execution in the areas / sectors chosen and implementation schedules for the same.

iii. CSR projects / programmes of the company may also focus on integrating business models with social and environmental priorities and processes in order to create shared value.

iv. Yearly review of CSR policy to be undertaken and submitted to the Board for approval.

v. Recommend the amount of expenditure to be incurred on the CSR activities for the financial year along with projects to be undertaken earmarking funds for broad area wise projects, to the Board of Directors for its approval.

vi. The Committee shall monitor and review from time to time, the implementation of the CSR projects / programmes and guide the implementing entity / team on the leading and lagging indicators under each area of interventions.

vii. The Committee will evaluate the CSR activity periodically or as deems fit to achieve the CSR Policy Statement of the Company under its Guiding Principles.

viii. CSR Policy would specify that the corpus would include the following:

   a. Minimum 2% of the average net profits of the preceding last three financial years, or as mandated by the relevant Acts and Rules,

   b. any income arising therefrom, i.e. the Contribution Fund as per point 'a' above

   c. surplus arising out of CSR activities.

E. Scope of Activities

Identified CSR activities have been in line with the CSR Rules (Sec. 135 of Companies Act, 2013). Under CSR activities, the identified thematic areas of interventions are health, financial literacy, environment protection, water, sanitation, skill & vocational training activities. The company initiated many such programs through Utkarsh Welfare Foundation (UWF). The Company will provide not less than 2% of average profit before tax for preceding three (3) financial years to UWF to carry out the programs as listed below:

Scope of Activities During the Financial Year 2020-21

The Average Net Profit of the company for last three (3) financial years was negative (₹66.07 cr.). Hence, there was no minimum 2% contribution obligation for FY 2020-21.

However, in spirit of supporting the welfare activities, ₹10 lakh was contributed during the FY 2020-21, towards 'Corpus Pool Fund' to the regular CSR Partner viz. Utkarsh Welfare Foundation ('UWF' or 'the Foundation'), primarily to be utilized by the Foundation as a Pool Account to meet their temporary or such other liquidity requirements.

Web-link to the CSR Policy : **www.utkarshcoreinvest.com**

II. Composition of the CSR Committee :

A Board level Corporate Social Responsibility Committee (CSR Committee) is constituted having three (3) Directors / executives, out of whom, one (1) Director is an Independent Director. The present Composition of the CSR committee is as here under:

a. Mr. G. S. Sundararajan, Independent Director	-	Chairperson
b. Mr. Aditya Deepak Parekh, Nominee Director	-	Member
c. Mr. Ashwani Kumar, Managing Director & CEO	-	Member

III. Average Net Profit of the company for last three (3) financial years: (₹66.07 cr.)

IV. Prescribed CSR expenditure (i.e. 2% of the amount as in III above): Nil (the amount in point III above being negative).

V. Details of CSR Activities / Projects undertaken during the year in the following structure:

a. Total amount to be spent for the year : Not Applicable

b. Amount carried forward from earlier years : Nil

c. Amount spent during the year as below : Nil

d. Amount carried forward for the year : Nil

1	2	3	4	5	6	7	8	9
SI	CSR Project / Activity Identified	Sector/ Theme covered	Location of the Project / Activity		Amount in ₹			Mode of Amount Spent
			Specify the State/ Union Territory	Specify the District	Budget Outlay	Direct Expenses	Overhead Expenses	
1.	**Nil**	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	TOTAL	**Nil**						

VI. In case the company has failed, then the reasons for not spending the 2% of average net profit of last three financial years: N.A.

VII. A Responsibility statement, of the CSR Committee, that the CSR policy implementation and monitoring thereof is, in letter and spirit, in compliance with CSR obligation: N.A.

Mr. Aditya Deepak Parekh
Nominee Director

Date: June 30, 2021
Place: Mumbai

Mr. G. S. Sundararajan
Chairperson, CSR Committee

Date: June 30, 2021
Place: Chennai

INSTITUTIONAL INVESTORS

Aavishkaar Bharat Fund

Aavishkaar Bharat Fund, an alternative investment fund registered with the Securities and Exchange Board of India, is an India-focused equity oriented fund with an objective to invest in enterprises serving large market segments with a special emphasis on the under-served demographic segments.

Aavishkaar Goodwell India Microfinance Development Company Ii Limited

Aavishkaar Goodwell India Microfinance Development Company II Limited, a private company limited by shares under Mauritius law has objectives to (A) provide commercial long-term risk capital and active support directly to MFIs in India and (B) to facilitate the setting up and accelerate the growth of these MFIs, in order to build value and integrate them into the mainstream financial sector.

Aavishkaar Venture Management Services Private Limited

Aavishkaar Venture Management Services Private Limited ("Aavishkaar Capital") is a Company registered under the laws of India. Aavishkaar Capital pioneered the venture capital approach of investing in early-growth stage enterprises in India, with a focus on geographies and sectors that were often overlooked and challenging. Aavishkaar Capital currently manages / advises funds with geographical focus on India and South & South East Asia.

CDC Group

CDC is the UK's development finance institution, with over 70 years' experience of successfully supporting the sustainable, long term growth of businesses in Africa and South Asia. CDC is a champion of the UN's Sustainable Development Goals – the global blueprint for achieving a better and more sustainable future for us all. CDC is funded by the UK Government and has a dual objective – to support business growth that lifts people out of poverty, and to make a financial return. We reinvest all proceeds from our investments in improving the lives of millions of people in Africa and South Asia.

Faering Capital India Evolving Fund II & III

Faering Capital is a leading Indian private equity firm with an entrepreneurial vision. The firm was founded in 2009 by Aditya Deepak Parekh and Sameer Shroff . The firm has a proven track record and long-term approach to build trusted partnerships with investors and exceptional companies.

HDFC Ergo General Insurance Company Limited

HDFC ERGO General Insurance Company Limited (HDFC ERGO) is promoted by Housing Development Finance Corporation Limited, India's premier Housing Finance Institution (HDFC Limited). HDFC Limited is the Indian Promoter and ERGO International AG, the primary insurance entity of Munich Re Group is the Foreign Promoter, of HDFC ERGO. HDFC ERGO is registered with the Insurance Regulatory and Development Authority of India (IRDAI) as a general insurance company and offers complete range of general insurance products ranging from Motor, Health, Travel, Home and Personal Accident in the retail space and customized products like Property, Marine and Liability Insurance in the corporate space. With a network of branches spread across wide distribution network and a 24x7 support team, HDFC ERGO has been offering seamless customer service and innovative products to its customers.

Housing Development Finance Corporation Limited (HDFC Ltd.)

HDFC is a pioneer in housing finance in India. It has consistently striven for and developed an excellent reputation for professionalism, integrity and an impeccable record of customer friendly services. It has turned the concept of housing finance for the growing middle class in India into profitable, professionally managed, world class enterprise. HDFC's excellent brand strength emerges from its unrelenting focus on corporate governance, its high standards of ethics and clarity of vision, which percolates through the organization. HDFC has been described as a model housing finance company for developing countries with nascent housing finance markets. It has provided technical assistance in Bangladesh, Sri Lanka and Egypt and has undertaken consultancy assignments in various countries across Asia, Africa and East Europe. HDFC's success in the mortgage industry and it's spread across the financial services industry has made it a financial conglomerate with presence in banking, life insurance, non-life insurance, asset management real estate fund and an education finance company.

HDFC Life Insurance Company Limited

HDFC Life Insurance Company Limited ('HDFC Life' / 'Company') is a joint venture between HDFC Ltd., one of the leading housing finance institutions in India and Standard Life Aberdeen, a global investment company. Established in 2000, HDFC Life is a long-term life insurance solutions provider in India, offering a range of individual and group insurance solutions that meet various customer needs such as Protection, Pension, Savings, Investment and Health. HDFC Life continues to benefit from its increased presence across the country having a wide reach with branches and additional distribution touch-points through several new tie-ups and partnerships with partners comprising NBFCs, MFIs, SFBs, etc. and including new-ecosystem partners. The Company has a strong base of financial consultants.

HERO Enterprise Partner Ventures

Hero Enterprise is the new avatar of Hero Corporate Service, which came into being in 2016, following a need to give new direction to Brand Hero. Hero has a strong legacy of building world class brands over six (6) decades. Hero Enterprise is also adding new dimensions to the Group's legacy by venturing into new and exciting areas, by drawing strength and inspiration from the entrepreneurial energies released by Hero in its formative years.

ICICI Prudential Life Insurance Company Limited

ICICI Prudential Life Insurance Company Limited (ICICI Prudential Life) is promoted by ICICI Bank Limited and Prudential Corporation Holdings Limited. ICICI Prudential Life began its operations in FY 2001 and has consistently been amongst the top players in the Indian life insurance sector. ICICI Prudential Life offers long term savings and protection products to meet different life stage requirements of customers. In FY 2015, ICICI Prudential Life became the first private life insurer to attain Assets Under Management of Rs. 1 trillion. ICICI Prudential Life was also the first insurance company in India to be listed on NSE and BSE.

International Finance Corporation (IFC)

IFC, a sister organization of the World Bank and member of the World Bank Group, is the largest global development institution focused on the private sector in developing countries.

Jhelum Investment Fund I

Jhelum Investment Fund is registered with Securities and Exchange Board of India as category II Alternate Investment Fund. The Fund's objective is to deliver returns to its investors through combination of capital appreciation and current income by investing in Companies in growth sectors having high corporate governance standards and impeccable track record.

Lok Capital

Lok promotes inclusive growth in India by making long-term equity investments. Launched in 2004, it backs entrepreneurs who cater to large underserved segments through investments in financial services, agriculture and healthcare sectors. In addition to capital, Lok supports the portfolio companies through a variety of engagements which include fellowship programs and technical assistance.

Norwegian Microfinance Initiative (NMI Frontier Fund KS)

NMI invests in and builds up MFIs in developing countries through equity and loan investments. NMI primarily targets poor women in SubSahara Africa, South Asia and Southeast Asia. NMI targets double bottom line results and thereby contributes to the empowerment of poor people in developing countries and to the creation of jobs and wealth on a sustainable basis.

Responsability Participations Mauritius (rAPM)

responsAbility Participations AG is a company limited by shares with its registered office in Zurich, Switzerland. The company targets long term participations in established and primarily unlisted companies in emerging and transitioning economies, with a particular focus on institutions which provide financial services to micro, small and medium-sized enterprises and/or low-income clients. responsAbility Participations AG is managed by responsAbility Investments AG, a leading asset manager with a track record of over a decade in the area of development investments.

RBL Bank Limited

RBL Bank is one of India's leading private sector banks with an expanding presence across the country. The Bank offers specialized services under six business verticals namely: Corporate & Institutional Banking, Commercial Banking, Branch & Business Banking, Retail Assets and Treasury and Financial Markets Operations. It currently services over 9.83 million customers through a network of 435 branches; 1,422 business correspondent branches (of which 271 banking outlets) and 380 ATMs spread across 28 Indian states and Union Territories. Over the last few years, RBL Bank has earned recognition in various national and international forums such as: India's Best Bank for CSR and Best Bank for Microfinance by Asiamoney Best Bank Awards 2021 &2019 respectively, Best Bank in Enterprise Resilience by Business Today - KPMG Best Bank Jury Awards, Best Emerging Digital Technologies Project for Video KYC by The Asset Triple A Digital Awards 2021, CNBC IBLA Most Promising Company of the Year (2018); CNBC ASIA's India Talent Management Award (2017); India's Best Bank for five consecutive years (2012 – 2016) in the mid-sized segment (Growth) by a Business Today – KPMG Study; Business World's 'Fastest Growing Small Bank' consistently for five years (2013,2014,2015, 2016, 2017) and recognized by the World Economic Forum as a 'Global Growth Company' (GGC). RBL Bank is listed on both NSE and BSE (RBLBANK). For more information on RBL Bank, please visit www.rblbank.com.

Shriram Life Insurance Company Limited

Shriram Life Insurance Company is the Life Insurance arm of the Shriram Group, one of the well-respected Groups in India with a predominant presence in financial services. The Group has been promoting Financial Inclusion of low income families and small businesses. Shriram Life Insurance commenced its operations in 2006. The company largely provides solutions to cater to the needs of the common man and the rural sections of the population. The company has been innovating to design products and services that can better serve the unique needs of its customer segments. It has network of branch offices across India. M/s Shriram Capital Limited and M/s Sanlam Emerging Markets (Mauritius) Limited are the Indian and Foreign promoters, respectively of the Company.

Small Industries Development Bank Of India (SIDBI)

Small Industries Development Bank of India (SIDBI) set up on April 02, 1990 under an Act of Indian Parliament, acts as the Principal Financial Institution for the promotion, financing and development of the Micro, Small and Medium Enterprise (MSME) sector and for coordination of the functions of the institutions engaged in similar activities. The business strategy of SIDBI is to address the financial and non-financial gaps in MSME ecosystem.

Sustainability Finance Real Economies (SFRE)

Sustainability Finance Real Economies (SFRE) is an open-end investment fund initiated by the Global Alliance for Banking on Values (http://www.gabv.org/) and managed by Triodos Investment Management. It is committed to provide mission-aligned growth capital to values-based financial institutions that focus on real economic development in local communities.

Holding Company

Utkarsh CoreInvest Limited
(Formerly Utkarsh Micro Finance Limited)

Utkarsh Small Finance Bank
Aapki Ummeed Ka Khaata

Utkarsh Welfare Foundation
Section 8 Company

Registered & Corporate Office:

S-24/1-2, Fourth Floor, Mahavir Nagar, Orderly Bazar, Near Mahavir Mandir,
Varanasi, Uttar Pradesh, PIN - 221002

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