SERVING ATMANIRBHAR BHARAT

ANNUAL REPORT
2020-2021

HDB FINANCIAL SERVICES

REIMAGINING OPPORTUNITIES

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REIMAGINING POSSIBILITIES

OUR DIGITAL CHANNELS

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Email

HDB FINANCIAL SERVICES

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FINANCIAL HIGHLIGHTS

(₹ in crore)

	I-GAAP		Ind AS		
Particulars	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Total Revenue	5,714.54	7,061.99	8,724.81	10,756.47	10,944.78
Profit before Tax	1,058.59	1,464.52	1,724.06	1,464.48	500.71
Profit after Tax	698.77	951.74	1,153.24	1,004.85	391.47
Assets under Management	34,277	44,469	55,425	58,833	61,561
Shareholders’ Funds	5,362.90	6,202.23	7,178.48	8,017.80	8,446.24
Borrowings	25,287.05	34,980.97	45,105.10	49,804.09	50,358.75
Earnings per Share (₹)	9.64	12.18	14.71	12.78	4.97
Book value per Share (₹)	68.73	79.22	91.36	101.80	107.02

CORPORATE SOCIAL RESPONSIBILITY (CSR)

FY21 was a grim year; a year of unprecedented challenges for individuals and institutions globally, including India. Despite the turbulent business environment caused by the pandemic, your Company continued to illustrate its commitment towards social and environmental priorities.

Your Company owes a debt of gratitude to the frontline workers and support groups engaged with our CSR projects, without whose unflinching support the management and execution of ongoing projects wouldn't have been possible.

In FY21, the Company allocated nearly ₹ 31 crore primarily in health-centric projects, environment-themed initiatives and ongoing literacy and livelihoods programs. Targeted CSR interventions undertaken during the year strive to positively impact the lives of hundreds of thousands of individuals in 22 districts across 14 states.

Highlighted here are some notable project outcomes that took us a step forward in the Company's journey of building resilient communities through diverse CSR initiatives.

COVID-19 Response:

Upholding the values of accountability and transparency amidst the chaos caused by COVID-19, the Company maintained a balanced approach in allocating CSR funds in different COVID-19 relief activities

- In the early days of national lockdown, cooked meals and dry ration kits were provided to stranded migrants, frontline staff and unemployed wage earners as an immediate relief measure
- Recognising face mask being the first line of self-defence against the novel coronavirus, COVID-19 Safety and Awareness Kits were designed and distributed in the communities neighbouring HDB Branches
- Precautionary measures were discussed and introduced in each project to minimise the impact of COVID-19 on the frontline staff, support groups and communities involved
- Over a hundred thousand plus individuals across 250+ cities and towns directly benefited through relief and rehab activities implemented directly by 1400 HDB staff

Diagnosis & Treatment of Preventable Illnesses:

During the year, healthcare intervention specific to the truck driver community was designed and piloted, while other healthcare areas continued to remain in focus

- Physiotherapy camps engaging multi-stakeholders were organized at three transport nagars to offer free physio services to 1500 plus truck drivers
- Response received from the associated stakeholders was encouraging, and hence the project is being developed further to increase the frequency of physio sessions for truckers and cover as many truckers as possible under this program
- Early diagnosis of non-communicable diseases, attaining good health for mother & child and eye care continue to remain the areas of interventions
- Over 2600 indigent patients received primary healthcare support through OPD services in rural areas and 10K rural households were oriented and sensitized on family-centric approach to safe motherhood and child health

Access to Clean Water & Sanitation:

The need for having access to clean water, safe sanitation and maintaining hygiene has never been more urgent than now, and our projects continue to improve the living conditions of under-resourced urban and rural communities

- 25 water purifications plants were installed in rural communities to provide clean and affordable drinking water to ~7000 residents
- Pipe water supply was introduced in three villages to ensure easy access of clean water through taps in every household
- WASH programs have been implemented in 57 schools, and continue to shape children as change agents for promoting hygiene practices at household level

Restoration and Development of Waterbodies:

Waterbodies are the lifeline for living beings, and supporting the restoration of small to medium lakes in urban and peri-urban areas is an attempt to put this belief into action

- 29 lakes covering 55 acres have been scientifically restored through mechanised desilting, cleaning the inlet and outlet channels, erecting strong earthen bunds; thus protecting them from encroachers and land mafias
- 29 farm ponds were developed to meet the irrigation needs of small and marginal farmers, and an equal number of group wells were developed and deepened
- 70 rainwater harvesting structures have been developed to create water security, recharge ground water levels and control soil erosion

Livelihoods Initiative:

For most part of the year, programs in the literacy and livelihoods domains had taken a backseat as institutions and the learners were adapting to the new normal of digital learning and measuring performance

- Hybrid or blended learning models were introduced by training organizations to minimize the travel time and exposure to groups
- 6300 youth enrolled for employability enhancement programs, of which 90% completed training modules and 30% were linked to employment opportunities

Republic Day Celebration:

Like the previous year, physically-challenged Indian Army Soldiers and the families of martyrs were honoured with mementos and solatium on the 72nd National Republic Day on January 26, 2021

- The felicitation ceremony was organized in the presence of the senior dignitaries from the Indian Army and members of the civil society

Acts of Simple Kindness (ASK):

ASK is an employee-driven initiative, celebrated across regions with lots of enthusiasm and compassion. The initiative offers employees an opportunity to experience and express the feeling of gratitude and selflessness by voluntarily engaging themselves in performing simple acts of kindness.

- Employees from 414 branches volunteered their time in planning, organising and implementing ASK activities
- ASK was performed in shelter homes as well as on the streets, reaching out to the abandoned ones and acknowledging the contribution of unnoticed s/heroes in the frontline
- Volunteers distributed essentials, including ration, meals, clothes, books, masks, sanitizers, clean bottled water, and arranged for institution-specific requirements such as oxygen cylinders, water purifiers, LED lights, etc.

Employee Speaks:

"ASK was a wonderful experience of spreading a smile post-covid situation. We ourselves feel that what we are doing is just a drop in ocean but the ocean would be less because of that missing drop."

Deepika Kathuri,
Collection Services - Delhi

"Irrespective of what we provided the underprivileged on that day, the joy on their faces was of utmost value which mattered to us."

Achanta Abhiman,
Area Risk Control Manager - Hyderabad

"We felt really happy & proud to contribute a substantial amount towards supporting education for the underprivileged students".

Arjun V,
Branch Manager - Trivandrum

Glimpses of Acts of Simple Kindness

Welcoming the New Year in January 2021, employee volunteers across 235 cities participate in ASK 2021

CSR Projects at a Glance:

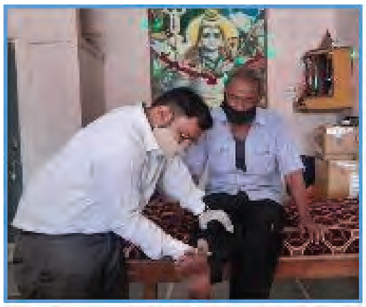
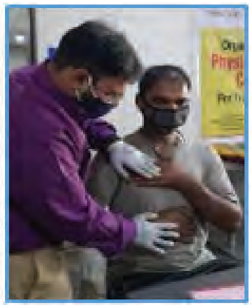
Distribution of Dry Ration Kits during National Lockdown

CSR Projects at a Glance:

HDB Staff Encourages Individuals to Wear a Mask and #BreakTheChain



Physiotherapy & Preventive Healthcare for Truck Warriors

Other Community Projects


Group Well Developed in Vyara, GJ


Waste Management Program in Udupi, KA

Kitchen Equipments in Lucknow, UP

MDM Vehicle in Lucknow, UP


Child Health in Ahnedabad, GJ


Maternal Health in Sirohi, RJ


Youth Training & Development in Mumbai, MH

Employment linked Training Program in Jaipur, RJ


School WASH in Trichy, TN


Recharge Wells in Annur, TN


Clean Drinking Water in AP


School WASH in Chitrakoot, UP

CORPORATE INFORMATION

Board of Directors

Mr. Adayapalam Viswanathan	**-**	**Independent Director**
Dr. Amla Samanta	**-**	**Independent Director**
Ms. Smita Affinwalla	**-**	**Independent Director**
Mr. Venkatraman Srinivasan	**-**	**Independent Director**
Mr. G Ramesh	**-**	**Managing Director & Chief Executive Officer**

Statutory Auditors

M/s. B S R & Co. LLP, Chartered Accountants (ICAI Reg. no. 101248W/W-100022)

Secretarial Auditors

M/s. Ashish Bhatt & Associates, Company Secretaries

Registered Office

Radhika, 2nd Floor, Law Garden Road,
Navrangpura, Ahmedabad - 380 009
Tel No.: +91 79 48914514
Website: www.hdbfs.com Email: compliance@hdbfs.com
CIN: U65993GJ2007PLC051028

Corporate Office

Ground Floor, Zenith House,
Keshavrao Khadye Marg, Mahalaxmi,
Mumbai - 400 034
Tel No.: +91 22 49116300
Fax: +91 22 49116666

Bankers

* Axis Bank * Bank of Baroda * BNP Paribas * Canara Bank * Central Bank of India * Deutsche Bank * Federal Bank * HDFC Bank * HSBC * ICICI Bank * Indian Bank * IndusInd Bank * Jammu & Kashmir Bank * JP Morgan Chase Bank * Karnataka Bank* Karur Vysya Bank * Kotak Mahindra Bank * Punjab National Bank * Union Bank of India*

Key Managerial Personnel

Mr. G. Ramesh, Managing Director & Chief Executive Officer
Mr. Haren Parekh, Chief Financial Officer
Ms. Dipti Khandelwal, Company Secretary

Registrar & Share Transfer Agent

M/s. Link Intime India Private Limited
C 101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai - 400 083

Debenture Trustees

M/s. IDBI Trusteeship Services Limited
Asian Building, Ground Floor, 17, R. Kamani Marg,
Ballard Estate, Mumbai - 400 001
Tel.: +91 22 40807001, Fax: +91 22 66311776,
Email: adityakapil@idbitrustee.com

M/s. Axis Trustee Services Limited
Ground Floor, Axis House, Wadia International Centre,
Pandurang Budhkar Marg, Worli, Mumbai - 400 025.
Tel.: +91 22 62300446, Fax: +91 22 62300700,
Email: mangalagowri.bhat@axistrustee.com

14th Annual General Meeting

Date	:	June 25, 2021
Day	:	Friday
Time	:	12 noon IST

Contents

HDB FINANCIAL SERVICES LIMITED

Corporate Identity Number: U65993GJ2007PLC051028
Registered Office: Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009.
Corporate Office: Ground Floor, Zenith House, Keshavrao Khadye Marg, Mahalaxmi, Mumbai 400 034
Tel: +91 22 49116300; **Fax:** +91 22 49116666, **Website:** www.hdbfs.com, **Email:** compliance@hdbfs.com

NOTICE OF 14th ANNUAL GENERAL MEETING

NOTICE is hereby given that the Fourteenth Annual General Meeting of HDB Financial Services Limited will be held through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") on Friday, June 25, 2021 at 12 noon IST to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt:

    (a) The Audited Standalone Financial Statements of the Company for the year ended March 31, 2021, including the Audited Balance Sheet as at March 31, 2021, the Statement of Profit and Loss for the year ended on that date and the Cash Flow Statement for the year ended on that date together with the Reports of the Directors and Auditors thereon; and

    (b) The Audited Consolidated Financial Statements of the Company for the year ended March 31, 2021, including the Audited Balance Sheet as at March 31, 2021, the Statement of Profit and Loss for the year ended on that date and the Cash Flow Statement for the year ended on that date together with the report of the Auditors thereon.

SPECIAL BUSINESS:

2. **TO APPROVE APPOINTMENT OF MR. ARIJIT BASU AS CHAIRMAN AND NON-EXECUTIVE DIRECTOR OF THE COMPANY**

    To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Ordinary Resolution**:

    "**RESOLVED THAT** pursuant to Sections 149, 152, 161, 197 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable rules made thereunder of the Companies Act, 2013 ("Act") (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the Article of Association of the Company and subject to such other approvals, as may be required from regulatory authorities from time to time and approval and recommendation of the Nomination & Remuneration Committee of Directors and the Board of Directors of the Company, Mr. Arijit Basu (DIN: 06907779) who was appointed as Chairman and Non-Executive (Additional) Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of a director of the Company, be and is hereby appointed as Chairman and a Non-Executive Director of the Company for a period of 3 years with effect from June 1, 2021, at a remuneration of Rs. 30,00,000/- (Rupees Thirty Lakhs Only) per annum drawn on monthly basis and he shall be liable to retire by rotation;

    RESOLVED FURTHER THAT in terms of the applicable provisions and schedule V of Companies Act, 2013, in case of absence or inadequacy of profit in any financial year the aforesaid remuneration shall be paid to Mr. Arijit Basu as minimum remuneration;

    RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) to give effect to the aforesaid resolution."

3. **TO APPROVE SELLING, ASSIGNMENT OF ITS RECEIVABLES/BOOK DEBTS UPTO ₹ 7,500 CRORE**

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"**RESOLVED THAT** the consent of the Members of the Company be and is hereby accorded, pursuant to the provisions of section 180(1)(a) and all other applicable provisions, if any, of the Companies Act, 2013, read with the Rules made thereunder (including any amendment, modification, variation or re-enactment thereof), to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee constituted/ to be constituted by the Board from time to time to exercise its powers conferred by this resolution) to sell/assign substantial assets including receivables/book debt of the Company in favour of banks/financial institutions, other investing agencies and trustees for the holders of debentures/ bonds/Pass Through Certificates/Security Receipts and other instruments and also to issue covenants for negative pledges/negative liens in respect of the said assets and properties in such form and manner as the Board may deem fit and for the said purpose, to do and perform all such acts, deeds, matters and things as may be necessary, desirable or expedient and also to execute the required documents including power of attorney in favour of all or any of the persons, firms, bodies corporate, banks, financial institutions, trustees etc., from time to time provided that the aggregate amount of such transactions shall not exceed Rs. 7,500 crore (Rupees Seven Thousand Five Hundred crore Only);

RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee(s) constituted/ to be constituted by the Board, from time to time to exercise its powers conferred by this resolution thereof) be and are hereby severally authorised to negotiate, finalise and execute with the Lender(s)/ Debenture Trustees/ Financial Institutions such documents/ agreements/ undertakings/ indemnities/ guarantees as may be required and to propose/ accept any modifications to the terms and conditions thereto and to do all such acts, deeds and things as may be required, with power to settle all questions, difficulties or doubts that may arise in this regard, as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any Committee and/ or director(s) and/ or officer(s) of the Company, to give effect to this resolution."

4. **AUTHORITY TO ISSUE REDEEMABLE NON-CONVERTIBLE DEBENTURES AND/OR OTHER HYBRID INSTRUMENTS ON PRIVATE PLACEMENT BASIS**

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"**RESOLVED THAT** pursuant to the provisions of Section 42 & 71 and all other applicable provisions, if any of the Companies Act, 2013, read with the Companies (Share Capital and Debentures) Rules, 2014, and Companies (Prospectus and Allotment of Securities) Rules, 2014, Master direction of Reserve Bank of India for Non-Banking Financial Company dated September 01, 2016 ("RBI Master Direction"), the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment, modification, variation or re-enactment to any of the foregoing and other applicable laws, guidelines, direction, the consent of the Members be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee(s) constituted/to be constituted by the Board, from time to time, to exercise its powers conferred by this resolution) to offer and/or invite for issue of Redeemable Non-Convertible Debentures (NCDs), secured or unsecured, fixed rate or market/benchmark linked and/or any other hybrid Instruments (not in the nature of equity shares) including but not limited to Subordinated Bonds, Perpetual Debt Instruments which may or may not be classified as being additional Tier I or Tier II capital under the provisions of the RBI Master Direction, on private placement basis, in one or more tranches, with the consent being valid for a period of 1 (one) year from the date hereof, on such terms and conditions including the price, coupon, premium/ discount, tenor etc., as may be determined by the Board of Directors (or any other person so authorised by the Board of Directors), based on the prevailing market condition;

RESOLVED FURTHER THAT the aggregate amount to be raised through the issuance of NCDs and/or any other hybrid Instruments including but not limited to Subordinated Bonds, Perpetual Debt Instruments pursuant to the authority under this Resolution aggregating up to ₹ 11,654.90 crore (Rupees Eleven Thousand Six Hundred Fifty Four Crore and Ninety Lakh Only) under one or more shelf disclosure document(s) and/or under one or more letter(s) of offer as may be issued by the Company and in one or more series;

RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee(s) constituted/to be constituted by the Board, from time to time to exercise its powers conferred by this resolution thereof), be and is hereby authorised to do all such acts, deeds, matters and things and to execute all such agreements, documents, instruments, applications etc. as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the aforesaid Resolution as it may in its sole discretion deem fit and to delegate all or any of its powers herein conferred to any of the Directors and/or Officers of the Company, to give effect to this Resolution."

5. TO APPROVE RELATED PARTY TRANSACTIONS WITH HDFC BANK LIMITED

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

RESOLVED THAT pursuant to the provisions of Section 188 and all other applicable provisions, if any, of the Companies Act, 2013, read with the Rule made thereunder (including any amendment, modification, variation or re-enactment thereof) and subject to such other rules, regulations and guidelines as may be applicable from time to time the consent of the Members be and is hereby accorded to ratify and enter into contract(s)/arrangement(s)/transaction(s) of securitisation with the HDFC bank Limited, a related party within the meaning of the aforesaid law, within overall securitisation limit of ₹ 7,500 crore (Rupees Seven Thousand Five Hundred Crore Only) and on such terms and conditions as may be determined by the Board of Directors (or any other person so authorised by the Board of Directors);

RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee constituted/to be constituted by the Board, from time to time, to exercise its powers conferred by this resolution), be and is hereby authorised to do all such acts, deeds, matters and things and to execute all such agreements, documents, instruments, applications etc. as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the aforesaid Resolution as it may in its sole discretion deem fit and to delegate all or any of its powers herein conferred to any of the Directors and/or Officers of the Company, to give effect to this Resolution."

By order of the Board
For HDB Financial Services Limited

Sd/-
Dipti Khandelwal
Company Secretary
Membership No.:A25592

Registered Office:
Radhika, 2nd Floor,
Law Garden Road, Navrangpura,
Ahmedabad -380009

Place: Mumbai
Date: May 25, 2021

Notes:

1. The Ministry of Corporate Affairs, Government of India (the "MCA") in terms of the General Circular No.14/2020 dated April 8, 2020, General Circular No. 17/2020 dated April 13, 2020, General Circular No. 20 2020 dated May 5, 2020 and General Circular No. 02/2021 dated January 13, 2021 (the "MCA Circulars") in view of the

current extraordinary circumstances due to COVID-19 pandemic requiring social distancing and the continuing restriction on movement of persons at several places in the country, has allowed Companies to conduct their Annual General Meeting through Video Conferencing (VC) or other audio visual means (OAVM), without the physical presence of the Members at a common venue, subject to the fulfilment of conditions as specified in the MCA Circulars. In compliance with the provisions of the Companies Act, 2013 and MCA Circulars, the AGM of the Company is being held through VC / OAVM.

2. In terms of the MCA circulars, the financial statements (including Board's report, Auditor's report or other documents required to be attached therewith), shall be sent only by email to the Members, trustees for the debenture- holder of any debentures issued by the Company and to all other persons so entitled. Further, the notice for AGM shall be given only through emails registered with the Company or with the depository participant / depository.

3. Accordingly, the financial statements (including Board's report, Auditor's report and other documents required to be attached therewith) / Annual Report for the financial year 2020-21 and AGM Notice are being sent to the shareholders whose email addresses are registered with the Company or with the depository participant/ depository. Members may note that the Notice and Annual Report 2020-21 will also be available on the Company's website www.hdbfs.com and on the website of NSDL https://www.evoting.nsdl.com. The detailed process for registration of email address of the shareholders whose email address is not registered with the Company or depository participants / depository is forming part of this Notice.

4. As per the MCA Circulars, the Shareholders may also note that the Company would not be sending the Annual Report for the financial year 2020-21 and AGM notice by post to the shareholders whose email address is not registered with the Company or depository participants/depository.

5. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with and there is no provision for appointment of proxy. Accordingly, the facility for appointment of proxies by the Members under section 105 of the Companies Act, 2013 will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

6. Institutional / Corporate Shareholders intending to participate in the Annual General Meeting through their authorised representatives are requested to send a duly certified copy of their Board Resolution / Governing Body resolution / Authorisation letter, etc. authorising their representatives to attend and vote through remote e-voting on their behalf at the said Meeting to mitesh@mjshah.com and compliance@hdbfs.com with a copy marked to evoting@nsdl.co.in

7. In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.

8. Members seeking any information with regard to the accounts or any matter to be placed at AGM are requested to submit their questions in advance, on or before June 21, 2021 through the Company's email address i.e. compliance@hdbfs.com. The same will be replied by the Company at the AGM.

9. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of business under Item no 2 to 5 to be transacted at the meeting, is annexed hereto and forms part of the Notice.

10. In respect of the Special Business at Item No. 2 a statement giving additional information on the Director seeking appointment, is forming part of Explanatory Statement to Notice.

11. The institutional investors are requested to attend the meeting and cast their vote through remote e-voting / e-voting.

12. The members desiring to inspect the documents referred to in this Notice and other statutory registers are required to send requests on the Company's email address: compliance@hdbfs.com. An extract of such documents would be sent to the members on their registered email address.

13. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.

14. In terms of the provisions of Section 107 of the Companies Act, 2013, since the resolutions as set out in this Notice are being conducted through e-voting, the said resolutions will not be decided on a show of hands at the AGM, however facility for casting vote during the AGM though e-voting would be provided to the members who have not cast their vote through remote e-voting.

15. Pursuant to the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and Secretarial Standards on General Meetings issued by the Institute of Company Secretaries of India, the Company is providing remote e-voting facility to all its Members to enable them to cast their vote on the matters listed in the Notice by electronic means and business may be transacted through the e-voting services. For this purpose, the Company has engaged services of NSDL for providing e-voting services.

    - Remote e-voting facility will be available from 10.00 am on Monday, June 21, 2021 and ends at 05:00 p.m. on Thursday, June 24, 2021, after which the facility will be disabled by NSDL and remote e-voting shall not be allowed beyond the said date and time. The notice is also available on the website https://www.evoting.nsdl.com. During this period shareholders' of the Company, holding shares in dematerialised form, as on the cut-off date of Friday, June 18, 2021 may cast their vote electronically.
    - Instructions for e-voting are given in point no.20
    - The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on Friday, June 18, 2021.

16. In addition to the remote e-voting facility provided by the Company, the members who have not cast their vote on resolutions through remote e-voting would be given a facility to cast their vote through e-voting during the AGM. The instruction for the same is forming part of this Notice.

17. The members attending the meeting through VC / OAVM shall be counted for the purpose of reckoning the quorum of the meeting under Section 103 of the Companies Act, 2013.

18. The Members, who have cast their vote prior to the meeting by remote e-voting may also attend the meeting but shall not be entitled to vote again at the meeting. Once a vote is cast by a member, he shall not be allowed to alter it subsequently.

19. **Procedure for registration of email address:**

    The shareholders who have not yet registered their email address are requested to get their email addresses registered by following the procedure given below:

    (i) Pursuant to the MCA Circulars, the shareholders who have not registered their email address and in consequence the AGM notice could not be serviced to them may temporarily get their email address registered with the Company's Registrar and Share Transfer Agent, Link Intime India Private Limited, by clicking the link: https://linkintime.co.in/emailreg/email_register.html and follow the registration process as guided thereafter. Post successful registration of the email, the shareholder would get soft copy of the AGM Notice and the procedure for e-voting along with the User ID and Password to enable e-voting for this AGM. In case of any queries, the shareholder may write to rnt.helpdesk@linkintime.co.in

    (ii) It is clarified that for permanent registration of email address, the members are however requested to register their email address, in respect of demat holdings with the Depository through the concerned Depository Participants.

20. **Instructions for Voting through electronic means ('e-voting'):**

    The details of the process and manner for remote e-voting are explained herein below:

    Step 1: Access to NSDL e-voting system

    Step 2: Cast your vote electronically and join virtual meeting on NSDL e-voting system.

Details on Step 1 are mentioned below:

A. Login method for remote e-voting and joining virtual meeting for Individual shareholders holding securities in demat mode.

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL	**A. NSDL IDEAS facility** **If you are already registered, follow the below steps:** 1. Visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com/ either on a Personal Computer or on a mobile. 2. Once the home page of e-Services is launched, click on the "**Beneficial Owner**" icon under "**Login**" which is available under "**IDEAS**" section. 3. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-voting services. 4. Click on "Access to e-voting" appearing on the left hand side under e-voting services and you will be able to see e-voting page. 5. Click on options available against company name or **e-voting service provider - NSDL** and you will be re-directed to NSDL e-voting website for casting your vote during the remote e-voting period or joining virtual meeting and e-voting during the meeting. **If you are not registered, follow the below steps:** 1. Option to register is available at https://eservices.nsdl.com. 2. Select "**Register Online for IDEAS**" Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 3. Please follow steps given in points 1-5. **B. e-voting website of NSDL** 1. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a personal computer or on a mobile phone. 2. Once the home page of e-voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. 3. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password / OTP and a Verification Code as shown on the screen 4. After successful authentication, you will be redirected to NSDL website wherein you can see e-voting page. Click on options available against company name or e-voting service provider - NSDL and you will be redirected to e-voting website of NSDL for casting your vote during the remote e-voting period or joining virtual meeting and e-voting during the meeting.
Individual Shareholders holding securities in demat mode with CDSL	1. Existing users who have opted for Easi / Easiest, can login through their User ID and password. Option will be made available to reach e-voting page without any further authentication. The URL for users to login to Easi / Easiest is https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. 2. After successful login of Easi / Easiest the user will be also able to see the e-voting Menu. The Menu will have links of ESP i.e. NSDL portal. Click on NSDL to cast your vote. 3. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration. Alternatively, the user can directly access e-voting page by providing demat Account Number and PAN from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile and e-mail as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. NSDL where the e-voting is in progress.

Individual Shareholders (holding securities in demat mode) logging through their depository participants	1. You can also login using the login credentials of your demat account through your DP registered with NSDL /CDSL for e-voting facility. 2. Once logged-in, you will be able to see e-voting option. Once you click on e-voting option, you will be redirected to NSDL / CDSL Depository site after successful authentication, wherein you can see e-voting feature. 3. Click on options available against company name or e-voting service provider - NSDL and you will be redirected to e-voting website of NSDL for casting your vote during the remote e-voting period or joining virtual meeting and e-voting during the meeting

Important note: Members who are unable to retrieve User ID / Password are advised to use Forgot User ID / Forgot Password option available at respective websites.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022- 23058738 or 022-23058542-43

B. Login method for remote e-voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode

How to Log-in to NSDL e-voting website?

1. Visit the e-voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a personal computer or on a mobile.
2. Once the home page of e-voting system is launched, click on the icon "Login" which is available under "Shareholders / Member" section.
3. A new screen will open. You will have to enter your User ID, your Password / OTP and a Verification Code as shown on the screen.
4. Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-voting and you can proceed to Step 2 i.e. cast your vote electronically
5. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL)	Your User ID is:
A) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example, if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******
B) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example, if your Beneficiary ID is 12************** then your User ID is 12*************

6. Your password details are given below:
   a. If you are already registered for e-voting, then you can use your existing password to login and cast your vote.
   b. If you are using NSDL e-voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you by NSDL. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

c. How to retrieve your 'initial password'?

i. If your email address is registered in your demat account or with the company, your 'initial password' is communicated to you on your email address. Trace the email sent to you from NSDL in your mailbox from evoting@nsdl.com. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account. The .pdf file contains your 'User ID' and your 'initial password'.

ii. In case you have not registered your email address with the Company/ Depository, please follow instructions mentioned below in this notice.

7. If you are unable to retrieve or have not received the 'initial password' or have forgotten your password:

a) Click on "Forgot User Details/Password?" (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

b) If you are still unable to get the password by aforesaid option, you can send a request at evoting@nsdl.co.in mentioning your demat account number, your PAN, your name and your registered address.

c) Members can also use the one-time password (OTP) based login for casting the votes on the e-voting system of NSDL.

8. After entering your password, click on Agree to "Terms and Conditions" by selecting on the check box.

9. Now, you will have to click on "Login" button.

10. After you click on the "Login" button, Home page of e-voting will open.

Details on Step 2 are mentioned below:

How to cast your vote electronically on NSDL e-voting system?

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.

2. Select "EVEN 116074" of company for which you wish to cast your vote during the remote e-voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join General Meeting".

3. Now you are ready for e-voting as the Voting page opens.

4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify / modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

5. Upon confirmation, the message "Vote cast successfully" will be displayed and you will receive a confirmation by way of a SMS on your registered mobile number from depository.

6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

Process for those shareholders whose email address are not registered with the depositories for procuring User ID and password and registration of email address for e-voting for the resolutions set out in this notice:

1. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to compliance@hdbfs.com. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at step 1 i.e. Login method for e-voting and joining virtual meeting for Individual shareholders holding securities in demat mode.

2. Alternatively shareholder/members may send a request to evoting@nsdl.co.in for procuring User ID and password for e-voting by providing above mentioned documents.

General Guidelines for shareholders:

1. Institutional / Corporate shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc., with attested specimen signature of the duly authorised signatory(ies) who are authorised to vote, to the Scrutiniser by email to mitesh@mjshah.com with a copy marked to evoting@nsdl.co.in
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “Forgot User Details/ Password?” option available on https://www.evoting.nsdl.com to reset the password.
3. In case of any queries relating to e-voting you may refer to the FAQs for Shareholders and e-voting user manual for Shareholders available at the download section of https://www.evoting.nsdl.com or call on toll free no.: 1800 1020 990 and 1800 22 44 30 or send a request at evoting@nsdl.co.in
4. In case of any other queries, shareholder can contact: M/s. Link Intime India Private Limited, C 101, 247 Park, L B S Marg, Vikhroli (West), Mumbai - 400 083, Tel No: +91 22 49186000, Fax No: +91 22 49186060, Email: rnt.helpdesk@linkintime.co.in or pradeep.mokale@linkintime.co.in

21. **Instructions for members for attending the AGM through VC / OAVM are as under:**

1. Members will be able to attend the AGM through VC / OAVM or view the live webcast of the AGM provided by NSDL at https://www.evoting.nsdl.com by following the steps mentioned above for Access to NSDL e-voting system. After successful login, you can see link of VC / OAVM placed under Join General meeting menu against company name. You are requested to click on VC / OAVM link placed under Join General Meeting menu.
2. Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice.
3. Facility of joining the AGM through VC / OAVM shall open 30 minutes before the time scheduled for the AGM and will be available for Members on first come first served basis. Further, a facility will be provided to the shareholders attending the meeting through VC/OAVM whereby they can pose questions concurrently, during the proceedings of the meeting.
4. Please note that shareholders connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches. Shareholders are also encouraged to join the meeting through Laptops for better experience.
5. Members who need assistance before or during the AGM, can contact NSDL at Mr. Amit Vishal, Senior Manager - NSDL or Mr. Sagar Ghosalkar, Assistant Manager - NSDL at evoting@nsdl.co.in or call on toll free no: 1800 1020 990 and 1800 22 44 30.
6. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID, PAN, mobile number at compliance@hdbfs.com from June 15, 2021 (9:00 a.m. IST) to June 21, 2021 (5:00 p.m. IST). Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

22. **Instruction for e-voting during the AGM**

The members who have not cast their vote on resolutions through remote e-voting can cast their vote through e-voting during the AGM by following the instruction as mentioned in point 20 above. The e-voting facility will be enabled during the AGM on June 25, 2021 at 12 noon till the conclusion of the AGM.

23. Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request at evoting@nsdl.co.in. However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/her existing User ID and password for casting the vote.

24. Mr. Mitesh Shah (FCS No.: 10070) of M/s. Mitesh J. Shah & Associates, Practicing Company Secretary has been appointed as the Scrutiniser to scrutinise the e-voting process in a fair and transparent manner.

25. The Scrutiniser shall submit a consolidated report of the total votes cast in favour or against, if any, on each of the resolutions set out in this Notice, not later than 48 hours from the conclusion of the AGM to the Chairman. The result of the voting will be announced within 48 (Forty Eight) hours after the conclusion of the meeting at the Company's website at www.hdbfs.com.

EXPLANATORY STATEMENT IN RESPECT OF SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 2

On the recommendation of Nomination & Remuneration Committee (NRC), Board of Directors of the Company at its meeting held on May 25, 2021 has appointed Mr. Arijit Basu as Non-Executive (Additional) Director of the Company with effect from June 1, 2021 till the conclusion of the ensuing Annual General Meeting in terms of provisions of the Companies Act, 2013, liable to retire by rotation. Furthermore, the Board of Directors, at the same meeting held on May 25, 2021, has also approved the appointment of Mr. Arijit Basu as the Non-Executive (Non-Independent) Chairman of the Company effective June 1, 2021. The appointment of Mr. Arijit Basu shall be for a period of 3 years effective from June 1, 2021. NRC confirms that Mr. Arijit Basu satisfies the fit and proper criteria as prescribed under the RBI Master Direction Master Direction RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Brief profile of Mr. Arijit Basu:

Mr. Arijit Basu holds post graduate degree in arts from the University of Delhi and is a certified associate of the Indian Institute of Bankers. He has over 37 years of experience in the field of banking and financial services. He started his career with State Bank in 1983 as a probationary officer. He has also served as a Director in State Bank of India and was in charge of commercial and corporate banking, information technology and risk management.

Mr. Arijit Basu was Managing Director and Chief Executive Officer of SBI Life Insurance Company Limited from August 2014 till March 2018. He returned to SBI in April 2018 and was elevated as Managing Director of the Bank in June 2018 responsible for Commercial and Corporate Banking, IT and Risk Management. After his retirement from SBI in October 2020, he is a Senior Consultant at AZB Partners, Senior Advisor at Deloitte and Project Management Consultant for LIC.

He has been awarded the title 'India's Most Trusted CEO' by WCRC Leaders Asia in 2017. Additionally, he has been awarded the Skoch award for 'CEO of the Year Life Insurance' by the Skoch Group in 2017.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013 from a Member proposing the candidature of Mr. Arijit Basu as a Non-Executive Director of the Company.

Mr. Arijit Basu has confirmed that he satisfies the fit & proper criteria pursuant to RBI Master Direction and that he has not been disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as a Director of the Company. In the opinion of the Board, Mr. Arijit Basu fulfils the conditions specified in the Companies Act, 2013 and the applicable RBI guidelines for his appointment as a Non-Executive Director of the Company.

The Board considers that his association with the Company would be of immense benefit to Company and it is desirable to avail services of Mr. Arijit Basu as Chairman and Non- Executive Director. The Company has also approved a remuneration of ₹ 30,00,000/- (Rupees Thirty Lakhs Only) per annum drawn on monthly basis in lieu of rendering services to the Company in areas including internal audit, regulatory compliance, policies and business strategy as a Chairman and Director of the Company. In case of absence or inadequacy of profit in any financial year the aforesaid remuneration shall be paid to Mr. Arijit Basu as minimum remuneration.

Pursuant to the provisions of Section 197 of the Companies Act, 2013, a director or manager may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the company or partly by one way and partly by the other.

Other details of Director seeking appointment at the forthcoming Annual General Meeting Information as required under Clause 1.2.5 of the Secretarial Standard on General Meetings (SS-2) is given hereunder:

Name of Director	Mr. Arijit Basu
DIN	06907779
Age	60 years
A brief resume, Qualification(s), Experience and Nature of his expertise in specific functional areas, Recognition or awards	As mentioned in explanatory statement above
Terms and conditions of appointment or reappointment	Chairman and Non-Executive Director (Non- Independent), liable to retire by rotation.
Details of remuneration sought to be paid	₹ 30,00,000/- (Rupees Thirty Lakhs Only) per annum drawn on monthly basis
Details of the remuneration last drawn by such person (FY 2020-21)	Nil
Date of first appointment on the Board	June 01, 2021
Shareholding in the Company	Nil
Relationship with other Directors, Manager and other Key Managerial Personnel	None
The number of Meetings of the Board attended during FY 2020-21	Nil
Other Directorships (excluding HDB Financial Services Limited)	Nil
Membership / Chairmanship of Committees of other Board	Nil

Accordingly, the approval of the Members is being sought for the appointment of Mr. Arijit Basu as a Chairman and Non-Executive Director of the Company, liable to retire by rotation with effect from June 1, 2021 pursuant to the provisions of Sections 149 and 152 of the Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 and shall be paid a remuneration of ₹ 30,00,000/- (Rupees Thirty Lakhs Only) per annum drawn on monthly basis.

The Board recommends the passing of the ordinary resolution as set out at Item No. 2 of this Notice for the approval of the Members.

Except Mr. Arijit Basu, being an appointee and his relatives, to the extent of their shareholding interest, if any, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the said resolution.

Item No. 3

The Members of the Company at the 12th Annual General Meeting held on June 21, 2019 had granted their approval by way of special resolution to the Board of Directors of the Company to sell/assign substantial assets including receivables/book debt of the Company to the holders of debentures/bonds/Pass Through Certificates and other instruments for an aggregate amount not exceed ₹ 7,500 crore (Rupees Seven Thousand Five Hundred crore Only).

Members of the Company are requested to note that Company may raise funds by way of sale/direct assignment/securitisation of its receivables to any Bank or Financial Institution as per the terms approved by the Board of Directors.

The sale/assignment/securitisation of the receivables may result into disposal of undertaking as defined in the explanation to Section 180(1)(a) of the Companies Act, 2013. As per the provisions of Section 180(1)(a) of the Companies Act, 2013, the Board of Directors of a company shall not sell, assign its receivables/book debts without the consent of the Members of the company accorded at the General Meeting by means of a ‘special resolution’.

In view of the aforesaid, the Board of Directors at its meeting held on April 17, 2021, has subject to the approval of Members, approved to sell, assign/securitize receivables as approved by the Members pursuant to Section 180(1)(a) of the Act.

In this regard, the approval of the Members is sought for sale/assignment/securitisation of its receivables/book debt up to ₹ 7,500 crore on such terms and conditions as may be determined by the Board of Directors (or any other person authorised by the Board of Directors), depending on the prevailing market conditions.

Accordingly, the approval of the Members is being sought by way of special resolution authorising the Board of Directors to sell/assign substantial assets including receivables/book debt of the Company for the holders of debentures/bonds/Pass Through Certificates/Security Receipts and other instruments for an aggregate amount not exceeding ₹ 7,500 crore (Rupees Seven thousand Five Hundred crore Only). The Board recommends the resolution as set out at Item No. 3 of the accompanying Notice for the approval of the Members.

Save and except for the shareholding interest, if any, held by them, none of the Directors or Key Managerial Personnel of the Company or their relatives, are in any way, concerned or interested, financially or otherwise, in the said resolution.

Item No. 4

The Company has been raising funds by offer and/or invite for issuing redeemable Non-Convertible Debentures, secured or unsecured, fixed rate or market/bench mark linked and/or any other hybrid instruments (not in the nature of equity shares) including but not limited to Subordinated Bonds, Perpetual Debt Instruments which may or may not be classified as being additional Tier I or Tier II capital (hereinafter referred to as “Debt Securities”) on private placement basis, from time to time.

In terms of Section 71 which deals with the issue of debentures read with Section 42 of the Companies Act, 2013, which deals with the offer or invitation for subscription of Debt Securities of the company on private placement basis read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a company can make private placement of its Debt Securities only after receipt of prior approval of its shareholders by way of a special resolution. The Companies (Prospectus and Allotment of Securities) Rules, 2014 further provides that the said special resolution must be passed in respect of all offers/invitations for the Debt Securities to be issued during a year and such a special resolution is required to be passed every year.

The shareholders at the 13th Annual General Meeting held on June 30, 2020 had accorded their approval to the Company for issuance of Non-Convertible Debentures as mentioned below:

A. Non-Convertible Debentures (NCDs) up to a limit of ₹18,109.90 crore which included existing limit of ₹ 10,609.90 crore and new limit of ₹ 7,500.00 crore for NCDs. As on March 31, 2021 the Company had raised NCDs of ₹ 9,455.00 crore. The limit of ₹ 8,654.90 crore is available for further issuance of NCDs.

B. Market Linked Debentures (MLDs) up to a limit of ₹ 2,236.10 crore. As on March 31, 2021 the Company had raised MLDs of ₹ 236.10 crore. The limit of ₹ 2,000.00 crore is available for further issuance of MLDs.

C. Subordinated Bonds (Sub Debts) up to a limit of ₹ 356.50 crore. Out of the said limit, the Company had raised ₹ 356.50 crore as on March 31, 2021.

D. Perpetual Debt Instruments (PDIs) up to a limit of ₹ 500 crore. No issue of PDIs were done during the FY 2020-21 hence, the limit of Rs. 500 crore continues to exist for issuance of PDIs.

In terms of the requirements of Resource Planning Policy of the Company and Business planning for the FY 2021- 22, it is expected that the Company will issue Debt Securities which shall exceed the aforesaid limit. The NCDs proposed to be issued by the Company will be issued for cash either at par or premium or at a discount to face value depending upon the prevailing market conditions.

Further the Board, at its meeting held on April 17, 2021, had approved above outstanding limit of Debt Securities and fresh issue of Sub Debts of ₹ 500 crore, subject to the approval of shareholders. Hence, shareholders are requested to approve limit of NCDs, MLDs, Sub Debts and PDIs for issuance of ₹ 8,654.90 crore, ₹ 2,000 crore, ₹ 500 crore and ₹ 500 crore respectively.

Pursuant to the notification dated August 07, 2018, by which Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 has been amended, it is now mandated that certain disclosures are required to be made in the explanatory statement annexed to the notice for shareholders’ approval under Section 42 of the Companies Act, 2013.

The disclosures required pursuant to Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 are set out herein below:

a) Particulars of the offer including date of passing of board resolution: This special resolution is being passed in terms of the third proviso to Rule 14(1) of Companies (Prospectus and Allotment of Securities) Rules, 2014 for the issuance of Debt Securities, from time to time, for the period of 1(one) year from the date hereof and accordingly this question is not applicable at present. The particulars of each offer shall be determined by the Board (including any committee duly authorised by the Board thereof), from time to time;

b) Kinds of securities offered and price at which security is being offered: This special resolution is restricted to the private placement issuance of Debt Securities, with the terms of each issuance being determined by the Board (including any committee duly authorised by the Board thereof), from time to time, for each issuance;

c) Basis or justification for the price (including premium, if any) at which offer or invitation is being made: Not applicable at this stage. This will be determined by the Board (including any committee duly authorised by the Board thereof), from time to time, for each issuance;

d) Name and address of valuer who performed valuation: Not applicable at this stage. This will be determined by the Board (including any committee duly authorised by the Board thereof), from time to time, for each issuance;

e) Amount which the company intends to raise by way of such securities: As may be determined by the Board of Directors from time to time but subject to the limits approved under Section 42 of the Companies Act, 2013 of up to ₹ 11,654.90 crore (Rupees Eleven Thousand Six Hundred Fifty Four Crore and Ninety Lakh Only);

f) Material terms of raising such securities, proposed time schedule, purposes or objects of offer, contribution being made by the promoters or directors either as part of the offer or separately in furtherance of objects; principle terms of assets charged as securities: This special resolution is being passed in terms of the third proviso to Rule 14(1) of Companies (Prospectus and Allotment of Securities) Rules, 2014 for the issuance of NCDs, from time to time, for the period of 1 (one) year from the date hereof and accordingly this question is not applicable at present. The particulars of each offer shall be determined by the Board (including any committee duly authorised by the Board thereof), from time to time.

In view of the aforesaid, the Board of Directors at its meeting held on April 17, 2021, has approved issuance of Debt securities in one or more tranches, on private placement basis and within the overall borrowing limit of ₹ 80,000 crore (Rupees Eighty Thousand Crore Only).

Accordingly, the approval of the Members is being sought by way of special resolution as set out at Item No. 4 of this Notice authorising the Board to issue NCDs and/or any other hybrid instruments (not in the nature of equity shares) which may or may not be classified as being Tier II capital under the provisions of the RBI Master Directions, for an aggregate amount not exceeding ₹ 11,654.90 crore (Rupees Eleven Thousand Six Hundred Fifty Four Crore and Ninety Lakh Only) on private placement basis during a period of one year from the date of this AGM.

The Board, accordingly, recommends the passing of the special resolution as set out at Item No. 4 of this Notice, for the approval of the Members.

None of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested, financially or otherwise in the said resolution, except to the extent of NCDs that may be subscribed by companies/firms in which they are interested.

Item No. 5

The Company has been raising funds through securitisation transactions with HDFC Bank Limited ('Bank') for the ongoing requirements of the Company. It may be noted that the Bank is the promoter/ holding company of the Company, and currently holds 95.11% of the paid up equity share capital of the Company.

The shareholders at the 13th Annual General Meeting held on June 30, 2020 had accorded their approval to the Company for entering into securitisation transaction with the Bank within overall securitisation limit of ₹ 6,500 crore.

In terms of the provisions of Section 188 of the Companies Act, 2013, Related Party Transactions' ('RPT') need to be approved by Board of Directors in case it is not in the ordinary course of business of the Company or not at arm's length basis. Further, approval of members is required for the RPTs exceeding the prescribed limit as mentioned in Section 188 of the Act. In the future, the Company may enter into a securitisation transaction with the Bank, as per the regulatory framework laid down by Reserve Bank of India. To ensure compliance, it is proposed to have the securitisation transactions to be entered into by the Company with the Bank be approved by the Board and the Shareholders of the Company.

The Board of Directors, at its meeting held on April 17, 2021, has approved securitisation transactions with the Bank, as per the regulatory framework laid down by Reserve Bank of India in the future, subject to the approval of the Members.

i. Name of the Related Party - HDFC Bank Limited

ii. Name of the director or key managerial personnel who is related - NA

iii. Nature of relationship - Promoter and holding company

iv. Nature, material terms, monetary value and particulars of the contract or arrangements - The securitisation transactions in one or more tranches within the overall securitisation limit of ₹ 7,500 crore (Rupees Seven Thousand Five Hundred Crore Only)

v. Any other information relevant or important for the Members to take a decision on the proposed resolution - None.

In view of the above, the approval of the Members is sought by way of ordinary resolution for entering into securitisation transactions with the Bank. The Audit Committee of the Company has also granted approval for other types of transactions with the Bank under the omnibus route for the financial year 2021-2022.

Accordingly, the Board recommends the resolution as set out at Item No. 5 of the accompanying Notice for the approval of the Members.

None of the Directors, Key Managerial Personnel and their relatives are interested in the passing of the above resolution.

All related parties shall abstain from voting on these resolutions.

By order of the Board
For HDB Financial Services Limited

Sd/-
Dipti Khandelwal
Company Secretary
ACS No.: A25592

Registered Office:

Radhika, 2nd Floor,
Law Garden Road, Navrangpura,
Ahmedabad - 380 009

Place : Mumbai
Date : May 25, 2021

The Members,
HDB Financial Services Limited

Your Directors have pleasure in presenting the Fourteenth Annual Report on the business and operations of your Company together with the audited accounts for the Financial Year ended March 31, 2021.

Financial Performance (₹ in crore)

Particulars	2020-21	2019-20
Total Income	10,944.78	10,756.47
Total Expenditure (excluding depreciation)	10,336.28	9,182.33
Profit/(Loss) before Depreciation & Tax	608.50	1,574.14
Less: Depreciation	107.79	109.66
Profit before Tax	500.71	1,464.48
Tax Expense	109.24	459.63
Profit after Tax	391.47	1,004.85
Other Comprehensive Income (net of tax)	(13.45)	(55.03)
Total Comprehensive Income after tax	378.02	949.82
Appropriations from Profit after Tax:		
Transfer to Reserve Fund under Section 45-IC of the RBI Act, 1934	78.29	200.97
Dividend Paid	0.00	141.43
Dividend Tax thereon	0.00	29.08
Balance carried forward to Balance Sheet	299.73	578.34

Your Company posted total income and net profit of ₹ 10,944.78 crore and ₹ 391.47 crore, respectively, for the financial year ended March 31, 2021, as against ₹ 10,756.47 crore and ₹ 1,004.85 crore respectively, in the previous year. Your Company has transferred an amount of ₹ 78.29 crore to Reserve Fund under Section 45-IC of the RBI Act, 1934.

Dividend

In order to conserve capital for growth of the Company and to deal with the uncertain economic environment due to the pandemic, your directors do not recommend any dividend payment at the ensuing AGM to be held on June 25, 2021.

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

There are no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this Report.

Capital Structure

During the year, your Company has issued 16,05,560 equity shares. The details of which are provided below:

No. of fully paid up equity shares	Date of allotment	Purpose
2,50,890	November 18, 2020	Shares were issued to employees under the Employees Stock Option Scheme
10,41,100	December 7, 2020	Shares were issued to employees under the Employees Stock Option Scheme
311,220	February 25, 2021	Shares were issued to employees under the Employees Stock Option Scheme
2,350	March 16, 2021	Shares were issued to employees under the Employees Stock Option Scheme

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of your Company stands increased to ₹ 7,89,18,52,160 (Rupees Seven Hundred Eighty Nine Crore Eighteen Lakh Fifty Two Thousand and One Hundred Sixty Only) comprising of 78,91,85,216 (Seventy Eight Crore Ninety One Lakh Eighty Five Thousand Two Hundred and Sixteen) equity shares of ₹ 10 each as on March 31, 2021.

Capital Adequacy

Capital adequacy as at March 31, 2021 under Ind-AS stood at 18.89 % which is well above the minimum regulatory norms for non-deposit accepting NBFCs.

Ratings

The CARE Ratings Limited (CARE) and CRISIL Limited (CRISIL) have reaffirmed highest ratings for the various facilities availed by the Company, details of which are given below:

Facility	CARE	CRISIL	Amount ₹ in crore
Bank Facilities	CARE AAA;Stable	CRISIL AAA/Stable	30,000.00
Short Term Debt Program	CARE A1+	CRISIL A1+	12,500.00
Non-Convertible Debentures	CARE AAA;Stable	CRISIL AAA/Stable	39,959.92
Market Linked Debentures	CARE PP-MLD AAA;Stable	CRISIL PP-MLD AAAr/Stable	3,000.00
Subordinated Bonds	CARE AAA;Stable	CRISIL AAA/Stable	3,500.00
Perpetual Bonds	CARE AAA;Stable	CRISIL AAA/Stable	1,000.00

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

Borrowings

Your Company has diversified funding sources from Public Sector, Private Sector and Foreign Banks, Mutual Funds, Insurance Companies, Financial Institutions etc. Funds were raised in line with Company's Resource Planning Policy through Term Loans, Non-Convertible Debentures (NCDs), Market Linked Debentures (MLDs), Subordinated Bonds and Commercial Paper. The details of funds raised during the year are as below:

#	Borrowings / Security type	Credit rating		Amount raised ₹ in crore
		CARE	CRISIL	
1	Term Loans from Banks and Financial Institutions	CARE AAA;Stable	CRISIL AAA/Stable	6,290.00
2	Secured Redeemable Non-Convertible Debentures	CARE AAA;Stable	CRISIL AAA/Stable	9,755.00
3	Secured Redeemable Market Linked Debentures	CARE PP-MLD AAA;Stable	CRISIL PP-MLD AAAr/ Stable	236.10
4	Unsecured Redeemable Subordinated Bonds	CARE AAA;Stable	CRISIL AAA/Stable	356.50
5	Commercial Paper	CARE A1+	CRISIL A1+	550.00

No interest payment or principal repayment of the Term Loans was due and unpaid as on March 31, 2021. The assets of the Company which are available by way of security are sufficient to discharge the claims of the banks and financial institutions as and when they become due.

Secured Redeemable Non-Convertible Debentures, Secured Redeemable Market Linked Debentures, Unsecured Redeemable Subordinated Bonds, Unsecured Perpetual Debt Instruments are issued by your Company on private placement basis and the rating for various facilities indicating the highest degree of safety with regard to timely servicing of financial obligations.

Perpetual Debt Securities are 6.60 % of Tier I capital of the Company. An amount of ₹ 500 crore is outstanding as on March 31, 2021.

NCDs and MLDs were issued with maturity period ranging from 21 to 42 months. The interest payable on all the debt securities is either annually or quarterly or on maturity and no interest was due and unpaid as on March 31, 2021. The Company has not received any grievances from the debt security holders. The assets of the Company which are available by way of security are sufficient to discharge the claims of the debt security holders as and when they become due.

The above mentioned Debt securities are listed on Wholesale Debt Market (WDM) segment of the BSE Ltd.

Corporate Social Responsibility (CSR)

The Company has partnered with credible agencies for implementing socially-responsible projects in the areas of Healthcare, Livelihood Enhancement, Environmental Sustainability and Education as part of its initiatives under CSR. These projects are in accordance with Schedule VII of the Companies Act, 2013.

The Company's CSR activities are guided and monitored by its CSR Committee. The CSR Policy of the Company provides a broad set of guidelines including intervention areas.

The Company believes that CSR is a way of creating shared value and contributing to social and environmental good. Company's strategy is to integrate its activities in community development, social responsibility and environmental responsibility and encourage each business unit or function to include these considerations into its operations.

As per Section 135 of the Act, the Company was required to spend an amount of ₹ 30.83 crore equivalent to 2% of the 'average net profits' of the last three (3) financial years. During the FY 2020-21, your Company has spent an amount of ₹ 23.52 crore on CSR activities as against prescribed CSR expenditure of ₹ 30.83 crore. The unspent amount of ₹ 7.31 crore towards ongoing projects has been transferred to a separate unspent CSR account to ensure that the scheduled CSR expenses are suitably spent. The Annual Report on CSR activities is annexed herewith as "**Annexure A**".

Number of Board Meetings during the financial year 2020-21

The Board of Directors met 7 times during the year under review and the details of such meetings are disclosed in the Corporate Governance Report forming part of this Report.

Directors and Key Managerial Personnel (KMP)

a. Inductions to the Board / Reappointments

On the recommendation of Nomination & Remuneration Committee (NRC), Board of Directors of the Company at its meeting held on May 25, 2021 has appointed Mr. Arijit Basu as Non-Executive (Additional) Director of the Company with effect from June 1, 2021 till the conclusion of the ensuing Annual General Meeting in terms of Sections 152 and 161 of the Companies Act, 2013. Furthermore, the Board of Directors, at its meeting held on May 25, 2021, has also approved the appointment of Mr. Arijit Basu as the Non-Executive Chairman of the Company effective June 1, 2021. The appointment of Mr. Arijit Basu shall be for a period of 3 years effective from June 1, 2021, subject to the approval of the Members in the ensuing Annual General Meeting.

The Company has received written notice as per Section 160 of the Act, from a member proposing his candidature for the office of Non-Executive Director as per the provisions of Section 152 of the Act.

Brief profile of Mr. Arijit Basu along with his experience and specific areas of expertise are part of the explanatory statement to the Notice convening Annual General Meeting forming part of the Annual Report.

Mr. Arijit Basu has confirmed that he satisfies the fit and proper criteria as prescribed under the applicable RBI regulations and that he is not disqualified from being appointed as directors in terms of Section 164(2) of the Companies Act, 2013.

Necessary resolution seeking approval of the members for appointment of Mr. Arijit Basu has been included in the Notice of ensuing Annual General Meeting.

b. Resignation

Mr. Jimmy Tata was appointed as Non-executive Director of the Company w.e.f May 1, 2016. He resigned as Director from the Company Board with effect from June 30, 2020 in accordance with HDFC Bank's internal Policy. Consequent to his resignation, he ceased to be a member of the Risk Management Committee, Debenture Allotment Committee, Bond Allotment Committee and Share Allotment Committee of the Company with effect from June 30, 2020.

Mr. Aditya Puri was appointed as Chairman and Non-executive Director of the Company w.e.f May 1, 2016. Since Mr. Puri's appointment in the Company was co-terminus with his appointment as Managing Director of the Bank, he resigned as Chairman and Non-executive Director of the Company.

Your directors place on record their sincere appreciation for the invaluable advice, guidance and support provided to the Board and the Management team by Mr. Aditya Puri and Mr. Jimmy Tata in the areas of business strategy, audit, regulatory compliance, risk, finance and sales which has helped the Company to achieve its growth and enhance its brand value.

Declaration by Independent Directors

The Company has received necessary declaration from each Independent Director of the Company under Section 149(7) of the Act that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149(6) of the Act.

Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Act:

i. that in preparation of the annual financial statements for the year ended March 31, 2021, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii. that appropriate accounting policies have been selected & applied consistently & judgments and estimates made are reasonable & prudent so as to give a true & fair view of the state of affairs of the Company at the end of the financial year ended March 31, 2021 & of the profits of the Company for the said year;

iii. that proper & sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company & for preventing & detecting fraud & other irregularities;

iv. that the annual accounts have been prepared on a going concern basis;

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

vi. that systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

Vigil Mechanism/Whistle Blower Policy

As per the provisions of Section 177(9) of the Act the Company is required to establish an effective Vigil Mechanism for Directors and employees to report genuine concerns. The Company as part of the 'vigil mechanism' has in place a Board approved 'Whistle Blower Policy' to deal with instances of fraud and mismanagement, if any. The Whistle Blower Policy has been placed on the website of the Company.

This vigil mechanism of the Company is overseen by the Audit Committee and provides adequate safeguard against victimisation of employees and also provides direct access to the Chairman of the Audit Committee in exceptional circumstances. The whistle blower complaints were reviewed by the Audit Committee on a quarterly basis.

During the year under review, Eleven complaints were received by the Company. Ten complaints have been investigated and addressed as per the policy and one complaint is pending as on March 31, 2021. None of the personnel of your Company were denied access to the Audit Committee.

Disclosures pursuant to the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013

In line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 your Company has adopted a Policy on Prevention of Sexual Harassment at Workplace and Rules framed thereunder. Your Company has also set up Internal Complaints Committee to redress complaints received regarding sexual harassment. The said policy is uploaded on the website of the Company.

During the year under review, the Company received Thirty complaints of which Twenty Four complaints were investigated and addressed as per the policy and Six complaints are under investigation. All the open complaints during the previous year ending March 31, 2020 were closed in the reporting year. Complaints are reviewed by Board of Directors on quarterly basis.

Statutory Auditors

Pursuant to the provisions of Sections 139 and 141 of the Act and Rules made thereunder, the Shareholders in their 11th Annual General Meeting had reappointed M/s. B S R & Co. LLP, Chartered Accountants as Statutory Auditors of the Company, to hold office up from the conclusion of the 11th Annual General Meeting till the conclusion of the 16th Annual General Meeting to be held in year 2023.

M/s. B S R & Co. LLP, Chartered Accountants, have confirmed that they are not disqualified within the meaning of Sections 139 and 141 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014 to continue as the Statutory Auditors of the Company.

Further, the Auditors' Report "with an unmodified opinion", given by the Statutory Auditors on the Financial Statements of the Company for FY 2020-21, is disclosed in the Financial Statements forming part of this Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Statutory Auditor in their Report for the year under review.

No frauds in terms of the provisions of section 143(12) of the Act have been reported by Statutory Auditors in their report for the year under review.

Secretarial Auditors

Pursuant to the provisions of Section 204 of the Act and Rules thereunder, M/s. Ashish Bhatt & Associates, Practicing Company Secretaries, were appointed as the Secretarial Auditor of the Company, to conduct Secretarial Audit for the year under review.

The Report of the Secretarial Auditor in Form MR-3 is annexed as '**Annexure B**'. There has been no qualification, reservation, adverse remark or disclaimer given by the Secretarial Auditor in his Report for the year under review.

Secretarial Standards

The Company has complied with the applicable provisions of secretarial standards issued by The Institute of Company Secretaries of India.

Employees Stock Option Scheme (ESOS)

The information pertaining to ESOS in terms of Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 is given in '**Annexure C**'.

Statutory Disclosures

i. Pursuant to the provisions of Section 134(3)(a) and Section 92(3), the Annual Return of the Company in the prescribed Form MGT-7 is available on the website of the Company at https://www.hdbfs.com/investors under Investor Services.

ii. Disclosure as per Section 197(12) of the Act, pertaining to individuals employed throughout the year and in receipt of remuneration of not less than ₹ 102,00,000/- per annum or ₹ 850,000/- per month is given in '**Annexure D**'.

iii. Disclosures in terms of Section 197(12) read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in '**Annexure E**'.

iv. Pursuant to the provisions of Section 134(3)(e), the Company's Nomination and Remuneration policy on director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Section 178(3) is available on the website of the Company https://www.hdbfs.com/policies.

Related Party Transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict with the interest of the Company.

Pursuant to the provisions of the Act, the Board has, on recommendation of its Audit Committee, adopted a policy on related party transactions and the said policy is available on the website of the Company at https://www.hdbfs.com/policies.

All related party transactions are placed before the Audit Committee and the Board for their approval on quarterly basis. Transactions with related parties, as per the requirements of Ind-AS, are disclosed to the notes to accounts annexed to the financial statements.

All the related party transactions that were entered into during the financial year were on arm's length basis and in ordinary course of business except as stated in the Independent Auditor's Report.

Pursuant to the provisions of Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, particulars of the contracts or arrangements with related parties referred to in section 188(1) in Form AOC-2 is annexed as '**Annexure F**'.

The disclosures with respect to related party as specified in Regulation 53(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is forming part of the financial statements at Note no. 36.

Corporate Governance Report

The report on Corporate Governance for the Company is annexed as '**Annexure G**' and forms an integral part of this Annual Report.

Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and the company's operations in future

There are no significant and material orders passed by the regulators or courts or tribunals that would impact the going concern status of the Company and its future operations.

Particulars of Loans, Guarantees or Investments

Pursuant to section 186(11) of the Act, the provisions related to loans made, guarantees given and securities provided do not apply to the Company.

As regards investments made by the Company, the details of the same are provided in notes to the financial statements of the Company for the year ended March 31, 2021 (note 9).

Dividend Distribution Policy

Your Company has formulated a Dividend Distribution Policy, with an objective to provide the dividend distribution framework to the Stakeholders of the Company. The policy sets out various internal and external factors, which shall be considered by the Board in determining the dividend pay-out. The policy is available on the website of the Company i.e. www.hdbfs.com/policies

Subsidiaries, Joint Ventures, Associate Companies

During the year under review, your Company does not have a subsidiary / Associate / Joint Venture company. Also, the Company did not become a part of any Joint Venture during the year.

Accordingly, as at the end of the year under review and also as on the date of this Report, your Company does not have any Subsidiary and/or Associate Company and your Company is not a part of any Joint Venture.

Energy conservation, technology absorption and foreign exchange earnings and outgo

The provisions of Section 134(3)(m) of the Act, the rules made there under relating to conservation of energy, technology absorption do not apply to your Company as it is not a manufacturing Company. However, your Company has been increasingly using information technology in its operations and promotes conservation of resources. The details of foreign exchange earnings and foreign exchange expenditures are as below:

(₹ in crore)

#	Particulars	FY 2020-21	FY 2019-20
1	Foreign exchange earnings	Nil	Nil
2	Foreign exchange expenditures	15.84	19.63

Fixed Deposits

Your Company is a non-deposit taking Company. The Company has not accepted any fixed deposit during the year under review. The Company has passed a Board resolution for non-acceptance of deposits from public.

RBI guidelines

Reserve Bank of India (RBI) granted the Certificate of Registration to the Company in December 2007 vide Registration No. N.01.00477, to commence the business of a non-banking financial institution without accepting deposits. Your Company is a Non Deposit Taking Systemically Important Non-Banking Financial Company (NBFC-ND-SI). The Company has complied with and continues to comply with all the applicable regulations and directions of the RBI.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economy

The Covid-19 pandemic has impacted most countries, including India. This resulted in countries announcing lockdown and quarantine measures that sharply stalled economic activity. Several countries took unprecedented fiscal and monetary actions to help alleviate the impact of the crisis.

Government of India had announced various measures to support the economy during this period. The Reserve Bank of India had also announced several measures to ease the financial system stress, including enhancing system liquidity, reducing interest rates, moratorium on loan repayments for borrowers, asset classification standstill benefit to overdue accounts where a moratorium had been granted amongst others to alleviate the economic stress induced by the pandemic which had an impact across sectors that were already showing signs of a slowdown even before the outbreak.

In the second half of fiscal 2021, global financial markets remained largely buoyant, fuelled by optimism around a speedy vaccine-led recovery. Growing inflation concerns over fiscal stimulus amidst extremely accommodative monetary policies rattled global bond markets in February 2021. Long-term sovereign bond yields jumped sharply in the US and induced bouts of volatility across financial markets and regions of the world. The consequent yield curve steepening resulted in portfolio reallocation and corrections in equity prices. Despite the recent declines, stock indices remain elevated on anticipation of stronger recovery. Domestic financial markets continued to post recovery in market activity amidst easy liquidity conditions. Nevertheless, concerns about a surge in infections in a few states, global bond sell-off, the large government borrowing and uncertainty about the pace and scale of economic recovery kept market sentiments subdued. However, Union Budget 2021 has provided a strong fillip to Capital expenditure with clear emphasis on infrastructure investment as a key sector to revive demand and overall growth.

Even with high uncertainty about the path of the pandemic, a way out of this health and economic crisis is increasingly visible. Thanks to the ingenuity of the scientific community, we have multiple vaccines that can reduce the severity and frequency of infections. In parallel, adaptation to pandemic life has enabled the global economy to do well despite subdued overall mobility, leading to a stronger-than-anticipated rebound, on average, across regions.

International Monetary Fund (IMF), in its World Economic Outlook April 2021 has projected a stronger global recovery, with global growth projected to be 6 percent in 2021 and 4.4 percent in 2022. IMF expects India to see a GDP growth of 12.5% in 2021. These projections are further backed by independent rating agencies like CRISIL, which expects India's gross domestic product (GDP) growth to rebound to 11% in fiscal 2022, after an estimated 8% contraction this fiscal. Going by these projections, India Is expected to be one of the spearheads of global economic recovery through fiscal 2022.

Growth metrics however, may have to be tempered a bit, with scars of the pandemic running deep for small businesses and the urban poor. The uncertainty around the economic fallout of the second wave induced localised restrictions being placed in various parts of the country may also dampen sentiments in the first quarter of the new fiscal. Hence, fiscal 2022 is expected to be a story of two halves, the first half largely showing an optical growth with second half reflecting a real economic rebound based on a more broad-based pick-up in economic activity.

Industry Structure and Developments

NBFCs were adversely impacted by COVID-related stress due to their underlying business models. On the supply side, the sources of funds dried up, more so for the small and mid-sized NBFCs, on account of reduced risk appetite of lenders for low rated and unrated exposures. The situation was worsened by the unprecedented redemption pressure on the mutual fund industry, resulting in a spike in spreads. On the demand side, it became difficult for NBFCs to find creditworthy projects and borrowers to lend to as a result of the pandemic induced stress. A key measure taken by the Reserve Bank and Government of India to ameliorate the liquidity constraints faced by NBFCs, was to set up a Special Purpose Vehicle (SPV) to purchase short-term papers from eligible NBFCs/HFCs, which could then utilise the proceeds to extinguish their existing liabilities. The special securities issued by the SPV were guaranteed by the Government of India and would be purchased by the Reserve Bank. Additionally, the scope of the Government scheme on partial credit guarantee (PCG) was expanded to cover the borrowings of lower-rated NBFCs, HFCs and MFIs.

The challenges for the NBFCs have moved from the liability to the asset side in terms of liquidity and asset quality with the outbreak of Covid19. The liquidity covers of NBFCs is largely dependent on collections and the ability to raise resources. The collections of NBFCs witnessed decline during the six month moratorium on the payment of instalments in respect of all term loans to their borrowers for the period from March 1, 2020 to August 31, 2020, as ~45% of total outstanding loans were under moratorium as on August 31, 2020.

The Reserve Bank of India's Financial Stability Report (FSR) in January estimated that gross bad loans of banks in India would rise to 13.5 per cent by September from 7.5 per cent in the year-ago month under the baseline scenario.

Asset quality may still pose some challenges in the first half of fiscal 2022 with the uncertainty around the economic fallout of the second wave induced localised restrictions being placed in various parts of the Country. However, these challenges are expected to taper as we move towards the second half of fiscal 2022. The uneven recovery being currently observed is expected to be more broad-based later on in the fiscal as well.

Opportunities & Threats

NBFCs have also taken various steps to navigate through the pandemic induced headwinds, stricter and strengthened underwriting norms, use of alternate data sources for underwriting, quickening the pace of digitalisation through use of UPI handles, Bots, IVR's, strengthening of collection teams and focus on safer asset classes amongst others.

The aforementioned measures, coupled with greater focus on asset quality, digitalisation across customer lifecycle, co-lending partnerships, effective utilisation of structured financing and strengthening of capital base amongst others will hold NBFC's in good stead as they navigate towards a more benign economic environment that is expected in the latter part of fiscal 2022 and beyond.

In FY 2021-22, NBFCs can expect growth in the vehicle-financing space after a lull in FY 20-21 due to pandemic and reluctance of buyers due to increase in vehicle prices due to introduction of BS-VI norms. Overall, loan defaults have also reduced and are expected to drop further as the economy shows positive recovery. Gold loans has shown higher traction due to increase in gold prices in the 1st half of fiscal 21. NBFCs have also mobilised their on-ground recovery staff to ramp up their collection efforts.

(Data Sources: Industry, RBI and Rating Agency reports)

Operations

Loan disbursements during the year were ₹ 24,990 crore as against ₹ 29,853 crore in the previous year.

The Assets under Management (AUM) of the Company as at March 31, 2021 increased to ₹ 61,560.67 crore from ₹ 58,832.75 crore in the previous year.

The Company has continued to focus on diversifying its products and expand its distribution to effectively deliver credit solutions to its market.

Products and Services

HDB offers a comprehensive suite of products and service offerings that are tailor-made to suit its customers' requirements, including first-time borrowers and the under-served segments. HDB is engaged in the business of Loans, Fee based products and BPO services.

Loans

HDB's range of product offerings include Consumer Loans, Enterprise Loans, Asset Finance and Micro-Lending.

Consumer Loans

HDB provides loans to individuals for personal or household purposes to meet their short to medium term requirements.

HDB's Consumer Loans Portfolio comprises the following:

- **Consumer Durable Loans -** HDB offers loans to its customers for the purchase of consumer durables and household appliances like TVs, refrigerators, air conditioners, washing machines and much more.
- **Digital Product Loans -** HDB's digital product loans are offered to customers to help fund their basic to high-end digital product necessities.
- **Lifestyle Product Loans -** Lifestyle Product Loans offered by HDB, assist the customers in the purchase of Lifestyle Products such as high-end furniture, cooking range, etc., enabling an upgradation of their lifestyle.
- **Personal Loans -** Personal Loans from HDB are offered to both salaried and self-employed individuals to help them meet any immediate, personal and other needs.
- **Auto Loans -** HDB offers auto loans to customers seeking to buy a new or used car.
- **Two-Wheeler Loans -** HDB offers two-wheeler loans to its borrowers, with an array of offerings.
- **Gold Loans -** HDB ensures fulfillment of urgent personal needs of its customers by offering loans against security of gold jewellery.

Enterprise Loans

HDB provides Loans to Small and Micro Enterprises that are in need of funding.

Various Loans offered to the Enterprises include:

- **Unsecured Business loans** - HDB provides collateral-free loans to small businesses to help them meet their financial requirements that could vary from the purchase of new machinery and inventory to procuring working capital or revamping the business.
- **Enterprise Business Loan** - These loans are offered to self-employed persons (both individuals and professionals), private companies, and partnership firms to help boost their business of services, manufacturing, and trading.
- **Loan against Property** - HDB provides multipurpose, secured loans against property to support new business ventures, purchase of office space or provide working capital or business expansion.
- **Loan against Lease Rental** - HDB offers loans against rental income receivable on leased property, depending on the customer's financial profile and ability.
- **Auto Refinance** - Auto Refinance is working capital loans offered to customers, which can be availed on hypothecation of vehicles
- **Loan against securities** - With a loan against securities, HDB ensures that customers can meet their immediate cash requirements by pledging their investments or securities like insurance policy, debt instruments and Bonds with the company without having to liquidate them.

Asset Finance

HDB offers loans for the purchase of new and used vehicles and equipment for income generation to its borrowers.

- **Commercial Vehicle Loans**: HDB provides loans for the purchase of new and used commercial vehicles. The Company also offers refinancing on existing vehicles. The Company provides finance to a broad spectrum of customers including fleet owners, first-time users, first-time buyers and captive use buyers.
- **Construction Equipment Loans**: HDB provides loans for the procurement of new and used construction equipment. The Company also facilitates refinancing or re-purchase of existing equipment.
- **Tractor Loans**: HDB offers customized tractor loans for the purchase of tractors or tractor-related implements to meet any agricultural or commercial needs.

Micro-Lending

Recently, your Company began providing micro-loans to borrowers through the Joint Liability Groups (JLGs) framework. With Micro-Lending, the company endeavours to empower and promote financial inclusion within these sections for the sustainable development of the nation.

Fee-based products / Insurance Services

- HDB is a registered Corporate Insurance Agent with a valid license from the Insurance Regulatory & Development Authority of India (IRDAI). The company is engaged in the sale of both Life and General (Non-Life) Insurance products.
- HDB is also registered with the Associations of Mutual Funds in India (AMFI) and has been assigned an AMFI registration number.
- Under the open architecture arrangement adopted by your Company for insurance distribution, the Company has tie ups with "HDFC Life Insurance co. Ltd." and "Aditya Birla Sun life insurance".
- In the Non-Life insurance space, your Company has tie ups with "HDFC Ergo General Insurance co. Ltd" and "Tata AIG General Insurance Co. Ltd".
- The Company distributes third party products like extended warranty and Road side assistance.

BPO Services

Your Company's BPO Services comprise of running collection call centers, sales support services, back office, operations, and processing support services..

- **Collection Services** - HDB has a contract with the HDFC bank to run collection call centers. These centers provide collection services for the entire gamut of retail lending products of HDFC Bank. Currently, HDB offers end-to-end collection services in over 700 locations via its on-call and field support teams. The Company has an established set up of 18 call centers across the country with a capacity of over 5,500 seats.
- **Back office and Sales Support** - The Company provides sales support services, back-office services such as forms processing, and document verification, finance, and accounting operations and processing support to HDFC Bank.

SEAMLESS CUSTOMER EXPERIENCE DURING COVID

- HDB's Credit-lending processes marked a defining trend by going fully digital during the pandemic. With an increased focus on providing its customers with a seamless experience, the Company is pushing the pedal on quicker loan application processes and swift disbursals. Customers whose businesses had been adversely impacted by the COVID-19 pandemic were offered exclusive assistance through the company's EMI moratorium measures, and ECLGS and loan restructuring schemes. HDB and its employees efficiently serviced its customers in spite of remote working.
- The teams ensured timely collection and disbursement of loans. The front-end and back-end systems were strengthened to improve credit quality and minimise losses due to default.

DIGITAL LENDING JOURNEY

In a bid to meet the new and constantly evolving financial credit needs of young and tech-savvy customers, and in line with its strategy of re-imagining opportunities, HDB has sought to transcend the conventional credit lending approaches. The Company's active investment in the digitisation of lending services and solutions has allowed it to connect and cater to the New India and tech-savvy customers in a personalised manner.

Several digital offerings were launched for commercial and retail segments to provide integrated solutions and simplify the borrowing process through cutting-edge technologies. These digital offerings include:

- **Partnership with new-age Fintech Players**: HDB has initiated strategic partnerships with several new-age Fintech players in the country to provide the best in class, innovative digital solutions, and services. These collaborations have been successful in demonstrating an improved customer experience in conjunction with a convenient digital KYC process, quick application approval and disbursal of funds.
- **e-NACH & e-Sign**: The introduction and implementation of these digital tools ensure a seamless, go-green customer experience with paperless processes, fewer errors, and quicker disbursals. The digital process ensures the collection of the applicant's basic information and documents upload, followed by an e-verification process. Upon completion of e-verification of details and documents submitted, the customer may digitally sign the agreement through Aadhaar-based authentication.
- **Digital Login**: Due to the pandemic's social distancing norms, there were fewer walk-ins at HDB's partner showrooms and branches. To offer convenience to the customers, the Company introduced a digital login process in partnership with select channels where customers can login online without physically visiting the store or a branch. The Company's customer care team efficiently guided the customers with their loan processing journey via on-call and digital support.
- **Credit Score**: Customers can check their credit score, for free by just providing their mobile number on HDB's website.

CUSTOMER SERVICE DIGITAL CHANNELS

- **HDB on the Go App**: This is a one-stop Android application for customers to apply, view, and manage their loan accounts. It also allows customers to apply for a new loan with just a few clicks anytime, anywhere, and get a pre-approved loan on their existing account.
- **WhatsApp Account Management**: Customers can now access information about their loan account in real-time from anywhere by sending a "Hi" to the WhatsApp number 7304926929
- **Customer Service Bot - #AskPriya**: Customers can now access all loan related information along with the latest offers available with HDB by chatting with our virtual assistant #AskPriya
- **Missed Call Service**: Customers are now just a missed call away to receive all their loan-related information on their mobile phone as an SMS. They may give missed call to 044-45602401 from their registered mobile number to avail of the service.
- **Customer Portal**: The portal allows the customers to manage their loan account and get all loan related information quickly and efficiently.

KEY INITIATIVES

- **Digital Pre-Approved Offers**: Pre-Approved loans are offered at HDB to its current customers who have a demonstrated credit history and repayment credibility. Customers with pre-approved loan offers can avail their loans fully digitally.
- **HDB EMI card** - With the launch of the HDB EMI card, customers can avail of this easy finance option to make contactless transactions and convert their purchases into EMI loans at attractive interest rates.
- **Fintech Partner Integration**: HDB's collaboration with its Fintech partners facilitates real-time lead sharing by partners useful for generating offers and getting in touch with the company's customers to fulfill their loan requirements.
- **RM (Relationship Management) and VRM (Virtual Relationship Management)**: HDB reaches out to its top 20% customer segment to address their service and financial requirements through RM. Further, the Company also ensures that the next top 20% of the customers are reached through VRM. Relationship Managers also assist customers with other HDB products while servicing the customers.

- **Aabhaar Card (Loyalty Card)**: HDB's loyalty cards i.e., Blue Aabhaar card and the Platinum Card provide ease of documentation and a pre-approved loan amount eligibility to the customer. The cards come with Accidental Insurance benefits coverage up to ₹ 5 lakh at no additional cost.

SEGMENT WISE PERFORMANCE

The details with regard to segment wise performance of the Company are mentioned in the notes forming part of the financial statements at Note no. 35.

INFRASTRUCTURE

As of March 31, 2021, HDB has 1,319 branches in 959 cities in India. The Company's data centers are located in Bengaluru and Mumbai with centralised operations based out of Hyderabad, Chennai, and Noida. In a quest to strengthen its internal processes, the Company has further implemented a quality management system for its centralised operations.

OUTLOOK

The markets will continue to grow and mature leading to differentiation of products and services. Companies will have to evolve their customer acquisition and engagement in post COVID economy and each financial intermediary will have to find niche in order to add value to consumers. The Company with the distribution that is built over the years and committed workforce is cautiously optimistic in its outlook for the year 2021-22.

RISK MANAGEMENT

Your Company, is exposed to various risks that are an inherent part of any financial service business. Traditionally, credit, operational and liquidity risks have always been seen as the top tier risks, however given the evolving landscape, risks around digital lending and information security would also form an integral aspect of risk management.

The Company's risk management framework is well dimensioned and managed based on a clear understanding of various risks, disciplined risk assessment, measurement procedures and continuous monitoring. The Board of Directors has oversight on all risks assumed by the Company. Specific Committees have been constituted to facilitate focussed oversight of the risks identified. These risks have the potential of impacting the financial strength, operations and reputation of your Company. Keeping this in mind, your Company has a Board approved Risk Management Framework in place. The effectiveness of this framework is supervised periodically by the Risk Management Committee. Your company is committed towards creating an environment of increased risk awareness at all levels. It also aims at constantly upgrading the appropriate security measures, including cyber security measures, to ensure avoidance and mitigation of various risks and achieve an optimised balance of return for the risk assumed, while remaining within acceptable risk levels.

Your Company conducts stress tests to assess the resilience of its Balance Sheet. This also helps to provide insights to the Management to understand the nature and extent of vulnerabilities, quantify the impact and develop plausible business-as-usual mitigating actions. The market witnessed substantial turbulence in the previous year, stemming from multiple sources impacting the industry. However, as your Company has been fundamentally built on the principle of sound risk management practices, it has successfully weathered the market turbulence and continues to remain resilient.

Credit Risk including Credit Concentration Risk:

Credit risk is defined as the possibility of losses associated with the diminution in the credit quality of borrowers, losses may stem from outright default or a reduction in portfolio value. Your Company has a distinct credit risk architecture, policies, procedures and systems for managing credit risk. The product programs for each of the products define the target markets, credit philosophy, process, detailed underwriting criteria for evaluating individual credits, exception reporting systems, individual loan exposure caps and other factors. For individual customers to be eligible for a loan, minimum credit parameters are to be met for each product and any deviations must be approved at designated levels. Credit framework encompasses parameters at different stages of the portfolio lifecycle from acquisitions till write offs. There are robust front-end and back-end systems in place to ensure credit quality and minimize loss from default. The factors considered while sanctioning retail loans include income, demographics, previous credit history of the borrower and the tenor of the loan. Thresholds are defined using historical data for each parameter at the Product level identifying "stress" period for the product lifecycle. This framework defined at product level is then aggregated at the Portfolio level. Exposures are monitored against approved limits to guard against unacceptable risk concentrations. Your Company also monitors credit concentration of exposures to single borrower, group of borrowers, sensitive industries, geography, product, etc.

Digital Lending Risk:

A defining trend in the credit lending process in the post-pandemic era will be its digital journey. The focus of the future would be quick processing of loan applications and making the process seamless for the consumer. Digitalisation will increasingly become a key differentiator for customer retention and service delivery, hence, digitalisation of the entire customer lifecycle will be the most sought after goal. In view of this digital lending platforms are set to gain huge prominence as we navigate towards a post pandemic era.

Your company has taken various steps on its journey towards this digital autobahn and has automated the loan application process to make informed credit decisions at the initial stage itself through various tools like CRM, Rule Engine, Bureau Integration, Deviations Management etc. This has resulted in higher productivity, lower overhead costs and swift processes, thus, enabling a seamless journey for the customer and leading to financial inclusion. Controls have been laid down through document management, workflow engine, roles and login restrictions to control the risks emanating out of digital lending. With the objective to minimize risk in collection and recovery, analytics and reporting systems have been used to identify defaulters, intimating customers on EMI payments, tracking on-ground collections team and quick reporting. Early Warning system, Behavioural Analysis, End to End Business Reporting have been set up to maintain healthy asset quality with optimal risk-reward considerations.

Business/Strategic Risk:

Business/Strategic risks are risks that affect or are created by an organisation's business strategy and strategic objectives. Your company's management of this risk is guided by diversification in its business through various products, customer segments and geographies, balanced growth while maintaining asset liability balance and prudent provisioning policies.

Operational Risk:

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. Operational Risk includes legal risk but excludes strategic and reputational risks. Operational Risk management is explained in the listed parameters:

- **Framework and Policy**: Your Company has implemented a robust and comprehensive Operational Risk Framework defined as part of the Board-approved Operational Risk Management Policy to identify, assess and monitor risks, strengthen controls and minimize Operational Risk losses. The Board of Directors, Group Risk Management Committee (GRMC) and the Operational Risk Management Committee (ORMC) have overall oversight function for operational risk management.
- **ORM Organisation Structure**: Under this framework your Company has 3 lines of defence. The 1st layer of protection is provided by the Business units (including support and operations) who are accountable for operational risks and controls in their respective areas. ORM is the 2nd line of defence which develops and implements policies/processes, procedures, tools and techniques to assess and monitor the adequacy and effectiveness of the company's internal controls. Internal Audit is the last line of defence which reviews the effectiveness of governance, risk management and internal controls.
- **Operational Risk Assessment & Measurement tools**: The primary tools for measuring operational risk across your company include:
  - Internal operational loss data
  - Key Risk Indicators (KRI)
  - Scenario Analysis and Stress Testing.
- **Internal Control**: Your Company has sound internal control practices across all processes, units and functions and has well laid down policies and processes for management of its day-to-day activities. The company follows established, well-designed controls, which include maker-checker principles, effective delegation of authority, and segregation of duties, Code of conduct, reconciliation, exception reporting and periodic MIS. Specialised risk control units function in risk prone products / functions to minimize operational risk.

- **Fraud Monitoring & Control**: Your Company has a Risk Containment Unit (RCU) that continuously monitors data to identify exception patterns and also conducts surprise inspections of our distribution points. The RCU investigates potential frauds, does the root cause analysis and oversees implementation of fraud prevention measures to prevent recurrence. Periodic reports are submitted to the Board and senior management committees to ensure compliance.
- **Information Technology and Security Practices**: Your Company has put in place a governance framework, information security practices, data leakage policy and business continuity plan to mitigate information technology related risks. There is an independent Information Security Committee that addresses information security related risks. A well-documented Board approved information security policy has been put in place. Disaster recovery and Business Continuity Plans (BCP) have been established for significant businesses to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness.
- **Material Outsourcing**: ORMC also reviews the effectiveness of the outsourcing policy and procedures to ensure effective due diligence and monitoring of the company's outsourced activities on a continuous basis.

Reputation Risk:

Trust is the foundation for the financial service industry and is critical to building a strong customer franchise. Any adverse stakeholder or public perception about the company may negatively impact our ability to attract and retain customers and may expose us to litigation and regulatory actions.

Reputation Risk most often results from the poor management of other risks and can arise from a variety of sources including direct sources like poor financial performance, poor governance and indirect sources like increased operational risk or control failures. The company manages this through a strict code of conduct policy for its employees, good corporate governance policies and an effective customer grievance mechanism. We communicate with our stakeholders regularly through appropriate engagement mechanisms to address stakeholder expectations and assuage their concerns, if any.

Technology Risk:

Technology is rapidly changing the way financial services entities operate and is a key disruptor for the industry. The focus of your company continues to be on digital and is aimed at leveraging digital technology to provide a best in class experience for its customers while simultaneously enhancing productivity and risk management. A layered technology architecture is implemented to manage risks due to system failures, cyber-attacks etc. Disaster recovery and Business Continuity Plans (BCP) have been established and various functional and technology initiatives have been taken to enhance system resiliency. Effective access control mechanism is a key technology control to prevent unauthorised access. The access to business applications is provisioned by an independent team and is provided based on the roles and responsibilities of the user. Technology and Operational controls are implemented to manage privileged access to systems. Cyber threats and the associated risks in the external environment have increased and your company works continuously to improve processes and controls to mitigate these risks. Cyber resilience framework is being established to mitigate the threats such as data breaches, malware, Denial-of-service attacks etc.

Interest Rate Risk:

Interest Rate Risk is the exposure of a company's financial condition to adverse movements in interest rates. Changes in interest rates affect a company's earnings by changing its Net Interest Income (NII). Asset Liability Committee (ALCO) is a decision making management committee responsible for balance sheet planning in your company from risk return perspective including strategic management of interest rate and liquidity risks. Advances Book and Funding strategy are tailored in such a way that repricing of borrowings can be offset by repricing the loans. Earnings impact using traditional gap analysis measures the level of your Company's exposure to interest rate risk in terms of sensitivity of its NII to interest rate movements over the horizon of analysis.

Liquidity Risk:

Liquidity Risk is the risk that a Company may not be able to meet its short term financial obligations due to an asset–liability mismatch or interest rate fluctuations. The Board of Directors have delegated the responsibility for ongoing balance sheet Liquidity Risk management to the Asset Liability Committee. The Company's framework for liquidity and interest rate risk management is articulated in its Asset Liability Management Policy that is implemented, monitored and periodically reviewed by the ALCO. The ALCO also reviews the NIM-Net Interest Margins, maturity profile, stock ratios and mix of your company's assets and liabilities. It also articulates the interest rate view and decides on future business strategy with respect to interest rates. The Liquidity Coverage Ratio (LCR), a global standard is also used to measure the liquidity position. LCR seeks to ensure that the Company has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs under a 30-day calendar liquidity stress scenario. The Company has also adopted a liquidity risk framework as required under RBI regulations.

Compliance Risk:

Compliance Risk is defined as the risk of exposure to legal, regulatory sanctions and a damage to its reputation as a result of failure or a perceived failure to comply with applicable laws, regulations, internal policies or prescribed best practices.

Your Company has a Compliance Policy to ensure highest standards of compliance. The Compliance team works with business and operations to ensure active compliance risk management and monitoring. The team also provides advisory services on regulatory matters. The focus is on identifying and reducing risk by rigorous testing and also putting in place robust internal policies. Products and processes are reviewed for adherence to regulatory norms prior to rollout. Internal policies are reviewed and updated periodically as per agreed frequency or based on market action or regulatory guidelines / action. The compliance team also seeks regular feedback on regulatory compliance from product, business and operation teams through self-certifications and monitoring.

SERVICE QUALITY INITIATIVE

On March 25, 2020, the Government of India had ordered nationwide lock down as a preventive measure against the COVID-19 pandemic. To support the customers during lock down, the entire Customer Service team was quickly equipped to work from home so as to respond to customer queries on email and ensure unhindered services to our customers. Additionally, the contact centre was configured in a manner that enabled Customer Service team to attend customer calls from home. This was much appreciated by the customers.

Post the announcement of moratorium by RBI, your Company had witnessed a sudden spike in volume of both emails and calls. A dedicated desk was set up at Customer Service with a unique email id to assist all customers on Moratorium related queries. For customers who wished to Opt Out from Moratorium, an online facility was provided through call center IVR system. Employees from Operations and Branches were roped in to manage the additional load during this period. These employees were suitably trained on Customer Service so as to ensure similar quality of response.

Continuous communication with the customers was maintained during COVID-19 with the help of constant updation of FAQ's, SMSs, emails etc. to clarify queries relating to loan accounts. Digital capabilities like Chatbot, Whatsapp Service and Missed Call Service were implemented to enhance customer experience.

Despite the Pandemic our customer support team effectively responded to all queries raised by the customer to the regulators such as RBI, Ombudsman, Consumer help line within defined SLAs".

The Reserve Bank of India extended the system of Ombudsman for redressal of complaints against deficiency in services concerning loans and advances and other specified matters to Systemically Important Non Deposit taking Non-Banking Financial Companies (NBFCs) in April 2019. Accordingly, the Company had appointed Nodal Officers for representing the Company and furnishing information to the Ombudsman in respect of complaints filed against the Company.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the financial statements of the Company and its controlled structured entities (collectively known as 'the Group'). The Group consolidates an entity when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

INFORMATION TECHNOLOGY AND IT SECURITY

Fiscal 2021 started with the pandemic induced nation-wide lock-down and the foremost technological challenge faced by your Company was to ensure business continuity amidst the lockdown and simultaneously ensuring that year-end closure procedures and allied regulatory aspects carry on unhindered amidst the pandemic.

Secured VPN was immediately provided to the employees to ensure stable business operations. The digital technology footprint implemented during the previous years, helped business users and servicing of customers.

Though many applications were accessible on internet for Business-As-Usual (BAU) during the first half of the financial year, many applications were also published on internet post standard security checks, VAPT etc. The situation was fluid considering the dynamic nature of the lock-down and localised restrictions which were being imposed or released. The service desk ably provided support to end users amidst these challenges and was equipped to work remotely and in shifts to provide uninterrupted support. Adequate risk mitigating controls were put in place to ensure security posture of the desktops/laptops while users work remotely.

IT resources were stationed at the production & DR Data centres to ensure breakdowns could be handled on priority. The technology team managed to provide near uninterrupted up time for all the applications that helped in maintaining BAU.

The efficacy of IT Business Continuity Plan & Disaster Recovery was tested throughout the year, due to multiple challenges during the year.

IT team continued to execute various projects during the year, in addition to providing availability of IT systems to users. During the year IT team added additional layer of Firewalls to improve the security posture.

INTERNAL CONTROL SYSTEMS AND AUDIT

Your Company's internal control system is designed to ensure operational efficiency, compliance with laws and regulations and accuracy and promptness in financial reporting. The internal control system is supported by an internal audit framework to monitor the efficacy of internal controls with the objective of providing to the Audit Committee and the Board of Directors, an independent and reasonable assurance on the adequacy and effectiveness of the internal control and governance processes. The framework is commensurate with the nature of the business, size, scale and complexity of its operations. The internal audit plan is developed based on the risk profile of business activities of the organisation. The audit plan is approved by the Audit Committee, which regularly reviews the status of the Audit plan and performance of the Internal Audit Department and provide directions wherever required.

COMPLIANCE

Your Company has a Board approved compliance policy to effectively monitor and supervise the compliance function in accordance with the statutory requirements. The Audit Committee reviews the performance of the compliance functions, the effectiveness of controls and compliance with regulatory guidelines and gives such directions to the Management as necessary/considered appropriate.

HUMAN RESOURCES

HDB prides itself in having a work culture that is transparent, solution-centric and growth oriented. The global pandemic had tested our resilience, bringing with it a lot of 'firsts' and we swiftly adapted to the 'new normals'. Given our high focus on digital transformation, our transition to remote working was seamless during times of the lockdown and disruptions. We moved many processes to the digital platform that not only engages employees more effectively but also helps our businesses to move up the curve faster.

At HDB we believe that our people are our biggest assets. The workforce at HDB has a right blend of youth & experience and the success of our organisation is based on the capability, passion & integrity of our people. There is a high premium placed on internal growth which has enabled us to have a stable mid and senior management team over the last many years. Your Company conducts an array of online engagement activities (given the Covid background), encourage our employees to acquire newer skills and create platforms to interact with peers across the country that enables growth by sharing of best practices and learnings.

Your Company continues to attract and retain talent that focuses on sustained superior performance, provide them opportunities to learn, realise their true potential and contribute positively to the success of the Company. Our Senior Leadership Team, from time to time, shares the strategy and vision for the company through virtual town-halls that ensures that our employees are always cognizant of what is happening in the Company, thereby encouraging an interactive and engagement driven work culture.

As on March 31, 2021, your Company had 1,04,960 employees as compared to 1,09,167 as on March 31, 2020.

CAUTIONARY NOTE

Certain statements in this Report may be forward-looking and are stated as may be required by applicable laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government policies and other incidental/related factors.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation for the support extended by the Reserve Bank of India, other regulatory and Government Bodies, Company's Auditors, Customers, Bankers, Promoters and Shareholders.

Your directors take this opportunity to place on record their appreciation to all employees for their hard work, spirited efforts, dedication and loyalty to the Company which has helped the Company maintain its growth.

On behalf of the Board of Directors

Sd/-	**Sd/-**
Venkatraman Srinivasan	**G Ramesh**
Independent Director	**Managing Director & CEO**

Place: Mumbai
Date: May 25, 2021

Annexure A

ANNUAL REPORT ON CSR ACTIVITIES

1. **Brief outline on CSR Policy of the Company**

The CSR Policy of the Company is the guiding document to optimally allocate, manage and supervise prescribed CSR funds of the Company. The document spells out the Company's CSR mission of contributing towards social and economic development of the community, and the strategy to work towards its mission statement.

The company has adopted seven development areas that are in line with Schedule VII, and further defines the nature of CSR initiatives to be undertaken. The policy document highlights the role of the CSR committee members too. The CSR Policy of the Company is line with Section 135 of the Companies Act, 2013, CSR Rules and Schedule VII of the Companies Act, 2013.

2. **Composition of CSR Committee**

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Dr. Amla Samanta	Independent Director	3	3
2	Ms. Smita Affinwalla	Independent Director	3	2
3	Mr. Ramesh G.	Managing Director & CEO	3	3

3. **Provide the web-link where Composition of CSR Committee, CSR Policy and CSR Projects approved by the Board are disclosed on the website of the Company**

CSR Policy includes Composition of CSR Committee and is uploaded on the link here:

https://www.hdbfs.com/corporate-social-responsibility/

List of active CSR projects approved by the Company are uploaded here:

https://www.hdbfs.com/policies

4. **Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report)**

The Company has identified projects to be assessed in FY21-22. An independent agency to conduct impact assessment study for CSR projects has been empaneled. One of the projects in the healthcare space was assessed by the agency and the impact assessment report for this project was placed before the Board. The said report is also uploaded on the Company website at https://www.hdbfs.com/corporate-social-responsibility/

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

6. **Average net profit of the company as per section 135(5)** - ₹ 1,541.63 crore

7. **Computation of CSR Obligation -**

a. Two percent of average net profit of the company as per section 135(5) = ₹ 30.83 crore.

b. Surplus arising out of the CSR projects or programmes or activities of the previous financial years = NIL

c. Amount required to be set off for the financial year, if any = NIL

d. Total CSR obligation for the financial year (7a+7b-7c) = ₹ 30.83 crore

8. **Details for Spent / Unspent for Completed / Ongoing CSR Projects -**

a. CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (₹ In Crs.)	Amount Unspent (₹ In Crs.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
23.52*	7.31	April 30, 2021	Not Applicable	NIL	Not Applicable

* Excludes ₹ 3.47 crore disbursed in FY2020-21 towards unspent reported in FY2019-20.

b.Details of CSR amount spent against ongoing projects for the financial year

1	2	3	4	5		6	7	8	9	10	11	12	13	
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/ No)	Location of the project		FY in Which the project was commenced	Project duration	Amount allocated for project (₹ In crore)	Amount spent in the current financial Year (₹ In crore)	Cumulative amount spent at the end of reporting Financial Year (₹ In crore)	Amount transferred to Unspent CSR A/c. for the project as per Section 135(6) (₹ In crore)	Mode of Implementation - Direct (Yes / No)	Mode of Implementation – Through Implementing Agency	
				State	District								Name	CSR Regn. No.
1	Mother & Child Health and Nutrition	Healthcare	Yes	RJ	Sirohi	FY21	Jan'21 - Jan'22	0.67	0.33	0.33	-	No	Mamta - HIMC	CSR00001978
2			Yes	RJ, DL	Jaipur, Delhi	FY21	Mar'21 - Apr'22	0.83	0.41	0.41	-	No	Mamta - HIMC	CSR00001978
3			Yes	GJ	Ahmedabad	FY21	Oct'20 - Sept'21	0.53	0.27	0.27	0.27	No	CHETNA	CSR00001034
4			Yes	MP	Ujjain, Ratlam	FY21	Mar'21 - Mar'22	0.85	0.42	0.42	-	No	CHETNA	CSR00001034
5	School WASH & Clean Drinking Water for Rural Communities	Healthcare	Yes	TN	Salem, Tanjore Namakkal, Trichy, Pudukottai, Madurai	FY21	Sep'20 - Aug'21	3.00	2.25	2.25	0.75	No	Gramalaya	CSR00001033
6			Yes	TN	Erode, Madurai, Trichy	FY21	Mar'21 - Mar'22	1.00	0.50	0.50	-	No	Gramalaya	CSR00001033
7			Yes	AP	Guntur, Kurnool, Vizag	FY20	Apr'20 - Jun'21	0.90	0.30	0.80	0.10	No	Bala Vikasa	CSR00000313
8			Yes	UP	Chitrakoot	FY21	Sep'20 - Aug'21	1.03	0.26	0.26	0.77	No	JSCT	CSR00000724
9			Yes	MH	Akola, Amravati, Washim	FY21	Mar'21 - Mar'22	1.51	0.75	0.75	-	No	YRA	CSR00002429
10			Yes	MP	Shivpuri	FY20	Jan'20 - Jun'21	0.50	0.20	0.45	-	No	Haritika	CSR00000516
11			Yes	MP	Shivpuri	FY21	Mar'21 - Mar'22	0.68	0.34	0.34	-	No	Haritika	CSR00000516
12	Diagnosis & Treatment of Preventable Illness	Healthcare	Yes	UP	Sonebhadra	FY21	Feb'21 - Mar'22	0.40	0.20	0.20	-	No	Smile Foundation	CSR00001634
13			Yes	TN	Thiruvallur	FY21	Mar'21 - Jul'22	0.62	0.31	0.31	-	No	Smile Foundation	CSR00001634
14			Yes	DL	Delhi	FY21	Mar'21 - Apr'22	0.27	0.13	0.13	-	No	Smile Foundation	CSR00001634
15			Yes	MH	Mumbai	FY21	Mar'21 - Mar'22	1.95	0.98	0.98	-	No	SSFA&SS	CSR00001777
16			Yes	MH	Navi Mumbai	FY21	Mar'21 - Mar'22	0.35	0.20	0.20	-	No	FPA India	CSR00002424
17			Yes	TN	Nammakal	FY21	Mar'21 - Mar'22	0.43	0.22	0.22	-	No	Gramalaya	CSR00001033
18			Yes	Pan India	Pan India	FY20	Mar'20 - Mar'22	1.50	-	0.75	0.75	No	Smile Foundation	CSR00001634
19			Yes	TN, WB	Chennai, Kolkata	FY20	Apr'20 - Mar'22	1.78	-	1.00	0.78	No	MRF	Awaited
20	Healthcare infrastructure	Healthcare	Yes	MH	Thane	FY21	Feb'21 - Mar'22	3.00	1.00	1.00	-	No	SCST	CSR00001017
21			Yes	GJ, MP, RJ, AP	Anand, Indore, Jaipur, Guntur	FY21	Mar'21 - Mar'22	1.36	0.82	0.82	-	No	SKKMT	CSR00003159
22	Healthcare: COVID-19 Response	Healthcare	Yes	Pan India	Pan India	FY21	Mar'21 - May'22	0.12	0.06	0.06	0.06	No	Craftizen Designs	Not Applicable

1	2	3	4	5		6	7	8	9	10	11	12	13	
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/ No)	Location of the project		FY in Which the project was commenced	Project duration	Amount allocated for project (₹ In crore)	Amount spent in the current financial Year (₹ In crore)	Cumulative amount spent at the end of reporting Financial Year (₹ In crore)	Amount transferred to Unspent CSR A/c. for the project as per Section 135(6) (₹ In crore)	Mode of Implementation - Direct (Yes / No)	Mode of Implementation – Through Implementing Agency	
				State	District								Name	CSR Regn. No.
23	Youth Training & Development	Livelihood Enhancement	Yes	Pan India	Pan India	FY21	Sep’20 - Feb’22	2.02	1.01	1.01	1.01	No	FPA India	CSR00002424
24			Yes	DL	Delhi	FY21	Sep’20 - Aug’21	0.26	0.24	0.24	0.03	No	Sarthak Education	CSR00001093
25			Yes	MH	Mumbai	FY21	Apr’20 - Jun’21	0.50	0.45	0.45	0.05	No	NRI	CSR00000754
26			Yes	KA, TL, MH	Bangalore, Hyderabad, Mumbai, Nagpur	FY21	Dec’20 - Nov’21	1.27	0.64	0.64	0.64	No	KSWA	CSR00000920
27			Yes	JH	Ranchi	FY21	Mar’21 - Apr’22	0.50	0.25	0.25	-	No	Prayatna	CSR00002310
28			Yes	RJ, UP	Jaipur, Noida	FY20	Feb’20 - Jun’21	1.00	0.40	0.90	-	No	Development Alt.	CSR00000829
29			Yes	TN, MH, DL, WB	Chennai, Mumbai, Delhi, Kolkata	FY20	Aug’19 - Sept’21	1.65	0.41	0.83	0.83	No	Sambhav Foundation	CSR00000475
30			Yes	MH	Mumbai	FY20	Apr’20 - Sept’21	1.60	0.64	1.44	0.16	No	TNS India Fn.	CSR00001337
31			Yes	TL	Hyderabad	FY20	Jan’20 - Jun’21	0.65	0.13	0.46	-	No	FUEL	CSR00000051
32			Yes	UP, BH	Varanasi, Patna	FY20	Sep’19 - Jun’21	0.37	0.15	0.34	0.04	No	Medha	Awaited
33			Yes	GJ, MH, DL, TL, KA	Ahmedabad, Mumbai, Delhi, Hyderabad, Bangalore	FY20	Jan’20 - Dec’21	1.00	-	0.50	0.50	No	SGBS Unnati	Awaited
34			Yes	MH, TN, TL	Mumbai, Chennai, Hyderabad	FY20	Feb’20 - May’21	0.75	-	0.38	0.37	No	TCIT	CSR00002739
35	Food for Education	Education	Yes	UP	Vrindavan, Lucknow	FY21	May’21 - May’22	1.40	0.29	0.29	-	No	TAPF	CSR00000286
36	Quality Education	Education	Yes	KA	Hubli	FY21	Feb’21 - Jul’22	0.29	0.19	0.19	-	No	SVYM	CSR00002310
37	Restoration of Ecological Balance & Disaster Relief	Environmental Sustainability	Yes	TN	Coimbatore	FY21	Mar’21 – Feb’22	0.30	0.15	0.15	-	No	Siruthuli	CSR00000023
38			Yes	KA	Udupi	FY20	Feb’20 – May’21	1.12	0.50	1.06	-	No	Saahas	CSR00000097
39			Yes	KA	Udupi	FY21	Mar’21 – Mar’22	0.80	0.40	0.40	-	No	Saahas	CSR00000097
40			Yes	TN	Coimbatore	FY21	Feb’21 – Mar’22	1.55	0.77	0.78	-	No	COODU	CSR00001346
41			Yes	TN	Thiruvallur, Tiruppur, Tuticorin	FY20	Apr’20 – May’21	1.05	0.42	0.95	0.11	No	EFI	CSR00002310
42			Yes	AP, GJ	Chittoor, Bhuj	FY21	Mar’21 – Mar’22	1.48	0.59	0.59	-	No	EFI	CSR00002310
43			Yes	TN, MP, RJ	Kanyakumari, Khandwa, Harda, Bhilwara	FY21	Jan’21 – Dec’22	1.00	0.50	0.50	-	No	Impact Guru, Grow-Trees.com	CSR00000991
44			Yes	RJ	Bhilwara	FY20	Dec’19 – Jun’21	1.35	0.60	1.28	-	No	FES	CSR00000637
45			Yes	GJ	Songadh	FY20	Jul’19 – Apr’21	1.15	0.48	1.12	-	No	BISLD	CSR00000259
46			Yes	KA	Uttar Kannada	FY20	Nov’19 – Jun’21	1.25	0.50	1.13	0.13	No	Manuvikasa	CSR00002730
	TOTAL							**47.59**	**19.66**	**28.30**	**7.31**			

Abbreviations:
Mamta Health Institute for Mother and Child (Mamta – HIMC), Jal Seva Charitable Trust (JSCT), Yuva Rural Association (YRA), Sri Shanmukhananda Fine Arts & Sangeetha Sabha (SSFA&SS), Family Planning Association of India (FPA India), Sri Chaitanya Seva Trust (SCST), Sri Kanchi Kamakoti Medical Trust (SKKMT), New Resolution India (NRI), Kherwadi Social Welfare Association (KSWA), Friends Union for Energizing Lives (FUEL), The Akshaya Patra Foundation (TAPF), Swami Vivekananda Youth Movement (SVYM), Community Organisation for Oppressed and Depressed Upliftment (COODU), Environmentalist Foundation of India (EFI), Foundation for Ecological Security (FES), BAIF Institute For Sustainable Livelihoods and Development (BISLD), Tata Community Initiative Trust (TCIT), Medical Research Foundation (MRF).

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

1	2	3	4	5		6	7	8	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the project (₹ In crore)	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through implementing agency	
			Yes	State	District			Name	CSR Reg. No.
1	Mother & Child Health and Nutrition	Healthcare	Yes	RJ	Barmer, Sirohi	0.10	No	Mamta - HIMC	CSR00001978
2			Yes	GJ	Ahmedabad	0.08	No	CHETNA	CSR00001034
3	School WASH & Clean Drinking Water for Rural Communities	Healthcare	Yes	TN	Trichy, Karur	0.13	No	Gramalaya	CSR00001033
4			Yes	MH	Akola, Amravati, Washim	0.78	No	YRA	CSR00002429
5			Yes	MP	Sehore	0.08	No	Swasti	CSR00000549
6	Diagnosis & Treatment of Preventable Illness	Healthcare	Yes	MH	Mumbai	0.20	No	SSFA&SS	CSR00001777
7			Yes	TN	Salem	0.01	No	Gramalaya	CSR00001033
8			Yes	UP	Sonebhadra	0.21	No	Smile Foundation	CSR00001634
9	Healthcare: COVID-19 Response	Healthcare	Yes	PAN India	Pan India	0.04	Yes	Craftizen Foundation	Awaited
10			Yes	PAN India	Pan India	0.79	Yes	Craftizen Designs	Not Applicable
11	Youth Training & Development	Livelihood Enhancement	Yes	TN, MH, MP	Madurai, Mumbai, Gwalior	0.06	No	FPA India	CSR00002424
12			Yes	TL	Hyderabad	0.02	No	Fuel & Orion	CSR00000597
13	Food for Education	Education	Yes	UP	Vrindavan	0.17	No	TAPF	CSR00000286
14	Quality Education	Education	Yes	MH	Mumbai	0.07	No	Masoom	CSR00000360
15	Restoration of Ecological Balance & Disaster Relief	Environmental Sustainability	Yes	TN	Coimbatore	0.59	No	COODU	CSR00001346
16			Yes	TN	Chennai	0.06	No	EFI	CSR00002310
17			Yes	BH	Purnea	0.06	No	Goonj	Awaited
18	Environment: Mission Million Trees	Environment	Yes	MH	Mumbai	0.02	Yes	Kreative Concepts	Not Applicable
19			Yes	MH	Mumbai	0.02	Yes	Neovation	Not Applicable
	TOTAL					**3.48**			

d. Amount spent in Administrative Overheads - ₹ 0.38 crore.

e. Amount spent on Impact Assessment, if applicable - NIL

f. Total amount spent for the Financial Year (8b+8c+8d+8e) - ₹ 23.52 crore.

g. Excess amount for set off, if any

Sl. No.	Particular	Amount (₹ in crore)
(i)	Two percent of average net profit of the company as per section 135(5)	30.83
(ii)	Total amount spent for the Financial Year	23.52
(iii)	Excess amount spent for the financial year [(ii)-(i)]	-
(iv)	Surplus arising out of the CSR projects/programmes or activities of the previous financial years, if any	-
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	-

9.

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

1	2	3	4	5			6
Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (₹ In Crs.)	Amount spent in the Reporting Financial Year (₹ In Crs.)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years (₹ In Crs.)
				Name of the Fund	Amount (₹ In Crs.)	Date of transfer	
1.	FY21	7.31	23.52	Not Applicable	Not Applicable	Not Applicable	7.31*
2.	FY20	NIL	24.80	Not Applicable	Not Applicable	Not Applicable	3.47**
3.	FY19	NIL	22.65	Not Applicable	Not Applicable	Not Applicable	NA
	TOTAL	7.31	-	-	-	-	

* ₹ 7.31 crore is the difference between CSR obligations for FY2020-21 and the actual total CSR spent in FY2020-21
** ₹ 3.47 crore disbursed in FY2020-21 towards unspent in FY2019-20

b.Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Not Applicable

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

Nature of capital assets created / acquired	Date of Creation / Acquisition of capital assets	CSR spent for creation or acquiring capital asset (₹ In Crs.)	Details of the entity / public authority / beneficiary under whose name the capital asset is created		Location of the capital asset
			Asset Owner	Entity Type	
Community Water Purification Plants	April 2020 - February 2021	0.31	Gram Panchayat	Public Authority	Guntur, Kurnool, Vizag (AP)
Community Water Purification Plants	December 2020 - March 2021	0.25	Gram Panchayat	Public Authority	Shivpuri (MP)
Community Water Purification Plants	June, 2020	0.04	Gram Panchayat	Public Authority	Sehore (MP)
Community Water Purification Plants & PWS	July 2020 - January 2021	0.56	Gram Panchayat	Public Authority	Akola, Amravati, Washim (MH)
School Sanitation Blocks & Water Harvesting	July 2020 - February 2021	0.37	Government-aided schools	Public Authority	Akola, Amravati, Washim (MH)
School Sanitation Blocks	June, 2020	0.03	Government-aided school	Public Authority	Sehore (MP)
School Sanitation Blocks	April 2020 - February 2021	2.30	Government-aided schools	Public Authority	Madurai, Namakkal, Pudukottai, Salem, Tanjore and Trichy (TN)
School Hand washing Units	June, 2020	0.01	Government-aided schools	Public Authority	Chitrakoot (UP)
Food Distribution Vehicles & Kitchen Equip.	August 2020 - January 2021	0.92	The Akshaya Patra Foundation	Public Trust	Lucknow (UP)
Waste Management Equipments & Tools	April 2020 - March 2021	0.16	Udupi City Municipal Corp.	Public Authority	Udupi (KA)
Soil, Water Conservation & Related Structures	April 2020 - February 2021	0.56	Gram Panchayat	Public Authority	Coimbatore (TN)
Soil & Water Conservation Structures	June 2020 - March 2021	0.05	Small farmland holders	Individual Beneficiaries	Songadh (GJ)
Soil & Water Conservation Structures	June 2020 - March 2021	1.17	Gram Panchayat	Public Authority	Bhilwara (RJ)
Furniture & Fixtures / Office Equip. & Tools	April 2020 - March 2021	0.10	Implementing Agencies	Trust / Society / Section 8 Co.	Pan India

Note: Refurbished structures, restored waterbodies such as small & medium-sized urban and rural lakes / ponds have been excluded in the list above.

11. **Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5).**

Despite the turbulent business environment caused by the rapid spread of COVID-19 virus, the Company allocated 100% of its FY21 prescribed CSR budget; illustrating the Company's commitment towards CSR mandate. The lockdown caused delays in achieving project milestones for most CSR projects, thus disturbing the pay-out schedule planned for the year. The Company remains committed to honour its obligations towards the shortfall in mandatory two percent spend on CSR initiatives.

sd/-

Amla Samanta
Chairperson, CSR Committee

sd/-

G. Ramesh
Managing Director & CEO

Annexure B

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 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,
HDB Financial Services Limited
Radhika, 2nd Floor, Navrangpura,
Ahmedabad, 380009, Gujarat

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by HDB Financial Services Limited (hereinafter called 'the Company'). The Secretarial Audit was conducted in a manner which 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, 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 on March 31, 2021 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2021 according to the provisions of:

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

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

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

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

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

 (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Not applicable to the Company during audit period)

 (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 relating to debt securities listed on Stock Exchange(s);

 (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during audit period);

 (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (Not applicable to the Company during audit period);

 (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 (Not applicable to the Company during audit period); and

 (h) The Securities and Exchange Board of India (Debenture Trustees) Regulations 1993.

 (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during audit period);

(vi) **We further report that**, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the laws i.e. as stated in the Annexure I attached herewith, applicable specifically to the Company.

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

(i) Secretarial Standards issued by The Institute of Company Secretaries of India;

(ii) Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations 2015 relating to debt securities listed on Stock Exchange(s);

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

We further report that

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

Adequate notice is given to all directors to schedule the Board Meetings and agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

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

We further report that during the audit period the Company has passed the following special/ordinary resolutions which are having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

1. To increase in borrowing limits of the Company from ₹ 70,000 Crore to ₹ 80,000 Crore.
2. To increase in limits of creation of charge on the assets of the Company up to an amount of ₹ 80,000 crore to secure Company's borrowings.
3. Authority to issue Redeemable Non-Convertible Debentures and/or other hybrid instruments on private placement basis up to ₹ 21,202.50 Crore (Rupees Twenty One Thousand Two Hundred and Two Crore and Fifty Lakhs Only).
4. Authority to issue Foreign Currency / Rupee Denominated Bonds not exceeding Rupees equivalent to USD 750 Million.
5. Approval of securitisation transaction with HDFC Bank Limited within overall securitisation limit of ₹ 6,500 Crore (Rupees Six Thousand Five Hundred Crore Only).

We, further report that during the audit period, the Company has transacted the following activities through the approval of the Board/committee resolutions which are having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

a. The Company has issued and allotted 94,550 (Ninety Four Thousand Five Hundred and Fifty) Secured Redeemable Non-convertible Debentures of ₹ 10 Lakh each (Rupees Ten Lakh) in various tranches on private placement which were duly listed on BSE Limited. Also during the reporting year, the Company has received 2nd Call money of ₹ 300 crore (i.e. 20% of the amount raised) towards partly paid up Non-convertible Debentures issued & allotted in the FY 19-20;

b. The Company has issued and allotted 3,565 (Three Thousand Five Hundred and Sixty Five) Unsecured Redeemable Non-convertible Subordinated Bonds of ₹ 10 Lakh each (Rupees Ten Lakh) on private placement which were duly listed on BSE Limited;

c. The Company has issued and allotted 2,361 (Two Thousand Three Hundred and Sixty One) Secured Redeemable Non- Convertible Market Linked Debentures on private placement which were duly listed on BSE Limited;

d. The Company has issued and allotted 11,000 (Eleven Thousand) Commercial Papers of ₹ 5 Lakh each (Rupees Five Lakh) in various tranches which were duly listed on National Stock Exchange of India Limited;

e. The Company has under various Employee stock option scheme issued and allotted 16,05,560 (Sixteen Lakh Five Thousand Five Hundred and Sixty) Equity Shares of ₹ 10/- each to employees of the Company;

f. The Company has redeemed 71,850 (Seventy One Thousand Eight Hundred and Fifty) Secured Redeemable Non-Convertible Debentures in various tranches during the year;

g. The Company has redeemed 6,389 (Six Thousand Three Hundred and Eighty Nine) Secured Redeemable Non- Convertible Market Linked Debentures in various tranches during the year;

h. The Company has redeemed 31,100 (Thirty One Thousand One Hundred) Commercial Papers in various tranches during the year.

For Ashish Bhatt & Associates

Sd/-
Ashish Bhatt
Practicing Company Secretary
FCS No: 4650
C.P. No. 2956
UDIN: F004650C000115851

Place: Thane
Date: April 17, 2021

Annexure I

List of applicable laws to the Company

Sr. No	Particulars
1.	The Reserve Bank of India Act, 1934.
2.	Chapter V of Finance Act, 1994.
3.	The Employees' Provident Fund and Miscellaneous Provisions Act, 1952.
4.	The Payment of Gratuity Act, 1972.
5.	The Payment of Bonus Act, 1965.
6.	The Employee State Insurance Act, 1948.
7.	The Income Tax Act, 1961.
8.	The Industrial Dispute Act, 1947.
9.	The Indian Stamp Act, 1899.
10.	The State Stamp Acts
11.	Negotiable Instruments Act, 1881.

For Ashish Bhatt & Associates

Sd/-
Ashish Bhatt
Practicing Company Secretary
FCS No: 4650
C.P. No. 2956
UDIN: F004650C000115851

Place: Thane
Date: April 17, 2021

Annexure C

Details of Employees' Stock Option Scheme pursuant to the provisions of Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 for the year ended March 31, 2021

Details	ESOS - 10	ESOS - 11	ESOS - 12	ESOS - 13
Options granted during the year	-	-	16,02,500	11,76,950
Options vested	11,68,000	2,45,280	-	-
Options exercised	11,68,150	4,37,410	-	-
Total number of shares arising as a result of exercise of option	11,68,150	4,37,410	-	-
Options lapsed / forfeited	66,900	36,970	43,600	1,350
Exercise price (in ₹)	213	274	300	348
Money realized by exercise of options (in ₹)	24,88,15,950	11,98,50,340	-	-
Total number of options in force as at March 31, 2021	48,150	3,94,000	15,58,900	11,75,600
Options granted to Key Managerial Personnel	-	-	1,46,300	1,44,500

Annexure D

Disclosure as per Section 197(12) of the Companies Act, 2013 pertaining to individuals employed throughout the year and were in receipt of remuneration of not less than ₹ 1,02,00,000/- per annum or ₹ 8,50,000/- per month

#	Name of the Employee	Designation of the Employee	Remuneration Received (in ₹)	Date of Commencement of employment	Age in years	Experience in years	Qualification and experience	Last employment held before joining
1	G. Ramesh	Managing Director & CEO	3,90,83,618	03-Sep-07	51	29	PGDM	Enam AMC Pvt. Ltd.
2	Rohit Patwardhan	Chief Risk Officer	1,67,46,618	10-Dec-07	46	24	PGDM	Citi Bank
3	Sarabjeet Singh	Chief Business Officer	1,62,25,818	22-Feb-08	48	25	PGDBM	GE Money
4	Haren D Parekh	Chief Financial Officer	1,55,41,622	10-Oct-07	59	36	A.C.A.	CIBIL
5	Ashish Ghatnekar	Head - Human Resources & Operations	1,45,30,618	01-Dec-08	51	28	MBA	Centurion Bank of Punjab
6	Venkata Swamy	Chief Digital & Marketing Officer	1,32,01,822	01-Aug-08	47	25	PGDM	ICICI Bank
7	Karthik Srinivasan	Chief Business Officer	1,28,46,622	30-Nov-15	49	24	PGDM	Mphasis Ltd
8	Sanjay Belsare	Chief Technology Officer	1,25,47,418	01-Dec-15	58	31	B. Tech	Kotak Mahindra Bank
9	Sathya Ramanan	Business Head - South & East	1,04,54,618	24-Jan-08	46	24	MBA	Prime Financial

Note:

1. *Gross remuneration comprises salary, medical reimbursement, leave travel concession, allowances, monetary value of other perquisites computed on the basis of the Income Tax Act and Rules, leave encashment and performance bonus but excludes perquisite on ESOPs.*
2. *All appointments were made in accordance with the terms and conditions as per Company rules.*
3. *None of the above employee is a relative of any Director of the Company.*
4. *None of the employees listed above hold 2% or more of the paid up share capital of the Company as at March 31, 2021*

Annexure E

Disclosures in terms of Section 197(12) read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

1. The ratio of the remuneration of the Managing Director to the median remuneration of employees of the Company for the financial year is 1:182.

2. Percentage increase remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any in the financial year:

Designation	Percentage Increase
Managing Director & Chief Executive Officer	-7.5%
Chief Financial Officer	-6.0%
Company Secretary	7.0%

3. During the year under review there was 1.48% increase in the median remuneration of the employees of your Company.

4. As on March 31, 2021 there were 1,04,960 employees on the rolls of your Company.

5. It is hereby affirmed that the remuneration paid during the year was as per the Remuneration policy of the Company.

6. Average percentage increase in the salaries of employees other than the managerial personnel in the last financial year was 2.71% whereas the increase in the managerial remuneration was Nil.

Annexure F

Related Party Transaction Disclosure as per Section 188 of the Companies Act, 2013

Form No. AOC - 2

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

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

1. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Name(s) of the related party and nature of relationship	1. HDFC Bank Limited (Holding Company) 2. HDFC Securities Limited (Enterprise under Common Control of the Holding company)
(b)	Nature of contracts/arrangements/ transactions	Banking & Other normal Business Transactions (Mentioned in the Notes forming part of the financial statements at Note No. 36)
(c)	Duration of the contracts/arrangements/ transactions	Usually Annual, however depends on the nature of transaction
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Maintained at arm's length similar to third party contracts. Value of such transactions during the financial year is mentioned in the notes forming part of the financial statements at Note no. 36
(e)	Justification for entering into such contracts or arrangements or transactions	Competitive pricing and value of services rendered
(f)	Date(s) of approval by the Board, if any	N.A.
(g)	Amount paid as advances, if any	N.A.

Note: No advance is payable in respect of any of the above transactions.

Sd/-
Venkatraman Srinivasan
Independent Director

Sd/-
G Ramesh
Managing Director & CEO

Annexure G

Corporate Governance disclosures as per Section 134 of the Companies Act, 2013

1. Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders and is guided by a strong emphasis on transparency, accountability and integrity. The governance practices and processes ensure that the interest of all stakeholders are taken into account in a transparent manner and are firmly embedded into the culture of the organisation.

The Company has fair, transparent and ethical governance practices, essential for augmenting long-term shareholder value and retaining investor trust. This has been possible through continued efforts and commitment to the highest standards of corporate conduct.

The Company has a dynamic, experienced and well-informed Board. The Board along with its Committees, with the Corporate Governance mechanism in place, undertakes its fiduciary duties towards all its stakeholders. During the year under review, your Company has adopted a Board approved Corporate Governance Code which will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls, performance measurement and regulatory disclosure. The said Corporate Governance Code has been uploaded on the Company's website.

2. Board of Directors

The Board of your Company comprises of combination of Executive, Non-Executive and Independent Directors. The Board is at the core of our corporate governance practice and oversees and ensures that the Management serves and protects the long-term interest of all our stakeholders. We believe that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance. The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions.

Committees of the Board handling specific responsibilities mentioned under the applicable laws viz. Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, Information Technology Strategy Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee etc. empower the functioning of the Board through flow of information amongst each other and by delivering a focused approach and expedient resolution of diverse matters.

The composition of the Board is in compliance with the provisions of Companies Act, 2013 and Rules made thereunder as amended from time to time. As on March 31, 2021, the Board comprised of five members, out of which one is Executive Director and four are Independent Directors. Two of the Independent Directors are Women.

The Independent Directors have been appointed for a fixed tenure of five years from their respective dates of appointment. All the Independent Directors have confirmed that they meet the criteria of independence laid down under the Companies Act, 2013 and Rules made thereunder as amended from time to time. Independent Directors have confirmed that they have complied with the provisions of Sub Rule 1 and 2 of Rule 6 of the Companies (Appointment and Qualification of Directors) Rule, 2014.

None of the Directors of your Company are related to each other.

During the FY 2020-21, the Board of Directors met 7 (Seven) times on April 15, 2020, May 13, 2020, July 23, 2020, October 16, 2020, January 15, 2021, February 1, 2021 and February 19, 2021. The requisite quorum was present for all the Meetings. The Board met at least once in a calendar quarter and the maximum time gap between any two Meetings was not more than one hundred and twenty days. During the year, the Board met at regular intervals to discuss and decide on various business and policy matters of the Company.

The composition of the Board of Directors as at March 31, 2021, including the details of their DIN, number of Board meetings attended, other directorship and their shareholding is given below:

Name of the Director	Executive / Non-Executive / Chairman / Independent /	DIN	Number of Board Meetings		No. of other Directorships	No. of shares held in the Company
			Held	Attended		
Mr. Venkatraman Srinivasan	Independent Director	00246012	7	7	2	Nil
Ms. Smita Affinwalla	Independent Director	07106628	7	6	5	Nil
Dr. Amla Samanta	Independent Director	00758883	7	7	3	Nil
Mr. Adayapalam Viswanathan	Independent Director	08518003	7	7	-	Nil
Mr. G. Ramesh	Managing Director & Chief Executive Officer	05291597	7	7	-	7,20,500

Mr. Jimmy Tata (DIN 06888364), Non-Executive Director resigned with effect from June 30, 2020. He attended all the Board meetings (i.e. two meetings) held during his tenure as Director.

Mr. Aditya Puri (DIN 00062650), Chairman and Non-Executive Director of the Company resigned with effect from November 5, 2020. He attended all the Board meetings (i.e. four meetings) held during his tenure as Director.

Changes in Board Composition

The change in the Board composition during the year financial year 2020-21 is as under:

#	Name of Director	Nature of change	Effective Date
1	Mr. Jimmy Tata	Resigned as Non-Executive Director	June 30, 2020
2	Mr. Aditya Puri	Resigned as Chairman and Non-Executive Director	November 5, 2020

3. Meetings of Independent Directors

As stipulated by the Code of Independent Directors under the Companies Act, 2013 and Rules made thereunder as amended from time to time, one Meeting of Independent Directors was held during the year. The Meeting was conducted to enable Independent Directors, discuss matters relating to Company's affairs and put forth their views without the presence of Non-Independent Directors and members of the Management.

In this Meeting, the Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole. They have also reviewed the performance of the Chairman of the Company after taking into account the views of Executive Directors and Non-Executive Directors, assessed the quality, quantity and timeliness of the flow of information between the Management and the Board and its Committees which is necessary for the Board to effectively and reasonably perform and discharge their duties.

A Separate Meeting of Independent Directors was held on April 30, 2020, during the year under review.

4. Committees of the Board

Your Company has six Board level Committees - Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Risk Management Committee and Information Technology Strategy Committee. All decisions pertaining to the constitution of Committees, appointment of members and terms of reference for Committee members are taken by the Board of Directors. Details on the role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

a) Audit Committee

Your Company has an independent Audit Committee, which acts as a link between the management, the statutory and internal auditors and the Board. Its composition, quorum, powers, role and scope are in accordance with the provisions of Section 177 of the Companies Act, 2013 and Reserve Bank of India Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. All the members of the Audit Committee are financially literate and possess high expertise in the fields of Finance, Taxation, Economics, Risk and International Finance.

Composition:

All the members of the Audit Committee are Independent Directors. The Composition of the Audit Committee as on March 31, 2021 is as under:

Name of the Member	Category
Mr. Venkatraman Srinivasan	Chairman of the Committee, Independent Director
Ms. Smita Affinwalla	Member, Independent Director
Dr. Amla Samanta	Member, Independent Director
Mr. Adayapalam Viswanathan	Member, Independent Director

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Companies Act, 2013 and Rules made thereunder as amended from time to time. The scope of the Committee broadly includes discussions with the auditors on periodical basis, the observations of the auditors, recommendation for appointment, review & monitor the auditor's independence, performance and effectiveness of audit process, remuneration & terms of appointment of auditors, evaluation of internal financial controls and risk management systems, examination of financial statements before submission to the Board, effective implementation of vigil mechanism of the Company and also oversee compliance of internal control systems.

Meetings and Attendance during the year:

The Audit Committee met 7 (Seven) times during the year under review on April 15, 2020, May 1, 2020, May 5, 2020 (adjourned), May 13, 2020 (adjourned), July 22, 2020, October 15, 2020, October 16, 2020 (adjourned), November 10, 2020, January 15, 2021 and February 1, 2021. The details of attendance of the Members of the Committee at meeting are provided herein below:

Members	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Venkatraman Srinivasan	7	7	100
Ms. Smita Affinwalla	7	6	86
Dr. Amla Samanta	7	7	100
Mr. Adayapalam Viswanathan	7	7	100

b) Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) is formed in compliance with the provisions of the Section 178 of the Companies Act, 2013 and Reserve Bank of India Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Composition:

All the members of the Nomination and Remuneration Committee are Independent Directors. The Composition of the Nomination and Remuneration Committee as on March 31, 2021 is as under

Name of the Member	Category
Ms. Smita Affinwalla	Chairperson of the Committee, Independent Director
Mr. Venkatraman Srinivasan	Member, Independent Director
Dr. Amla Samanta	Member, Independent Director
Mr. Adayapalam Viswanathan	Member, Independent Director

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Companies Act, 2013 and Rules made thereunder as amended from time to time. The scope of the Committee includes an annual review of the Nomination & Remuneration Policy, recommend to the Board appointment & removal of the Directors, approve performance evaluation framework, formulate the criteria for determining qualifications, positive attributes and independence of a director, review Human Resource strategy, to review remuneration paid to the employees & directors is as per the Nomination & Remuneration Policy and consider giving stock options to the employees in the form of equity shares of the Company.

The Nomination and Remuneration Committee met 3 (Three) times during the year under review, on April 30, 2020, October 5, 2020, January 14, 2021 and February 1, 2021 (adjourned). The details of attendance of the Members of the Committee at meeting, are provided herein below:

Members	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Ms. Smita Affinwalla	3	3	100
Mr. Venkatraman Srinivasan	3	3	100
Dr. Amla Samanta	3	3	100
Mr. Adayapalam Viswanathan	3	3	100

c) **Risk Management Committee**

The Risk Management Committee was formed in compliance with Reserve Bank of India Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 which monitors the risk management strategy of the Company. In order to ensure best governance practices, the Company has established risk management process for each line of its business and operations. These processes have been implemented through the specific policies adopted by the Board of Directors of the Company from time to time. Nevertheless, entire processes are subjected to robust independent internal audit review to arrest any potential risks and take corrective actions.

The Risk Management Committee of the Board has been in place since the commencement of business of the Company, meets on a quarterly basis and reports to the Board of Directors. The minutes of such meetings are tabled before the Board of Directors.

Composition:

The composition of the Risk Management Committee as on March 31, 2021 is as follows:

Name of the Member	Category
Mr. Adayapalam Viswanathan	Chairman of the Committee, Independent Director
Mr. Venkatraman Srinivasan	Member, Independent Director
Mr. G. Ramesh	Member, Managing Director & Chief Executive Officer

Note: - Mr. Jimmy Tata ceased to be a member of the Risk Management Committee pursuant to his resignation as Director of the Company with effect from June 30, 2020.

Brief Description of Terms of Reference:

The terms of reference of the Committee includes approval and monitoring of the Company's risk management policies and procedures, review of portfolio & its delinquency at a product level, approval and review of the Non-Performing Asset Management policy, reporting to the Board of Directors of the Company on periodical basis on the various matters and review of Information Technology Risk assessment of Information Technology systems.

The Risk Management Committee met 4 (Four) times during the year under review on April 30, 2020 & May 2, 2020 (adjourned), July 16, 2020 and October 14, 2020 and January 14, 2021. The details of attendance of the Members of the Committee at meeting, are provided herein below:

Members	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Adayapalam Viswanathan	4	4	100
Mr. Venkatraman Srinivasan	4	4	100
Mr. Jimmy Tata	1	1	100
Mr. G. Ramesh	4	4	100

d) Corporate Social Responsibility Committee

The Corporate Social Responsibility (CSR) Committee was formed as per the provisions of Section 135 of the Companies Act, 2013.

Composition:

The composition of the CSR Committee as on March 31, 2021 is as under:

Name of the Member	Category
Dr. Amla Samanta	Chairperson of the Committee, Independent Director
Ms. Smita Affinwalla	Member, Independent Director
Mr. G. Ramesh	Member, Managing Director & Chief Executive Officer

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements. The terms of reference of the Committee includes to formulate and recommend to the Board CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013, to recommend the amount of expenditure to be incurred on the CSR activities and to institute a transparent monitoring mechanism for implementation of the CSR activities.

Meetings and Attendance during the year:

The Corporate Social Responsibility Committee met 3 (Three) times during the year under review on May 1, 2020, October 15, 2020 and January 14, 2021. The details of attendance of the Members of the Committee at meeting are provided herein below:

Members	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Dr. Amla Samanta	3	3	100
Ms. Smita Affinwalla	3	2	67
Mr. G. Ramesh	3	3	100

e) Stakeholders Relationship Committee

The Board of Directors constituted Stakeholders Relationship Committee as per the provisions of Section 178(5) of the Companies Act, 2013.

Composition:

The composition of Stakeholders Relationship Committee of the Company as on March 31, 2021 is as under:

Name of the Member	Category
Dr. Amla Samanta	Chairperson of the Committee, Independent Director
Mr. Adayapalam Viswanathan	Member, Independent Director
Mr. G. Ramesh	Member, Managing Director & Chief Executive Officer

Note:-

1. Mr. Jimmy Tata ceased to be member of Stakeholders Relationship Committee pursuant to his resignation as Director of the Company with effect from June 30, 2020.
2. Mr. Adayapalam Viswanathan was appointed as Member of Stakeholders Relationship Committee with effect from July 23, 2020.

Brief Description of Terms of Reference:

The key responsibilities of the Stakeholders Relationship Committee is to consider and resolve the grievances of the security holders of the Company such as complaints related to transfer of shares/ debentures/ bonds, non-receipt of balance sheet, non-receipt of interest/ declared dividends etc.

No complaints were pending for resolution as on March 31, 2021.

Meetings and Attendance during the year:

The Stakeholders Relationship Committee met twice during the year under review on May 2, 2020 and October 15, 2020.

The details of attendance of the Members of the Committee at meeting, are provided herein below:

Members	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Dr. Amla Samanta	2	2	100
Mr. Jimmy Tata	1	1	100
Mr. Adayapalam Viswanathan	1	1	100
Mr. G. Ramesh	2	2	100

f) Information Technology Strategy Committee

Information Technology (IT) Strategy Committee was formed as per the provisions of RBI Master Direction No. RBI/DNBS/2016-17/53 DNBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017 pertaining to "Information Technology Framework for the NBFC Sector".

Composition:

The composition of IT Strategy Committee as on March 31, 2021 is as under:

Name of the Member	Category
Mr. Venkatraman Srinivasan	Chairperson of the Committee, Independent Director
Mr. Adayapalam Viswanathan	Member, Independent Director
Mr. G. Ramesh	Member, Managing Director & Chief Executive Officer
Mr. Sanjay Belsare[1]	Member, Chief Technology Officer and Chief Information Officer

[1]*Member of Executive Management*

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements. The key responsibilities of the IT Strategy Committee include approving IT strategy & policy documents & ensuring that the management has put an effective strategic planning process in place, ascertaining that management has implemented processes & practices that ensure that the IT delivers value to the business, ensuring IT investments represent a balance of risks & benefits & their budgets are acceptable, monitoring the method that management uses to determine the IT resources needed to achieve strategic goals & provide high-level direction for sourcing & use of IT resources and ensuring proper balance of IT investments for sustaining Company's growth & becoming aware about exposure towards IT risks and controls.

Further, key responsibilities for outsourced operations of IT include instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner, defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing, developing sound & responsive outsourcing risk management policies & procedures commensurate with the nature, scope & complexity of outsourcing arrangements, undertaking a periodic review of outsourcing strategies & all existing material outsourcing arrangements, evaluating the risks & materiality of all prospective outsourcing based on the framework developed by the Board, periodically reviewing the effectiveness of policies & procedures, communicating significant risks in outsourcing to the Company's Board on a periodic basis, ensuring an independent review & audit in accordance with approved policies & procedures.

Meetings and Attendance during the year:

The Information Technology Strategy Committee met 4 (Four) times during the year under review i.e. April 30, 2020, July 16, 2020, October 14, 2020 and January 14, 2021. The details of attendance of the Members of the Committee, are provided herein below:

Members	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Venkatraman Srinivasan	4	4	100
Mr. Adayapalam Viswanathan	4	4	100
Mr. G. Ramesh	4	4	100
Mr. Sanjay Belsare[1]	4	4	100

[1]*Member of Executive Management*

g) Other Committees

The Board has also constituted Asset Liability Committee, Debenture Allotment Committee, Bond Allotment Committee and Share Allotment Committee. These Committees are not Board Level Committees. However, Mr. G. Ramesh, Managing Director and CEO is a member of these Committees along with other senior executives of the Company.

i. Asset Liability Committee

As per the Reserve Bank of India Master Direction on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the Asset Liability Committee was formed to oversee the implementation of Asset Liability Management system and review its functioning periodically.

Composition:

The Composition of Asset Liability Committee as on March 31, 2021 is as under:

Name of the Member	Category
Mr. G. Ramesh	Chairperson, Managing Director & Chief Executive Officer
Mr. Haren Parekh[1]	Member, Chief Financial Officer
Mr. Rohit Patwardhan[1]	Member, Chief Risk Officer
Mr. Sanjay Belsare[1]	Member, Chief Technology Officer and Chief Information Officer

[1]*Member of Executive Management*

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements. The key responsibilities of the Committee include review & management of liquidity gaps and structural liquidity of the Company, review & management of interest rate sensitivity of the Company and develop a view on future direction on interest rate movements & decide on funding mixes.

Meetings and Attendance during the year:

During the FY 2020-21, the Asset Liability Committee met 12 (Twelve) times on April 15, 2020, May 27, 2020, June 19, 2020, July 17, 2020, August 19, 2020, September 18, 2020, October 22, 2020, November 23, 2020, December 23, 2020, January 22, 2021, February 23, 2021 and March 23, 2021.

Members	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. G. Ramesh	12	12	100
Mr. Haren Parekh[1]	12	12	100
Mr. Rohit Patwardhan[1]	12	11	92
Mr. Sanjay Belsare[1]	12	11	92

[1]Member of Executive Management

ii. **Debenture Allotment Committee**

The details of the meetings held and attendance of the members of the Debenture Allotment Committee is given below:

Members	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Jimmy Tata	4	1	25
Mr. G. Ramesh	13	13	100
Mr. Haren Parekh[1]	13	12	92
Mr. Bhavin Lakhpatwala[1]	11	11	100
Mr. Ashish Ghatnekar[1]	2	2	100

[1]Member of Executive Management

iii. **Bond Allotment Committee**

The details of the meetings held and attendance of the members of the Bond Allotment Committee is given below:

Members	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Jimmy Tata	Nil	N.A	N.A
Mr. G. Ramesh	1	1	100%
Mr. Haren Parekh[1]	1	0	-
Mr. Bhavin Lakhpatwala[1]	1	1	100%
Mr. Ashish Ghatnekar[1]	Nil	N.A	N.A

[1]Member of Executive Management

iv. **Share Allotment Committee**

The details of the meetings held and attendance of the members of the Share Allotment Committee is given below:

Members	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Jimmy Tata	Nil	N.A	N.A
Mr. G. Ramesh	4	3	75
Mr. Haren Parekh[1]	4	4	100
Mr. Bhavin Lakhpatwala[1]	2	2	100
Mr. Ashish Ghatnekar[1]	2	2	100

[1]*Member of Executive Management*

Note:

1. Mr. Jimmy Tata ceased to be a member of the Debenture Allotment Committee, Bond Allotment Committee and Share Allotment Committee pursuant to his resignation as Director of the Company with effect from June 30, 2020.
2. Mr. Bhavin Lakhpatwala ceased to be a member of the Debenture Allotment Committee, Bond Allotment Committee and Share Allotment Committee with effect from January 15, 2021.
3. Mr. Ashish Ghatnekar was appointed as a member of the Debenture Allotment Committee, Bond Allotment Committee and Share Allotment Committee with effect from January 15, 2021.

v. Separate Meeting of Independent Directors

The details of the meetings held and attendance of the members of the Separate Meeting of Independent Directors is given below:

Members	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Venkatraman Srinivasan	1	1	100
Ms. Smita Affinwalla	1	1	100
Dr. Amla Samanta	1	1	100
Mr. Adayapalam Viswanathan	1	1	100

5. Details of Remuneration to Directors

Remuneration to Executive Directors

The details of the remuneration paid to Mr. G. Ramesh, Managing Director and CEO during the financial year 2020-21 is as under:

Particulars of Remuneration	Amount ₹
Gross salary	
a) Salary as per provisions of section 17(1) of the Income-tax Act, 1961	3,78,90,656
b) Value of perquisites under section 17(2) Income-tax Act, 1961	9,322
c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-
Perquisite value of stock options exercised	86,40,000
Sweat Equity	-
Commission	-
Company Car	28,800
Total	**4,65,68,778**

Remuneration to Non-Executive Directors

Sitting fees

Sitting fees was paid to all the Independent Directors and Non-Executive Directors of the Company other than Mr. Aditya Puri.

The sitting fees for attending meetings of Board of Directors is Rs. 75,000/- per meeting. Sitting fees for attending meetings of the Audit Committee, Nomination and Remuneration Committee, Information Technology Strategy Committee, Risk Management Committee is Rs. 50,000. Sitting fees for attending meetings of the Corporate Social Responsibility Committee, Stakeholders Relationship Committee and Separate meeting of Independent Directors meetings is Rs. 25,000/- per meeting.

Sitting fees payable to the Non-Executive Directors for attending Nomination & Remuneration Committee and Information Technology & Strategy Committee was increased from Rs. 35,000 to Rs. 50,000 and Risk Management Committee from Rs. 25,000 to Rs. 50,000 with effect from July 23, 2020.

Profit Related Commission

The Shareholders in its 12th Annual General Meeting held on June 21, 2019 had approved payment of profit related commission to Independent Directors at the rate of Rs. 60,000 per meeting of the Board and/ or Committee attended subject to maximum of Rs. 7,50,000/-.

The details of sitting fees and commission paid to non-executive directors during the financial year 2020-21 is as under:

Amount ₹

Name of Director	Sitting Fees	Commission
Mr. Venkatraman Srinivasan	13,55,000	7,50,000
Ms. Smita Affinwalla	9,60,000	7,50,000
Mr. Adayapalam Viswanathan	13,80,000	7,50,000
Dr. Amla Samanta	11,60,000	6,60,000
Mr. Jimmy Tata	2,00,000	-

6. Performance Evaluation of Board, its Committees and Directors

The Nomination and Remuneration Committee (NRC) had approved a framework for performance evaluation of the Board of Directors, its Committees and the individual Board members in terms of Guidance note on Board evaluation issued by SEBI on January 5, 2017 vide its circular no. SEBI/HO/CFD/CMD/CIR/P/2017/004.

Pursuant to the provisions of the Companies Act, 2013 and Rules made thereunder as amended from time to time, the Board has carried out an annual performance evaluation of its own performance, evaluation of the working of its Committees as well as performance of all the Directors individually (including Independent Directors). Feedback was sought by well-defined and structured questionnaires covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, areas of responsibility, execution and performance of specific duties, obligations and governance, compliance, etc.

Performance evaluation framework of the Company is as follows:

a. NRC would approve framework of performance evaluation of the Company;

b. Board would evaluate the performance of the Independent Directors, Board as a whole and Committees of the Board;

c. Independent Directors would evaluate the performance of the Chairman of the Company after taking views of other directors, Board as a whole and Non-Independent Directors;

d. Self-evaluation of individual Directors.

The evaluation involves self-evaluation by the Board Member and subsequent assessment by the Independent Directors. A member of the Board will not participate in the discussion of his/her evaluation.

The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors.

The performance evaluation of the Independent Directors was carried out by the entire Board excluding the Director being evaluated. Performance evaluation of the Board and of its Committees was carried out by the Board. Qualitative comments and suggestions of Directors were taken into consideration by the Chairman of the Board and the Chairman of the Nomination and Remuneration Committee.

The Directors have expressed their satisfaction with the evaluation process.

7. General Body meetings (FY2020-2021)

Annual General Meeting

Date	Time	Venue	Special resolutions passed
June 30, 2020	12 noon	Held through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM")	• Re-appointment of Mr. Venkatraman Srinivasan as an Independent Director of the Company • Re-appointment of Ms. Smita Affinwalla as an Independent Director of the Company • To approve increase in borrowing limits of the Company from ₹ 70,000 Crore to ₹ 80,000 Crore • To approve increase in limits for creation of charge on the assets of the company up to an amount of ₹ 80,000 crore to secure its borrowings • Authority to issue redeemable non-convertible debentures and/or other hybrid instruments on private placement basis • Authority to issue foreign currency/ rupee denominated bonds • To approve related party transactions with HDFC Bank Limited

Attendance at the AGM

Name of Directors	Mr. Aditya Puri	Mr. Jimmy Tata	Mr. Adayapalam Viswanathan	Mr. G. Ramesh	Mr. Venkatraman Srinivasan	Ms. Smita Affinwalla	Dr. Amla Samanta
Attendance	No	No	Yes	Yes	Yes	Yes	No

Extra-Ordinary General Meeting:

During the Financial Year 2020-2021, no Extra-Ordinary General meeting of the Company was held.

Postal Ballot:

During the Financial Year 2020-2021, no resolution was passed through postal ballot under the provisions of the Companies Act, 2013. There is no immediate proposal for passing any resolution through Postal Ballot.

8. Disclosures:

a. Adherence to Accounting Standards

The Company has complied with the applicable Indian Accounting Standards (Ind-AS) notified by the Ministry of Corporate Affairs under Section 133 of the Companies Act, 2013. The financial statements for the year have been prepared in accordance with Schedule III to the Companies Act, 2013.

b. Risk Management and internal control policies adopted by the Company

The Company has a well-defined Risk Management Framework in place. The Company has procedures to periodically place before the Audit Committee and the Board, the risk assessment and mitigation plans being followed by the Company.

c. Secretarial Standards

The Company has complied with the applicable provisions of secretarial standards issued by The Institute of Company Secretaries of India.

9. **Investor Grievances**

Ms. Dipti Khandelwal, Company Secretary of the Company is the Compliance Officer for the purpose of the SEBI Listing Regulations.

There were no investor complaints pending as at March 31, 2021.

10. **Shareholding pattern as at March 31, 2021**

Name of Shareholder	No. of equity shares held	Percentage
HDFC Bank Limited	75,05,96,670	95.11
Others	385,88,546	4.89
Total (Issued & Paid-up Shares)	**78,91,85,216**	**100.00**

Independent Auditors’ Report

To the Board of Directors of HDB Financial Services Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the Standalone Financial Statements of HDB Financial Services Limited (“the Company”), which comprise the standalone balance sheet as at 31 March 2021, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the Standalone Financial Statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as “the Standalone Financial Statements”).

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

Basis for Opinion

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

Key Audit Matters

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

Description of Key Audit Matters:

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Impairment of Loans

Charge: INR 3071.52 crore for year ended 31 March 2021

Provision: INR 2723.56 crore at 31 March 2021</td></tr>
<tr><td colspan="2">Refer Note 2.2(G), Note 3(B), Note 8 and Note 44 to the Standalone Financial Statements</td></tr>
<tr><td>Subjective estimate

Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using expected credit loss (ECL) estimation model. The estimation of ECL on financial instruments involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Company's estimation of ECLs are:

• Data inputs - The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model.

• Model estimations - Inherently judgmental models are used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD and the LGD are the key drivers of estimation complexity in the ECL and as a result are considered the most significant judgmental aspect of the Company's modelling approach.

• Economic scenarios - Ind AS 109 requires the Company to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the economic scenarios used and the probability weights applied to them especially when considering the current uncertain economic environment arising from COVID-19.</td><td>Our key audit procedures included:

Design / controls

We performed end to end process walkthroughs to identify the key systems, applications and controls used in the ECL process. We tested the relevant manual (including spreadsheet controls), general IT and application controls over key systems used in the ECL process.

Key aspects of our controls testing involved the following:

• Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs, data and assumptions into the Ind AS 109 impairment models.

• Testing the 'Governance Framework' controls over validation, implementation, and model monitoring in line with the RBI guidance.

• Testing the design and operating effectiveness of the key controls over the application of the staging criteria.

• Testing key controls relating to selection and implementation of material macro-economic variables and the controls over the scenario selection and application of probability weights.

• Testing management's controls on compliance with Ind AS 109 disclosures related to ECL.

• Testing key controls operating over restructuring process in relation to eligibility, approval and modification of terms.</td></tr>
</table>

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
Impairment of Loans *(continued)*	
• Restructuring - the Company has restructured loans in the current year on account of COVID-19 related regulatory measures. This has resulted in increased management estimation over determination of provision for such restructured loans The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Standalone Financial Statements as a whole, and possibly many times that amount. Disclosures The disclosures (including disclosures prescribed by RBI) regarding the Company's application of Ind AS 109 are key to explaining the key judgements and material inputs to the Ind AS 109 ECL results.	• Testing key controls operating over the information technology in relation to loan impairment management systems, including system access and system change management, program development and computer operations. Involvement of experts - we involved financial risk modelling experts for the following: • Evaluating the appropriateness of the Company's Ind AS 109 impairment methodologies and reasonableness of assumptions used. • The reasonableness of the Company's considerations of the impact of the current economic environment due to COVID-19 on the ECL determination. **Test of details** Key aspects of our testing included: • Sample testing over key inputs, data and assumptions impacting ECL calculations to assess the completeness, accuracy and relevance of data and reasonableness of economic forecasts, weights, and model assumptions applied. • Model calculations testing through re-performance, where possible. • Test of details over restructuring provision approach and computation by assessing the reasonableness of key inputs used, inspecting the calculations and re-performance of ECL provision computation. • Assessing disclosures - Assessed whether the disclosures on key judgements, assumptions and quantitative data with respect to impairment of loans (including restructuring related disclosures) in the Standalone Financial Statements are appropriate and sufficient.

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
Information technology	
IT systems and controls The Company's key financial accounting and reporting processes are highly dependent on the automated controls in information systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Company primarily uses three systems for its overall financial reporting. We have focused on user access management, change management, segregation of duties and system application controls over key financial accounting and reporting systems.	Our audit procedures to assess the IT system access management included the following: **General IT controls / user access management controls:** • We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations. • We tested the design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties. • For a selected group of key controls over financial and reporting system, we independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process. • Evaluating the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission. • Other areas that were assessed included password policies, system configurations, system interface controls, controls over changes to applications and databases and that business users, developers and production support did not have access to change applications, the operating system or databases in the production environment.

Other Information

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

Our opinion on the Standalone Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Standalone Financial Statements.

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

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

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

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

Auditor's Responsibilities for the Audit of the Standalone Financial Statements *(continued)*

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

Report on Other Legal and Regulatory Requirements

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

(A) As required by Section 143(3) of the Act, we report that:

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

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

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

d) In our opinion, the aforesaid Standalone Financial Statements comply with the Ind AS specified under section 133 of the Act.

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

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

(B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations as at 31 March 2021 on its financial position in its Standalone Financial Statements - Refer Note 38.2 to the Standalone Financial Statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts- Refer Note 38.3 to the Standalone Financial Statements; and

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

(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

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

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

Sd/-

Akeel Master
Partner
Membership No: 046768
UDIN: 21046768AAAABL9621

Mumbai
17 April 2021

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

b. The Company has a regular program of physical verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

c. According the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of the immovable property is held in the name of the Company.

(ii) The Company is in the business of providing services and does not have any physical inventories. Accordingly, the provision of clause 3(ii) of the Order is not applicable to the Company.

(iii) According to the information and explanations given to us, 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, the provision of clause 3(iii) of the Order is not applicable to the Company.

(iv) According to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees under section 185 of the Act 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) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed there under apply.

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

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

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, goods and service tax, cess and other material statutory dues were in arrears as at 31 March 2021 for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, the Company did not have any dues on account of income tax, service tax, value added tax or goods and service tax which have not been deposited on account of dispute

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

(ix) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been generally applied for the purpose for which they were raised. The Company has not raised any money by way of initial public offer or further public offer during the year.

(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 explanation and information given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year, except for one material case of cheating and forgery amounting to ₹ 10.89 crores, where some of the employees of a branch colluded and processed loans based on fraudulent documents.

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

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, the provision of clause 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provision of clause 3(xiv) of the Order is not applicable.

(xv) According to the information and explanations given to us and based on our examination of the records of the company, during the year the Company has not entered into any non-cash transactions with directors or persons connected with him and hence the provision of Section 192 of the Act is not applicable.

(xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration dated 31 December 2007.

For B S R & Co. LLP
Chartered Accountants
Firm’s Registration No: 101248W/W-100022

Sd/-

Akeel Master
Partner
Membership No: 046768
UDIN: 21046768AAAABL9621

Mumbai
17 April 2021

Report on the Internal Financial Controls with reference to the aforesaid Standalone Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

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

Opinion

We have audited the internal financial controls with reference to financial statements of HDB Financial Services Limited ("the Company") as of 31 March 2021 in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls with Reference to Financial Statements

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

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to 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.

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

Sd/-

Akeel Master
Partner
Membership No: 046768
UDIN: 21046768AAAABL9621

Mumbai
17 April 2021

Standalone Balance Sheet
as at 31 March 2021

(Currency : Indian Rupees in crore)

			Note	As at 31 March 2021	As at 31 March 2020
	ASSETS				
1	**Financial Assets**				
	(a)	Cash and cash equivalents	4	**753.51**	355.95
	(b)	Bank balances other than (a) above	5	**222.87**	207.23
	(c)	Derivative financial instruments	6	**-**	81.32
	(d)	Trade receivables	7	**117.32**	181.18
	(e)	Loans	8	**58,601.44**	57,145.88
	(f)	Investments	9	**1,592.90**	1,745.76
	(g)	Other financial assets	10	**249.22**	118.08
				61,537.26	59,835.40
2	**Non-financial Assets**				
	(a)	Current tax assets (Net)	11	**56.91**	77.42
	(b)	Deferred tax assets (Net)	12	**729.99**	415.62
	(c)	Property, plant and equipment		**91.52**	124.48
	(d)	Capital work-in-progress	13	**-**	0.06
	(e)	Other intangible assets		**7.98**	9.07
	(f)	Right of Use Assets	14	**217.40**	252.41
				1,103.80	879.06
	TOTAL ASSETS			**62,641.06**	60,714.46
	LIABILITIES AND EQUITY				
	Liabilities				
3	**Financial Liabilities**				
	(a)	Derivative financial instruments	6	**42.72**	-
	(b)	Trade payables	15		
		(i) Total outstanding dues of micro enterprises and small enterprises		**0.01**	-
		(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		**334.25**	149.99
	(c)	Debt securities	16	**23,802.07**	22,593.38
	(d)	Borrowings (other than debt securities)	17	**22,569.07**	23,580.16
	(e)	Subordinated liabilities	18	**3,987.61**	3,630.55
	(f)	Other financial liabilities	19	**2,844.93**	2,254.38
				53,580.66	52,208.46
4	**Non-Financial Liabilities**				
	(a)	Current tax liabilities (net)	20	**173.05**	74.60
	(b)	Provisions	21	**319.85**	286.86
	(c)	Other non-financial liabilities	22	**121.26**	126.74
				614.16	488.20
5	**Equity**				
	(a)	Equity share capital	23	**789.19**	787.58
	(b)	Other equity	24	**7,657.05**	7,230.22
				8,446.24	8,017.80
	TOTAL LIABILITIES AND EQUITY			**62,641.06**	60,714.46
Significant accounting policies and notes to the Standalone Financial Statements.			2 - 86		

The notes referred to above form an integral part of the Standalone Financial Statements.
As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firms' Registration No: 101248W/W-100022

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-
Akeel Master
Partner
Membership No.: 046768

Sd/-
G Ramesh
Managing Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Haren Parekh
Chief Financial Officer

Sd/-
Dipti Khandelwal
Company Secretary

Mumbai
17 April 2021

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

(Currency : Indian Rupees in crore)

		Note	**For the year ended 31 March 2021**	For the year ended 31 March 2020
1	**Revenue from operations**			
	(a) Interest income	25	**8,487.88**	8,233.47
	(b) Sale of services		**2,020.43**	2,113.23
	(c) Other financial charges		**405.05**	408.32
	(d) Net gain on fair value changes	26	**40.04**	18.78
	(e) Net gain / (loss) on derecognition of financial instruments under amortised cost category		**(8.62)**	(17.33)
	Total Revenue from operations		**10,944.78**	10,756.47
2	**Expenses**			
	(a) Finance Costs	27	**3,882.93**	4,081.42
	(b) Impairment on financial instruments	28	**3,068.77**	1,441.57
	(c) Employee Benefits Expenses	29	**2,955.59**	3,195.57
	(d) Depreciation, amortization and impairment	13,14	**107.79**	109.66
	(e) Others expenses	30	**428.99**	463.77
	Total Expenses		**10,444.07**	9,291.99
3	**Profit before tax**		**500.71**	1,464.48
4	**Tax Expense:**	11,12		
	(a) Current tax		**419.09**	471.78
	(b) Deferred tax (credit)		**(309.85)**	(12.15)
	(c) Income tax for earlier year		**-**	-
	Total Tax expense		**109.24**	459.63
5	**Profit for the year**		**391.47**	1,004.85
6	**Other Comprehensive Income**			
	(a) Items that will not be reclassified to profit or loss			
	- Remeasurement gain/(loss) on defined benefit plan		**(20.97)**	(26.59)
	- Income tax relating to items that will not be reclassified to profit or loss		**5.28**	6.69
	Sub total (a)		**(15.69)**	(19.90)
	(b) Items that will be reclassified to profit or loss			
	- Movement in cash flow hedge reserve		**2.99**	(46.95)
	- Income tax relating to items that will be reclassified to profit or loss		**(0.75)**	11.82
	Sub total (b)		**2.24**	(35.13)
	Other Comprehensive Income		**(13.45)**	(55.03)
7	**Total Comprehensive Income for the year**		**378.02**	949.82
8	**Earnings per equity share (for continuing operations)**	31		
	Basic (₹)		**4.97**	12.78
	Diluted (₹)		**4.97**	12.77
	Significant accounting policies and notes to the Standalone Financial Statements.	2 - 86		

The notes referred to above form an integral part of the Standalone Financial Statements.
As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firms' Registration No: 101248W/W-100022

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-
Akeel Master
Partner
Membership No.: 046768

Sd/-
G Ramesh
Managing Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Haren Parekh
Chief Financial Officer

Sd/-
Dipti Khandelwal
Company Secretary

Mumbai
17 April 2021

Standalone Cash Flow Statement
for the year ended 31 March 2021

(Currency : Indian Rupees in crore)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
A	**Cash flow from operating activities**		
	Profit/(loss) before tax	**500.71**	1,464.48
	Adjustments for		
	(Profit)/loss on sale of asset	**1.91**	(0.19)
	Interest Expenses	**3,857.22**	3,796.73
	Interest Income	**(8,487.88)**	(8,233.47)
	Realised net (gain)/ loss on FVTPL investments	**(79.75)**	(43.85)
	Unrealised (gain)/loss on FVTPL investments	**(5.15)**	(1.95)
	Discount on commercial paper	**25.71**	284.69
	Impairment on financial instruments	**3,065.52**	1,441.57
	Provision for compensated absence and gratuity	**15.78**	16.21
	Employee share based payment expenses	**13.55**	11.19
	Rent expenses reversal	**(61.78)**	(55.80)
	Depreciation, amortization and impairment	**107.79**	109.66
	Operating cash flow before working capital changes	**(1,046.37)**	(1,210.73)
	Adjustments for working capital changes:		
	(Increase)/ decrease in trade receivables	**66.12**	(66.76)
	(Increase)/decrease in other financial assets and others	**(65.41)**	(207.27)
	(Increase)/decrease in Loans	**(4,482.17)**	(4,608.28)
	Increase/(decrease) in other financial and non financial liabilities & provisions	**7.85**	(1,768.36)
	Increase/(decrease) in trade payables	**184.27**	(244.92)
	Interest Paid	**(3,695.31)**	(3,296.85)
	Interest Received	**8,447.48**	8,134.29
	Cash generated from operations	**(583.54)**	(3,268.88)
	Direct taxes paid (net of refunds)	**180.00**	237.00
	Net cash flow generated from/(used in) operating activities (A)	**(403.54)**	(3,031.88)
B	**Cash flow from investing activities**		
	Purchase of fixed assets	**(24.64)**	(72.83)
	Proceeds from sale of fixed assets	**0.38**	0.54
	Purchase of investments	**(15,557.50)**	(16,678.65)
	Proceeds of investments	**15,713.15**	15,547.05
	Net cash generated from/(used in) investing activities (B)	**131.38**	(1,203.89)

Standalone Cash Flow Statement
for the year ended 31 March 2021 (Continued)

(Currency : Indian Rupees in crore)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
C	**Cash flow from financing activities**		
	Proceeds from issue of shares and security premium	**36.87**	33.49
	Debt securities issued	**10,541.10**	9,426.00
	Debt securities repaid	**(9,378.90)**	(11,153.00)
	Borrowings other than debt securities issued	**9,309.34**	24,679.56
	Borrowings other than debt securities repaid	**(10,195.20)**	(19,302.05)
	Subordinated debt issued	**356.50**	743.50
	Dividend & Tax paid on dividend	**-**	(170.50)
	Net cash generated from/(used in) financing activities (C)	**669.71**	4,257.00
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**397.56**	21.23
	Add : Cash and cash equivalents as at the beginning of the year	**355.95**	334.72
	Cash and cash equivalents as at the end of the year*	**753.51**	355.95
	*Components of cash and cash equivalents		
	Balances with banks	**650.42**	347.71
	Demand drafts on hand	**12.88**	2.36
	Cash on hand	**29.62**	5.88
	Collateral with Banks for Derivative	**60.59**	-
		753.51	355.95
	Significant accounting policies and notes to the Standalone Financial Statements.	**Note 2 - 86**	

The above Standalone Statement of cash flow has been prepared under the indirect method set out in Ind-AS 7 - Statement of Cash Flow.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firms' Registration No: 101248W/W-100022

Sd/-
Akeel Master
Partner
Membership No.: 046768

Mumbai
17 April 2021

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-
G Ramesh
Managing Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Haren Parekh
Chief Financial Officer

Sd/-
Dipti Khandelwal
Company Secretary

Standalone Statement of Changes in Equity
as at 31 March 2021

(Currency : Indian Rupees in crore)

Statement of Changes in Equity

A Equity Share Capital

Balance as at April 1, 2019	785.70
Changes in Equity Share Capital during the year	1.88
Balance as at March 31, 2020	787.58
Changes in Equity Share Capital during the year	1.61
Balance as at March 31, 2021	789.19

B Other Equity

	Reserves and Surplus					Other Comprehensive Income (OCI)	
	Securities Premium Account	Employee Stock Options Outstanding Account	Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations	Retained Earnings-Remeasurement of Post Employment Benefit Obligations	Cash Flow Hedges Reserve	Total
Balance as at April 1, 2020	2,925.43	49.42	1,012.65	3,304.80	(26.96)	(35.13)	7,230.22
Adjustment on initial application of IndAS 116	-	-	-	-	-	-	-
Profit for the year	-	-	-	391.47	-	-	391.47
Other Comprehensive Income	-	-	-	-	(15.69)	2.24	(13.45)
Total Comprehensive Income for the year	-	-	-	391.47	(15.69)	2.24	378.01
Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	-	-	78.29	(78.29)	-	-	-
Premium on issue of shares	35.27	-	-	-	-	-	35.27
Share based payment	-	13.55	-	-	-	-	13.55
Dividends	-	-	-	-	-	-	-
Dividend Distribution Tax	-	-	-	-	-	-	-
Balance As At March 31, 2021	2,960.70	62.97	1,090.94	3,617.98	(42.65)	(32.89)	7,657.05

Standalone Statement of Changes in Equity
as at 31 March 2021 (Continued)

(Currency : Indian Rupees in crore)

B Other Equity (Contd.)

	Reserves and Surplus					Other Comprehensive Income (OCI)	Total
	Securities Premium Account	Employee Stock Options Outstanding Account	Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations	Retained Earnings-Remeasurement of Post Employment Benefit Obligations	Cash Flow Hedges Reserve	
Balance as at April 1, 2019	**2,893.82**	**38.23**	**811.68**	**2,656.10**	**(7.06)**	**-**	**6,392.78**
Adjustment on initial application of IndAS 116	**-**	**-**	**-**	**15.33**	**-**	**-**	**15.33**
Profit for the year	**-**	**-**	**-**	**1,004.85**	**-**	**-**	**1,004.85**
Other Comprehensive Income	**-**	**-**	**-**	**-**	**(19.90)**	**(35.14)**	**(55.03)**
Total Comprehensive Income for the year	**-**	**-**	**-**	**1,020.18**	**(19.90)**	**(35.14)**	**965.15**
Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	**-**	**-**	**200.97**	**(200.97)**	**-**	**-**	**-**
Premium on issue of shares	**31.61**	**-**	**-**	**-**	**-**	**-**	**31.61**
Share based payment	**-**	**11.19**	**-**	**-**	**-**	**-**	**11.19**
Dividends	**-**	**-**	**-**	**(141.43)**	**-**	**-**	**(141.43)**
Dividend Distribution Tax	**-**	**-**	**-**	**(29.08)**	**-**	**-**	**(29.08)**
Balance As At March 31, 2020	**2,925.43**	**49.42**	**1,012.65**	**3,304.80**	**(26.96)**	**(35.13)**	**7,230.22**

As required by section 45-IC of the RBI Act 1934, the Company maintains a reserve fund and transfers there in a sum not less than twenty per cent of its net profit every year as disclosed in the statement of profit and loss and before any dividend is declared. The Company cannot appropriate any sum from the reserve fund except for the purpose specified by Reserve Bank of India from time to time. Till date date RBI has not specified any purpose for appropriation of Reserve fund maintained under section 45-IC of RBI Act,1984.

Significant accounting policies and notes to the Standalone Financial Statements. Note 2 - 86

The notes referred to above form an integral part of the Standalone Financial Statements.
As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firms' Registration No: 101248W/W-100022

Sd/-
Akeel Master
Partner
Membership No.: 046768

Mumbai
17 April 2021

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-
G Ramesh
Managing Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Haren Parekh
Chief Financial Officer

Sd/-
Dipti Khandelwal
Company Secretary

1 Company overview

HDB Financial Services Limited ('the Company'), incorporated in Ahmedabad, India, is a Systemically Important Non Deposit taking Non-Banking Financial Company ('NBFC') as defined under section 45-IA of the Reserve Bank of India ('RBI') Act, 1934.

The Company provides lending services and business process outsourcing services. The Company also provides services related to the marketing and promotion of various financial products.

The Company's registered office is situated at Ahmedabad, India, while its corporate office is located in Mumbai, India. The Company is a subsidiary of HDFC Bank Limited.

2 Significant accounting policies

2.1 Statement of Compliance, Basis of preparation & presentation of financial statements

(A) Compliance with Ind-AS

The financial statements of the Company comply in all material aspects with Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and other relevant provisions of the Act. Any directions issued by the RBI or other regulators are implemented as and when they become applicable. Further, the Company has complied with all the directions related to Implementation of Indian Accounting Standards prescribed for Non-Banking Financial Companies (NBFCs) in accordance with the RBI notification no. RBI/2019-20/170 DOR NBFC).CC.PD. No.109/22.10.106/2019-20 dated 13 March 2020.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use. These standalone financial statements have been subjected to audit by the Statutory Auditors of the Company, have been reviewed by the Audit Committee and approved by the Board of Directors and authorized for issue on 17 April 2021.

(B) Presentation of financial statements

The Balance Sheet, the Statement of Changes in Equity and the Statement of Profit and Loss are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non-Banking Financial Companies ('NBFCs') that are required to comply with Ind AS. The Statement of Cash Flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

(C) Basis of preparation

The financial statements have been prepared under the historical cost convention on the accrual basis except for certain financial instruments and plan assets of defined benefit plans, which are measured at fair values at the end of each reporting period as explained in the accounting policies below. All amounts disclosed in the financial statements and notes have been rounded off to the nearest INR crores in compliance with Schedule III of the Act, unless otherwise stated.

(D) Functional and presentation currency

These financial statements are presented in Indian Rupees ('INR' or 'Rs.') which is also the Company's functional currency. All amounts are rounded-off to the nearest crores, unless otherwise indicated.

(E) Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities (including contingent liabilities) and disclosures as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and could change from period to period. Appropriate changes in estimates are recognised in the periods in which the Company becomes aware of the changes in circumstances surrounding the estimates. Any revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised and future periods. The estimates and judgements that have significant impact on the carrying amount of assets and liabilities at each balance sheet date are discussed at Note 3.

2.2 Financial Instruments

(A) Date of recognition

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

(B) Initial measurement

Recognised financial instruments are initially measured at transaction price, which equates fair value.

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

(C) Classification and subsequent measurement

(i) Financial assets

Based on the business model, the contractual characteristics of the financial assets and specific elections where appropriate, the Company classifies and measures financial assets in the following categories:

- Amortised cost
- Fair value through other comprehensive income ('FVOCI')
- Fair value through profit and loss ('FVTPL')

(a) Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows ('Asset held to collect contractual cash flows'); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

After initial measurement and based on the assessment of the business model as asset held to collect contractual cash flows and SPPI, such financial assets are subsequently measured at amortised cost using effective interest rate ('EIR') method. Interest income and impairment expenses are recognised in statement of profit and loss. Interest income from these financial assets is included in finance income using the EIR method. Any gain and loss on derecognition is also recognised in statement of profit and loss.

The EIR method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company records loans at amortised cost.

(b) Financial assets at fair value through other comprehensive income

Financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the assets, ('Contractual cash flows of assets collected through hold and sell model') and contractual cash flows that are SPPI, are subsequently measured at FVOCI. Movements in the carrying amount of such financial assets are recognised in Other Comprehensive Income ('OCI'), except dividend income which is recognised in statement of profit and loss. Amounts recorded in OCI are not subsequently transferred to the statement of profit and loss. Equity instruments at FVOCI are not subject to an impairment assessment.

(c) Financial assets at fair value through profit and loss

Financial assets which do not meet the criteria for categorisation as at amortised cost or as FVOCI, are measured at FVTPL. Subsequent changes in fair value are recognised in the statement of profit and loss.

The Company records investments in equity instruments, mutual funds and treasury bills at FVTPL.

(ii) Financial liabilities and equity instrument

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

(a) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instrument issued by the Company is recognised at the proceeds received, net of directly attributable transaction costs.

(b) Financial liabilities

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in statement of profit and loss.

Any gain or loss on de-recognition of financial liabilities is also recognised in statement of profit and loss.

Undrawn loan commitments are not recorded in the balance sheet. However, these financial instruments are in the scope of expected credit loss ('ECL') calculation.

(D) Reclassification

Financial assets are not reclassified subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line or in the period the Company changes its business model for managing financial assets. Financial liabilities are not reclassified.

(E) Offsetting

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, the Company has a legally enforceable right to offset the recognised amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(F) Derecognition

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

If the Company neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for the amount it may have to pay.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not de-recognised and the proceeds received are recognised as a collateralised borrowing.

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 statement of profit and loss.

(ii) Financial liabilities

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

(G) Impairment of financial assets

The Company applies the expected credit loss (ECL) model in accordance with Ind-AS 109 for recognising impairment loss on financial assets. The ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial asset ('lifetime ECL'), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is calculated on a collective basis, considering the retail nature of the underlying portfolio of financial assets.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. When determining whether the risk of default on a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on a provision matrix which takes into account the Company's historical credit loss experience, current economic conditions, forward looking information and scenario analysis.

The expected credit loss is a product of exposure at default ('EAD'), probability of default ('PD') and loss given default ('LGD'). The Company has devised an internal model to evaluate the PD and LGD based on the parameters set out in Ind-AS 109. Accordingly, the financial assets have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial asset. The Company categorises financial assets at the reporting date into stages based on the days past due ('DPD') status as under:

- Stage 1: 0 to 30 days past due
- Stage 2: 31 to 90 days past due
- Stage 3: more than 90 days past due

LGD is an estimate of loss from a transaction given that a default occurs. PD is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12-month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD. EAD represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Company.

The Company incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of external actual and forecast information, the Company forms a 'base case' view of the future direction of relevant economic variables. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. The Company regularly reviews its models in the context of actual loss experience and makes adjustments when such differences are significantly material. Adjustments including reversal of ECL is recognised through statement of profit and loss.

After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company follows the simplified approach required by Ind-AS 109 for recognition of impairment loss allowance on trade receivables, which requires lifetime ECL to be recognised at each reporting date, right from initial recognition of the receivables.

(H) Write offs

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no reasonable expectation of recovering the asset in its entirety or a portion thereof. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in statement of profit and loss.

2.3 Impairment of non-financial assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired due to events or changes in circumstances indicating that their carrying amounts may not be realised. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit ('CGU'). If such recoverable amount of the asset or the recoverable amount of the CGU to which the asset belongs 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 recognised 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 revised recoverable amount, subject to maximum of the depreciated historical cost.

2.4 Foreign exchange transactions and translations

(A) Initial recognition

Transactions in foreign currencies are recognized at prevailing exchange rates between reporting currency and foreign currency on transaction date.

(B) Conversion

Transactions in foreign currencies are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in Statement of profit and loss. Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the Statement of profit and loss on a net basis.

2.5 Derivative financial instruments

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

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

Hedge accounting policy

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

Cash Flow Hedges

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

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

2.6 Cash and cash equivalents

Cash and cash equivalents includes cash at banks and on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

The Company follows the policy of crediting the customer's account only on receipt of amount in the bank and as such no cheques in hand are taken into consideration.

2.7 Upfront servicers fees booked on direct assignment

Servicer fees receivable for servicing loan contracts under direct assignment are discounted at the applicable rate entered into with the assignee and recognised upfront in the balance sheet and amortised on a straight line basis over the remaining contractual maturity of the underlying loans.

2.8 Property, plant and equipment

(A) Recognition and measurement

Tangible property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. The cost of property, plant and equipment comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Advances paid towards acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-financial assets and cost of assets not put to use before such date are disclosed under Capital work-in-progress

(B) Subsequent expenditure

Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future economic benefits / functioning capability from / of such assets.

(C) Depreciation, estimated useful lives and residual value

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives in the manner prescribed in Schedule II of the Act. The estimated lives used and differences from the lives prescribed under Schedule II are noted in the table below:-

Type of Assets	Estimated useful life as assessed by the Company	Estimated useful life under Schedule II of the Act
Computers	2-5 years	3 years
Software and system development	3 years	3 years
Office equipment	3 years	5 years
Motor cars	4 years	8 years
Furniture and fixtures	3-7 years	10 years
Building	60 years	60 years
Leasehold improvements	Tenure of lease agreements	Tenure of lease agreements

The Company uniformly estimates a zero residual value for all these assets. Items costing less than ₹ 5,000 are fully depreciated in the year of purchase. Depreciation is pro-rated in the year of acquisition as well as in the year of disposal.

The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. Consequently, the useful life of certain computer-related assets, furniture and fixtures, office equipment and motor cars differ from the life prescribed in Schedule II of the Act.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in accounting estimates.

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.

2.9 Other intangible assets

Software and system development expenditure are capitalised at cost of acquisition including cost attributable to readying the asset for use. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. The useful life of these intangible assets is estimated at 3 years with zero residual value. Any expenses on such software for support and maintenance payable annually are charged to the statement of profit and loss.

2.10 Dividend

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed at the end of the reporting period, being appropriately authorised and no longer at the discretion of the Company. The final dividend on shares is recorded as a liability on the date of approval by the shareholders, and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

2.11 Revenue recognition

Revenue (other than for those items to which Ind-AS 109 Financial Instruments is applicable) is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of goods and services tax ('GST') and amounts collected on behalf of third parties. Ind-AS 115 Revenue from Contracts with Customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

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

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

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

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

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

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

Specific policies for the Company's different sources of revenue are explained below:

(A) Income from lending business

Interest income

Interest income on a financial asset at amortised cost is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate ('EIR'). The EIR is the rate that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. The internal rate of return on financial asset after netting off the fees received and cost incurred approximates the effective interest rate method of return for the financial asset. The future cash flows are estimated taking into account all the contractual terms of the instrument.

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

Other financial charges

Cheque bouncing charges, late payment charges, foreclosure charges and application money are recognised on a point-in-time basis, and are recorded when realised since the probability of collecting such monies is established when the customer pays.

(B) Income from BPO services and other financial charges

Income from BPO services comprise of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers. Performance obligations are satisfied over time and revenue is recorded on a monthly basis.

(C) Income from direct assignment

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

2.12 Finance costs

Finance costs include interest expense computed by applying the effective interest rate on respective financial instruments measured at amortized cost. Financial instruments include bank term loans, non-convertible debentures, commercial papers, subordinated debts and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Finance costs are charged to the Statement of profit and loss.

2.13 Employee benefits

(A) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized 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.

(B) Provident fund

Retirement benefit in the form of provident fund, is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

(C) ESIC and Labour welfare fund

The Company's contribution paid/payable during the year to ESIC and Labour welfare fund are recognised in the statement of profit and loss.

(D) Gratuity

The Company operates a defined benefit gratuity plan that provides for gratuity benefit to all employees. The Company makes annual contributions to a fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to statement of profit and loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non- routine settlements; and
- Net interest expense or income

(E) Share-based payments

The Company recognises compensation expense relating to share-based payments in net profit using fair value in accordance with Ind-AS 102 - Share-based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding amount.

2.14 Provisions and contingencies

The Company recognises a provision when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that may arise from past events but probably will not require an outflow of resources to settle the obligation.

When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resource is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

2.15 Leases

Effective 01 April 2019, the Company has adopted Ind-AS 116 - Leases and applied it to all lease contracts existing on 01 April 2019 using the modified retrospective method. Based on the same and as permitted under the specific transitional provisions in the standard, the Company is not required to restate the comparative figures.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

The following policies apply subsequent to the date of initial application, 1 April 2019.

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

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

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

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

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

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

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

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

2.16 Goods and services tax paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the goods and services tax paid, except when the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables, respectively, in the balance sheet.

2.17 Income tax

(A) Current tax

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 in respect of taxable income for the year and any adjustment to the tax payable or receivable in respect of previous years.

(B) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit and loss is recognised outside profit and loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.18 Earnings per share

The Company reports basic and diluted earnings per equity share. Basic earnings per equity share have been computed by dividing net profit / loss attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share have been computed by dividing the net profit attributable to the equity share holders after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Company has been identified as the CODM as defined by Ind-AS 108 Operating Segments, who assesses the financial performance and position of the Company and makes strategic decisions.

Operating segments identified by the Company comprises as under:

- Lending services
- BPO services

The accounting policies consistently used in the preparation of the financial statements are also applied to items of revenue and expenditure in individual segments. Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprises as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'. Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

2.20 Collateral

To mitigate its credit risk on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.

To the extent possible, the Company uses active market data and external valuers for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models or through external valuers. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

The Company physically repossess and take into custody properties or other assets and also engages external agents to recover funds, to settle outstanding debt. Any surplus funds are returned to the customers/ obligors.

2.21 Statement of cash flows

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

3 Critical accounting estimates and judgements

In the process of applying the Company's accounting policies, management has made the following estimates and judgements, which have a significant impact on the carrying amounts of assets and liabilities at each balance sheet date.

(A) Fair value of financial instruments

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value measurements under Ind-AS are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at measurement date
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs) that the Company can access at measurement date

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 42.

(B) Expected credit loss

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and credit assessment and including forward looking information.

The inputs used and process followed by the Company in determining the ECL have been detailed in Note 44.

(C) Effective interest rate

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected behavioural life of the financial asset to the gross carrying amount of the financial asset.

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges) as well expected changes to the base rate and other transaction costs and fees paid or received that are integral parts of the instrument.

(D) Business model assessment

Classification and measurement of financial assets depends on the results of the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(E) Useful life and expected residual value of assets

Depreciation and amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

(F) Leases

- The determination of lease term for some lease contracts in which the Company is a lessee, including whether the Company is reasonably certain to exercise lessee options.
- The determination of the incremental borrowing rate used to measure lease liabilities.

(G) Deferred Tax

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

(H) Defined benefit plans

The cost of the defined benefit plans and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

(I) Provisions and contingencies

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in statutory litigation in the ordinary course of the Company's business. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

(Currency : Indian Rupees in crore)

4 Cash and cash equivalents

	As at 31 March 2021	As at 31 March 2020
Cash on hand	**29.62**	5.88
Balances with banks	**650.42**	347.71
Demand drafts on hand	**12.88**	2.36
Collateral with Banks for Derivative	**60.59**	-
Total	**753.51**	355.95

5 Bank balances Other than cash and cash equivalents

	As at 31 March 2021	As at 31 March 2020
Deposits with bank	**0.03**	0.03
Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments.	**221.09**	204.19
Interest accrued but not due on fixed deposits	**1.75**	3.01
Total	**222.87**	207.23

6 Derivative financial Instruments

	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
Part I						
(i) Currency derivatives:						
Currency swaps	**3,874.83**	**-**	**42.72**	2,269.50	81.32	-
Subtotal (i)	**3,874.83**	**-**	**42.72**	2,269.50	81.32	-
(ii) Interest rate derivatives						
Forward Rate Agreements and Interest Rate swaps	**-**	**-**	**-**	-	-	-
Subtotal (ii)	**-**	**-**	**-**	-	-	-
Total Derivative Financial Instruments (i)+(ii)	**3,874.83**	**-**	**42.72**	2,269.50	81.32	-
Part II						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging:						
Currency derivatives	**-**	**-**	**-**	-	-	-
Interest Rate derivatives	**-**	**-**	**-**	-	-	-
Subtotal (i)	**-**	**-**	**-**	-	-	-
(ii) Cash flow hedging:						
Currency derivatives	**3,874.83**	**-**	**42.72**	2,269.50	81.32	-
Interest rate derivatives	**-**	**-**	**-**	-	-	-
Subtotal (ii)	**3,874.83**	**-**	**42.72**	2,269.50	81.32	-
(iii) Undesignated Derivatives						
Currency Swaps	**-**	**-**	**-**	-	-	-
Subtotal (iii)	**-**	**-**	**-**	-	-	-
Total Derivative Financial Instruments (i)+(ii)+(iii)	**3,874.83**	**-**	**42.72**	2,269.50	81.32	-

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(Currency : Indian Rupees in crore)

The Company enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges. The table above shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

7 Trade receivables

	As at 31 March 2021	As at 31 March 2020
Receivables Considered good - Secured	-	-
Receivables Considered good - Unsecured	**117.33**	185.94
Receivables which have significant increase in the credit risk	**4.53**	1.15
Receivables credit impaired	**0.02**	0.92
	121.88	188.00
Less: Impairment loss allowance	**4.56**	6.82
Total	**117.32**	181.18

No trade or other receivables are due from directors or other officers of the Company either severally or jointly with any other person, or from firms or private companies respectively in which any director is a partner, a director or a member.

Reconciliation of impairment Loss allowance on trade receivables:

	As at 31 March 2021	As at 31 March 2020
Balance as at beginning of the year	**6.82**	5.10
Increase during the year	**0.73**	2.69
Decrease during the year	**(2.99)**	(0.97)
Balance at end of the year	**4.56**	6.82

8 Loans (at amortised cost)

		As at 31 March 2021	As at 31 March 2020
A	Term Loans in India	61,325.00	58,430.95
B	Public sector	**-**	-
	Others	**61,325.00**	58,430.95
	Total	**61,325.00**	58,430.95
C	Secured (Secured by tangible assets)	**46,894.73**	44,662.81
	Unsecured	**14,430.27**	13,768.14
	Total	**61,325.00**	58,430.95
D	Less: Impairment loss allowance	**2,723.56**	1,285.07
	Total	**58,601.44**	57,145.88

Credit quality of assets

The table below shows the credit quality and the maximum exposure to credit risk based on year-end stage classification. The amounts presented are gross of Impairment loss allowance.

Stage	**As at 31 March 2021**	As at 31 March 2020
Stage 1	**55,263.27**	54,243.55
Stage 2	**3,300.87**	1,928.27
Stage 3	**2,760.86**	2,259.13
	61,325.00	58,430.95

(Currency : Indian Rupees in crore)

9 Investments

	As at 31 March 2021	As at 31 March 2020
Recorded at Fair value through profit and loss account		
Outside India	-	-
In India		
Mutual fund units	572.21	750.02
Treasury bills / G-Sec	882.82	994.79
Securities receipt of ARC	136.42	
Recorded at Amortised Cost		
Outside India	-	-
In India		
Unquoted equity shares	**1.45**	0.95
Total	**1,592.90**	1,745.76

10 Other financial assets

	As at 31 March 2021	As at 31 March 2020
Capital advances	**1.22**	3.61
Security deposits at amortised cost (Unsecured, considered good)	**19.78**	20.28
Prepaid rent (Security deposits, Unsecured, considered good)	**7.62**	8.42
Retained interest on assigned loan	**8.71**	17.32
Servicing assets on assigned loan	**2.26**	4.28
Advances recoverable in cash or in kind (Unsecured, considered good)	**209.63**	64.17
Total	**249.22**	118.08

11 Current tax assets (Net)

	As at 31 March 2021	As at 31 March 2020
Current tax assets		
Advance tax and tax deducted at source (Net of provision for tax ₹ 419.09 crore) (Previous Year: ₹ 471.78 crore)	**56.91**	77.42
Total	**56.91**	77.42

12 Deferred tax assets (Net)

	Balance as at 1 April 2019	**Charge/ (credit) to profit and loss**	**Charge/ (credit) to OCI**	**Balance as at 31 March 2020**	**Charge/ (credit) to profit and loss**	**Charge/ (credit) to OCI**	**Balance as at 31 March 2021**
Deferred Tax Asset							
Depreciation and amortisation	17.73	(0.96)	-	16.77	4.05	-	**20.82**
Provision for employee benefits	9.35	(8.46)	6.69	7.58	(2.86)	5.28	**10.00**
Provision for diminution of investment	0.46	(0.12)	-	0.34	(0.13)	-	**0.21**
Loans - Impairment	291.19	33.94	-	325.13	371.33	-	**696.46**
Loans - DSA	78.37	(15.10)	-	63.27	(34.82)	-	**28.45**
Lease	-	3.78	-	3.78	3.64	-	**7.42**
Cash Flow Hedges Reserve	-	-	11.82	11.82	-	(0.75)	**11.07**
Deferred Tax Asset	397.10	13.08	18.51	428.69	341.21	4.53	**774.43**

(Currency : Indian Rupees in crore)

	Balance as at 1 April 2019	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at 31 March 2020	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at 31 March 2021
Deferred Tax Liabilities							
Borrowings	(8.86)	(3.21)	-	(12.07)	0.60	-	**(11.47)**
Investments - MTM and others	(0.59)	(0.32)	-	(0.91)	(1.30)	-	**(2.21)**
Securitization and others	(2.69)	2.60	-	(0.09)	(30.67)	-	**(30.76)**
Deferred Tax Liabilities	(12.14)	(0.93)	-	(13.07)	(31.37)	-	**(44.44)**
Net Deferred Tax Assets	384.96	12.15	18.51	415.62	309.85	4.53	**729.99**

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

	As at 31 March 2021	As at 31 March 2020
Current tax:		
In respect of current year	**419.09**	471.78
In respect of prior years	**-**	-
Deferred Tax:		
Deferred tax relating to origination and reversal of temporary differences	**(309.85)**	(12.15)
In respect of prior years	**-**	-
Total Income Tax recognised in profit or loss	**109.24**	459.63
Current tax	**419.09**	471.78
Deferred tax (Debit)	**(309.85)**	(12.15)

Income Tax recognised in Other comprehensive income

	As at 31 March 2021	As at 31 March 2020
Deferred tax related to items recognised in Other comprehensive income during the year:		
Income tax relating to items that will not be reclassified to profit or loss	**5.28**	6.69
Income tax relating to items that will be reclassified to profit or loss	**(0.75)**	11.82
Total Income tax recognised in Other comprehensive income (Debit)	**4.53**	18.51

The reconciliation of estimated income tax expense at tax rate to income tax expense reported in profit or loss is as follows:

	As at 31 March 2021	As at 31 March 2020
Profit before tax	**500.71**	1,464.48
Applicable income tax rate (%)	**25.17**	25.17
Income tax expense calculated at applicable income tax rate	**126.02**	368.58
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:		
Effect of income exempt from tax	**-**	-
Effect of expenses/provisions not deductible in determining taxable profit	**11.65**	103.20
Effect of tax incentives (net)	**(28.43)**	-
Effects of income not considered as taxable on compliance of condition	**-**	-
Income tax for earlier year	**-**	-
Income tax expense recognised in profit and loss	**109.24**	471.78

The Company has elected to exercise the option permitted under Section 115BAA of the Income-tax Act, 1961, as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax for the year ended 31 March 2020 and re-measured its deferred tax assets basis the rate prescribed in the said section. The full impact of above mentioned change amounting to ₹ 107.55 crores has been recognised in the standalone statement of profit and loss for the year ended 31 March 2020.

(Currency : Indian Rupees in crore)

13 Property, Plant and Equipment (PPE), Other Intangible assets & Capital work-in-progress

Description	Office equipment	Furniture and fixtures	Leasehold improve-ments	Computers	Building	Motor cars	Total PPE Tangibles	Software and System development	Total Other Intangibles	Total
Balance as at 1st April, 2020	**59.26**	**93.79**	**79.00**	**137.68**	**0.15**	**7.39**	**377.27**	**33.43**	**33.43**	**410.70**
Additions during the year	**3.45**	**2.41**	**4.18**	**7.61**	**-**	**1.13**	**18.79**	**5.80**	**5.80**	**24.58**
Disposals/Adjustments during the year	**1.09**	**2.74**	**4.12**	**2.41**	**-**	**0.49**	**10.85**	**-**	**-**	**10.85**
Balance as at 31st March, 2021	**61.62**	**93.46**	**79.06**	**142.88**	**0.15**	**8.03**	**385.21**	**39.23**	**39.23**	**424.43**
Accumulated Depreciation / impairment as at 1st April, 2020	**40.43**	**66.75**	**38.49**	**103.40**	**0.04**	**3.67**	**252.79**	**24.36**	**24.36**	**277.15**
Depreciation charge during the year	**7.83**	**8.90**	**9.44**	**21.46**	**0.00**	**1.84**	**49.46**	**6.88**	**6.88**	**56.34**
Disposals/Adjustments during the year	**1.03**	**2.15**	**2.57**	**2.41**	**0.02**	**0.38**	**8.56**	**-**	**-**	**8.56**
Accumulated Depreciation / impairment as at 31st March, 2021	**47.23**	**73.50**	**45.36**	**122.45**	**0.02**	**5.13**	**293.69**	**31.25**	**31.25**	**324.93**
Net carrying amount as at 31st March, 2021	**14.39**	**19.96**	**33.70**	**20.43**	**0.13**	**2.91**	**91.52**	**7.98**	**7.98**	**99.50**
Balance as at 1st April, 2019	48.04	84.90	67.91	107.08	0.15	6.68	314.77	26.44	26.44	341.20
Additions during the year	11.73	9.62	12.26	30.80	-	1.38	65.78	6.99	6.99	72.77
Disposals/Adjustments during the year	0.50	0.73	1.16	0.20	-	0.68	3.27	-	-	3.27
Balance as at 31st March, 2020	59.26	93.79	79.00	137.68	0.15	7.39	377.27	33.43	33.43	410.70
Accumulated Depreciation / impairment as at 1st April, 2019	33.22	55.17	30.72	79.35	0.02	2.41	200.89	17.30	17.30	218.18
Depreciation charge for the year	7.72	12.27	8.86	24.25	0.02	1.71	54.83	7.06	7.06	61.90
Disposals/Adjustments during the year	0.50	0.69	1.08	0.20	-	0.45	2.92	-	-	2.92
Accumulated Depreciation / impairment as at 31st March, 2020	40.43	66.75	38.49	103.40	0.04	3.67	252.79	24.36	24.36	277.15
Net carrying amount as at 31st March, 2020	18.83	27.04	40.51	34.28	0.11	3.72	124.48	9.07	9.07	133.55

Capital work-in-progress

	As at 31 March 2021	As at 31 March 2020
Capital work-in-progress	**-**	0.06
Total	**-**	0.06

14 Right of Use Assets

	As at 31 March 2021	As at 31 March 2020
Right of Use Assets	**217.40**	252.41
Total	**217.40**	252.41

(Currency : Indian Rupees in crore)

15 Trade Payables

	As at 31 March 2021	As at 31 March 2020
Trade payables		
i) total outstanding dues to micro and small enterprises	**0.01**	-
ii) total outstanding dues of creditors other than micro and small enterprises	**334.25**	149.99
Total	**334.26**	149.99

15.1 Trade Payables includes ₹ 0.01 (Previous Year: ₹ Nil) payable to "Suppliers" registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / is payable by the Company during the year to "Suppliers" registered under this act. The above is based on the information available with the Company which has been relied upon by the auditors

16 Debt Securities

	As at 31 March 2021	As at 31 March 2020
At Amortised Cost		
Secured		
Privately placed redeemable non convertible debenture	**23,356.20**	21,189.00
Secured by pari passu charge by mortgage of Company's Office no.130, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and receivables under financing activity.		
Unsecured		
Commercial paper	**400.00**	1,405.00
Total	**23,756.20**	22,594.00
Less: Unamortised borrowing cost/Unmatured discount on Commercial paper/Premium and discount on NCD	**(45.87)**	0.62
Debt Securities net of unamortised cost	**23,802.07**	22,593.38
Debt securities in India	**23,756.20**	22,594.00
Debt securities outside India	**-**	-
Total	**23,756.20**	22,594.00
Less: Unamortised borrowing cost/Unmatured discount on Commercial paper/Premium and discount on NCD	**(45.87)**	0.62
Debt Securities net of unamortised cost	**23,802.07**	22,593.38

16.1 No non convertible debentures, non convertible perpetual debentures and any other borrowing is guaranteed by directors and/or others.

16.2 Terms of repayment of privately placed redeemable non convertible debenture.

Previous Year figures are in (brackets)

Rate of interest (%)	0-1 year	1-3 years	3-5 years	>5 years	Total
4.5-5.5	**575.00**	**2,330.00**	**-**	**-**	**2,905.00**
	-	-	-	-	-
5.5-6.5	**-**	**3,050.00**	**-**	**-**	**3,050.00**
	-	-	-	-	-
6.5-7.5	**-**	**6,311.10**	**-**	**-**	**6,311.10**
	(1,700.00)	(2,850.00)	(430.00)	-	(4,980.00)
7.5-8.5	**1,942.00**	**2,129.00**	**280.00**	**600.00**	**4,951.00**
	(3,273.90)	(4,241.00)	(280.00)	(300.00)	(8,094.90)
8.5-9.5	**4,207.50**	**1,931.60**	**-**	**-**	**6,139.10**
	(2,850.00)	(5,264.10)		-	(8,114.10)
9.5-10.5	**-**	**-**	**-**	**-**	**-**
	-	-	-	-	-
Total	**6,724.50**	**15,751.70**	**280.00**	**600.00**	**23,356.20**
	(7,823.90)	(12,355.10)	(710.00)	(300.00)	(21,189.00)

16.3 All the above non convertible debentures are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year (Refer Note 84).

(Currency : Indian Rupees in crore)

17 Borrowings (Other than Debt Securities)

	As at 31 March 2021	As at 31 March 2020
At Amortised Cost		
Borrowings (other than debt securities)		
Secured		
(a) External commercial borrowings (ECB)	**4,849.83**	3,244.50
(b) Term loan against hypothecation of Receivables under financing activity	**15,614.53**	17,740.20
(c) Borrowing under Securitisation	**2,036.41**	2,626.16
(d) Borrowing under ARC	**97.20**	-
Total	**22,597.97**	23,610.86
Less: Unamortised borrowing cost	**28.90**	30.70
Borrowings (Other than Debt Securities) net of unamortised cost	**22,569.07**	23,580.16
Borrowings in India	**18,723.14**	21,341.36
Borrowings outside India	**3,874.83**	2,269.50
Total	**22,597.97**	23,610.86
Less: Unamortised borrowing cost	**28.90**	30.70
Borrowings (Other than Debt Securities) net of unamortised cost	**22,569.07**	23,580.16

17.1 - No term loans, external commercial borrowings, commercial paper and any other borrowing is guaranteed by directors and / or others.

17.2 - During the period presented there were no defaults in the repayment of principal and interest.

17.3(a) - Terms of repayment of External commercial borrowings from International Finance Corporation.

Previous Year figures are in (brackets)

Rate of interest (%)	0-3 years	3-5 years	>5 years	Total
8 - 9	**975.00**	**-**	**-**	**975.00**
	(975.00)	-	-	(975.00)

17.3(b) - Terms of repayment of External commercial borrowings in foreign currency

Previous Year figures are in (brackets)

Rate of interest (%)	0-3 years	3-5 years	>5 years	Total
6 - 9	**3,874.83**	**-**	**-**	**3,874.83**
	(2,269.50)	-	-	(2,269.50)

The Company had availed total External Commercial Borrowing (ECBs) of USD 530 million for financing prospective borrower as per the ECB guidelines issued by Reserve Bank of India (“RBI”) from time to time. Out of same USD 230 million was raised in FY20-21. The borrowing had a maturity of three years. In terms of the RBI guidelines, borrowings have been swapped into rupees and fully hedged for the entire maturity by way of cross currency swaps. The charges for raising of the aforesaid ECB has been amortised over the tenure of the ECB.

(Currency : Indian Rupees in crore)

17.4 - Terms of repayment of Term loans from Banks.

Previous Year figures are in (brackets)

Marginal Cost of Funds Based Lending Rate (MCLR) (a)	0-1 year	1-3 years	3-5 years	Total
1 Month MCLR + (0.00% to 0.75%)	**733.33**	**716.67**	**16.67**	**1,466.67**
	(1,090.00)	(75.00)	-	(1,165.00)
3 Month MCLR + (0.00% to 1.5%)	**1,797.73**	**2,164.39**	**-**	**3,962.12**
	(1,967.44)	(3,866.21)	(612.58)	(6,446.23)
6 Month MCLR + (0.00% to 0.75%)	**804.55**	**1,008.33**	**-**	**1,812.88**
	(547.69)	(1,054.55)	(175.00)	(1,777.24)
1 Year MCLR + (0.00% to 0.25%)	**631.82**	**45.45**	**0.00**	**677.27**
	(1,753.94)	(2,502.27)	(283.33)	**(4,539.54)**
1 Year MCLR + (0.25% to 1.25%)	**-**	**-**	**-**	**-**
	-	-	-	-
Total (a)	**3,967.43**	**3,934.84**	**16.67**	**7,918.94**
	(5,359.07)	(7,498.03)	(1,070.91)	(13,928.01)
Rate linked to T-Bills rates (b)	**0-1 year**	**1-3 years**	**3-5 years**	**Total**
3 Month T-Bills rates (0.00% to 4.00%)	**655.00**	**919.69**	**-**	**1,574.69**
	(250.00)	(399.70)	-	(649.70)
6 Month T-Bills rates (0.00% to 3.50%)	**109.09**	**109.09**	**-**	**218.18**
	(331.82)	(543.18)	-	(875.00)
12 Month T-Bills rates (0.00% to 3.50%)	**210.83**	**530.83**	**110.83**	**852.49**
	(75.00)	(112.50)	-	(187.50)
Overnight Index Swap (OIS) (0.00% to 3.50%)	**-**	**500.00**	**-**	**500.00**
	-	(500.00)	-	(500.00)
Repo Rate (0.00% to 3.50%)	**726.67**	**1,616.70**	**31.82**	**2,375.19**
	(172.72)	(427.27)	-	(599.99)
Mumbai InterBank Offer rate (MIBOR) (0.00% to 3.50%)	**197.92**	**450.00**	**27.12**	**675.04**
	(1,000.00)	-	-	(1,000.00)
Total (b)	**1,899.51**	**4,126.31**	**169.77**	**6,195.59**
	(1,829.54)	(1,982.65)	-	(3,812.19)
Fixed Interest rate				
4.50% - 5.50%	**318.18**	**1,090.91**	**90.91**	**1,500.00**
	-	-	-	-
Total (a)+(b)	**6,185.12**	**9,152.06**	**277.35**	**15,614.53**
	(7,188.61)	(9,480.68)	(1,070.91)	(17,740.20)

17.5 - All the above Term loans are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year.

17.6 Terms of repayment of Borrowing under Securitisation.

Previous Year figures are in (brackets)

Rate of interest (%)	0-1 year	1-3 years	3-5 years	Total
4.50% to 8.00%	**1,198.04**	**793.05**	**45.32**	**2,036.41**
	(1,345.91)	(1,234.26)	(46.00)	(2,626.16)

(Currency : Indian Rupees in crore)

18 Subordinated Liabilities

	As at 31 March 2021	As at 31 March 2020
At Amortised Cost		
Unsecured		
(a) Privately placed subordinated (Tier II) redeemable bonds	**3,500.00**	3,143.50
(b) Redeemable non convertible perpetual bonds	**500.00**	500.00
Total	**4,000.00**	3,643.50
Less: Unamortised borrowing cost	**12.39**	12.95
Subordinated Liabilities net of unamortised cost	**3,987.61**	3,630.55
Subordinated Liabilities in India	**4,000.00**	3,643.50
Subordinated Liabilities outside India	**-**	-
Total	**4,000.00**	3,643.50
Less: Unamortised borrowing cost	**12.39**	12.95
Subordinated Liabilities net of unamortised cost	**3,987.61**	3,630.55

18.1 - No subordinate debts and any other borrowing is guaranteed by directors and / or others.

18.2 - Terms of repayment of Privately placed unsecured subordinated (Tier II) redeemable bonds and redeemable non convertible perpetual bonds

Previous Year figures are in (brackets)

Rate of interest	**<5 years**	**>5 years**	**Total**
7.5-10.5	**1,330.00** (1,330.00)	**2,670.00** (2,313.50)	**4,000.00** (3,643.50)

19 Other financial liabilities

	As at 31 March 2021	As at 31 March 2020
Interest accrued	**1,914.16**	1,777.73
Overdrawn balances in current account with banks	**576.42**	111.72
Deposits (not as defined in Section 2(31) of Companies Act, 2013)	**10.29**	10.19
Creditors for other expenses	**22.79**	28.31
Statutory liabilities	**73.72**	59.00
Lease Liability (RTU)	**247.55**	267.43
Total	**2,844.93**	2,254.38

20 Current tax liabilities (Net)

	As at 31 March 2021	As at 31 March 2020
Provisions for tax (Net of advance tax ₹ 180.00 crore, Previous Year ₹ 237.00 crore)	**173.05**	74.60
Total	**173.05**	74.60

21 Provisions

	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits		
Gratuity (funded)	**67.92**	62.25
Salary, bonus and reimbursements	**222.18**	194.67
Contribution to provident fund	**29.75**	29.94
Total	**319.85**	286.86

(Currency : Indian Rupees in crore)

22 Other non-financial liabilities

	As at 31 March 2021	As at 31 March 2020
Other payables	**-**	16.11
Provision for expenses	**121.26**	110.63
Total	**121.26**	126.74

23 Equity Share capital

	Face Value ₹ each	**As at 31 March 2021 Number of shares**	As at 31 March 2020 Number of shares	**As at 31 March 2021**	As at 31 March 2020
Authorised equity shares	10	**1,001,550,000**	1,001,550,000	**1001.55**	1001.55
Issued, Subscribed & Paid up equity shares fully paid up	10	**789,185,216**	787,579,656	**789.19**	787.58
Total				**789.19**	787.58

23.1 Reconciliation of the number of shares

	As at 31 March 2021		As at 31 March 2020	
	Number	**Amount**	Number	Amount
Equity shares of ₹10 fully paid up				
Shares outstanding at the beginning of the year	**787,579,656**	**787.58**	785,700,306	785.70
Shares issued - exercised for ESOP scheme	**1,605,560**	**1.61**	1,879,350	1.88
Shares outstanding at the end of the year	**789,185,216**	**789.19**	787,579,656	787.58

23.2 Terms/rights attached to equity shares.

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by shareholders at the Annual General Meeting.

23.3 Details of shareholders holding more than 5% of the aggregate shares in the Company

Particulars	**As at 31 March 2021**		As at 31 March 2020	
	No. of Shares held	**% of Holding**	No. of Shares held	% of Holding
Equity shares of ₹ 10 fully paid up				
HDFC Bank Limited (Holding Company)	**750,596,670**	**95.11**	750,596,670	95.30

23.4 Number of shares reserved for ESOPs

Particulars	**As at 31 March 2021**	As at 31 March 2020
Equity shares of ₹10 fully paid up		
Number of Shares reserved for ESOPs (Refer note 34)	**3,176,650**	2,151,580

(Currency : Indian Rupees in crore)

24 Other equity

		As at 31 March 2021	As at 31 March 2020
Other equity			
(i)	Securities Premium Account	**2,960.70**	2,925.43
(ii)	Employee stock Options Outstanding Account	**62.97**	49.42
(iii)	Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	**1,090.94**	1,012.65
(iv)	Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations	**3,617.98**	3,304.80
(v)	Retained Earnings- Remeasurement of Post Employment Benefit Obligations	**(42.65)**	(26.96)
(vi)	Cash Flow Hedges Reserve	**(32.89)**	(35.13)
		7,657.05	7,230.22

(i) Securities Premium Account

Securities premium is used to record the premium on issue of shares. It can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

(ii) Employee stock Options Outstanding Account

Under IND AS 102, fair value of the options granted is required to be accounted as expense over the life of the vesting period as employee compensation costs, reflecting the period of receipt of service.

(iii) Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934

Reserve fund is created as per the terms of section 45-IC(1) of the Reserve Bank of India Act, 1934 as a statutory reserve.

(iv) Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations

Retained earnings represents the surplus in Profit and Loss Account and appropriations.

(v) Retained Earnings- Remeasurement of Post Employment Benefit Obligations

The Company recognises change on account of remeasurement of the net defined benefit liability (asset) as part of retained earnings.

(vi) Cash Flow Hedges Reserve

It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

25 Interest Income

Particulars	**For the year ended 31 March 2021**	For the year ended 31 March 2020
On Financial Assets measured at Amortised Cost -		
Interest on Loans	**8,420.35**	8,191.79
Interest on deposits with Banks	**22.67**	14.65
On Financial Assets measured at fair value through profit or loss (FVTPL) -		
Interest income from Investment	**44.86**	27.02
Total	**8,487.88**	8,233.47

(Currency : Indian Rupees in crore)

26 Net gain/ (loss) on fair value changes

	For the year ended 31 March 2021	For the year ended 31 March 2020
Net gain/(loss) on financial instruments at fair value through profit or loss (FVTPL)		
Investments	**40.04**	18.78
Unquoted equity shares	**-**	-
	40.04	18.78
Net gain/(loss) on financial instruments at fair value through profit or loss (FVTPL)		
Realised	**34.89**	16.83
Unrealised	**5.15**	1.95
Total	**40.04**	18.78

27 Finance Costs

	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest expenses on financial liabilities measured at amortised cost		
Interest on borrowings (includes Interest on lease liabilities ₹ 25.47 Crore, Previous Year ₹ 23.06 crore)	**1,684.74**	1,679.71
Interest on debt securities	**1,791.21**	1,787.48
Interest on subordinated liabilities	**346.70**	305.61
Discount on commercial paper	**25.71**	284.69
Other borrowing costs	**34.57**	23.93
Total	**3,882.93**	4,081.42

28 Impairment on financial instruments

	For the year ended 31 March 2021	For the year ended 31 March 2020
Impairment on financial instruments at amortised cost		
Loans	**3,071.52**	1,439.85
Investment	**(0.49)**	0.00
Trade receivables	**(2.26)**	1.72
Total	**3,068.77**	1,441.57

29 Employee benefits expense

	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries and wages (including bonus)	**2,684.48**	2,924.30
Contribution to provident and other funds	**233.35**	226.47
Employee share based payment expenses	**13.55**	11.19
Staff welfare expenses	**24.21**	33.61
Total	**2,955.59**	3,195.57

(Currency : Indian Rupees in crore)

30 Other expenses

	For the year ended 31 March 2021	For the year ended 31 March 2020
Rent	**5.69**	10.27
Rates and taxes	**1.76**	1.12
Telephone	**31.56**	30.22
Power and fuel	**20.03**	27.45
Repairs and maintenance-premises	**3.37**	3.99
Repairs and maintenance-others	**2.24**	2.11
Credit report charges	**34.25**	51.97
Commission and brokerage	**2.22**	3.02
Auditor's remuneration (Refer Note 32)	**1.06**	0.84
Insurance	**1.64**	0.01
Loss on sale of asset	**1.91**	(0.19)
Expenses towards Corporate Social Responsibility Initiative (Refer Note 40)	**30.83**	28.28
Others administrative expenses	**292.43**	304.68
Total	**428.99**	463.77

31 Earnings per Share

	For the year ended 31 March 2021	For the year ended 31 March 2020
Net Profit (₹ in crore)	**391.47**	1,004.85
Weighted average number of equity shares		
Basic	**788,029,727**	786,316,430
Diluted	**788,347,209**	787,011,436
Earnings per share (₹)		
Basic	**4.97**	12.78
Diluted	**4.97**	12.77
Face value per share (₹)	**10.00**	10.00

The dilutive effect on the earnings per share is caused by the potential shares that would be issued upon the exercise of the ESOP Options. As a result of the dilution, the denominator increased by 3,17,481 shares (Previous Year 6,95,005 shares).

32 Auditor's Remuneration

	For the year ended 31 March 2021	For the year ended 31 March 2020
As Auditor		
Statutory audit	**0.90**	0.40
Tax audit	**-**	-
Others	**0.06**	0.35
For certificates	**0.01**	0.03
Sub Total	**0.97**	0.78
GST	**0.09**	0.07
Total	**1.06**	0.84

(Currency : Indian Rupees in crore)

33 Leases

The Company has entered into leasing arrangements for premises. Majority of the leases are cancellable by the Company. ROU has been included after the line 'Property, Plant and Equipment' and Lease Liability has been included under 'Other Financial Liabilities' in the Balance Sheet.

I. Lease disclosures under Ind-AS 116 for the current year ended 31 March 2021

(i) Amounts recognised in the Balance sheet

S.N.	Particulars	31 March 2021	31 March 2020
a)	**Right-of-use assets (net)**	217.40	252.41
b)	**Lease liabilities**		
	Current	41.23	38.94
	Non-current	206.32	228.48
	Total Lease liabilities	247.55	267.42
c)	**Additions to the Right-of-use assets**	30.75	64.80

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

S.N.	Particulars	31 March 2021	31 March 2020
a)	Depreciation charge for right-of-use assets	51.44	47.76
b)	Interest expense (included in finance cost)	25.47	23.06
c)	Expense relating to short-term leases	5.69	10.27

(iii) Cash Flows

Particulars	31 March 2021	31 March 2020
The total cash outflow of leases	61.78	55.80

(iv) Future Commitments

Particulars	31 March 2021	31 March 2020
Future undiscounted lease payments to which leases is not yet commenced	1.72	2.31

(v) Maturity analysis of undiscounted lease liability

Period	31 March 2021	31 March 2020
Not later than one year	60.03	60.22
Later than one year and not later than five years	189.86	208.14
Later than five years	64.18	85.50
Total	314.07	353.86

34 Accounting for Employee Share based Payments

In accordance with resolution approved by the shareholders, the Company has reserved shares, for issue to employees through ESOP Scheme. On the approval of Nomination and Remuneration Committee (NRC), each ESOP scheme is issued. The NRC has approved stock option schemes ESOP-10 on October 13, 2017, ESOP-11 on January 15, 2019, ESOP-12 on October 5, 2020 and ESOP-13 on January 14, 2021. Under the term of the schemes, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the NRC. Such options are exercisable for a period following vesting at the discretion of the NRC, subject to a maximum of four years from the date of vesting for ESOP-10, ESOP-11, ESOP-12 and ESOP-13.

Description of share based payments plans

	Particulars	ESOP-10	ESOP-11	ESOP-12	ESOP-13
i.	Vesting requirements	30% at the end of each 12 and 24 months and 40% at the end of 36 months from 31 Oct 2017	30% at the end of each 12 and 24 months and 40% at the end of 36 months from 31 Jan 2019	60% at the end of 12 months and 40% at the end of 24 months from 31 Oct 2020	30% at the end of each 12 and 24 months and 40% at the end of 36 months from 31 Jan 2021
ii.	Maximum term of option	7 years	7 years	6 years	7 years
iii.	Method of settlement	Equity settled	Equity settled	Equity settled	Equity settled
iv.	Modifications to share based payment plans	NA	NA	NA	NA
v.	Any other details as disclosed in the audited Ind-AS financials	NA	NA	NA	NA

Method used for accounting for shared based payment plan.

The Company uses fair value to account for the compensation cost of stock options to employees of the Company.

Movement in the options outstanding under the Employees Stock Option Plan for the year ended 31 March 2021

Particulars	ESOP-10	ESOP-11	ESOP-12	ESOP-13	Total	Weighted average exercise price (₹)
Outstanding, beginning of year	1,283,200	868,380			2,151,580	237.65
Granted during the year	-	-	1,602,500	1,176,950	2,779,450	320.33
Exercised during the year	1,168,150	437,410	-	-	1,605,560	229.62
Forfeited / lapsed during the year	66,900	36,970	43,600	1,350	148,820	255.07
Outstanding, end of year	48,150	394,000	1,558,900	1,175,600	3,176,650	313.22
Options exercisable, end of year	48,150	71,280	-	-	119,430	249.41

Movement in the options outstanding under the Employees Stock Option Plan for the year ended 31 March 2020

Particulars	ESOP-8	ESOP-9	ESOP-10	ESOP-11	Total	Weighted average exercise price (₹)
Options outstanding, beginning of year	34,500	874,200	2,414,200	907,400	4,230,300	209.36
Granted during the year	-	-	-	-	-	-
Exercised during the year	34,500	803,400	1,041,450	-	1,879,350	178.22
Forfeited / lapsed during the year	-	70,800	89,550	39,020	199,370	197.95
Options outstanding, end of year	-	-	1,283,200	868,380	2,151,580	237.62
Options exercisable, end of year	-	-	49,800	261,270	311,070	264.23

(Currency : Indian Rupees in crore)

Following summarises the information about stock options outstanding as at 31 March 2021

Plan	Exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)
ESOP - 10	213	48,150	3.59
ESOP - 11	274	394,000	4.58
ESOP - 12	300	1,558,900	5.07
ESOP - 13	348	1,175,600	5.94

Following summarises the information about stock options outstanding as at 31 March 2020

Plan	Exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)
ESOP - 10	213	1,283,200	4.54
ESOP - 11	274	868,380	4.94

Fair Value methodology

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company had considered the volatility of the Company's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model for the stock options granted by the Company are:

Particulars	ESOP 12	ESOP 13
Dividend yield	0.62%	0.52%
Expected volatility	56.98%	54.92%
Risk-free interest rate	4.98%	5.03%
Expected life of the option	3.40 years	4.10 years

The Company recorded an employee stock compensation expense of ₹13.55 crore (previous year ₹11.19 crore) in Statement of Profit and Loss.

35 Segment reporting

S.N.	Particulars	31 March 2021	31 March 2020
i.	**Segment Revenue**		
	Lending business	**8,924.35**	8,643.24
	BPO Services	**2,020.43**	2,113.23
	Unallocated	**-**	-
	Income from Operations	**10,944.78**	10,756.47
ii.	**Segment Results**		
	Lending business	**445.98**	1,366.95
	BPO Services	**103.72**	104.28
	Unallocated	**(48.99)**	(6.75)
	Profit before tax	**500.71**	1,464.48
	Income Tax expenses		
	Current tax	**419.09**	471.78
	Deferred tax Asset	**(309.85)**	(12.15)
	Income tax for earlier year	**-**	-
	Net Profit	**391.47**	1,004.85

(Currency : Indian Rupees in crore)

S.N.	Particulars	31 March 2021	31 March 2020
iii.	**Capital Employed**		
	Segment assets		
	Lending business	**61,694.54**	59,988.97
	BPO Services	**147.52**	216.68
	Unallocated	**798.99**	508.81
	Total Assets	**62,641.05**	60,714.46
	Segment Liabilities		
	Lending business	**53,886.31**	52,281.15
	BPO Services	**50.43**	216.06
	Unallocated	**258.08**	199.45
	Total Liabilities	**54,194.82**	52,696.66
	Net Segment assets/(liabilities)	**8,446.23**	8,017.80
iv.	**Capital Expenditure (including net CWIP)**		
	Lending business	**22.48**	53.85
	BPO Services	**2.11**	15.62
	Unallocated	**-**	3.36
	Total	**24.59**	72.83
v.	**Depreciation**		
	Lending business	**87.83**	86.60
	BPO Services	**15.34**	17.60
	Unallocated	**4.62**	5.46
	Total	**107.79**	109.66
vi.	**Other non cash expenditure**		
	Lending business	**3,068.77**	1,441.57
	BPO Services	**-**	-
	Unallocated	**-**	-
	Total	**3,068.77**	1,441.57

a) Chief Operating Decision Maker

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Company has been identified as the CODM as defined by Ind AS 108 Operating Segments, who assesses the financial performance and position of the Company and makes strategic decisions.

b) Operating Segment

Primary Segment (Business Segment)

The Company is organised primarily into two operating segments, i.e. Lending business and BPO services. Lending business includes providing finance to retail customers for a variety of purposes like purchase of commercial equipment and commercial vehicles, personal purposes, enterprise loans, etc. Revenue from lending business includes (i) interest income and processing fees net of loan origination costs, (ii) collection-related charges like cheque bouncing charges, late payment charges and foreclosure charges, and (iii) insurance commission. BPO services comprises of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers.

Secondary Segment (Geographical Segment)

Since the business operations of the Company are primarily concentrated in India, the Company is considered to operate only in the domestic segment and therefore there is no reportable geographic segment.

c) Segment Revenue and Expense

Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'.

(Currency : Indian Rupees in crore)

d) Segment Assets and Liabilities

Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

e) Accounting Policies

The accounting policies consistently used in the preparation of the financial statements are also applied to items of revenue and expenditure in individual segments.

36 Related party disclosures

Name of the related party and nature of relationship

Holding Company: HDFC Bank Limited

Enterprise under common control of holding company: HDFC Securities Limited

Key Management Personnel :

Aditya Puri (Chairman & Non Executive Director) (resigned effective 5 November 2020)
Jimmy Tata (Non Executive Director) (resigned effective 30 June 2020)
Bhavesh Zaveri (Non Executive Director) (resigned effective 28 November 2019)
Smita Affinwalla (Independent Director)
Venkatraman Srinivasan (Independent Director)
Dr. Amla Samanta (Independent Director)
Adayapalam Viswanathan (Independent Director)
G Ramesh (Managing Director and CEO)

Other related parties :

HDFC Ergo General Insurance Company Limited
HDFC Life Insurance Company Limited
HDFC Asset Management Company Limited

Details of Related Party Transactions for the Year:

Related party	**Nature of transaction**	**31 March 2021**	31 March 2020
HDFC Bank Limited	Bank charges	**11.98**	11.06
	Charges for back office support services received / recoverable	**907.26**	878.53
	Charges for sales support services received / recoverable	**1,233.14**	1,391.50
	Commission Expenses	**4.94**	-
	Corporate logo license fees	**3.72**	10.26
	Dividend paid	**-**	135.11
	Fixed deposits placed	**1,172.73**	167.74
	Interest paid on non-convertible debentures	**59.92**	64.51
	Interest paid on term loan and OD account	**379.94**	366.13
	Interest received on fixed deposits	**12.78**	11.06
	Investment banking fees paid	**1.26**	1.42
	IPA charges	**0.00**	0.01
	Reimbursement of IT expense, secondment charge & other common expenses	**2.74**	2.12
	Rent paid for premises taken on sub-lease	**2.42**	2.27
	Securities purchased during the year	**3,115.00**	1,986.50
	Securitisation	**473.06**	1,982.47
	Term loan availed during the year	**2,350.00**	4,696.15
	Term loan paid during the year	**1,959.09**	2,614.41
	Tele collection charges / field collection charges received / recoverable for collection services rendered	**206.53**	189.48

(Currency : Indian Rupees in crore)

Related party	**Nature of transaction**	**31 March 2021**	31 March 2020
HDFC Securities Limited	Commission on sourcing of loans	**-**	0.03
	Rent received / receivable for premises given on sub-lease	**0.08**	0.13
Key Management Personnel	Director sitting fees and commission paid	**0.80**	0.60
	Dividend paid	**-**	0.11
	Salary including perquisites and allowances	**3.79**	4.10
	Stock Options#	**0.86**	3.49
	Others Contribution to Funds*	**0.00**	0.12
HDFC Asset Management Company Limited	Investment in mutual fund during year	**1,910.00**	-
	Redemption of mutual fund during year	**1,910.00**	-
HDFC Life Insurance Company Limited	Insurance commission received / receivable	**7.91**	10.21
	Rent paid / payable	**0.01**	0.03
HDFC Ergo General Insurance Company Limited	Insurance commission received / receivable	**9.77**	13.06

* excludes amounts pertaining to gratuity and compensated absences, which are actuarially valued at the Company level.

\# The intrinsic value of the stock options granted is Nil. However, the Company in compliance with Ind-AS 102 has been charged to the statement of profit and loss of ₹1.10 crore (previous year ₹0.88 crore) with a corresponding credit to the reserves.

Balances outstanding:

Related party	**Nature of transaction**	**31 March 2021**	31 March 2020
HDFC Bank Limited	Securitisation	**379.10**	1,553.06
	Balance in current accounts	**645.56**	310.85
	Balance receivable	**85.66**	141.48
	Balance payable	**1.92**	7.92
	Fixed deposit	**182.53**	167.74
	Security deposit paid	**0.11**	0.07
	Security deposit received	**9.85**	9.85
	Term loan outstanding	**5,572.73**	5,181.82
	Non convertible debentures issued	**3,115.00**	650.00
	Undrawn commitment facility	**500.00**	1,000.00
HDFC Securities Ltd.	Balance receivable	**0.13**	0.22
HDFC Life Insurance Company Limited**	Balance payable - Securities	**905.00**	1,435.00
	Balance payable - Expenses	**0.01**	-
	Balance receivable	**1.59**	0.54
HDFC Asset Management Company Limited	Balance payable	**811.90**	971.90
	Balance receivable	**0.36**	-
HDFC Ergo General Insurance Company Limited**	Balance payable	**70.00**	20.00
	Balance receivable	**1.22**	0.64

** excludes amounts pertaining to insurance premiums payable that are in the nature of pass through.

(Currency : Indian Rupees in crore)

37 Employee benefits

(A) Defined contribution plan

The contribution made to various statutory funds is recognised as expense and included in Note 29 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss.

(B) Defined benefit plan (Gratuity)

The Company contributes to the group gratuity fund based on the actuarial valuation determined as at the year-end through the HDFC Life Insurance Company ('HDFC Life') Limited and Life Insurance Corporation of India Limited (LIC). HDFC Life and LIC have certified the Fair Value of the Plan Assets

Details of Actuarial Valuation as at March 31, 2021 :

	Particulars	31 March 2021	31 March 2020
A.	**Change in defined benefit obligation**		
1	Defined benefit obligation at beginning of period	**116.48**	76.88
2	Service cost		
	a. Current service cost	**12.76**	13.54
	b. Past service cost	**-**	-
	c. (Gain) / loss on settlements	**-**	-
3	Interest expenses	**5.67**	5.30
4	Cash flows		
	a. Benefit payments from plan	**(10.00)**	(11.01)
	b. Benefit payments from employer	**-**	-
	c. Settlement payments from plan	**-**	-
	d. Settlement payments from employer	**-**	-
5	Remeasurements		
	a. Effect of changes in demographic assumptions	**4.36**	0.19
	b. Effect of changes in financial assumptions	**5.10**	6.51
	c. Effect of experience adjustments	**14.72**	25.07
6	Transfer In / Out		
	a. Transfer In	**-**	-
	b. Transfer out	**-**	-
7	Defined benefit obligation at end of period	**149.09**	116.48
B.	**Change in fair value of plan assets**		
1	Fair value of plan assets at beginning of period	**54.53**	38.09
2	Interest income	**2.66**	2.63
3	Cash flows		
	a. Total employer contributions		
	(i) Employer contributions	**32.78**	19.66
	(ii) Employer direct benefit payments	**-**	-
	(iii) Employer direct settlement payments	**-**	-
	b. Participant contributions	**-**	-
	c. Benefit payments from plan assets	**(10.00)**	(11.01)
	d. Benefit payments from employer	**-**	-
	e. Settlement payments from plan assets	**-**	-
	f. Settlement payments from employer	**-**	-
4	Remeasurements		
	a. Return on plan assets (excluding interest income)	**1.54**	5.17
5	Transfer In /Out		
	a. Transfer In	**-**	-
	b. Transfer out	**-**	-
6	Fair value of plan assets at end of period	**81.51**	54.53

(Currency : Indian Rupees in crore)

	Particulars	31 March 2021	31 March 2020
C.	**Amounts recognised in the Balance Sheet**		
1	Defined benefit obligation	**149.09**	116.48
2	Fair value of plan assets	**(81.51)**	(54.53)
3	Funded status	**67.58**	61.95
4	Effect of asset ceiling	**-**	-
5	Net defined benefit liability (asset)	**67.58**	61.95
D.	**Components of defined benefit cost**		
1	Service cost		
	a. Current service cost	**12.76**	13.54
	b. Past service cost	**-**	-
	c. (Gain)/loss on settlements	**-**	-
	d. Total service cost	**12.76**	13.54
2	Net interest cost		
	a. Interest expense on DBO	**5.67**	5.30
	b. Interest (income) on plan assets	**2.66**	2.63
	c. Interest expense on effect of (asset ceiling)	**-**	-
	d. Total net interest cost	**3.01**	2.67
3	Remeasurements (recognised in OCI/Retained Earnings)		
	a. Effect of changes in demographic assumptions	**4.36**	0.19
	b. Effect of changes in financial assumptions	**5.10**	6.51
	c. Effect of experience adjustments	**14.72**	25.07
	d. Return on plan assets (excluding interest income)	**1.54**	5.17
	e. Changes in asset ceiling (excluding interest income)	**-**	-
	f. Total remeasurements included in OCI/Retained Earnings	**22.64**	26.59
4	Total defined benefit cost recognised in P&L and OCI	**38.41**	42.81
E.	**Re-measurement**		
	a. Actuarial Loss/(Gain) on DBO	**24.18**	31.77
	b. Returns above Interest Income	**(1.54)**	(5.17)
	c. Change in Asset ceiling	**-**	-
	Total Re-measurements (OCI / Retained Earnings)	**22.64**	26.59
F.	**Employer Expense (P&L)**		
	a. Current Service Cost	**12.76**	13.54
	b. Interest Cost on net DBO	**3.01**	2.67
	c. Past Service Cost	**-**	-
	d. Total P&L Expenses	**15.77**	16.21
G.	**Net defined benefit liability (asset) reconciliation**		
1	Net defined benefit liability (asset)	**61.95**	38.79
2	Defined benefit cost included in P&L	**15.77**	16.21
3	Total remeasurements included in OCI/Retained Earnings	**22.64**	26.59
4	a. Employer contributions	**(32.78)**	(19.66)
	b. Employer direct benefit payments	**-**	-
	c. Employer direct settlement payments	**-**	-
5	Net transfer	**-**	-
6	Net defined benefit liability (asset) as of end of period	**67.58**	61.95
H.	**Reconciliation of OCI (Re-measurement)**		
1	Recognised in OCI at the beginning of period	**34.46**	7.87
2	Recognised in OCI during the period	**22.64**	26.59
3	Recognised in OCI/Retained Earnings at the end of the period	**57.11**	34.46

(Currency : Indian Rupees in crore)

	Particulars	31 March 2021	31 March 2020
I.	**Sensitivity analysis - DBO end of Period**		
1	Discount rate + 100 basis points	**(3.77)**	(2.88)
2	Discount rate - 100 basis points	**4.10**	3.05
3	Salary Increase Rate + 1%	**3.66**	2.64
4	Salary Increase Rate - 1%	**3.49**	(2.68)
5	Attrition Rate + 1%	**1.27**	(0.68)
6	Attrition Rate - 1%	**1.35**	0.70
J.	**Significant actuarial assumptions**		
1	Discount rate Current Year (p.a.)	**3.86%**	4.87%
2	Discount rate Previous Year (p.a.)	**4.87%**	6.84% - 6.92%
3	Salary increase rate (p.a.)	**5.00% - 9.00%**	7.00% - 8.00%
4	Attrition Rate (%)	**9.00% - 76.00%**	26.00% - 89.00%
5	Retirement Age (years)	**60**	60
6	Pre-retirement mortality	**IALM (2006-08) Ultimate**	IALM (2006-08) Ultimate
7	Disability	**Nil**	Nil
K.	**Data**		
1	No.	**99,629**	105,029
2	Average age (yrs.)	**29.23**	28.70
3	Average past service (yrs.)	**2.71**	2.30
4	Average salary monthly (₹)	**8,863.61**	8,606.00
5	Future service (yrs.)	**30.77**	31.30
6	Weighted average duration of DBO	**4.00**	3.00
L.	**Expected cash flows for following year**		
1	Expected contributions/Addl. Provision Next Year	**30.31**	32.83
2	Expected total benefit payments		
	Year 1	**47.88**	57.04
	Year 2	**30.37**	35.32
	Year 3	**20.98**	24.00
	Year 4	**15.27**	16.58
	Year 5	**10.90**	11.90
	Next 5 years	**25.22**	24.19

Category of Plan asset	% of Fair value to total planned assets (as at 31 March 2021)
Government securities and corporate bonds/debentures	**94.11%**
Money market instruments and fixed deposits	**3.22%**
Net current assets and other approved security	**2.67%**
Total	**100.00%**

The Company's gratuity plan obligation is determined by actuarial valuation and is funded by investments in government securities. As such, the valuation and the funding are exposed to certain risks, including mainly salary increments, attrition levels, interest rates and investment yields. If salaries and interest rates rise faster than assumed or if the attrition rates are lower than assumed, then the Company's gratuity obligation would rise faster in future periods and an increase in market yields of government securities would reduce the value of the plan's investments, leading to higher future funding requirements. The Company monitors plan obligations and investments regularly with a view to ensuring that there is adequate funding on an ongoing basis, thus mitigating any potential adverse consequences of the risks described.

(Currency : Indian Rupees in crore)

C) **Compensated absences**

The Company neither has a policy of encashment of unavailed leaves for its employees nor allow the leaves to be carry forward to next year.

D) The Parliament has approved the Code on Social Security, 2020 ('Code') which may impact the contribution by the Company towards Provident Fund and Gratuity. The effective date from which the Code and its provisions would be applicable is yet to be notified and the rules which would provide the details based on which financial impact can be determined are yet to be framed after which the financial impact can be ascertained. The Company will complete its evaluation and will give appropriate impact, if any, in the financial result following the Code becoming effective and the related rules being framed and notified.

38 Contingent liabilities

S.N.	Particulars	31 March 2021	31 March 2020
1	Claims against the Company not acknowledged as debt (Refer Note 38.1)	**93.55**	94.32
2	Estimated amount of contracts remaining to be executed on capital account and not provided for: (Net of Advances amounting to ₹1.22 crore, previous year ₹3.61 crore)	**8.64**	12.42
3	Undrawn committed sanctions to borrowers	**26.65**	88.84

38.1 Claims against the Company not acknowledged as debt

Particulars	31 March 2021	31 March 2020
Suit filed by borrowers	**3.36**	4.13
Other contingent liabilities in respect of :		
1. Provident Fund matter - (see (a) below)	**50.14**	50.14
2. Payment of Bonus (Amendment) Act, 2015 - (see (b) below)	**34.88**	34.88
3. Income tax matter	**4.85**	4.85
4. Payment of Labour Welfare Fund	**0.32**	0.32
Total	**93.55**	94.32

a) Provident Fund matter

The Company has received a notice of demand from the Provident Fund department amounting to ₹50.14 crore. The Company had filed an appeal challenging the Provident Fund Commissioner's order before the Provident Fund Appellate Tribunal, wherein the Company had received a favourable outcome. However, a sum of ₹ 1 crore has been deposited under protest with the Provident Fund Appellate Authority. This amount is shown under Other financial assets in Note 10.

The Provident Fund department has challenged order of the appellate authority in the High Court. The management of the Company is of the view that no material losses will arise in respect of the legal claim and accordingly the same has been disclosed as a contingent liability. In the eventuality of any claim arising out of this case, the same will be billed to the customer in the year the claim is final and accordingly no provision has been made.

b) Payment of Bonus (Amendment) Act, 2015

As per the amendment to the Payment of Bonus (Amendment) Act, 2015 vide notification number DL-(N)04/70007/2003-16 issued on 1 January 2016 by Government of India, the Company would be required to pay statutory bonus to all eligible employees as per the amendments specified thereunder, with effect from 1 April 2014. However, various High Courts have granted a stay on retrospective effect of Payment of Bonus (Amendment) Act, 2015 from financial year 2014-15. In light of the above, the Company has decided to disclose such bonus amounting to ₹34.88 crore as a contingent liability.

38.2 The Company's pending litigations comprise of claims against the Company by the customers and proceedings pending with other authorities. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in the financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

(Currency : Indian Rupees in crore)

38.3 The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law/accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.

39 Maturity analysis of assets & liabilities

Particulars	**31 March 2021**		31 March 2020	
	Within 12 months	**After 12 months**	Within 12 months	After 12 months
ASSETS				
Financial Assets				
(a) Cash and cash equivalents (CCE)	**753.51**	**-**	355.95	-
(b) Bank balances other than CCE	**220.50**	**2.37**	207.23	-
(c) Derivative financial instruments	**-**	**-**	81.32	-
(d) Trade receivables	**117.32**	**-**	181.18	-
(e) Loans	**18,500.34**	**40,101.10**	17,730.01	39,415.87
(f) Investments	**1,455.03**	**137.87**	1,744.81	0.95
(g) Other financial assets	**209.63**	**39.59**	69.90	48.18
	21,256.33	**40,280.93**	20,370.40	39,465.00
Non-financial Assets				
(a) Current tax assets (Net)	**56.91**	**-**	77.42	-
(b) Deferred tax assets (Net)	**-**	**729.99**	-	415.62
(c) Property, plant and equipment	**-**	**91.52**	-	124.48
(d) Capital work-in-progress	**-**	**-**	-	0.06
(e) Other intangible assets	**-**	**7.98**	-	9.07
(f) Right of use assets	**47.39**	**170.01**	37.62	214.79
	104.30	**999.50**	115.04	764.02
TOTAL ASSETS	**21,360.63**	**41,280.43**	20,485.44	40,229.02
LIABILITIES				
Financial Liabilities				
(a) Derivative financial instruments	**42.72**	**-**	-	-
(b) Trade payables	**334.26**	**-**	149.99	-
(c) Debt securities	**7,131.39**	**16,670.68**	9,228.64	13,364.74
(d) Borrowings other than debt securities	**8,352.32**	**14,216.75**	8,661.58	14,918.58
(e) Subordinated liabilities	**-**	**3,987.61**	-	3,630.55
(f) Other financial liabilities	**2,291.85**	**553.08**	1,986.95	267.43
	18,152.54	**35,428.12**	20,027.16	32,181.30
Non-Financial Liabilities				
(a) Current tax liabilities (net)	**173.05**	**-**	74.60	-
(b) Provisions	**282.24**	**37.61**	224.61	62.25
(c) Other non-financial liabilities	**121.26**	**-**	45.51	81.23
	576.55	**37.61**	344.72	143.48
TOTAL LIABILITIES	**18,729.09**	**35,465.73**	20,371.88	32,324.78
NET	**2,631.54**	**5,814.70**	113.56	7,904.24

(Currency : Indian Rupees in crore)

40 Corporate Social Responsibility

The average profit before tax of the Company for the last three financial years was ₹1,541.63 crore, basis which the Company was required to spend ₹30.83 crore towards Corporate Social Responsibility (CSR) activities for the current financial year.

a) Amount spent during the year on:

Particulars	**31 March 2021**			31 March 2020		
	Amount Spent	**Amount Unpaid/ provision**	**Total**	Amount Spent	Amount Unpaid/ provision	Total
Construction/acquisition of any asset	**-**	**-**	**-**	-	-	-
On purpose other than (i) above	**23.52**	**7.31**	**30.83**	24.81	3.47	28.28

b) In case of Section 135(5) unspent amount:

Opening Balance	**Amount deposited in Specified Fund of Sch. VII within 6 months**	**Amount required to be spent during the year**	**Amount spent during the ear**	**Closing Balance**
-	Not Applicable	30.83	23.52	7.31

Note: ₹ 3.47 crore reported as unspent in financial year 2019-20 has been spent in first quarter of financial year 2020-21

c) In case of Section 135(5) Excess amount spent

Opening Balance	**Amount required to be spent during the year**	**Amount spent during the year**	**Closing Balance**
Not Applicable			

d) In case of Section 135(6) Details of ongoing projects

Opening Balance		**Amount required to be spent during the year**	**Amount spent during the year**		**Closing Balance**	
With Company	In Separate CSR Unspent Account		From Company's Bank Account	From Separate CSR Unspent A/c	With Company	In Separate CSR Unspent Account
NIL	Not Applicable	30.83	23.52	Not Applicable	7.31	NIL

Note: Closing balance of ₹ 7.31 crore available with the Company shall be transferred to an unspent CSR account by end of 30 April 2021.

(Currency : Indian Rupees in crore)

41 Details of dues to Micro, Small and Medium Enterprises

As per the confirmation received from the parties following is the status of MSME parties.

Particulars	**31 March 2021**	31 March 2020
The Principal amount remaining unpaid at the end of the year	**0.01**	-
The Interest Amount remaining unpaid at the end of the year	**-**	-
Interest paid along with amount of payment made to the supplier beyond the appointed day	**-**	-
Amount of interest due and payable for the period of delay on payments made beyond the appointed day	**-**	-
Amount of interest accrued and remaining unpaid	**-**	-
Further interest due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprises	**-**	-
Balance of MSME parties at the end of the year	0.01	-

Note - The above is based on the information available with the Company which has been relied upon by the auditors.

42 Fair value measurement

a) Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below:

b) Total financial assets measured at fair value on a recurring basis :

The following tables show an analysis of the fair value of financial assets by level of the fair value hierarchy.

Investments	**Category**	**Fair value hierarchy**	**Fair Value**	
			31 March 2021	31 March 2020
Mutual fund units	FVTPL	Level 1	**572.21**	750.02
Unquoted equity shares	FVTPL	Level 3	**1.45**	0.95
Treasury bills	FVTPL	Level 1	**882.82**	994.79
Securities receipt of ARC	FVTPL	Level 2	**136.42**	-
Derivative financial instruments	FVTPL	Level 2	**-**	81.32

Level 1:

Units held in mutual funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions.

Treasury bills are valued based on market quotes.

Level 2:

Fair value of debt securities, borrowings other than debt securities and subordinated liabilities have estimated by discounting expected future cash flows discounting rate near to report date based on comparable rate / market observable data.

Level 3:

Fair value of loans have estimated by discounting expected future cash flows using discount rate equal to the rate near to the reporting date of the comparable product.

Unquoted equity shares are measured at fair value using suitable valuation models viz., net asset value technique.

(Currency : Indian Rupees in crore)

c) The table below presents information pertaining to the fair values and carrying values of the Company's financial assets and liabilities.

Particulars		Category	Fair value hierarchy	31 March 2021		31 March 2020	
				Carrying value	Fair value	Carrying value	Fair value
Financial Assets							
(a)	Cash and cash equivalents (CCE)	Amortised cost		**753.51**	**753.51**	355.95	355.95
(b)	Bank balances other than CCE	Amortised cost		**222.87**	**222.87**	207.23	207.23
(c)	Derivative financial instruments	FVTPL	Level 2	**-**	**-**	81.32	81.32
(d)	Trade receivables	Amortised cost		**117.32**	**117.32**	181.18	181.18
(e)	Loans	Amortised cost	Level 3	**58,601.44**	**55,503.95**	57,145.88	53,256.66
(f)	Investments - Mutual funds and Treasury bills	FVTPL	Level 1	**1,455.03**	**1,455.03**	1,744.81	1,744.81
	Investments - In Security Receipts	FVTPL	Level 2	**136.42**	**136.42**	-	-
	Investments - Unquoted equity shares	FVTPL	Level 3	**1.45**	**1.45**	0.95	0.95
(g)	Other financial assets	Amortised cost		**249.22**	**249.22**	118.08	118.08
				61,537.26	**58,439.77**	59,835.40	55,946.18
Financial Liabilities							
(a)	Derivative financial instruments	FVTPL	Level 2	**42.72**	**42.72**	-	-
(b)	Trade payables	Amortised cost		**334.26**	**334.26**	150.00	150.00
(c)	Debt securities	Amortised cost	Level 2	**23,802.07**	**25,052.85**	22,593.38	23,951.81
(d)	Borrowings other than Securitisation	Amortised cost	Level 2	**20,532.65**	**19,753.95**	20,954.00	20,762.75
	Borrowings under Securitisation	Amortised cost	Level 2	**2,036.41**	**2,004.24**	2,626.16	2,831.79
(e)	Subordinated liabilities	Amortised cost	Level 2	**3,987.61**	**4,281.90**	3,630.55	3,913.97
(f)	Other financial liabilities	Amortised cost		**2,844.94**	**2,844.94**	2,254.38	2,254.38
				53,580.66	**54,314.86**	52,208.47	53,864.69

(Currency : Indian Rupees in crore)

(i) Short-term and other financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months) and for other financial assets and other financial liabilities that are insignificant in value, the carrying amounts, net of impairment, if any, are a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, bank balances other than cash and cash equivalents, trade receivables, trade payables, other financial assets and other financial liabilities.

(ii) Loans

These financial assets are recorded at amortised cost, the fair values of which are estimated at portfolio level using a discounted cash flow model based on contractual cash flows discounted using market rates incorporating the counterparties' credit risk.

(iii) Debt securities, borrowings and subordinated liabilities

Fair value is estimated at portfolio level by a discounted cash flow model incorporating market interest rates and the company's own credit risk or based on market-observable data such as secondary market prices for its traded debt, as relevant.

43 Capital Management

The primary objective of the Company's capital management policy is to ensure compliance with regulatory capital requirements. In line with this objective, the Company ensures adequate capital at all times and manages its business in a way in which capital is protected, satisfactory business growth is ensured, cash flows are monitored, borrowing covenants are honoured and ratings are maintained.

Regulatory capital-related information is presented as part of the RBI mandated disclosures. The RBI norms require capital to be maintained at prescribed levels. In accordance with such norms, Tier I capital of the Company comprises of share capital, share premium, reserves and perpetual debt, Tier II capital comprises of subordinated debt and provision on loans that are not credit-impaired. There were no changes in the capital management process during the periods presented.

44 Risk Management

While risk is inherent in the Company's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

The Company's Treasury is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company.

a) Credit risk

The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

Financial assets measured on a collective basis

The company splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristics, as described below in the following order:

- Secured/unsecured i.e. based on whether the loans are secured
- Nature of security i.e. the nature of the security if the loans are determined to be secured
- Nature of loan i.e. based on the nature of loan

(Currency : Indian Rupees in crore)

Significant increase in credit risk

The company considers an exposure to have significantly increased in credit risk when the borrower crosses 30 DPD but is within 90 DPD.

Impairment assessment

The company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower crosses 90 days past due on its contractual payments. Further, the borrower is retained in Stage 3 (credit-impaired) till all the overdue amounts are repaid i.e borrower becomes 0 days past due on its contractual payments.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that incorporates the probability of default and subsequent recoveries, discounted.

Current economic data and forward-looking economic forecasts and scenarios are used in order to determine the Ind AS 109 LGD rate. The company uses data obtained from third party sources and combines such data with inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios.

Credit quality of assets

a) The table below shows credit quality and maximum exposure to credit risk based on year-end stage classification. The amounts presented are gross of Impairment loss allowance.

Stage	**31 March 2021**	31 March 2020
Stage 1: 0 to 30 days past due	**55,263.27**	54,243.55
Stage 2: 31 to 90 days past due	**3,300.87**	1,928.27
Stage 3: more than 90 days past due	**2,760.86**	2,259.13
Total	**61,325.00**	58,430.95

b) An analysis of changes in the gross carrying amount and corresponding ECL allowances in relations to loans is as under:

	31 March 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount - opening balance	54,243.55	1,928.27	2,259.13	58,430.95
Originated or new	24,165.19	269.87	142.71	24,577.77
Matured or repaid	(18,076.95)	(753.75)	(1,365.78)	(20,196.48)
Transfers to Stage 1	919.63	(650.27)	(269.36)	-
Transfers to Stage 2	(3,088.42)	3,229.17	(140.75)	-
Transfers to Stage 3	(2,899.73)	(722.42)	3,622.15	-
Amounts written off (net of recovery)	-	-	(1,487.24)	(1,487.24)
Gross carrying amount - closing balance	**55,263.27**	**3,300.87**	**2,760.86**	**61,325.00**

(Currency : Indian Rupees in crore)

	31 March 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount - opening balance	52,537.04	1,171.99	1,000.38	54,709.41
Originated or new	29,206.43	436.03	210.94	29,853.40
Matured or repaid	(23,364.88)	(878.26)	(905.71)	(25,148.85)
Transfers to Stage 1	259.33	(188.06)	(71.27)	-
Transfers to Stage 2	(1,956.56)	1,967.09	(10.53)	-
Transfers to Stage 3	(2,437.81)	(580.52)	3,018.33	-
Amounts written off (net of recovery)	-	-	(983.01)	(983.01)
Gross carrying amount - closing balance	**54,243.55**	**1,928.27**	**2,259.13**	**58,430.95**

	31 March 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment loss allowance - opening balance	634.25	212.22	438.60	1,285.07
Originated or new	401.34	38.68	34.77	474.79
Matured or repaid	(175.73)	(66.92)	1,108.56	865.91
Transfers to Stage 1	111.71	(56.61)	(55.09)	-
Transfers to Stage 2	(61.34)	90.13	(28.79)	-
Transfers to Stage 3	(60.93)	(66.90)	127.83	-
Remeasurement	456.81	392.11	736.11	1,585.03
Amounts written off (net of recovery)	-	-	(1,487.24)	(1,487.24)
Impairment loss allowance - closing balance	**1,306.11**	**542.71**	**874.74**	**2,723.56**

	31 March 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment loss allowance - opening balance	358.37	148.18	321.69	828.24
Originated or new	241.75	33.84	36.09	311.68
Matured or repaid	(161.27)	(78.50)	557.42	317.66
Transfers to Stage 1	42.05	(18.13)	(23.93)	-
Transfers to Stage 2	(28.70)	32.23	(3.54)	-
Transfers to Stage 3	(57.46)	(59.47)	116.93	-
Remeasurement	239.50	154.07	416.94	810.51
Amounts written off (net of recovery)	-	-	(983.01)	(983.01)
Impairment loss allowance - closing balance	**634.25**	**212.22**	**438.60**	**1,285.07**

c) Modified financial assets

The Company renegotiates loans given to customers in financial difficulties (referred to as forbearance activities, restructuring or rescheduling) to maximise collection opportunities and minimise the risk of default. Under the Companies forbearance policy, loan forbearance is granted on a selective basis if the customer is currently in default on its debt or if there is a high risk of default, there is evidence that the customer made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Risk Management Committee regularly reviews reports on forbearance activities.

(Currency : Indian Rupees in crore)

Upon renegotiation, such accounts are classified as Stage 3. Such accounts are upgraded to Stage 1 only upon observation of satisfactory repayments of one year from the date of such down-gradation and accordingly loss allowance is measured using 12 month PD.

Exposure to modified financial assets	**31 March 2021**	31 March 2020
Gross carrying amount	**3,649.96**	-
Impairment allowance	**956.92**	-
Net carrying amount	**2,693.04**	-

Analysis of risk concentration

The following table shows risk concentration of the Company's loans basis risk exposure into smaller homogeneous portfolios, based on shared credit risk characteristics as under:

	31 March 2021	31 March 2020
Carrying value of Loans	**58,601.44**	57,145.88
Mortgage backed loans	**17,041.68**	17,847.74
Other assets backed loans	**25,430.92**	23,817.31
Personal loans	**13,322.88**	13,234.91
Others	**2,805.97**	2,245.92
Total	**58,601.44**	57,145.88

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties

The Company also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Collateral coverage - credit impaired loans

Loan to Value (LTV) range	**31 March 2021**	31 March 2020
Upto 50 % Coverage	**1,476.62**	1,202.22
51-75 % Coverage	**402.89**	555.54
76-100 % Coverage	**5.95**	51.94
Above 100% Coverage	**0.65**	10.83
Total	**1,886.11**	1,820.53

b) Liquidity risk and funding management

Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

(Currency : Indian Rupees in crore)

Maturity profile of financial liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31st March.

31 March 2021	Less than 1 year	1 year to 3 years	3 years to 5 years	5 years and above	Total
Trade payables	334.26	-	-	-	334.26
Derivative financial instruments	42.72	-	-	-	42.72
Debt securities	8,780.45	17,885.98	399.14	793.20	27,858.77
Borrowings	8,107.92	13,506.54	282.55	-	21,897.01
Borrowings under Securitization	1,342.04	842.97	14.75	-	2,199.76
Subordinated liabilities	363.54	1,497.86	1,013.71	3,396.56	6,271.67
Total	18,970.93	33,733.35	1,710.15	4,189.76	58,604.19

31 March 2020	Less than 1 year	1 year to 3 years	3 years to 5 years	5 years and above	Total
Trade payables	150.00	-	-	-	150.00
Derivative financial instruments	-	-	-	-	-
Debt securities	10,828.66	14,631.49	833.87	420.75	26,714.76
Borrowings	8,580.57	13,821.56	1,097.94	-	23,500.07
Borrowings under Securitization	1,483.34	1,303.57	46.99	-	2,833.89
Subordinated liabilities	337.22	1,274.65	1,262.80	3,115.79	5,990.46
Total	21,379.79	31,031.27	3,241.59	3,536.54	59,189.19

c) Market risk

Market risk represents the risk that 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.

i) Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Company's statement of profit and loss.

	% Increase/decrease in rate		Increase/decrease in profit	
	31 March 2021	31 March 2020	**31 March 2021**	31 March 2020
Borrowings that are re-priced	**0.25%**	0.25%	**38.00**	44.35
Loans that are re-priced	**0.25%**	0.25%	**40.31**	42.07

ii) Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk for the Company arises majorly on account of foreign currency borrowings. The Company manages this foreign currency risk by entering into cross currency swaps and forward contract. When a derivative is entered into for the purpose of being as hedge, the Company negotiates the terms of those derivatives to match with the terms of the hedge exposure. The Company's policy is to fully hedge its foreign currency borrowings at the time of drawdown and remain so till repayment.

The Company holds derivative financial instruments such as cross currency interest rate swap to mitigate risk of changes in exchange rate in foreign currency and floating interest rate. The counterparty for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in market place.

(Currency : Indian Rupees in crore)

d) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or from external events.

The operational risks of the Company are managed through comprehensive internal control systems and procedures and key back up processes. This enables the management to evaluate key areas of operational risks and the process to adequately mitigate them on an ongoing basis. The Company also undertakes Risk based audits on a regular basis across all business units / functions. While examining the effectiveness of control framework through self-assessment, the risk-based audit would assure effective implementation of self-certification and internal financial controls adherence, thereby, reducing enterprise exposure.

The Company has put in place a robust Disaster Recovery (DR) plan, which is periodically tested. Business Continuity Plan (BCP) is further put in place to ensure seamless continuity of operations including services to customers, when confronted with adverse events such as natural disasters, technological failures, human errors, terrorism, etc. Periodic testing is carried out to address gaps in the framework, if any. DR and BCP audits are conducted on a periodical basis to provide assurance regarding the effectiveness of the Company's readiness.

45 Impact of hedging activities

a) Disclosure of effects of hedge accounting on financial position:

31 March 2021								
Type of hedge and risks	**Nominal value**		**Carrying amount of hedging instrument**		**Maturity date**	**Changes in fair value of hedging instrument**	**Change in the value of hedged item used as the basis for recognising hedge effectiveness**	**Line item in Balance Sheet**
Cash flow hedge	**Assets**	**Liabilities**	**Assets**	**Liabilities**				
Foreign exchange forward contracts (Cross currency interest rate swaps)	**3,874.83**	**-**	**-**	**42.72**	**30 Oct 2022, 29 Nov 2022, 10 Dec 2022 and 18 June 2023**	**(124.04)**	**(124.04)**	**Borrowings**

31 March 2020								
Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness	Line item in Balance Sheet
Cash flow hedge	Assets	Liabilities	Assets	Liabilities				
Foreign exchange forward contracts (Cross currency interest rate swaps)	2,269.50	-	81.32	-	30 Oct 2022, 29 Nov 2022 and 10 Dec 2022	81.32	(81.32)	**Borrowings**

(Currency : Indian Rupees in crore)

b) Disclosure of effects of hedge accounting on financial performance

31 March 2021				
Type of hedge	**Change in the value of the hedging instrument recognised in other comprehensive Income**	**Hedge ineffectiveness recognised in statement of profit and loss**	**Amount reclassified from cash flow hedge reserve to statement of profit or loss**	**Line item affected in statement of profit and loss because of the reclassification**
Cash flow hedge				
Foreign exchange risk and interest rate risk	**(124.04)**	**-**	**127.03**	**Finance cost**

31 March 2020				
Type of hedge	Change in the value of the hedging instrument recognised in other comprehensive Income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedge reserve to statement of profit or loss	Line item affected in statement of profit and loss because of the reclassification
Cash flow hedge				
Foreign exchange risk and interest rate risk	81.32	-	(128.28)	Finance cost

46 Changes in Liabilities arising from financing activities

Particulars	**1 April 2020**	**Cash flows**	**Exchange Difference**	**Other**	**31 March 2021**
Debt securities	**22,593.38**	**1,162.82**	**-**	**45.87**	**23,802.07**
Borrowings other than debt securities	**20,954.00**	**(450.24)**	**-**	**28.90**	**20,532.66**
Borrowings under Securitization	**2,626.16**	**(593.04)**	**-**	**3.29**	**2,036.41**
Subordinated liabilities	**3,630.55**	**344.67**	**-**	**12.39**	**3,987.61**
Total	**49,804.09**	**464.21**	**-**	**90.45**	**50,358.75**

Particulars	1 April 2019	Cash flows	Exchange Difference	Other	31 March 2020
Debt securities	24,119.67	(1,727.00)	-	200.71	22,593.38
Borrowings other than debt securities	16,474.55	4,372.45	128.28	(21.28)	20,954.00
Borrowings under Securitization	1,621.10	1,005.06	-	-	2,626.16
Subordinated liabilities	2,889.78	743.50	-	(2.73)	3,630.55
Total	45,105.10	4,394.01	128.28	176.70	49,804.09

(i) Other column includes the effect of accrued but not paid interest on borrowing, amortisation of processing fees etc

(ii) Total Liabilities comprises of Debt securities, Borrowings (other than debt securities) and Subordinated Liabilities

47 Expenditure / Remittances in Foreign Currencies

a) Expenditure in Foreign Currencies

Particulars	**31 March 2021**	31 March 2020
Interest and processing charges for debt instrument	**15.70**	19.46
Professional charges	**0.03**	0.14
Annual software application fee	**0.12**	0.03

b) There is no dividend paid in foreign currency.

48 Event after Reporting Date

Subsequent events are tracked and evaluated by the Company. Necessary adjustments / disclosures have been provided in the financial statements for significant subsequent events.

(Currency : Indian Rupees in crore)

49 Transfer of Financial Assets

49.1 Transferred financial assets that are not derecognised in their entirety

The following tables provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

A) Securitisation

The Company has transferred certain pools of fixed rate loan receivables backed by underlying assets by entering into securitisation transactions with the Special Purpose Vehicle Trusts (SPV Trust) sponsored by commercial banks for consideration received in cash at the inception of the transaction.

The Company, being Originator of these loan receivables, also acts as Servicer with a responsibility of collection of receivables from its borrowers and depositing the same in Collection and Payout Account maintained by the SPV Trust for making scheduled payouts to the investors in Pass Through Certificates (PTCs) issued by the SPV Trust. These securitisation transactions also requires the Company to provide for first loss credit enhancement in various forms, such as corporate guarantee, cash collateral, subscription to subordinated PTCs etc. as credit support in the event of shortfall in collections from underlying loan contracts. By virtue of existence of credit enhancement, the Company is exposed to credit risk, being the expected losses that will be incurred on the transferred loan receivables to the extent of the credit enhancement provided.

In view of the above, the Company has retained substantially all the risks and rewards of ownership of the financial asset and thereby does not meet the derecognition criteria as set out in Ind AS 109. Consideration received in this transaction is presented as ‘Borrowing under Securitisation’ under Note 17.

The following table provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

Particulars	**31 March 2021**	31 March 2020
Carrying amount of transferred assets measured at amortised cost	**2,167.91**	2,632.39
Carrying amount of associated liabilities (Debt securities - measured at amortised cost)	**2,036.41**	2,626.16
Fair value of assets	**1,964.93**	2,364.33
Fair value of associated liabilities	**2,004.24**	2,831.79
Net position at Fair Value	**(39.31)**	(467.46)

B) Assignment

The Company has sold some loans (measured at amortised cost) by way of direct bilateral assignment, as a source of finance.

As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been de-recognised from the Company’s balance sheet.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain/(loss) on derecognition, per type of asset.

Particulars	**31 March 2021**	31 March 2020
Carrying amount of de-recognised financial asset	**235.67**	401.80
Carrying amount of retained assets at amortised cost*	**26.37**	47.40
Gain on sale of the de-recognised financial asset	**Nil**	Nil

*excludes Excess Interest Spread (EIS) on de-recognised financial assets

49.2 Transferred financial assets that are derecognised in their entirety but where the Company has continuing involvement

The Company has not transferred any assets that are derecognised in their entirety where the Company continues to have continuing involvement.

(Currency : Indian Rupees in crore)

RBI disclosures from Notes 50 to 80 have been prepared as per RBI Circulars / Directives basis Ind-AS financial statements. RBI disclosures are prepared basis gross carrying value of loans.

50 A Disclosure relating to securitisation pursuant to Reserve Bank of India notification DNBS. PD. No. 301/3.10.01/2012-13 dated 21 August 2012 and DNBR (PD) CC. No.029/03.10.001/2014-15 dated 10 April 2015*

Sr. No	Particulars	31 March 2021	31 March 2020
1	No of SPVs sponsored by the NBFC for securitisation transactions	**8.00**	6.00
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	**2,078.13**	2,701.56
3	Total amount of exposures retained by the NBFC to comply with MRR		
	a) Off-balance sheet exposures		
	* First loss	**98.71**	76.85
	* Others	**-**	-
	b) On-balance sheet exposures		
	* First loss	**262.81**	279.59
	* Others	**-**	-
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitisations		
	* First loss	**-**	-
	* loss	**-**	-
	ii) Exposure to third party securitisations		
	* First loss	**-**	-
	* Others	**-**	-
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	* First loss	**-**	-
	* Others	**-**	-
	ii) Exposure to third party securitisations		
	* First loss	**-**	-
	* Others	**-**	-

50 B Disclosure relating to Securitisation pursuant to Reserve Bank of India notification DBOD. No.BP. 1502/21.04.048/ 2004-05 dated 1 February 2006*

Sr. No	Particulars	31 March 2021	31 March 2020
i)	Total number of contracts for loan assets securitised during the year	**13,007**	36,057
ii)	Book value of Loan assets securitised during the year	**767.76**	2,492.18
iii)	Sale consideration received for securitised assets during the year	**767.76**	2,492.18
iv)	Gain/ Loss (if any) on sale on securitised loan assets	**Nil**	Nil
v)	Quantum (Outstanding value) of service provided: Credit Enhancement (Fixed Deposit)	**47.73**	102.23

(Currency : Indian Rupees in crore)

50 C Disclosure of financial assets sold to securitisation Company pursuant to Reserve Bank of India notification DNBR (PD) CC. No.029/03.10.001 / 2014-15 dated 10 April 2015*

a) Details of Financial assets sold to Securitisation / Reconstruction Company (SC / RC) for Asset Reconstruction

Sr. No	Particulars	31 March 2021	31 March 2020
i)	Number of Accounts	**28,959**	112.00
ii)	Aggregate value (net of provisions) of account sold to SC / RC	**97.20**	Nil
iii)	Aggregate consideration	**310.88**	22.80
iv)	Additional consideration realized in respect of accounts transferred in earlier years	**Nil**	Nil
v)	Aggregate gain / (loss) over net book value	**213.68**	22.80

b) Details of Assignment Transactions

Sr. No	Particulars	31 March 2021	31 March 2020
i)	Number of Accounts	**Nil**	Nil
ii)	Aggregate value (net of provisions) of account sold	**Nil**	Nil
iii)	Aggregate consideration	**Nil**	Nil
iv)	Additional consideration realized in respect of accounts transferred in earlier years	**Nil**	Nil
v)	Aggregate gain / loss over net book value	**Nil**	Nil

* The securitised loans disclosed in the above notes, i.e. 50A, 50B and 50C do not qualify for de-recognition under Ind AS. Nevertheless, the information in the notes is presented to ensure compliance with the RBI disclosure requirements.

51 Total fixed deposits stands at ₹221.09 crore (previous year ₹204.19 crore) on account of securitisation transaction outstanding till 31st March 2021.

52 Loan against gold portfolio to Total assets is 1.09% (Previous year 0.98%).

53 Disclosure pursuant to Reserve Bank of India notification DNBS.CC.PD.No.356 /03.10.01/2013-14 dated 16 September 2013 pertaining to gold loans

Details of Gold auctions conducted*

Particulars	31 March 2021	31 March 2020
No of loan accounts	**1,019**	2,854
Outstanding loan amount	**5.19**	13.91
Sale Consideration of gold **	**10.92**	24.95

* there is no sister concern participation in any of the above auctions.

** the excess of sales consideration over and above the outstanding amount is repaid to respective borrower.

(Currency : Indian Rupees in crore)

54 Disclosure pursuant to Reserve Bank of India notification DOR (NBFC).CC.PD.No.109 /22.10.106/2019-20 dated 13 March 2020 pertaining to Asset Classification as per RBI Norms

As at 31 March 2021

Asset Classification as per RBI Norms	Asset Classification as per Ind AS 109	Gross Carrying Amounts 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	55,263.28	1,304.83	53,958.44	214.39	1,090.44
	Stage 2	3,300.87	542.71	2,758.16	8.10	534.61
Subtotal		58,564.14	1,847.54	56,716.60	222.49	1,625.05
Non-Performing Assets (NPA)						
Substandard	Stage 3	2,760.86	874.74	1,886.11	322.47	552.28
Doubtful - up to 1 year	Stage 3	-	-	-	18.01	(18.01)
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		-	-	-	18.01	(18.01)
Loss	Stage 3	-	-	-	9.25	(9.25)
Subtotal for NPA		2,760.86	874.74	1,886.11	349.73	525.01
Other items such as guarantee, loan commitment, 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	428.62	5.31	423.31	-	5.31
	Stage 2	4.53	0.50	4.03	-	0.50
	Stage 3	0.02	0.02	(0.00)	1.02	(1.00)
Subtotal						
TOTAL	Stage 1	55,691.89	1,310.14	54,381.75	214.39	1,095.75
	Stage 2	3,305.40	543.22	2,762.18	8.10	535.11
	Stage 3	2,760.88	874.76	1,886.11	323.48	551.28
	Total	61,758.17	2,728.12	59,030.05	545.98	2,182.14

Column 6 in the above table discloses provisions amounts as per IRAC norms, while the Company has made a provision of non-performing assets of ₹1,202.04 crore as per Company's policy which is in excess of the IRAC norms.

(Currency : Indian Rupees in crore)

As at 31 March 2020

Asset Classification as per RBI Norms	Asset Classification as per Ind AS 109	Gross Carrying Amounts 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**	54,243.55	632.73	53,610.82	202.05	430.68
	Stage 2	1,928.27	212.22	1,716.05	11.86	200.36
Subtotal		56,171.82	844.95	55,326.87	213.91	631.04
Non-Performing Assets (NPA)						
Substandard	**Stage 3**	2,259.13	438.60	1,820.53	240.60	198.00
Doubtful - up to 1 year	**Stage 3**	-	-	-	9.42	(9.42)
1 to 3 years	**Stage 3**	-	-	-	-	-
More than 3 years	**Stage 3**	-	-	-	-	-
Subtotal for doubtful		-	-	-	9.42	(9.42)
Loss	**Stage 3**	-	-	-	0.86	(0.86)
Subtotal for NPA		2,259.13	438.60	1,820.53	250.88	187.72
Other items such as guarantee, loan commitment, 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**	573.14	7.17	565.97	-	7.17
	Stage 2	1.15	0.26	0.89	-	0.26
	Stage 3	0.92	0.92	-	2.71	(1.79)
Subtotal						
TOTAL	**Stage 1**	54,816.69	639.90	54,176.79	202.05	437.85
	Stage 2	1,929.42	212.48	1,716.94	11.86	200.62
	Stage 3	2,260.05	439.52	1,820.53	253.59	185.93
	Total	59,006.16	1,291.90	57,714.26	467.50	824.40

The above table discloses the provisions amounts as per IRAC norms, while the Company has made a provision of non-performing assets of ₹994.14 crore as per Company's policy which is in excess of the IRAC norms.

(Currency : Indian Rupees in crore)

Additional Disclosure pursuant to Reserve Bank of India notification DNBR (PD) CC. No.029/03.10.001/ 2014-15 dated 10 April 2015

55 A Movement of Credit impaired loans under Ind-AS

S.N.	Particulars	31 March 2021	31 March 2020
(i)	Movement of Credit impaired loans under Ind-AS (Net) to Loans (Net) (%)	**3.22%**	3.24%
(ii)	Movement of Credit impaired loans under Ind-AS (Gross)		
	a) Opening balance	**2,259.13**	1,000.38
	b) Additions during the year	**3,764.85**	3,229.27
	c) Reductions during the year	**3,263.12**	1,970.52
	d) Closing balance	**2,760.86**	2,259.13
(iii)	Movement of Credit impaired loans under Ind-AS (Net)		
	a) Opening balance	**1,820.53**	678.70
	b) Additions during the year	**2,866.15**	2,659.30
	c) Reductions during the year	**2,800.56**	1,517.47
	d) Closing balance	**1,886.12**	1,820.53
(iv)	Movement of impairment loss allowance on credit impaired loans		
	a) Opening balance	**438.60**	321.68
	b) Impairment loss allowance made during the year	**898.70**	569.97
	c) Write-off / write-back of excess allowance	**462.56**	453.05
	d) Closing balance	**874.74**	438.60

55B Movement of impairment loss allowance for low credit risk loans and significant increase in credit risk loans

S.N.	Particulars	31 March 2021	31 March 2020
(i)	Movement of impairment allowance for low credit risk loans and significant increase in credit risk loans		
	a) Opening balance	**846.46**	506.55
	b) Additions during the year	**1,372.83**	696.61
	c) Reductions during the year	**370.47**	356.70
	d) Closing balance	**1,848.82**	846.46

56 Concentration of Loan, Exposures & Credit impaired loan

a) Concentration of Loan

Particulars	31 March 2021	31 March 2020
Total Advances to Twenty Largest Borrowers	**184.69**	209.66
Percentage of advances to twenty largest borrowers to Total Advances	**0.30%**	0.36%

b) Concentration of Exposures

Particulars	31 March 2021	31 March 2020
Total Exposure to Twenty Largest Borrowers	**184.69**	209.66
Percentage of exposures to twenty largest borrowers to Total Exposures	**0.30%**	0.36%

c) Concentration of credit impaired loans

Particulars	31 March 2021	31 March 2020
Total Exposure to Top four credit impaired accounts	**26.24**	31.07

(Currency : Indian Rupees in crore)

d) Sector-wise distribution of credit impaired loans

Sr. No.	Sector	Percentage of Impairment loss allowance to Total credit impaired loans in that sector	
		31 March 2021	31 March 2020
1	Agriculture & allied activities	**5.41%**	4.42%
2	Corporate borrowers	**4.96%**	12.43%
3	Services	**2.95%**	2.82%
4	Unsecured personal loans	**3.34%**	1.42%
5	Auto loans	**4.89%**	4.68%
6	Other personal loans	**-**	-
7	Others	**6.65%**	5.94%

Note: MSME category is included in the above categories

57 Details of credit impaired financial assets purchased/sold

The Company has not purchased any credit impaired financial assets during the financial year 2020-21. However, the Company has transferred certain credit impaired assets to Asset Reconstruction Company in terms of guidelines issued by RBI circular no. DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015 (Refer Note 50C). Further, the Company has not sold any credit impaired financial asset to institutions other than to Securitization / Reconstruction Company (SC / RC).

58 Customer Complaints

S.N.	Particulars	31 March 2021	31 March 2020
a)	No. of Complaints pending at the beginning of the year	**130**	293
b)	No. of Complaints received during the year	**12,925**	10,028
c)	No. of Complaints redressed during the year	**12,664**	10,191
d)	No. of Complaints pending at the end of the year	**391**	130

Note :- Complaints include any expression of dissatisfaction from a customer or any identified service deficiency

59 Investments

S.N.	Particulars	31 March 2021	31 March 2020
1	Value of Investments*		
i)	Gross value of Investments	**1,584.13**	1,742.14
ii)	Unrealised fair value movement	**8.78**	3.63
iii)	Fair value of Investments	**1,592.90**	1,745.76
	** Please note that all investments are held in India*		
2	Movement of unrealised fair value movement on investments		
i)	Opening Balance	**3.63**	0.33
ii)	Add : increase in unrealised fair value during the year	**5.15**	3.30
iii)	Less : decrease in unrealised fair value during the year	**-**	-
iv)	Closing Balance	**8.78**	3.63

(Currency : Indian Rupees in crore)

60 Derivatives

a) Forward Rate Agreement (FRA) / Interest Rate Swap (IRS)

S.N.	Particulars	31 March 2021	31 March 2020
i)	The notional principal of swap agreements	**3,874.83**	2,269.50
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreement	**-**	118.53
iii)	Collateral required by the Company upon entering into swaps	**-**	-
iv)	Concentration of credit risk arising from the swaps	**4.19%**	1.49%
v)	The fair value of the swap book (Asset / (Liability))	**1.00**	1.00

b) Exchange Traded Interest Rate (IR) Derivatives

The Company has not entered into any exchange traded derivative.

c) Disclosures on Risk Exposure in Derivatives

Qualitative Disclosures

i) The Company undertakes the derivatives transaction to prudently hedge the risk in context of a particular borrowing or to diversify sources of borrowing and to maintain fixed and floating borrowing mix. The Company does not indulge into any derivative trading transactions. The Company reviews, the proposed transaction and outline any considerations associated with the transaction, including identification of the benefits and potential risks (worst case scenarios); an independent analysis of potential savings from the proposed transaction. The Company evaluates all the risks inherent in the transaction viz., counter party risk, Market Risk, Operational Risk, basis risk etc.

ii) Credit risk is controlled by restricting the counterparties that the Company deals with, to those who either have banking relationship with the Company or are internationally renowned or can provide sufficient information. Market/Price risk arising from the fluctuations of interest rates and foreign exchange rates or from other factors shall be closely monitored and controlled. Normally transaction entered for hedging, will run over the life of the underlying instrument, irrespective of profit or loss. Liquidity risk is controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.

iii) The respective functions of trading, confirmation and settlement should be performed by different personnel. The front office and back-office role is well defined and segregated. All the derivatives transactions are quarterly monitored and reviewed. All the derivative transactions have to be reported to the board of directors on every quarterly board meetings including their financial positions.

Quantitative Disclosures

d) Foreign currency non-repatriate loans availed

S.N.	Particulars	31 March 2021		31 March 2020	
		Currency Derivatives*	Interest Rate Derivatives	Currency Derivatives*	Interest Rate Derivatives
i)	Derivatives (Notional Principal Amount)				
	- For hedging	**3,874.83**	**-**	2,269.50	-
ii)	Marked to Market Positions				
	(a) Asset [+] Estimated gain	**-**	**-**	81.32	-
	(b) Liability [-] Estimated loss	**-**	**-**	-	-
iii)	Credit exposure	**3,874.83**	**-**	2,269.50	-
iv)	Unhedged exposures	**-**	**-**	-	-

* Cross currency interest rate swap

(Currency : Indian Rupees in crore)

61 Exposure to Capital Market

Sr. No.	Particulars	31 March 2021	31 March 2020
i)	Direct Investment in equity shares, convertible bonds, convertible debentures and units of equity- oriented mutual funds the corpus of which is not exclusively invested in corporate debt	**2.30**	2.30
ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPO's / ESOP's), convertible bonds, convertible debentures and units of equity oriented mutual funds	**0.04**	0.01
iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security ;	**-**	1.36
iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds ' does not fully cover the advances ;	**-**	-
v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers ;	**-**	-
vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources ;	**-**	-
vii)	Bridge loans to companies against expected equity flows / issues ;	**-**	-
viii)	All exposures to Venture capital funds (both registered and unregistered)	**-**	-
	Total Exposure to Capital Market	**2.34**	3.67

62 Capital Adequacy Ratio

The Company's capital adequacy ratio, calculated in accordance with the Reserve Bank of India guidelines and disclosed using Ind-AS terminology, is as follows:

Particulars	31 March 2021	31 March 2020
CRAR%	**18.89%**	19.36%
CRAR - Tier I Capital %	**13.44%**	13.96%
CRAR - Tier II Capital %	**5.45%**	5.40%
Amount of Subordinated Debt raised as Tier-II capital	**3,500**	3,144
Amount Raised by the issue of Perpetual Debt Instruments	**500**	500

63 Exposure to Real Estate Sector

Categories	31 March 2021	31 March 2020
A. Direct Exposure		
i. Residential Mortgages -	**12,171.29**	12,390.73
(Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented		
ii. Commercial Real Estate -	**5,506.12**	5,741.33
(Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits)		

(Currency : Indian Rupees in crore)

Categories	31 March 2021	31 March 2020
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a) Residential,	**-**	-
b) Commercial Real Estate	**-**	-
B. Indirect Exposure		
(Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	**-**	-

64 **Maturity pattern of certain items of assets and liabilities**

Particulars	Deposits	Advances	Investments(*)	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
1 day to 30/31 days	**-**	**2,049.29**	**1,455.03**	**781.39**	**-**	**-**
	-	*237.28*	*1,744.81*	*598.57*	*-*	*-*
Over one month to 2 months	**-**	**1,583.03**	**-**	**1,650.10**	**-**	**-**
	-	*168.19*	*-*	*1,659.09*	*-*	*-*
Over 2 months upto 3 months	**2.59**	**1,708.44**	**-**	**1,761.29**	**-**	**-**
	25.00	*2,259.37*	*-*	*2,483.78*	*-*	*-*
Over 3 months to 6 months	**22.90**	**4,605.46**	**-**	**4,719.02**	**-**	**-**
	0.03	*4,713.86*	*-*	*5,556.97*	*-*	*-*
Over 6 months to 1 year	**195.01**	**8,554.29**	**-**	**6,571.91**	**-**	**-**
	179.19	*9,138.71*	*-*	*7,463.53*	*-*	*128.27*
Over 1 year to 3 years	**2.37**	**24,455.10**	**-**	**26,364.01**	**-**	**3,851.76**
	-	*25,375.76*	*-*	*24,613.08*	*-*	*2,141.23*
Over 3 years to 5 years	**-**	**7,787.17**	**136.42**	**1,401.65**	**-**	**-**
	-	*6,913.14*	*-*	*2,554.29*	*-*	*-*
Over 5 years	**-**	**7,858.66**	**1.45**	**3,257.62**	**-**	**-**
	-	*9,624.62*	*0.95*	*2,605.27*	*-*	*-*
Total	**222.87**	**58,601.44**	**1,592.90**	**46,506.99**	**-**	**3,851.76**
	204.22	*58,430.93*	*1,745.76*	*47,534.58*	*-*	*2,269.50*

* Long-Term Investment in Clayfin Technologies Private Limited (Erstwhile Vayana Private Limited) are shown in "over 5 year"

Previous year figures are presented in *italics*.

65 Disclosure pursuant to Reserve Bank of India Circular DOR.No.BP.BC/3/21.04.048/2020-21 dated 6 August 2020 pertaining to Resolution Framework for COVID-19-related Stress

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	43,854	2,405.03	-	191.39	609.85
Corporate persons*	419	250.96	-	16.47	36.72
Of which, MSMEs	403	178.03	-	12.20	27.14
Others	18,932	2,664.85	-	273.84	310.35
Total	**63,205**	**5,320.84**	**-**	**481.70**	**956.92**

The Company, being NBFC, has complied with Ind-AS and its Expected Credit Loss policy duly approved by the Board for the purpose of provision on such restructured accounts. Column E denotes total provision held on such accounts as at 31 March 2021.

(Currency : Indian Rupees in crore)

Disclosure on restructuring pursuant to Reserve Bank of India notification DNBS.CO. PD. No. 367/03.10.01/2013-14 dated 23rd January 2014

Sl No	Type of Restructuring		Under CDR Mechanism			Under SME Debt Restructuring Mechanism			MSME			Others			Total		
	Asset Classification Details		Low credit risk & Significant increase in credit risk	Credit-Impaired	Total	Low credit risk & Significant increase in credit risk	Credit-Impaired	Total	Low credit risk & Significant increase in credit risk	Credit-Impaired	Total	Low credit risk & Significant increase in credit risk	Credit-Impaired	Total	Low credit risk & Significant increase in credit risk	Credit-Impaired	Total
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
		Amount outstanding	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
		Provision thereon	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
2	Fresh restructuring during the year	No. of borrowers	- -	- -	- -	- -	- -	- -	54,601.00 -	2,254.00 -	56,855.00 -	3,638.00 -	2,712.00 -	6,350.00 -	58,239.00 -	4,966.00 -	63,205.00 -
		Amount outstanding	- -	- -	- -	- -	- -	- -	4,710.18 -	268.39 -	4,978.57 -	178.90 -	163.37 -	342.27 -	4,889.08 -	431.76 -	5,320.84 -
		Provision thereon	- -	- -	- -	- -	- -	- -	868.67 -	94.19 -	962.86 -	7.55 -	64.45 -	72.00 -	876.22 -	158.64 -	1,034.86 -
3	Upgradations to restructured Low credit risk & Significant increase in credit risk during the FY	No. of borrowers	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
		Amount outstanding	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
		Provision thereon	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
4	Restructured Low credit risk & Significant increase in credit risk loan which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructures Low credit risk & Significant increase in credit risk loan at the beginning of the next FY	No. of borrowers	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
		Amount outstanding	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
		Provision thereon	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
5	Downgradations of restructures accounts during the FY	No. of borrowers	- -	- -	- -	- -	- -	- -	1,832.00 -	2,089.00 -	3,921.00 -	147.00 -	138.00 -	285.00 -	1,979.00 -	2,227.00 -	4,206.00 -
		Amount outstanding	- -	- -	- -	- -	- -	- -	170.11 -	246.94 -	417.05 -	6.32 -	18.47 -	24.79 -	176.43 -	265.41 -	441.84 -
		Provision thereon	- -	- -	- -	- -	- -	- -	17.01 -	87.60 -	104.61 -	0.63 -	5.52 -	6.15 -	17.64 -	93.12 -	110.76 -
6	Write-offs of restructured accounts during the FY	No. of borrowers	- -	- -	- -	- -	- -	- -	- -	2.00 -	2.00 -	- -	- -	- -	- -	2.00 -	2.00 -
		Amount outstanding	- -	- -	- -	- -	- -	- -	- -	0.04 -	0.04 -	- -	- -	- -	- -	0.04 -	0.04 -
		Provision thereon	- -	- -	- -	- -	- -	- -	- -	0.04 -	0.04 -	- -	- -	- -	- -	0.04 -	0.04 -
7	Closed of restructured account during the year	No. of borrowers	- -	- -	- -	- -	- -	- -	273.00 -	163.00 -	436.00 -	38.00 -	11.00 -	49.00 -	311.00 -	174.00 -	485.00 -
		Amount outstanding	- -	- -	- -	- -	- -	- -	24.09 -	21.41 -	45.50 -	1.36 -	0.44 -	1.80 -	25.45 -	21.85 -	47.30 -
		Provision thereon	- -	- -	- -	- -	- -	- -	0.96 -	6.55 -	7.51 -	0.05 -	0.18 -	0.23 -	1.01 -	6.73 -	7.74 -
8	Collection	No. of borrowers	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
		Amount collection	- -	- -	- -	- -	- -	- -	1,125.64 -	- -	1,125.64 -	32.46 -	23.60 -	56.06 -	1,158.10 -	23.60 -	1,181.70 -
		Provision thereon	- -	- -	- -	- -	- -	- -	(19.76) -	- -	(19.76) -	(28.12) -	7.28 -	(20.84) -	(47.88) -	7.28 -	(40.60) -
9	Restructured Accounts as on March 31 of the FY (closing figures)*	No. of borrowers	- -	- -	- -	- -	- -	- -	52,496.00 -	- -	52,496.00 -	3,453.00 -	2,563.00 -	6,016.00 -	55,949.00 -	2,563.00 -	58,512.00 -
		Amount outstanding	- -	- -	- -	- -	- -	- -	3,390.34 -	- -	3,390.34 -	138.76 -	120.86 -	259.62 -	3,529.10 -	120.86 -	3,649.96 -
		Provision thereon	- -	- -	- -	- -	- -	- -	870.46 -	- -	870.46 -	34.99 -	51.47 -	86.46 -	905.45 -	51.47 -	956.92 -

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)
Previous year figures are presented in italics.

HDB FINANCIAL SERVICES

(Currency : Indian Rupees in crore)

67 Disclosure on Liquidity Risk Management Framework pursuant to Reserve Bank of India Circular DOR.NBFC (PD) CC. No. 102/03.10.001/2019-20 dated 4 November 2019

Quantitative Disclosure on Liquidity Coverage Ratio (LCR) for year ended 31 March 2021 is given below:

	Particulars	Quarter Ended 31 March 2021		Quarter Ended 31 December 2020		Quarter Ended 30 September 2020		Quarter Ended 30 June 2020	
		Total Unweighted Value (average)*	Total Weighted value (average)*	Total Unweighted Value (average)*	Total Weighted value (average)*	Total Unweighted Value (average)*	Total Weighted value (average)*	Total Unweighted Value (average)*	Total Weighted value (average)*
High Quality Liquid Assets									
1	**Total High Quality Liquid Assets (HQLA)**	**1,415.06**	**1,415.06**	**809.48**	**809.48**	**1,053.61**	**1,053.61**	**1,228.98**	**1,228.98**
	Cash & Bank Balances	543.76	543.76	175.64	175.64	152.98	152.98	242.98	242.98
	Investment in T-Bills	871.30	871.30	633.84	633.84	900.63	900.63	986.00	986.00
Cash Outflows									
2	Deposits(for deposit taking companies)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3	Unsecured wholesale funding	-	-	-	-	-	-	405.00	465.75
4	Secured wholesale funding	1,143.25	1,314.73	1,360.70	1,564.80	1,509.75	1,736.21	1,682.36	1,934.71
5	Additional requirements, of which								
(i)	Outflows related to derivative exposures and other collateral requirements**	500.00	575.00	891.67	1,025.42	2,375.00	2,731.25	3,710.00	4,266.50
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	672.64	773.54	524.68	603.38	549.21	631.60	384.13	441.75
7	Other contingent funding obligations	15.94	18.33	14.21	16.34	8.19	9.41	0.78	0.90
8	**Total Cash Outflows**	**2,331.83**	**2,681.60**	**2,791.25**	**3,209.93**	**4,442.15**	**5,108.47**	**6,182.28**	**7,109.62**
Cash Inflows									
9	Secured Lending	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	1,989.25	1,491.94	1,892.59	1,419.45	1,956.19	1,467.15	1,426.42	1,069.81
11	Other cash inflows	360.09	270.06	1,498.29	1,123.71	568.43	426.32	1,412.77	1,059.58
12	**TOTAL CASH INFLOWS**	**2,349.34**	**1,762.00**	**3,390.88**	**2,543.16**	**2,524.62**	**1,893.47**	**2,839.19**	**2,129.39**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13	TOTAL HQLA		1,415.06		809.48		1,053.61		1,228.98
14	TOTAL NET CASH OUTFLOWS		919.59		802.48		3,215.01		4,980.23
15	**LIQUIDITY COVERAGE RATIO (%)**		**153.88%**		**100.87%**		**32.77%**		**24.68%**

* *The average weighted and unweighted amounts are calculated taking simple averages of monthly observations for the respective quarters*

** Consist of outflows related to collateral requirements where downgrade triggers upto and including 3 notches downgrade

(Currency : Indian Rupees in crore)

Qualitative Disclosure on LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard to measure the Company's liquidity position. Reserve Bank introduced the liquidity coverage ratio (LCR) requirement for all deposit-taking NBFCs and non-deposit taking NBFCs with an asset size of ₹ 5,000 crore and above. LCR seeks to ensure that the Company has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs under a 30-day calendar liquidity stress scenario. LCR is calculated by dividing the stock of HQLA's by its total net cash outflow over a 30 day calendar period.

The Company has adopted the liquidity risk framework as required under RBI regulation. It ensures a sound and robust liquidity risk management system by maintaining sufficient liquidity through inclusion of a cushion of unencumbered, high quality liquid asset to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources. The Board of Directors have delegated responsibility of balance sheet Liquidity Risk Management to the Asset Liability Committee.

The LCR is calculated by dividing a Company's stock of HQLA by it's total net cash outflows over a 30 -day stress period. The guidelines for LCR were effective from 1 December 2020 with the minimum LCR to be 50% which would rise in equal annual steps to reach 100%, on 1 December 2024. The present requirement, as on 31 March 2021 is 50%. In order to determine High quality Liquid Assets, Company considers Cash and Bank Balances, Investment in Government Securities without any haircut. In order to determine net cash outflows, Company considers total expected cash outflow minus total expected cash inflows for the subsequent 30 calendar days. As per regulations, stressed cash flows is computed by assigning a predefined stress percentage to the overall cash inflows and cash outflows. Net cash outflow over next 30 days is computed as stressed outflows less minimum of stressed inflows, 75% of stressed outflow. Accordingly LCR would be computed by dividing Company's stock of HQLA by it's total net cash outflow.

Cash outflow under secured wholesale funding includes contractual obligations under Term loans, NCDs, Interest payable within 30 days. Outflow under other collateral requirement, the Company considers the loans which are callable under rating downgrade trigger up to and including 3- notch downgrade. Outflow under other contractual funding obligations primarily includes outflow on account of overdrawn balances with Banks and sundry payables. In order to determine Inflows from fully performing exposures, Company considers the collection from performing advances in next 30 days. Other Cash inflows includes investments in mutual funds, CPs which are maturing within 30 days. The Average LCR for the quarter ended March 31, 2021 was 153.88% as against 100.87% for the quarter ended 31 December 2020 which is well above present prescribed minimum requirement of 50%. The average HQLA for the quarter ended 31 March 2021 was 1,415.06 crore as against 809.48 crore for the quarter ended 31 December 2020. During the same period the composition of Government securities in the HQLA was 62% for the quarter ended 31 March 2021 as against 78% for the quarter ended 31 December 2020.

Public Disclosure on LCR

Fund Concentration based on Significant counter parties

Sr.No	No of Significant counter Parties	Amount	% of Total Liabilities
1	13	28,486.91	52.56%

Note : The above is arrived including Securitization exposure to Banks

Top Ten Borrowings as a % of Total Borrowings

Sr.No	Particulars	Amount	% of Total Borrowing
1	Top 10	25,306.74	50.26%

(Currency : Indian Rupees in crore)

Fund Concentration Based on Significant Instrument /Products

Sr.No	No of Instruments	Amount	% of Total Liabilities
1	Non Convertible Debentures & Market Linked Debentures	23,356.20	43.10%
2	Term Loans from Banks	15,614.53	28.81%
3	Subordinate Debts & Perpetual Debts	4,000.00	7.38%
4	External Commercial Borrowings	4,849.67	8.95%
5	Securitization Borrowings	2,133.60	3.94%
6	Commercial Paper	400.00	0.74%

Stock Ratios

Sr.No	Stock Ratios	Ratio
1	Commercial Paper as a % of Total Public Funds	0.79%
2	Commercial Paper as a % of Total Liabilities*	0.74%
3	Commercial Paper as a % of Total Assets	0.64%
4	Non Convertible Debentures with (original maturity less than 1 year) as a % of Total Liabilities	N.A
5	Non Convertible Debentures with (original maturity less than 1 year) as a % of Total Assets	N.A
6	Other Short Term Liabilities** as % of Total Public Funds	36.40%
7	Other Short Term Liabilities as % of Total Liabilities	33.82%
8	Other Short Term Liabilities as a % of Total Assets	29.26%

* Total liabilities refer to Total Outside Liabilities i.e. Balance Sheet Total excluding Share Capital and Reserves

** Other short term liabilities include all contractual obligation payable within a period of 1 year excluding commercial paper

Institutional set-up for liquidity risk management

The Company monitors its inflows and outflows in various buckets and ensures that there are no major mismatches in assets and liabilities in various buckets. The ALM is tabled and evaluated in the ALCO on a monthly basis. The Company ensures that there is adequate liquidity cushion available in the form of investments in G-Secs / T-Bills / Mutual Funds etc. and unavailed Bank lines. The Company issues various instruments including Term Loans, Line of Credits, Non-Convertible Debentures, External Commercial Borrowings and other market instruments. The Company has a diversified mix of investors which includes Banks, Mutual Funds, Insurance firms, FIIs, Corporates, PFs etc.

68 Provisions and Contingencies

Particulars	31 March 2021	31 March 2020
Category wise breakup of Provisions & Contingencies shown in Statement of Profit and Loss		
Provisions for depreciation on investment	**(0.50)**	-
Provision towards non-performing assets*	**436.14**	116.91
Provision made towards income tax	**419.09**	471.78
Provision for gratuity	**15.78**	42.81
Provisions for trade receivables	**(2.26)**	(0.01)
Provision for standard assets#	**1,002.34**	339.92

* Represents impairment loss allowance on stage 3 loans.

Represents impairment loss allowance on stage 1 and stage 2 loans.

(Currency : Indian Rupees in crore)

69 Schedule to the Balance Sheet of a non deposit taking Non-Banking Financial Company (as required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

S.N.	Particulars	31 March 2021	31 March 2020
	Liabilities side:		
1	Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:		
	(a) Debentures		
	- Secured	**23,410.94**	22,678.30
	- Unsecured	**3,987.61**	3,810.33
	(other than falling within the meaning of public deposits)		
	(b) Deferred Credits	**-**	-
	(c) Term Loans	**15,614.53**	21,102.27
	(d) Inter-corporate loans and borrowing	**-**	-
	(e) Commercial Paper	**391.13**	-
	(f) Other Loans	**6,954.54**	4,035.19
	(Represents Working Capital Demand Loans and Cash Credit from Banks)		
	Assets side:		
2	Break-up of Loans and Advances including Bills Receivables [other than those included in (4) below]:		
	(a) Secured	**46,894.73**	20,477.35
	(b) Unsecured	**14,430.27**	13,736.45
3	Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities		
	(i) Lease Assets including Lease Rentals sundry debtor:		
	a) Financial Lease	**-**	-
	b) Operating Lease	**-**	-
	(ii) Stock on Hire including Hire Charges under Sundry Debtors:		
	a) Assets on Hire	**-**	-
	b) Repossessed Assets	**-**	-
	(iii) Other Loans counting towards AFC Activities		
	a) Loans where Assets have been Repossessed	**62.29**	180.08
	b) Loans other than (a) above	**-**	24,037.06
4	Break-up of Investments (net of provision for diminution in value):		
	Current Investments:		
	I. Quoted:		
	i. Shares		
	a) Equity	**-**	-
	b) Preference	**-**	-
	ii. Debentures and Bonds	**-**	-
	iii. Units of Mutual Funds	**572.21**	750.02
	iv. Government Securities	**882.82**	994.79
	v. Others (please specify)	**136.42**	-
	II. Unquoted:		
	i. Shares		
	a) Equity	**-**	0.95
	b) Preference	**-**	-
	ii. Debentures and Bonds	**-**	-
	iii. Units of Mutual Funds	**-**	-
	iv. Government Securities	**-**	-
	v. Others (please specify)	**-**	-

(Currency : Indian Rupees in crore)

S.N.	Particulars	31 March 2021	31 March 2020
	Long Term Investments:		
	I. Quoted:		
	i. Shares		
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)	-	-
	II. Unquoted:		
	i. Shares		
	a) Equity	**1.45**	-
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)	-	-
5	Borrower group-wise classification of assets financed as in (2) and (3) above: (Amount net of provisions)	-	-
	1. Related Parties		
	(a) Subsidiaries		
	i. Secured	-	-
	ii. Unsecured	-	-
	Total	-	-
	(b) Companies in the same Group		
	i. Secured	-	-
	ii. Unsecured	-	-
	Total	-	-
	(c) Other Related Parties		
	i. Secured	-	-
	ii. Unsecured	-	-
	Total	-	-
	2. Other than Related Parties		
	i. Secured	**46,894.73**	44,662.81
	ii. Unsecured	**14,430.27**	13,768.14
	Total	**61,325.00**	58,430.95
6	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)		
	1. Related Parties		
	(a) Subsidiaries		
	i. Market Value / Break up or fair value or NAV	-	-
	ii. Book Value (Net of Provisions)	-	-
	(b) Companies in the same Group		
	i. Market Value / Break up or fair value or NAV	-	-
	ii. Book Value (Net of Provisions)	-	-
	(c) Other Related Parties		
	i. Market Value / Break up or fair value or NAV	-	-
	ii. Book Value (Net of Provisions)	-	-
	2. Other than Related Parties		
	i. Market Value / Break up or fair value or NAV	-	-
	ii. Book Value (Net of Provisions)	**1,591.45**	1,745.76

(Currency : Indian Rupees in crore)

S.N.	Particulars	31 March 2021	31 March 2020
7	Other Information		
	(i) Gross credit impaired assets		
	a. Related party	**-**	-
	b. Other than related party	**2,760.86**	2,259.13
	(ii) Net credit impaired assets		
	(a) Related party	**-**	-
	(b) Other than related party	**1,886.11**	1,820.53
	(iii) Assets Acquired in Satisfaction of Debt	**-**	-

70 Penalties imposed by RBI and Other Regulators

No penalties have been imposed by RBI and Other Regulators during current year (Previous year - NIL).

71 Disclosure on frauds pursuant to RBI Master direction

The frauds detected and reported for the year amounted to ₹11.65 crore (Previous year ₹0.86 crore).

72 Details of Financing of Parent Company Products

There is no financing during the current year.

73 Details of Single Borrower Limits (SBL)/ Group Borrower Limits (GBL) exceeded

The Company has not exceeded the single borrower limits / group borrower limits as set as by Reserve Bank of India.

74 Advances against Intangible Securities

The Company has not given any loans against intangible securities.

75 Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

There are no overseas asset owned by the Company.

76 Draw Down from Reserves

The Company has made no drawdown from existing reserves.

77 Off-balance Sheet SPVs sponsored

The Company is now required to provide its financial statements under Ind AS, which requires all securitization related SPV's to be consolidated in the books of the originator (the Company). Accordingly, these SPV's stand consolidated and none of the SPV's sponsored are off-balance sheet.

78 Ratings

The Credit Analysis & Research Limited (CARE) and CRISIL Limited (CRISIL) have assigned ratings for the various facilities availed by the Company, details of which are given below:

Facility	31 March 2021		31 March 2020	
	CARE	CRISIL	CARE	CRISIL
Bank facilities	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Non-convertible debentures	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Short term debt program	A1+	A1+	A1+	A1+
Subordinated bond issue	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Perpetual bond issue	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Market Linked Debentures	PP-MLD AAA/ Stable	PP-MLD AAAr/ Stable	PP-MLD AAA/ Stable	PP-MLD AAAr/ Stable

(Currency : Indian Rupees in crore)

79 Registration under Other Regulators

The Company is not registered under any other regulator other than Reserve Bank of India, Insurance Regulatory & Development Authority of India (IRDAI) and Association of Mutual Funds in India (AMFI).

80 Disclosure pursuant to Reserve Bank of India Circular DOR.No.BP.BC.63/21.04.048/2020-21 dated 17 April 2020 pertaining to Asset Classification and Provisioning in terms of COVID19 Regulatory Package

S.N.	Particulars	31 March 2021	31 March 2020
i)	Respective amounts in SMA/overdue categories, where moratorium/deferment was extended	**2,302.14**	378.97
ii)	Respective amount where asset classification benefits is extended	**2,302.14**	378.97
iii)	General provision made*	**-**	-
iv)	General provision adjusted during the period against slippages and the residual provisions	**-**	-

*The Company, being NBFC, has complied with Ind-AS and guidelines duly approved by the Board for recognition of the impairments. Refer Note 81.

81 Provision for impact of COVID-19

The Company had recognised provision on loans for which moratorium was granted in accordance with the COVID-19 Regulatory Package announced by the Reserve Bank of India vide notifications dated 27 March 2020, 17 April 2020 and 23 May 2020. The provision amount is reviewed regularly and is adjusted against the ECL provision when these loans are classified as impaired.

82 Supreme Court Order dated 23 March 2021

The Honourable Supreme Court of India vide order dated 23 March 2021 has stated that interim relief granted vide an interim order dated 3 September 2020 stands vacated. Accordingly, the Company has classified and recognised provision as at 31 March 2021 in accordance with the Company's Expected Credit Loss policy.

RBI circular dated 7 April 2021 advised all lending institutions to immediately put in place a Board-approved policy to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. 1 March 2020 to 31 August 2020 in conformity with the above judgement. Further, the circular stated that in order to ensure that the Supreme Court judgement dated 23 March 2021 is implemented uniformly in letter and spirit by all lending institutions, methodology for calculation of the amount to be refunded/adjusted for different facilities shall be finalised by the Indian Banks Association (IBA) in consultation with other industry participants/bodies, which shall be adopted by all lending institutions and also advised all lending institutions to disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ended 31 March 2021. Pending clarification on the calculation methodology of the amount to be refunded/adjusted from IBA, the Company has made a provision in the financial statements as at 31 March 2021 based on proforma calculation.

The Government of India, Ministry of Finance, vide its notification dated 23 October 2020, had announced a scheme for COVID-19 Relief for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts. The Company had implemented the ex-gratia scheme and credited the accounts of or remitted amounts to the eligible borrowers as per the Scheme.

(Currency : Indian Rupees in crore)

83 Disclosure under clause 28 of the Listing Agreement for Debt Securities

Particulars	31 March 2021	31 March 2020
a) Loans and advances in the nature of loans to subsidiaries	-	-
b) Loans and advances in the nature of loans to associates	-	-
c) Loans and advances in the nature of loans where there is -	-	-
(i) no repayment schedule or repayment beyond seven years	-	-
(ii) no interest or interest below section 186 of Companies Act, 2013.	-	-
d) Loans and advances in the nature of loans to firms/companies in which directors are interested	-	-

84 Disclosure under clause 16 of the Listing Agreement for Debt Securities

The Debentures are secured by way of a first and pari passu mortgage in favour of the Security Trustee on the Company's Office no 319, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and further secured by way of hypothecation of receivables under financing activity with a minimum requirement of asset cover of 1.1 times.

85 Standards issued but not yet effective

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 are applicable from 1 April 2021.

86 Previous year figures have been regrouped/rearranged, where necessary.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firms' Registration No: 101248W/W-100022

Sd/-
Akeel Master
Partner
Membership No.: 046768

Mumbai
17 April 2021

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-
G Ramesh
Managing Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Haren Parekh
Chief Financial Officer

Sd/-
Dipti Khandelwal
Company Secretary

Independent Auditors' Report

To the members of HDB Financial Services Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated Financial Statements of HDB Financial Services Limited ("the Holding Company"), and its controlled structured entities (the Holding Company and its controlled structured entities together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 March 2021, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

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

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

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

Key Audit Matters

Description of Key Audit Matters:

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Impairment of Loans

Charge: INR 3071.52 crore for year ended 31 March 2021

Provision: INR 2723.56 crore at 31 March 2021</td></tr>
<tr><td colspan="2">Refer Note 2.2(G), Note 3(B), Note 8 and Note 44 to the Consolidated Financial Statements</td></tr>
<tr><td>Subjective estimate

Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using expected credit loss (ECL) estimation model. The estimation of ECL on financial instruments involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Holding Company's estimation of ECL are:

• Data inputs - The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model.

• Model estimations - Inherently judgmental models are used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD and the LGD are the key drivers of estimation complexity in the ECL and as a result are considered the most significant judgmental aspect of the Holding Company's modelling approach.

• Economic scenarios - Ind AS 109 requires the Holding Company to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the economic scenarios used and the probability weights applied to them especially when considering the current uncertain economic environment arising from COVID-19.</td><td>Our key audit procedures included:

Design / controls
We performed end to end process walkthroughs to identify the key systems, applications and controls used in the ECL process. We tested the relevant manual (including spreadsheet controls), general IT and application controls over key systems used in the ECL process.

Key aspects of our controls testing involved the following:

• Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs, data and assumptions into the Ind AS 109 impairment models.

• Testing the 'Governance Framework' controls over validation, implementation, and model monitoring in line with the RBI guidance.

• Testing the design and operating effectiveness of the key controls over the application of the staging criteria.

• Testing key controls relating to selection and implementation of material macro-economic variables and the controls over the scenario selection and application of probability weights.

• Testing management's controls on compliance with Ind AS 109 disclosures related to ECL.

• Testing key controls operating over restructuring process in relation to eligibility, approval and modification of terms.</td></tr>
</table>

Key Audit Matters *(Continued)*

Key audit matter	How the matter was addressed in our audit
Impairment of Loans	
• Restructuring - the Holding Company has restructured loans in the current year on account of COVID-19 related regulatory measures. This has resulted in increased management estimation over determination of provision for such restructured loans. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Consolidated Financial Statements as a whole, and possibly many times that amount. Disclosures The disclosures regarding the Holding Company's application of Ind AS 109 are key to explaining the key judgements and material inputs to the Ind AS 109 ECL results.	• Testing key controls operating over the information technology in relation to loan impairment management systems, including system access and system change management, program development and computer operations. Involvement of experts - we involved financial risk modelling experts for the following: • Evaluating the appropriateness of the Holding Company's Ind AS 109 impairment methodologies and reasonableness of assumptions used. • The reasonableness of the Holding Company's considerations of the impact of the current economic environment due to COVID-19 on the ECL determination. **Test of details** Key aspects of our testing included: • Sample testing over key inputs, data and assumptions impacting ECL calculations to assess the completeness, accuracy and relevance of data and reasonableness of economic forecasts, weights, and model assumptions applied. • Model calculations testing through re-performance, where possible. • Test of details over restructuring provision approach and computation by assessing the reasonableness of key inputs used, inspecting the calculations and re-performance of ECL provision computation. Assessing disclosures - Assessed whether the disclosures on key judgements, assumptions and quantitative data with respect to impairment of loans (including restructuring related disclosures) in the Consolidated Financial Statements are appropriate and sufficient.

Key Audit Matters *(Continued)*

Key audit matter	How the matter was addressed in our audit
Information technology	
IT systems and controls The Holding Company's key financial accounting and reporting processes are highly dependent on the automated controls in information systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Holding Company primarily uses three systems for it overall financial reporting. We have focused on user access management, change management, segregation of duties, system reconciliation controls and system application controls over key financial accounting and reporting systems.	Our audit procedures to assess the IT system access management included the following: **General IT controls / user access management controls** • We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations. • We tested the design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties. • For a selected group of key controls over financial and reporting system, we independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process. • Evaluating the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission. • Other areas that were assessed included password policies, system configurations, system interface controls, controls over changes to applications and databases and that business users, developers and production support did not have access to change applications, the operating system or databases in the production environment.

Other Information

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information to be included in the Holding Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon. The other information is expected to be made available to us after the date of this auditor's report.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Holding Company's management and Board of Directors are responsible for the preparation and presentation of these Consolidated Financial Statements in terms of the requirement of the Act that give a true and fair view of the

Management's and Board of Directors' Responsibility for the Consolidated Financial Statements *(Continued)*

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

In preparing the Consolidated Financial Statements, the management of the controlled structured entities included within the Group are responsible for assessing the ability of each entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

The management of the controlled structured entities included in the Group is responsible for overseeing the financial reporting process of each entity.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Financial Statements.

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

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on the internal financial controls with reference to the Consolidated Financial Statements and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and the Board of Directors.
- Conclude on the appropriateness of management's and Board of Directors use of the going concern basis of accounting in preparation of Consolidated Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described the section titled 'Other Matters' in this audit report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We believe that the audit evidence obtained by us referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the Consolidated Financial Statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other Matters

The financial information of 8 controlled structured entities, whose financial information reflect total assets of Rs.Nil as at 31 March 2021, total revenues of Rs.Nil and net cash flows amounting to Rs.Nil for the year ended on that date, as considered in the Consolidated Financial Statements, have not been audited either by us or by other auditors. These unaudited financial information have been furnished to us by the management and our opinion on the Consolidated Financial Statements is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the management, these financial information are not material to the Group.

Our opinion on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the financial information certified by the management.

Report on Other Legal and Regulatory Requirements

(A) As required by Section 143(3) of the Act, based on our audit and as noted in the 'Other Matters' paragraph, 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 Financial Statements.

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books.

c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the Consolidated Financial Statements.

d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Ind AS specified under section 133 of the Act.

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

f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

Report on other legal and Regulatory Requirements (Continued)

(B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and as noted in the 'Other Matters' paragraph:

i. The Consolidated Financial Statements disclose the impact of pending litigations as at 31 March 2021 on its consolidated financial position of the Group - Refer Note 38.2 to the Consolidated Financial Statements;

ii. Provision has been made in the Consolidated Financial Statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 38.3 to the Consolidated Financial Statements;

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

(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

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

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

Sd/-

Akeel Master
Partner
Membership No: 046768
UDIN: 21046768AAAABM8254

Mumbai
17 April 2021

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

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

Opinion

In conjunction with our audit of the Consolidated Financial Statements of HDB Financial Services Limited as of and for the year ended 31 March 2021, we have audited the internal financial controls with reference to Consolidated Financial Statements of HDB Financial Services Limited (hereinafter referred to as "the Company") and it's controlled structured entities, as of that date.

In our opinion, the Company and its controlled structured entities, have, in all material respects, adequate internal financial controls with reference to Consolidated Financial Statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to Consolidated Financial Statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to Consolidated Financial Statements based on the criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to Consolidated Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to Consolidated Financial Statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Consolidated Financial Statements were established and maintained and 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 Consolidated Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to Consolidated Financial Statements included obtaining an understanding of internal financial controls with reference to Consolidated Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the 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 Consolidated Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and also refer to Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to Consolidated Financial Statements.

Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

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

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

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to Consolidated Financial Statements insofar as it relates to the Company, as Section 143(3)(i) of the Act is not applicable to controlled structured entities.

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

Sd/-

Akeel Master
Partner
Membership No: 046768
UDIN: 21046768AAAABM8254

Mumbai
17 April 2021

Consolidated Balance Sheet
as at 31 March 2021

(Currency : Indian Rupees in crore)

		Note	As at 31 March 2021	As at 31 March 2020
	ASSETS			
1	**Financial Assets**			
	(a) Cash and cash equivalents	4	**753.51**	355.95
	(b) Bank balances other than (a) above	5	**222.87**	207.23
	(c) Derivative financial instruments	6	**-**	81.32
	(d) Trade receivables	7	**117.32**	181.18
	(e) Loans	8	**58,601.44**	57,145.88
	(f) Investments	9	**1,592.90**	1,745.76
	(g) Other financial assets	10	**249.22**	118.08
			61,537.26	59,835.40
2	**Non-financial Assets**			
	(a) Current tax assets (Net)	11	**56.91**	77.42
	(b) Deferred tax assets (Net)	12	**729.99**	415.62
	(c) Property, plant and equipment		**91.52**	124.48
	(d) Capital work-in-progress	13	**-**	0.06
	(e) Other intangible assets		**7.98**	9.07
	(f) Right of Use Assets	14	**217.40**	252.41
			1,103.80	879.06
	TOTAL ASSETS		**62,641.06**	60,714.46
	LIABILITIES AND EQUITY			
	Liabilities			
3	**Financial Liabilities**			
	(a) Derivative financial instruments	6	**42.72**	-
	(b) Trade payables	15		
	(i) Total outstanding dues of micro enterprises and small enterprises		**0.01**	-
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		**334.25**	149.99
	(c) Debt securities	16	**23,802.07**	22,593.38
	(d) Borrowings (other than debt securities)	17	**22,569.07**	23,580.16
	(e) Subordinated liabilities	18	**3,987.61**	3,630.55
	(f) Other financial liabilities	19	**2,844.93**	2,254.38
			53,580.66	52,208.46
4	**Non-Financial Liabilities**			
	(a) Current tax liabilities (net)	20	**173.05**	74.60
	(b) Provisions	21	**319.85**	286.86
	(c) Other non-financial liabilities	22	**121.26**	126.74
			614.16	488.20
5	**Equity**			
	(a) Equity share capital	23	**789.19**	787.58
	(b) Other equity	24	**7,657.05**	7,230.22
			8,446.24	8,017.80
	TOTAL LIABILITIES AND EQUITY		**62,641.06**	60,714.46
	Significant accounting policies and notes to the Consolidated Financial Statements.	2-55		

The notes referred to above form an integral part of the Consolidated Financial Statements.
As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firms' Registration No: 101248W/W-100022

Sd/-
Akeel Master
Partner
Membership No. 046768

Mumbai
17 April 2021

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-
G Ramesh
Managing Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Haren Parekh
Chief Financial Officer

Sd/-
Dipti Khandelwal
Company Secretary

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

(Currency : Indian Rupees in crore)

		Note	**For the year ended 31 March 2021**	For the year ended 31 March 2020
1	**Revenue from operations**			
	(a) Interest income	25	**8,487.88**	8,233.47
	(b) Sale of services		**2,020.43**	2,113.23
	(c) Other financial charges		**405.05**	408.32
	(d) Net gain on fair value changes	26	**40.04**	18.78
	(e) Net gain / (loss) on derecognition of financial instruments under amortised cost category		**(8.62)**	(17.33)
	Total Revenue from operations		**10,944.78**	10,756.47
2	**Expenses**			
	(a) Finance Costs	27	**3,882.93**	4,081.42
	(b) Impairment on financial instruments	28	**3,068.77**	1,441.57
	(c) Employee Benefits Expenses	29	**2,955.59**	3,195.57
	(d) Depreciation, amortization and impairment	13,14	**107.79**	109.66
	(e) Others expenses	30	**428.99**	463.77
	Total Expenses		**10,444.07**	9,291.99
3	**Profit before tax**		**500.71**	1,464.48
4	**Tax Expense:**	11,12		
	(a) Current tax		**419.09**	471.78
	(b) Deferred tax (credit)		**(309.85)**	(12.15)
	(c) Income tax for earlier year		**-**	-
	Total Tax expense		**109.24**	459.63
5	**Profit for the year**		**391.47**	1,004.85
6	**Other Comprehensive Income**			
	(a) Items that will not be reclassified to profit or loss			
	- Remeasurement gain/(loss) on defined benefit plan		**(20.97)**	(26.59)
	- Income tax relating to items that will not be reclassified to profit or loss		**5.28**	6.69
	Sub total (a)		**(15.69)**	(19.90)
	(b) Items that will be reclassified to profit or loss			
	- Movement in cash flow hedge reserve		**2.99**	(46.95)
	- Income tax relating to items that will be reclassified to profit or loss		**(0.75)**	11.82
	Sub total (b)		**2.24**	(35.13)
	Other Comprehensive Income		**(13.45)**	(55.03)
7	**Total Comprehensive Income for the year**		**378.02**	949.82
8	**Earnings per equity share (for continuing operations)**	31		
	Basic (₹)		**4.97**	12.78
	Diluted (₹)		**4.97**	12.77
	Significant accounting policies and notes to the Consolidated Financial Statements.	2-55		

The notes referred to above form an integral part of the Consolidated Financial Statements.
As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firms' Registration No: 101248W/W-100022

Sd/-
Akeel Master

Partner
Membership No. 046768

Mumbai
17 April 2021

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-
G Ramesh
Managing Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Haren Parekh
Chief Financial Officer

Sd/-
Dipti Khandelwal
Company Secretary

Consolidated Cash Flow Statement
for the year ended 31 March 2021
(Currency : Indian Rupees in crore)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
A	**Cash flow from operating activities**		
	Profit/(loss) before tax	**500.71**	1,464.48
	Adjustments for		
	(Profit)/loss on sale of asset	**1.91**	(0.19)
	Interest Expenses	**3,857.22**	3,796.73
	Interest Income	**(8,487.88)**	(8,233.47)
	Realised net (gain)/ loss on FVTPL investments	**(79.75)**	(43.85)
	Unrealised (gain)/loss on FVTPL investments	**(5.15)**	(1.95)
	Discount on commercial paper	**25.71**	284.69
	Impairment on financial instruments	**3,065.52**	1,441.57
	Provision for compensated absence and gratuity	**15.78**	16.21
	Employee share based payment expenses	**13.55**	11.19
	Rent expenses reversal	**(61.78)**	(55.80)
	Depreciation, amortization and impairment	**107.79**	109.66
	Operating cash flow before working capital changes	**(1,046.37)**	(1,210.73)
	Adjustments for working capital changes:		
	(Increase)/decrease in trade receivables	**66.12**	(66.76)
	(Increase)/decrease in other financial assets and others	**(65.41)**	(207.27)
	(Increase)/decrease in Loans	**(4,482.17)**	(4,608.28)
	Increase/(decrease) in other financial and non financial liabilities & provisions	**7.85**	(1,768.36)
	Increase/(decrease) in trade payables	**184.27**	(244.92)
	Interest Paid	**(3,695.31)**	(3,296.85)
	Interest Received	**8,447.48**	8,134.29
	Cash generated from operations	**(583.54)**	(3,268.88)
	Direct taxes paid (net of refunds)	**180.00**	237.00
	Net cash flow generated from/(used in) operating activities (A)	**(403.54)**	(3,031.88)
B	**Cash flow from investing activities**		
	Purchase of fixed assets	**(24.64)**	(72.83)
	Proceeds from sale of fixed assets	**0.38**	0.54
	Purchase of investments	**(15,557.50)**	(16,678.65)
	Proceeds of investments	**15,713.15**	15,547.05
	Net cash generated from/(used in) investing activities (B)	**131.38**	(1,203.89)

Consolidated Cash Flow Statement
for the year ended 31 March 2021 (Continued)

(Currency : Indian Rupees in crore)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
C	**Cash flow from financing activities**		
	Proceeds from issue of shares and security premium	**36.87**	33.49
	Debt securities issued	**10,541.10**	9,426.00
	Debt securities repaid	**(9,378.90)**	(11,153.00)
	Borrowings other than debt securities issued	**9,309.34**	24,679.56
	Borrowings other than debt securities repaid	**(10,195.20)**	(19,302.05)
	Subordinated debt issued	**356.50**	743.50
	Dividend & Tax paid on dividend	**-**	(170.50)
	Net cash generated from/(used in) financing activities (C)	**669.71**	4,257.00
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**397.56**	21.23
	Add : Cash and cash equivalents as at the beginning of the year	**355.95**	334.72
	Cash and cash equivalents as at the end of the year*	**753.51**	355.95
	*Components of cash and cash equivalents		
	Balances with banks	**650.42**	347.71
	Demand drafts on hand	**12.88**	2.36
	Cash on hand	**29.62**	5.88
	Collateral with Banks for Derivative	**60.59**	-
		753.51	355.95
	Significant accounting policies and notes to the Consolidated Financial Statements.	Note 2 - 55	

The notes referred to above form an integral part of the Consolidated Financial Statements.

The above Consolidated statement of cash flow has been prepared under the indirect method set out in Ind AS 7 - Statement of Cash Flow.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firms' Registration No: 101248W/W-100022

Sd/-
Akeel Master

Partner
Membership No. 046768

Mumbai
17 April 2021

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-
G Ramesh
Managing Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Haren Parekh
Chief Financial Officer

Sd/-
Dipti Khandelwal
Company Secretary

Consolidated Statement of Changes in Equity
as at 31 March 2021

(Currency : Indian Rupees in crore)

Statement of Changes in Equity

A Equity Share Capital

Balance as at April 1, 2019	785.70
Changes in Equity Share Capital during the year	1.88
Balance as at March 31, 2020	787.58
Changes in Equity Share Capital during the year	1.61
Balance as at March 31, 2021	789.19

B Other Equity

	Reserves and Surplus					Other Comprehensive Income (OCI)	
	Securities Premium Account	Employee Stock Options Outstanding Account	Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations	Retained Earnings-Remeasurement of Post Employment Benefit Obligations	Cash Flow Hedges Reserve	Total
Balance as at April 1, 2020	**2,925.43**	**49.42**	**1,012.65**	**3,304.80**	**(26.96)**	**(35.13)**	**7,230.22**
Adjustment on initial application of IndAS 116	-	-	-	-	-	-	-
Profit for the year	-	-	-	**391.47**	-	-	**391.47**
Other Comprehensive Income	-	-	-	-	**(15.69)**	**2.24**	**(13.45)**
Total Comprehensive Income for the year	-	-	-	**391.47**	**(15.69)**	**2.24**	**378.01**
Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	-	-	**78.29**	**(78.29)**	-	-	-
Premium on issue of shares	**35.27**	-	-	-	-	-	**35.27**
Share based payment	-	**13.55**	-	-	-	-	**13.55**
Dividends	-	-	-	-	-	-	-
Dividend Distribution Tax	-	-	-	-	-	-	-
Balance As At March 31, 2021	**2,960.70**	**62.97**	**1,090.94**	**3,617.98**	**(42.65)**	**(32.89)**	**7,657.05**

Consolidated Statement of Changes in Equity
as at 31 March 2021 (Continued)

(Currency : Indian Rupees in crore)

B Other Equity (Contd.)

	Reserves and Surplus					Other Comprehensive Income (OCI)	
	Securities Premium Account	Employee Stock Options Outstanding Account	Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations	Retained Earnings-Remeasurement of Post Employment Benefit Obligations	Cash Flow Hedges Reserve	Total
Balance as at April 1, 2019	**2,893.82**	**38.23**	**811.68**	**2,656.10**	**(7.06)**	**-**	**6,392.78**
Adjustment on initial application of Ind AS 116	**-**	**-**	**-**	**15.33**	**-**	**-**	**15.33**
Profit for the year	**-**	**-**	**-**	**1,004.85**	**-**	**-**	**1,004.85**
Other Comprehensive Income	**-**	**-**	**-**	**-**	**(19.90)**	**(35.14)**	**(55.03)**
Total Comprehensive Income for the year	**-**	**-**	**-**	**1,020.18**	**(19.90)**	**(35.14)**	**965.15**
Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	**-**	**-**	**200.97**	**(200.97)**	**-**	**-**	**-**
Premium on issue of shares	**31.61**	**-**	**-**	**-**	**-**	**-**	**31.61**
Share based payment	**-**	**11.19**	**-**	**-**	**-**	**-**	**11.19**
Dividends	**-**	**-**	**-**	**(141.43)**	**-**	**-**	**(141.43)**
Dividend Distribution Tax	**-**	**-**	**-**	**(29.08)**	**-**	**-**	**(29.08)**
Balance As At March 31, 2020	**2,925.43**	**49.42**	**1,012.65**	**3,304.80**	**(26.96)**	**(35.13)**	**7,230.22**

As required by section 45-IC of the RBI Act 1934, the Company maintains a reserve fund and transfers there in a sum not less than twenty per cent of its net profit every year as disclosed in the statement of profit and loss and before any dividend is declared. The Company cannot appropriate any sum from the reserve fund except for the purpose specified by Reserve Bank of India from time to time. Till date date RBI has not specified any purpose for appropriation of Reserve fund maintained under section 45-IC of RBI Act,1984.

Significant accounting policies and notes to the Consolidated Financial Statements. Note 2 - 55

The notes referred to above form an integral part of the Consolidated Financial Statements.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firms' Registration No: 101248W/W-100022

Sd/-
Akeel Master

Partner
Membership No. 046768

Mumbai
17 April 2021

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-
G Ramesh
Managing Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Haren Parekh
Chief Financial Officer

Sd/-
Dipti Khandelwal
Company Secretary

1 Group overview

HDB Financial Services Limited ('the Company'), incorporated in Ahmedabad, India, is a Systemically Important Non Deposit taking Non-Banking Financial Company ('NBFC') as defined under section 45-IA of the Reserve Bank of India ('RBI') Act, 1934.

It provides lending services and business process outsourcing services. It also provides services related to the marketing and promotion of various financial products.

It's registered office is situated at Ahmedabad, India, while its corporate office is located in Mumbai, India. It is a subsidiary of HDFC Bank Limited.

2 Significant accounting policies

2.1 Statement of Compliance, Basis of Preparation and Presentation of Financial Statements

(A) Compliance with Ind AS

The financial statements comply in all material aspects with Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and other relevant provisions of the Act. Any directions issued by the RBI or other regulators are implemented as and when they become applicable. Further, it has complied with all the directions related to Implementation of Indian Accounting Standards prescribed for Non-Banking Financial Companies (NBFCs) in accordance with the RBI notification no. RBI/2019-20/170 DOR NBFC).CC.PD.No.109/22.10.106/ 2019-20 dated 13 March 2020.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use. These consolidated financial statements have been subjected to audit by the Statutory Auditors, have been reviewed by the Audit Committee and approved by the Board of Directors and authorized for issue on 17 April 2021.

(B) Presentation of financial statements

The Balance Sheet, the Statement of Changes in Equity and the Statement of Profit and Loss are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non-Banking Financial Companies ('NBFCs') that are required to comply with Ind AS. The Statement of Cash Flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled structured entities (collectively known as 'the Group') as at 31 March 2021. The Group consolidates an entity when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of the entity begins when the Group obtains control over the entity and ceases when the Group loses control of the entity.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the Group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of structured entities to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statement of the following controlled structured trusts (all incorporated in India) have been consolidated as per Ind-AS 110 - Consolidated Financial Statements.

Name of the entity	Proportion of Ownership Interest (%)*	
	31 March 2021	31 March 2021
Venus Trust March 2021	**1.10%**	-
Venus Trust September 2020	**0.84%**	-
Venus Trust March 2020	**1.46%**	1.46%
Venus Trust December 2019	**1.86%**	1.86%
Venus Trust June 2019	**4.40%**	4.40%
Venus Trust March 2019	**3.33%**	3.33%
Venus Trust November 2018 Series 2	**3.34%**	3.34%
Venus Trust November 2018 Series 1	**4.12%**	4.12%

* the Group's share of pass through certificates issued by the trust.

The above structured entities are the entities that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, but the relevant activities are directed by means of contractual agreements. The primary use of structured entities is to provide the Group access to liquidity through asset securitisations.

(C) Basis of preparation

The financial statements have been prepared under the historical cost convention on the accrual basis except for certain financial instruments and plan assets of defined benefit plans, which are measured at fair values at the end of each reporting period as explained in the accounting policies below. All amounts disclosed in the financial statements and notes have been rounded off to the nearest INR crores in compliance with Schedule III of the Act, unless otherwise stated.

(D) Functional and presentation currency

These financial statements are presented in Indian Rupees ('INR' or 'Rs.') which is also the Group's functional currency. All amounts are rounded-off to the nearest crores, unless otherwise indicated.

(E) Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities (including contingent liabilities) and disclosures as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period.

Actual results could differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and could change from period to period. Appropriate changes in estimates are recognised in the periods in which the Group becomes aware of the changes in circumstances surrounding the estimates. Any revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised and future periods. The estimates and judgements that have significant impact on the carrying amount of assets and liabilities at each balance sheet date are discussed at Note 3.

2.2 Financial Instruments

(A) Date of recognition

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(B) Initial measurement

Recognised financial instruments are initially measured at transaction price, which equates fair value.

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

(C) Classification and subsequent measurement

(i) Financial assets

Based on the business model, the contractual characteristics of the financial assets and specific elections where appropriate, the Group classifies and measures financial assets in the following categories:

- Amortised cost
- Fair value through other comprehensive income ('FVOCI')
- Fair value through profit and loss ('FVTPL')

(a) Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows ('Asset held to collect contractual cash flows'); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

After initial measurement and based on the assessment of the business model as asset held to collect contractual cash flows and SPPI, such financial assets are subsequently measured at amortised cost using effective interest rate ('EIR') method. Interest income and impairment expenses are recognised in statement of profit and loss. Interest income from these financial assets is included in finance income using the EIR method. Any gain and loss on derecognition is also recognised in statement of profit and loss.

The EIR method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group records loans at amortised cost.

(b) Financial assets at fair value through other comprehensive income

Financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the assets, ('Contractual cash flows of assets collected through hold and sell model') and contractual cash flows that are SPPI, are subsequently measured at FVOCI. Movements in the carrying amount of such financial assets are recognised in Other Comprehensive Income ('OCI'), except dividend income which is recognised in statement of profit and loss. Amounts recorded in OCI are not subsequently transferred to the statement of profit and loss. Equity instruments at FVOCI are not subject to an impairment assessment.

(c) Financial assets at fair value through profit and loss

Financial assets, which do not meet the criteria for categorization as at amortized cost or as FVOCI, are measured at FVTPL. Subsequent changes in fair value are recognised in statement of profit and loss.

The Group records investments in equity instruments, mutual funds and Treasury bills at FVTPL.

(ii) Financial liabilities and equity instrument

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

(a) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group is recognised at the proceeds received, net of directly attributable transaction costs.

(b) Financial liabilities

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in statement of profit and loss.

Any gain or loss on de-recognition of financial liabilities is also recognised in statement of profit and loss.

Undrawn loan commitments are not recorded in the balance sheet. However, these financial instruments are in the scope of expected credit loss ('ECL') calculation.

(D) Reclassification

Financial assets are not reclassified subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line or in the period the Group changes its business model for managing financial assets. Financial liabilities are not reclassified.

(E) Offsetting

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, the Group has a legally enforceable right to offset the recognised amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(F) Derecognition

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to receive cash flows from the financial asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset and the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not de-recognised and the proceeds received are recognised as a collateralised borrowing.

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 statement of profit and loss.

(ii) Financial liabilities

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

(G) Impairment of financial assets

The Group applies the expected credit loss ('ECL') model in accordance with Ind AS 109 for recognising impairment loss on financial assets. The ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial asset ('lifetime ECL'), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is calculated on a collective basis, considering the retail nature of the underlying portfolio of financial assets.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. When determining whether the risk of default on a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on a provision matrix which takes into account the Group's historical credit loss experience, current economic conditions, forward looking information and scenario analysis.

The expected credit loss is a product of exposure at default ('EAD'), probability of default ('PD') and loss given default ('LGD'). The Group has devised an internal model to evaluate the PD and LGD based on the parameters set out in Ind AS 109. Accordingly, the financial assets have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial asset. The Group categorises financial assets at the reporting date into stages based on the days past due ('DPD') status as under:

- Stage 1: 0 to 30 days past due
- Stage 2: 31 to 90 days past due
- Stage 3: more than 90 days past due

LGD is an estimate of loss from a transaction given that a default occurs. PD is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12-month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD. EAD represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Group.

The Group incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of external actual and forecast information, the Group forms a 'base case' view of the future direction of relevant economic variables. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. The Group regularly reviews its models in the context of actual loss experience and makes adjustments when such differences are significantly material. Adjustments including reversal of ECL is recognised through statement of profit and loss.

After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group follows the simplified approach required by Ind AS 109 for recognition of impairment loss allowance on trade receivables, which requires lifetime ECL to be recognised at each reporting date, right from initial recognition of the receivables.

(H) Write offs

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no reasonable expectation of recovering the asset in its entirety or a portion thereof. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in statement of profit and loss.

2.3 Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired due to events or changes in circumstances indicating that their carrying amounts may not be realised. If any such indication exists, the Group estimates the recoverable amount of the asset or the cash generating unit ('CGU'). If such recoverable amount of the asset or the recoverable amount of the CGU to which the asset belongs 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 recognised 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 revised recoverable amount, subject to maximum of the depreciated historical cost.

2.4 Foreign exchange transactions and translations

(A) Initial recognition

Transactions in foreign currencies are recognized at prevailing exchange rates between reporting currency and foreign currency on transaction date.

(B) Conversion

Transactions in foreign currencies are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in Statement of profit and loss. Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the Statement of profit and loss on a net basis.

2.5 Derivative financial instruments

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

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

Hedge accounting policy

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

Cash Flow Hedges

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

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

2.6 Cash and cash equivalents

Cash and cash equivalents includes cash at banks and on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

The Group follows the policy of crediting the customer's account only on receipt of amount in the bank and as such no cheques in hand are taken into consideration.

2.7 Upfront servicers fees booked on direct assignment

Servicer fees receivable for servicing loan contracts under direct assignment are discounted at the applicable rate entered into with the assignee and recognised upfront in the balance sheet and amortised on a straight line basis over the remaining contractual maturity of the underlying loans.

2.8 Property, plant and equipment

(A) Recognition and measurement

Tangible property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. The cost of property, plant and equipment comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Advances paid towards acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-financial assets and cost of assets not put to use before such date are disclosed under Capital work-in-progress

(B) Subsequent expenditure

Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future economic benefits / functioning capability from / of such assets.

(C) Depreciation, estimated useful lives and residual value

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives in the manner prescribed in Schedule II of the Act. The estimated lives used and differences from the lives prescribed under Schedule II are noted in the table below:-

Type of Assets	Estimated useful life as assessed by the Group	Estimated useful life under Schedule II of the Act
Computers	2-5 years	3 years
Software and system development	3 years	3 years
Office equipment	3 years	5 years
Motor cars	4 years	8 years
Furniture and fixtures	3-7 years	10 years
Building	60 years	60 years
Leasehold improvements	Tenure of lease agreements	Tenure of lease agreements

The Group uniformly estimates a zero residual value for all these assets. Items costing less than Rs. 5,000 are fully depreciated in the year of purchase. Depreciation is pro-rated in the year of acquisition as well as in the year of disposal.

The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. Consequently, the useful life of certain computer-related assets, furniture and fixtures, office equipment and motor cars differ from the life prescribed in Schedule II of the Act.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in accounting estimates.

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.

2.9 Other intangible assets

Software and system development expenditure are capitalised at cost of acquisition including cost attributable to readying the asset for use. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. The useful life of these intangible assets is estimated at 3 years with zero residual value. Any expenses on such software for support and maintenance payable annually are charged to the statement of profit and loss.

2.10 Dividends

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed at the end of the reporting period, being appropriately authorised and no longer at the discretion of the Group. The final dividend on shares is recorded as a liability on the date of approval by the shareholders, and interim dividends are recorded as a liability on the date of declaration by the Group's Board of Directors.

2.11 Revenue recognition

Revenue (other than for those items to which Ind AS 109 Financial Instruments is applicable) is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of goods and services tax ('GST') and amounts collected on behalf of third parties. Ind AS 115 Revenue from Contracts with Customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

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

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

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

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

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

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

Specific policies for the Group's different sources of revenue are explained below:

(A) Income from lending business

Interest income

Interest income on a financial asset at amortised cost is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate ('EIR'). The EIR is the rate that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. The internal rate of return on financial asset after netting off the fees received and cost incurred approximates the effective interest rate method of return for the financial asset. The future cash flows are estimated taking into account all the contractual terms of the instrument.

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

Other financial charges

Cheque bouncing charges, late payment charges, foreclosure charges and application money are recognised on a point-in-time basis, and are recorded when realised since the probability of collecting such monies is established when the customer pays.

(B) Income from BPO services and other financial charges

Income from BPO services comprise of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers. Performance obligations are satisfied over time and revenue is recorded on a monthly basis.

(C) Income from direct assignment

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

2.12 Finance costs

Finance costs include interest expense computed by applying the effective interest rate on respective financial instruments measured at amortized cost. Financial instruments include bank term loans, non-convertible debentures, commercial papers, subordinated debts and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Finance costs are charged to the Statement of profit and loss.

2.13 Employee benefits

(A) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized 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.

(B) Provident fund

Retirement benefit in the form of provident fund, is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognises contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

(C) ESIC and Labour welfare fund

The Group's contribution paid/payable during the year to ESIC and Labour welfare fund are recognised in the statement of profit and loss.

(D) Gratuity

The Group operates a defined benefit gratuity plan that provides for gratuity benefit to all employees. The Group makes annual contributions to a fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to statement of profit and loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non- routine settlements; and
- Net interest expense or income

(E) Share-based payments

The Group recognizes compensation expense relating to share-based payments in net profit using fair value in accordance with Ind AS 102 - Share-based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding amount.

2.14 Provisions and contingencies

The Group recognises a provision when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that may arises from past events but probably will not require an outflow of resources to settle the obligation.

When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resource is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

2.15 Leases

Effective 01 April 2019, the Group has adopted Ind AS 116 - Leases and applied it to all lease contracts existing on 01 April 2019 using the modified retrospective method. Based on the same and as permitted under the specific transitional provisions in the standard, the Group is not required to restate the comparative figures.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

The following policies apply subsequent to the date of initial application, 1 April 2019.

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

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

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

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

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

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

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

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

2.16 Goods and services tax paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the goods and services tax paid, except when the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables, respectively, in the balance sheet.

2.17 Income tax

(A) Current tax

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 in respect of taxable income for the year and any adjustment to the tax payable or receivable in respect of previous years.

(B) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit and loss is recognised outside profit and loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.18 Earnings per share

The Group reports basic and diluted earnings per equity share. Basic earnings per equity share have been computed by dividing net profit / loss attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share have been computed by dividing the net profit attributable to the equity share holders after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Group has been identified as the CODM as defined by Ind AS 108 Operating Segments, who assesses the financial performance and position of the Group and makes strategic decisions.

Operating segments identified by the Group comprises as under:

- Lending services
- BPO services

The accounting policies consistently used in the preparation of the financial statements are also applied to item of revenue and expenditure in individual segments. Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprises as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'. Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

2.20 Collateral

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.

To the extent possible, the Group uses active market data and external valuers for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models or through external valuers. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

The Group physically repossess and take into custody properties or other assets and also engages external agents to recover funds, to settle outstanding debt. Any surplus funds are returned to the customers/ obligors.

2.21 Statement of cash flows

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

3 Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made the following estimates and judgements, which have a significant impact on the carrying amounts of assets and liabilities at each balance sheet date.

(A) Fair value of financial instruments

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value measurements under Ind AS are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at measurement date
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs) that the Group can access at measurement date

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 42.

(B) Expected credit loss

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and credit assessment and including forward looking information.

The inputs used and process followed by the Group in determining the ECL have been detailed in Note 44.

(C) Effective interest rate

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected behavioural life of the financial asset to the gross carrying amount of the financial asset.

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges) as well expected changes to the base rate and other transaction costs and fees paid or received that are integral parts of the instrument.

(D) Business model assessment

Classification and measurement of financial assets depends on the results of the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(E) Useful life and expected residual value of assets

Depreciation and amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

(F) Leases

- The determination of lease term for some lease contracts in which the Group is a lessee, including whether the Group is reasonably certain to exercise lessee options.
- The determination of the incremental borrowing rate used to measure lease liabilities.

(G) Deferred Tax

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences become deductible. The Group considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

(H) Defined benefit plans

The cost of the defined benefit plans and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

(I) Provisions and contingencies

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in statutory litigation in the ordinary course of the Group's business. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

(Currency : Indian Rupees in crore)

4 Cash and cash equivalents

	As at 31 March 2021	As at 31 March 2020
Cash on hand	**29.62**	5.88
Balances with banks	**650.42**	347.71
Demand drafts on hand	**12.88**	2.36
Collateral with Banks for Derivative	**60.59**	-
Total	**753.51**	355.95

5 Bank balances Other than cash and cash equivalents

	As at 31 March 2021	As at 31 March 2021
Deposits with bank	**0.03**	0.03
Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments.	**221.09**	204.19
Interest accrued but not due on fixed deposits	**1.75**	3.01
Total	**222.87**	207.23

6 Derivative financial Instruments

	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
Part I						
(i) Currency derivatives:						
Currency swaps	**3,874.83**	**-**	**42.72**	2,269.50	81.32	-
Subtotal (i)	**3,874.83**	**-**	**42.72**	2,269.50	81.32	-
(ii)Interest rate derivatives						
Forward Rate Agreements and Interest Rate swaps	**-**	**-**	**-**	-	-	-
Subtotal (ii)	**-**	**-**	**-**	-	-	-
Total Derivative Financial Instruments (i)+(ii)	**3,874.83**	**-**	**42.72**	2,269.50	81.32	-
Part II						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging:						
Currency derivatives	**-**	**-**	**-**	-	-	-
Interest Rate derivatives	**-**	**-**	**-**	-	-	-
Subtotal (i)	**-**	**-**	**-**	-	-	-
(ii) Cash flow hedging:						
Currency derivatives	**3,874.83**	**-**	**42.72**	2,269.50	81.32	-
Interest rate derivatives	**-**	**-**	**-**	-	-	-
Subtotal (ii)	**3,874.83**	**-**	**42.72**	2,269.50	81.32	-
(iii) Undesignated Derivatives						
Currency Swaps	**-**	**-**	**-**	-	-	-
Subtotal (iii)	**-**	**-**	**-**	-	-	-
Total Derivative Financial Instruments (i)+(ii)+(iii)	**3,874.83**	**-**	**42.72**	2,269.50	81.32	-

The Company enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges. The table above shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

(Currency : Indian Rupees in crore)

7 Trade receivables

	As at 31 March 2021	As at 31 March 2020
Receivables Considered good - Secured	-	-
Receivables Considered good - Unsecured	117.33	185.94
Receivables which have significant increase in the credit risk	4.53	1.15
Receivables credit impaired	0.02	0.92
	121.88	188.00
Less: Impairment loss allowance	4.56	6.82
Total	117.32	181.18

No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person, or from firms or private companies respectively in which any director is a partner, a director or a member.

Reconciliation of impairment Loss allowance on trade receivables:

	As at 31 March 2021	As at 31 March 2020
Balance as at beginning of the year	**6.82**	5.10
Increase during the year	**0.73**	2.69
Decrease during the year	**(2.99)**	(0.97)
Balance at end of the year	**4.56**	6.82

8 Loans

		As at 31 March 2021	As at 31 March 2020
A	Term Loans in India	61,325.00	58,430.95
B	Public sector	**-**	-
	Others	**61,325.00**	58,430.95
	Total	**61,325.00**	58,430.95
C	Secured (Secured by tangible assets)	**46,894.73**	44,662.81
	Unsecured	**14,430.27**	13,768.14
	Total	**61,325.00**	58,430.95
D	Less: Impairment loss allowance	**2,723.56**	1,285.07
	Total	**58,601.44**	57,145.88

Credit quality of assets

The table below shows the credit quality and the maximum exposure to credit risk based on year-end stage classification. The amounts presented are gross of Impairment loss allowance.

Stage	As at 31 March 2021	As at 31 March 2020
Stage 1	**55,263.27**	54,243.55
Stage 2	**3,300.87**	1,928.27
Stage 3	**2,760.86**	2,259.13
	61,325.00	58,430.95

(Currency : Indian Rupees in crore)

9 Investments

	As at 31 March 2021	As at 31 March 2020
Recorded at Fair value through profit and loss account		
Outside India	-	-
In India		
Mutual fund units	**572.21**	750.02
Treasury bills / G-Sec	**882.82**	994.79
Securities receipt of ARC	**136.42**	-
Recorded at Amortised Cost		
Outside India	-	-
In India		
Unquoted equity shares	1.45	0.95
Total	1,592.90	1,745.76

10 Other financial assets

	As at 31 March 2021	As at 31 March 2020
Capital advances	**1.22**	3.61
Security deposits at amortised cost (Unsecured, considered good)	**19.78**	20.28
Prepaid rent (Security deposits, Unsecured, considered good)	**7.62**	8.42
Retained interest on assigned loan	**8.71**	17.32
Servicing assets on assigned loan	**2.26**	4.28
Advances recoverable in cash or in kind (Unsecured, considered good)	**209.63**	64.17
Total	**249.22**	118.08

11 Current tax assets (Net)

	As at 31 March 2021	As at 31 March 2020
Current tax assets		
Advance tax and tax deducted at source (Net of provision for tax ₹ 419.09 crore (Previous Year: ₹ 471.78 crore)	**56.91**	77.42
Total	**56.91**	77.42

12 Deferred tax assets (Net)

	Balance as at 1 April 2019	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at 31 March 2020	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at 31 March 2021
Deferred Tax Asset							
Depreciation and amortisation	17.73	(0.96)	-	16.77	4.05	-	20.82
Provision for employee benefits	9.35	(8.46)	6.69	7.58	(2.86)	5.28	10.00
Provision for diminution of investment	0.46	(0.12)	-	0.34	(0.13)	-	0.21
Loans - Impairment	291.19	33.94	-	325.13	371.33	-	696.46
Loans - DSA	78.37	(15.10)	-	63.27	(34.82)	-	28.45
Lease	-	3.78	-	3.78	3.64	-	7.42
Cash Flow Hedges Reserve	-	-	11.82	11.82	-	(0.75)	11.07
Deferred Tax Asset	397.10	13.08	18.51	428.69	341.21	4.53	774.43

(Currency : Indian Rupees in crore)

	Balance as at 1 April 2019	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at 31 March 2020	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at 31 March 2021
Deferred Tax Liabilities							
Borrowings	(8.86)	(3.21)	-	(12.07)	0.60	-	(11.47)
Investments - MTM and others	(0.59)	(0.32)	-	(0.91)	(1.30)	-	(2.21)
Securitization and others	(2.69)	2.60	-	(0.09)	(30.67)	-	(30.76)
Deferred Tax Liabilities	(12.14)	(0.93)	-	(13.07)	(31.37)	-	(44.44)
Net Deferred Tax Assets	384.96	12.15	18.51	415.62	309.85	4.53	729.99

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

	As at 31 March 2021	As at 31 March 2020
Current tax:		
In respect of current year	**419.09**	471.78
In respect of prior years	**-**	-
Deferred Tax:		
Deferred tax relating to origination and reversal of temporary differences	**(309.85)**	(12.15)
In respect of prior years	**-**	-
Total Income Tax recognised in profit or loss	**109.24**	459.63
Current tax	**419.09**	471.78
Deferred tax (Debit)	**(309.85)**	(12.15)

Income Tax recognised in Other comprehensive income

	As at 31 March 2021	As at 31 March 2020
Deferred tax related to items recognised in Other comprehensive income during the year:		
Income tax relating to items that will not be reclassified to profit or loss	**5.28**	6.69
Income tax relating to items that will be reclassified to profit or loss	**(0.75)**	11.82
Total income tax recognised in other comprehensive income (debit)	**4.53**	18.51

The reconciliation of estimated income tax expense at tax rate to income tax expense reported in profit or loss is as follows:

	As at 31 March 2021	As at 31 March 2020
Profit before tax	**500.71**	1,464.48
Applicable income tax rate (%)	**25.17**	25.17
Income tax expense calculated at applicable income tax rate	**126.02**	368.58
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:		
Effect of income exempt from tax	**-**	-
Effect of expenses/provisions not deductible in determining taxable profit	**11.65**	103.20
Effect of tax incentives (net)	**(28.43)**	-
Effects of income not considered as taxable on compliance of condition	**-**	-
Income tax for earlier year	**-**	-
Income tax expense recognised in profit and loss	**109.24**	471.78

The Group has elected to exercise the option permitted under Section 115BAA of the Income-tax Act, 1961, as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Group has recognised provision for income tax for the year ended 31 March 2021 and re-measured its deferred tax assets basis the rate prescribed in the said section. The full impact of above mentioned change amounting to ₹ 107.55 crores has been recognised in the consolidated statement of profit and loss for the year ended 31 March 2021.

(Currency : Indian Rupees in crore)

13 Property, Plant and Equipment (PPE), Other Intangible assets & Capital work-in-progress

Description	Office equipment	Furniture and fixtures	Leasehold improve-ments	Computers	Building	Motor cars	Total PPE Tangibles	Software and System development	Total Other Intangibles	Total
Balance as at 1st April, 2020	**59.26**	**93.79**	**79.00**	**137.68**	**0.15**	**7.39**	**377.27**	**33.43**	**33.43**	**410.70**
Additions during the year	**3.45**	**2.41**	**4.18**	**7.61**	**-**	**1.13**	**18.79**	**5.80**	**5.80**	**24.58**
Disposals/Adjustments during the year	**1.09**	**2.74**	**4.12**	**2.41**	**-**	**0.49**	**10.85**	**-**	**-**	**10.85**
Balance as at 31st March, 2021	**61.62**	**93.46**	**79.06**	**142.88**	**0.15**	**8.03**	**385.21**	**39.23**	**39.23**	**424.43**
Accumulated Depreciation / impairment as at 1st April, 2020	**40.43**	**66.75**	**38.49**	**103.40**	**0.04**	**3.67**	**252.79**	**24.36**	**24.36**	**277.15**
Depreciation charge during the year	**7.83**	**8.90**	**9.44**	**21.46**	**0.00**	**1.84**	**49.46**	**6.88**	**6.88**	**56.34**
Disposals/Adjustments during the year	**1.03**	**2.15**	**2.57**	**2.41**	**0.02**	**0.38**	**8.56**	**-**	**-**	**8.56**
Accumulated Depreciation / impairment as at 31st March, 2021	**47.23**	**73.50**	**45.36**	**122.45**	**0.02**	**5.13**	**293.69**	**31.25**	**31.25**	**324.93**
Net carrying amount as at 31st March, 2021	**14.39**	**19.96**	**33.70**	**20.43**	**0.13**	**2.91**	**91.52**	**7.98**	**7.98**	**99.50**
Balance as at 1st April, 2019	48.04	84.90	67.91	107.08	0.15	6.68	314.77	26.44	26.44	341.20
Additions during the year	11.73	9.62	12.26	30.80	-	1.38	65.78	6.99	6.99	72.77
Disposals/Adjustments during the year	0.50	0.73	1.16	0.20	-	0.68	3.27	-	-	3.27
Balance as at 31st March, 2020	59.26	93.79	79.00	137.68	0.15	7.39	377.27	33.43	33.43	410.70
Accumulated Depreciation / impairment as at 1st April, 2019	33.22	55.17	30.72	79.35	0.02	2.41	200.89	17.30	17.30	218.18
Depreciation charge for the year	7.72	12.27	8.86	24.25	0.02	1.71	54.83	7.06	7.06	61.90
Disposals/Adjustments during the year	0.50	0.69	1.08	0.20	-	0.45	2.92	-	-	2.92
Accumulated Depreciation / impairment as at 31st March, 2020	40.43	66.75	38.49	103.40	0.04	3.67	252.79	24.36	24.36	277.15
Net carrying amount as at 31st March, 2020	18.83	27.04	40.51	34.28	0.11	3.72	124.48	9.07	9.07	133.55

Capital work-in-progress

	As at 31 March 2021	As at 31 March 2020
Capital work-in-progress	**-**	0.06
Total	**-**	0.06

14 Right of Use Assets

	As at 31 March 2021	As at 31 March 2020
Right of Use Assets	**217.40**	252.41
Total	**217.40**	252.41

(Currency : Indian Rupees in crore)

15 Trade Payables

	As at 31 March 2021	As at 31 March 2020
Trade payables		
i) total outstanding dues to micro and small enterprises	**0.01**	-
ii) total outstanding dues of creditors other than micro and small enterprises	**334.25**	149.99
Total	**334.26**	149.99

15.1 Trade Payables includes ₹ 0.01 Crore (Previous Years: Rs. Nil) payable to "Suppliers" registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / is payable by the Company during the year to "Suppliers" registered under this act. The above is based on the information available with the Company which has been relied upon by the auditors

16 Debt Securities

	As at 31 March 2021	As at 31 March 2020
At Amortised Cost		
Secured		
Privately placed redeemable non convertible debenture	**23,356.20**	21,189.00
Secured by pari passu charge by mortgage of Company's Office no.130, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and receivables under financing activity.		
Unsecured		
Commercial paper	**400.00**	1,405.00
Total	**23,756.20**	22,594.00
Less: Unamortised borrowing cost/Unmatured discount on Commercial paper/Premium and discount on NCD	**(45.87)**	0.62
Debt Securities net of unamortised cost	**23,802.07**	22,593.38
Debt securities in India	**23,756.20**	22,594.00
Debt securities outside India	**-**	-
Total	**23,756.20**	22,594.00
Less: Unamortised borrowing cost/Unmatured discount on Commercial paper/Premium and discount on NCD	**(45.87)**	0.62
Debt Securities net of unamortised cost	**23,802.07**	22,593.38

16.1 No non convertible debentures, non convertible perpetual debentures and any other borrowing is guaranteed by directors and/or others.

16.2 Terms of repayment of privately placed redeemable non convertible debentures.

Previous Year figures are in (brackets)

Rate of interest (%)	0-1 year	1-3 years	3-5 years	>5 years	Total
4.5-5.5	**575.00** -	**2,330.00** -	**-** -	**-** -	**2,905.00** -
5.5-6.5	**-** -	**3,050.00** -	**-** -	**-** -	**3,050.00** -
6.5-7.5	**-** (1,700.00)	**6,311.10** (2,850.00)	**-** (430.00)	**-** -	**6,311.10** (4,980.00)
7.5-8.5	**1,942.00** (3,273.90)	**2,129.00** (4,241.00)	**280.00** (280.00)	**600.00** (300.00)	**4,951.00** (8,094.90)
8.5-9.5	**4,207.50** (2,850.00)	**1,931.60** (5,264.10)	**-**	**-** -	**6,139.10** (8,114.10)
9.5-10.5	**-** -	**-** -	**-** -	**-** -	**-** -
Total	**6,724.50** (7,823.90)	**15,751.70** (12,355.10)	**280.00** (710.00)	**600.00** (300.00)	**23,356.20** (21,189.00)

(Currency : Indian Rupees in crore)

16.3 All the above non convertible debentures are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year(Refer Note 53).

17 Borrowings (Other than Debt Securities)

	As at 31 March 2021	As at 31 March 2020
At Amortised Cost		
Borrowings (other than debt securities)		
Secured		
(a) External commercial borrowings (ECB)	**4,849.83**	3,244.50
(b) Term loan against hypothecation of Receivables under financing activity	**15,614.53**	17,740.20
(c) Borrowing under Securitisation	**2,036.41**	2,626.16
(d) Borrowing under ARC	**97.20**	-
Total	**22,597.97**	23,610.86
Less: Unamortised borrowing cost	**28.90**	30.70
Borrowings (Other than Debt Securities) net of unamortised cost	**22,569.07**	23,580.16
Borrowings in India	**18,723.14**	21,341.36
Borrowings outside India	**3,874.83**	2,269.50
Total	**22,597.97**	23,610.86
Less: Unamortised borrowing cost	**28.90**	30.70
Borrowings (Other than Debt Securities) net of unamortised cost	**22,569.07**	23,580.16

17.1 No term loans, external commercial borrowings , commercial paper and any other borrowing is guaranteed by directors and / or others.

17.2 During the period presented there were no defaults in the repayment of principal and interest.

17.3(a)Terms of repayment of External commercial borrowings from International Finance Corporation.

Previous Year figures are in (brackets)

Rate of interest (%)	0-3 years	3-5 years	>5 years	Total
8 - 9	**975.00**	**-**	**-**	**975.00**
	(975.00)	-	-	(975.00)

17.3(b)Terms of repayment of External commercial borrowings in foreign currency

Previous Year figures are in (brackets)

Rate of interest (%)	0-3 years	3-5 years	>5 years	Total
6 - 9	**3,874.83**	**-**	**-**	**3,874.83**
	(2,269.50)	-	-	(2,269.50)

The Company had availed total External Commercial Borrowing (ECBs) of USD 580 million for financing prospective borrower as per the ECB guidelines issued by Reserve Bank of India ("RBI") from time to time. Out of same USD 280 million was raised in FY 20-21. The borrowing had a maturity of three years. In terms of the RBI guidelines, borrowings have been swapped into rupees and fully hedged for the entire maturity by way of currency swaps. The charges for raising of the aforesaid ECB has been amortised over the tenure of the ECB.

(Currency : Indian Rupees in crore)

17.4 Terms of repayment of Term loans from Banks.

Previous Year figures are in (brackets)

Marginal Cost of Funds Based Lending Rate (MCLR) (a)	**0-1 year**	**1-3 years**	**3-5 years**	**Total**
1 Month MCLR + (0.00% to 0.75%)	**733.33**	**716.67**	**16.67**	**1,466.67**
	(1,090.00)	(75.00)	-	(1,165.00)
3 Month MCLR + (0.00% to 1.5%)	**1,797.73**	**2,164.39**	**-**	**3,962.12**
	(1,967.44)	(3,866.21)	(612.58)	(6,446.23)
6 Month MCLR + (0.00% to 0.75%)	**804.55**	**1,008.33**	**-**	**1,812.88**
	(547.69)	(1,054.55)	(175.00)	(1,777.24)
1 Year MCLR + (0.00% to 0.25%)	**631.82**	**45.45**	**0.00**	**677.27**
	(1,753.94)	(2,502.27)	(283.33)	(4,539.54)
1 Year MCLR + (0.25% to 1.25%)	**-**	**-**	**-**	**-**
	-	-	-	-
Total (a)	**3,967.43**	**3,934.84**	**16.67**	**7,918.94**
	(5,359.07)	(7,498.03)	(1,070.91)	(13,928.01)
Rate linked to T-Bills rates (b)	**0-1 year**	**1-3 years**	**3-5 years**	**Total**
3 Month T-Bills rates (0.00% to 4.00%)	**655.00**	**919.69**	**-**	**1,574.69**
	(250.00)	(399.70)	-	(649.70)
6 Month T-Bills rates (0.00% to 3.50%)	**109.09**	**109.09**	**-**	**218.18**
	(331.82)	(543.18)	-	(875.00)
12 Month T-Bills rates (0.00% to 3.50%)	**210.83**	**530.83**	**110.83**	**852.49**
	(75.00)	(112.50)	-	(187.50)
Overnight Index Swap (0.00% to 3.50%)	**-**	**500.00**	**-**	**500.00**
	-	(500.00)	-	(500.00)
Repo Rate (0.00% to 3.50%)	**726.67**	**1,616.70**	**31.82**	**2,375.19**
	(172.72)	(427.27)	-	(599.99)
Mumbai Inter Bank Offer Rate (0.00% to 3.50%)	**197.92**	**450.00**	**27.12**	**675.04**
	(1,000.00)	-	-	(1,000.00)
Total (b)	**1,899.51**	**4,126.31**	**169.77**	**6,195.59**
	(1,829.54)	(1,982.65)	-	(3,812.19)
Fixed Interest rate				
4.50% - 5.50%	318.18	1,090.91	90.91	1,500.00
	-	-	-	-
Total (a)+(b)	**6,185.12**	**9,152.06**	**277.35**	**15,614.53**
	(7,188.61)	(9,480.68)	(1,070.91)	(17,740.20)

17.5 All the above Term loans are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year.

17.6 Terms of repayment of Borrowing under Securitisation.

Previous Year figures are in (brackets)

Rate of Interest (%)	**0-1 year**	**1-3 years**	**3-5 years**	**Total**
4.50% to 8.00%	**1,198.04**	**793.05**	**45.32**	**2,036.41**
	(1,345.91)	(1,234.26)	(46.00)	(2,626.16)

(Currency : Indian Rupees in crore)

18 Subordinated Liabilities

	As at 31 March 2021	As at 31 March 2020
At Amortised Cost		
Unsecured		
(a) Privately placed subordinated (Tier II) redeemable bonds	**3,500.00**	3,143.50
(b) Redeemable non convertible perpetual bonds	**500.00**	500.00
Total	**4,000.00**	3,643.50
Less: Unamortised borrowing cost	**12.39**	12.95
Subordinated Liabilities net of unamortised cost	**3,987.61**	3,630.55
Subordinated Liabilities in India	**4,000.00**	3,643.50
Subordinated Liabilities outside India	**-**	-
Total	**4,000.00**	3,643.50
Less: Unamortised borrowing cost	**12.39**	12.95
Subordinated Liabilities net of unamortised cost	**3,987.61**	3,630.55

18.1 No subordinate debts and any other borrowing is guaranteed by directors and / or others.

18.2 Terms of repayment of Privately placed unsecured subordinated (Tier II) redeemable bonds and redeemable non convertible perpetual bonds

Previous Year figures are in (brackets)

Rate of interest	<5 years	>5 years	Total
7.5-10.5	**1,330.00**	**2,670.00**	**4,000.00**
	(1330.00)	(2313.50)	(3643.50)

19 Other financial liabilities

	As at 31 March 2021	As at 31 March 2020
Interest accrued	**1,914.16**	1,777.73
Overdrawn balances in current account with banks	**576.42**	111.72
Deposits (not as defined in Section 2(31) of Companies Act, 2013)	**10.29**	10.19
Creditors for other expenses	**22.79**	28.31
Statutory liabilities	**73.72**	59.00
Lease Liability (RTU)	**247.55**	267.43
Total	**2,844.93**	2,254.38

20 Current tax liabilities (Net)

	As at 31 March 2021	As at 31 March 2020
Provisions for tax (Net of advance tax ₹ 180.00 crore, Previous Year ₹ 237.00 crore)	**173.05**	74.60
Total	**173.05**	74.60

(Currency : Indian Rupees in crore)

21 Provisions

	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits		
Gratuity (funded)	**67.92**	62.25
Salary, bonus and reimbursements	**222.18**	194.67
Contribution to provident fund	**29.75**	29.94
Total	**319.85**	286.86

22 Other non-financial liabilities

	As at 31 March 2021	As at 31 March 2020
Other payables	**-**	16.11
Provision for expenses	**121.26**	110.63
Total	**121.26**	126.74

23 Equity Share capital

	Face Value ₹ each	As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020
		Number of shares	Number of shares		
Authorised equity shares	10	**1,001,550,000**	1,001,550,000	**1001.55**	1001.55
Issued, Subscribed & Paid up equity shares fully paid up	10	**789,185,216**	787,579,656	**789.19**	787.58
Total				**789.19**	787.58

23.1 Reconciliation of the number of shares

	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Equity shares of ₹10 fully paid up				
Shares outstanding at the beginning of the year	**787,579,656**	**787.58**	785,700,306	785.70
Shares issued - exercised for ESOP scheme	**1,605,560**	**1.61**	1,879,350	1.88
Shares outstanding at the end of the year	**789,185,216**	**789.19**	787,579,656	787.58

23.2 Terms/rights attached to equity shares.

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by shareholders at the Annual General Meeting.

23.3 Details of shareholders holding more than 5% of the aggregate shares in the Company

Particulars	As at 31 March 2021		As at 31 March 2020	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity shares of ₹ 10 fully paid up				
HDFC Bank Limited (Holding Company)	**750,596,670**	**95.11**	750,596,670	95.30

(Currency : Indian Rupees in crore)

23.4 Number of shares reserved for ESOPs

Particulars	As at 31 March 2021	As at 31 March 2020
Equity shares of ₹10 fully paid up		
Number of Shares reserved for ESOPs (Refer note 34)	**3,176,650**	2,151,580

24 Other equity

		As at 31 March 2021	As at 31 March 2020
(i)	Securities Premium Account	**2,960.70**	2,925.43
(ii)	Employee stock Options Outstanding Account	**62.97**	49.42
(iii)	Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	**1,090.94**	1,012.65
(iv)	Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations	**3,617.98**	3,304.80
(v)	Retained Earnings- Remeasurement of Post Employment Benefit Obligations	**(42.65)**	(26.96)
(vi)	Cash Flow Hedges Reserve	**(32.89)**	(35.13)
		7,657.05	7,230.22

(i) Securities Premium Account

Securities premium is used to record the premium on issue of shares. It can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

(ii) Employee stock Options Outstanding Account

Under IND AS 102, fair value of the options granted is required to be accounted as expense over the life of the vesting period as employee compensation costs, reflecting the period of receipt of service.

(iii) Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934

Reserve fund is created as per the terms of section 45-IC(1) of the Reserve Bank of India Act, 1934 as a statutory reserve.

(iv) Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations

Retained earnings represents the surplus in Profit and Loss Account and appropriations.

(v) Retained Earnings- Remeasurement of Post Employment Benefit Obligations

The Company recognises change on account of remeasurement of the net defined benefit liability (asset) as part of retained earnings.

(vi) Cash Flow Hedges Reserve

It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

25 Interest Income

	For the year ended 31 March 2021	For the year ended 31 March 2020
On Financial Assets measured at Amortised Cost -		
Interest on Loans	**8,420.35**	8,191.79
Interest on deposits with Banks	**22.67**	14.65
On Financial Assets measured at fair value through profit or loss (FVTPL) -		
Interest income from Investment	**44.86**	27.02
Total	**8,487.88**	8,233.47

(Currency : Indian Rupees in crore)

26 Net gain / (loss) on fair value changes

	For the year ended 31 March 2021	For the year ended 31 March 2020
Net gain/ (loss) on financial instruments at fair value through profit or loss (FVTPL)		
Investments	**40.04**	18.78
Unquoted equity shares	**-**	-
	40.04	18.78
Net gain/ (loss) on financial instruments at fair value through profit or loss (FVTPL)		
Realised	**34.89**	16.83
Unrealised	**5.15**	1.95
Total	**40.04**	18.78

27 Finance Costs

	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest expenses on financial liabilities measured at amortised cost		
Interest on borrowings (includes Interest on lease liabilities ₹ 25.47 Crore, Previous Year ₹ 23.06 crore)	**1,684.74**	1,679.71
Interest on debt securities	**1,791.21**	1,787.48
Interest on subordinated liabilities	**346.70**	305.61
Discount on commercial paper	**25.71**	284.69
Other borrowing costs	**34.57**	23.93
Total	**3,882.93**	4,081.42

28 Impairment on financial instruments

	For the year ended 31 March 2021	For the year ended 31 March 2020
Impairment on financial instruments at amortised cost		
Loans	**3,071.52**	1,439.85
Investment	**(0.49)**	0.00
Trade receivables	**(2.26)**	1.72
Total	**3,068.77**	1,441.57

29 Employee benefits expenses

	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries and wages (including bonus)	**2,684.48**	2,924.30
Contribution to provident and other funds	**233.35**	226.47
Employee share based payment expenses	**13.55**	11.19
Staff welfare expenses	**24.21**	33.61
Total	**2,955.59**	3,195.57

(Currency : Indian Rupees in crore)

30 Other expenses

	For the year ended 31 March 2021	For the year ended 31 March 2020
Rent	**5.69**	10.27
Rates and taxes	**1.76**	1.12
Telephone	**31.56**	30.22
Power and fuel	**20.03**	27.45
Repairs and maintenance- premises	**3.37**	3.99
Repairs and maintenance-others	**2.24**	2.11
Credit report charges	**34.25**	51.97
Commission and brokerage	**2.22**	3.02
Auditor's remuneration (Refer Note 32)	**1.06**	0.84
Insurance	**1.64**	0.01
Loss on sale of asset	**1.91**	(0.19)
Expenses towards Corporate Social Responsibility Initiative (Refer Note 40)	**30.83**	28.28
Others administrative expenses	**292.43**	304.68
Total	**428.99**	463.77

31 Earnings per Share

	For the year ended 31 March 2021	For the year ended 31 March 2020
Net Profit	**391.47**	1,004.85
Weighted average number of equity shares		
Basic	**788,029,727**	786,316,430
Diluted	**788,347,209**	787,011,436
Earnings per share (₹)		
Basic	**4.97**	12.78
Diluted	**4.97**	12.77
Face value per share (₹)	**10.00**	10.00

The dilutive effect on the earnings per share is caused by the potential shares that would be issued upon the exercise of the ESOP Options. As a result of the dilution, the denominator increased by 3,17,481 shares (Previous Year 6,95,005 shares).

32 Auditor's Remuneration

	For the year ended 31 March 2021	For the year ended 31 March 2020
As Auditor		
Statutory audit	**0.90**	0.40
Tax audit	**-**	-
Others	**0.06**	0.35
For certificates	**0.01**	0.03
Sub Total	**0.97**	0.78
GST	**0.09**	0.07
Total	**1.06**	0.84

(Currency : Indian Rupees in crore)

33 Leases

The Group has entered into leasing arrangements for premises. Majority of the leases are cancellable by the Group. ROU has been included after the line 'Property, Plant and Equipment' and Lease Liability has been included under 'Other Financial Liabilities' in the Balance Sheet.

I. Lease disclosures under Ind-AS 116 for the current year ended 31 March 2021

(i) Amounts recognised in the Balance sheet

Particulars	31 March 2021	31 March 2020
a) **Right-of-use assets (net)**	**217.40**	252.41
b) **Lease liabilities**		
Current	**41.23**	38.94
Non-current	**206.32**	228.48
Total Lease liabilities	**247.55**	267.42
c) **Additions to the Right-of-use assets**	**30.75**	64.80

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

Particulars	31 March 2021	31 March 2020
a) Depreciation charge for right-of-use assets	**51.44**	47.76
b) Interest expense (included in finance cost)	**25.47**	23.06
c) Expense relating to short-term leases	**5.69**	10.27

(iii) Cash Flows

Particulars	31 March 2021	31 March 2020
The total cash outflow of leases	**61.78**	55.80

(iv) Future Commitments

Particulars	31 March 2021	31 March 2020
Future undiscounted lease payments to which leases is not yet commenced	**1.72**	2.31

(v) Maturity analysis of undiscounted lease liability

Period	31 March 2021	31 March 2020
Not later than one year	**60.03**	60.22
Later than one year and not later than five years	**189.86**	208.14
Later than five years	**64.18**	85.50
Total	**314.07**	353.86

34 Accounting for Employee Share based Payments

In accordance with resolution approved by the shareholders, the Group has reserved shares, for issue to employees through ESOP Scheme. On the approval of Nomination and Remuneration Committee (NRC), each ESOP scheme is issued. The NRC has approved stock option schemes ESOP-10 on 13 October 2017, ESOP-11 on 15 January 2019, ESOP-12 on 5 October 2020 and ESOP-13 on 14 January 2021. Under the term of the schemes, the Group may issue stock options to employees and directors of the Group, each of which is convertible into one equity share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the NRC. Such options are exercisable for a period following vesting at the discretion of the NRC, subject to a maximum of four years from the date of vesting for ESOP-10, ESOP-11, ESOP-12 and ESOP-13.

Description of share based payments plans

Particulars		ESOP-10	ESOP-11	ESOP-12	ESOP-13
i.	**Vesting requirements**	30% at the end of each 12 and 24 months and 40% at the end of 36 months from 31 Oct 2017	30% at the end of each 12 and 24 months and 40% at the end of 36 months from 31 Jan 2019	60% at the end of 12 months and 40% at the end of 24 months from 31 Oct 2020	30% at the end of each 12 and 24 months and 40% at the end of 36 months from 31 Jan 2021
ii.	Maximum term of option	7 years	7 years	6 years	7 years
iii.	Method of settlement	Equity settled	Equity settled	Equity settled	Equity settled
iv.	Modifications to share based payment plans	NA	NA	NA	NA
v.	Any other details as disclosed in the audited Ind-AS financials	NA	NA	NA	NA

Method used for accounting for shared based payment plan.

The Group uses fair value to account for the compensation cost of stock options to employees of the Group.

Movement in the options outstanding under the Employees Stock Option Plan for the year ended 31 March 2021

Particulars	ESOP-10	ESOP-11	ESOP-12	ESOP-13	Total	Weighted average exercise price (₹)
Outstanding, beginning of year	1,283,200	868,380			2,151,580	237.65
Granted during the year	-	-	1,602,500	1,176,950	2,779,450	320.33
Exercised during the year	1,168,150	437,410	-	-	1,605,560	229.62
Forfeited / lapsed during the year	66,900	36,970	43,600	1,350	148,820	255.07
Outstanding, end of year	48,150	394,000	1,558,900	1,175,600	3,176,650	313.22
Options exercisable, end of year	48,150	71,280	-	-	119,430	249.41

Movement in the options outstanding under the Employees Stock Option Plan for the year ended 31 March 2020

Particulars	ESOP-8	ESOP-9	ESOP-10	ESOP-11	Total	Weighted average exercise price (₹)
Outstanding, beginning of year	34,500	874,200	2,414,200	907,400	4,230,300	209.36
Granted during the year	-	-	-	-	-	-
Exercised during the year	34,500	803,400	1,041,450	-	1,879,350	178.22
Forfeited / lapsed during the year	-	70,800	89,550	39,020	199,370	197.95
Options outstanding, end of year	-	-	1,283,200	868,380	2,151,580	237.62
Options exercisable, end of year	-	-	49,800	261,270	311,070	264.23

Following summarises the information about stock options outstanding as at 31 March 2021

Plan	**Exercise price (₹)**	**Number of shares arising out of options**	**Weighted average remaining contractual life (in years)**
ESOP - 10	213	48,150	3.59
ESOP - 11	274	394,000	4.58
ESOP - 12	300	1,558,900	5.07
ESOP - 13	348	1,175,600	5.94

Following summarises the information about stock options outstanding as at 31 March 2020

Plan	Exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)
ESOP - 10	213	1,283,200	4.54
ESOP - 11	274	868,380	4.94

Fair Value methodology

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Group are not listed on any stock exchange. Accordingly, the Group had considered the volatility of the Group's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model for the stock options granted by the Group are:

Particulars	**ESOP 12**	ESOP 13
Dividend yield	0.62%	0.52%
Expected volatility	56.98%	54.92%
Risk-free interest rate	4.98%	5.03%
Expected life of the option	3.40 years	4.10 years

The Group recorded an employee stock compensation expense of ₹13.55 crore (previous year ₹11.19 crore) in Statement of Profit and Loss.

35 Segment reporting

(Currency : Indian Rupees in crore)

S.N.	**Particulars**	**31 March 2021**	31 March 2020
i.	**Segment Revenue**		
	Lending business	**8,924.35**	8,643.24
	BPO Services	**2,020.43**	2,113.23
	Unallocated	**-**	-
	Income from Operations	**10,944.78**	10,756.47
ii.	**Segment Results**		
	Lending business	**445.98**	1,366.95
	BPO Services	**103.72**	104.28
	Unallocated	**(48.99)**	(6.75)
	Profit before tax	**500.71**	1,464.48
	Income Tax expenses		
	Current tax	**419.09**	471.78
	Deferred tax Asset	**(309.85)**	(12.15)
	Income tax for earlier year	**-**	-
	Net Profit	**391.47**	1,004.85

(Currency : Indian Rupees in crore)

S.N.	Particulars	31 March 2021	31 March 2020
iii.	**Capital Employed**		
	Segment assets		
	Lending business	**61,694.54**	59,988.97
	BPO Services	**147.52**	216.68
	Unallocated	**798.99**	508.81
	Total Assets	**62,641.05**	60,714.46
	Segment Liabilities		
	Lending business	**53,886.31**	52,281.15
	BPO Services	**50.43**	216.06
	Unallocated	**258.08**	199.45
	Total Liabilities	**54,194.82**	52,696.66
	Net Segment assets / (liabilities)	**8,446.23**	8,017.80
iv.	**Capital Expenditure (including net CWIP)**		
	Lending business	**22.48**	53.85
	BPO Services	**2.11**	15.62
	Unallocated	**-**	3.36
	Total	**24.59**	72.83
v.	**Depreciation**		
	Lending business	**87.83**	86.60
	BPO Services	**15.34**	17.60
	Unallocated	**4.62**	5.46
	Total	**107.79**	109.66
vi.	**Other non cash expenditure**		
	Lending business	**3,068.77**	1,441.57
	BPO Services	**-**	-
	Unallocated	**-**	-
	Total	**3,068.77**	1,441.57

a) Chief Operating Decision Maker

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Group has been identified as the CODM as defined by Ind AS 108 Operating Segments, who assesses the financial performance and position of the Group and makes strategic decisions.

b) Operating Segment

Primary Segment (Business Segment)

The Group is organised primarily into two operating segments, i.e. Lending business and BPO services. Lending business includes providing finance to retail customers for a variety of purposes like purchase of commercial equipment and commercial vehicles, personal purposes, enterprise loans, etc. Revenue from lending business includes (i) interest income and processing fees net of loan origination costs, (ii) collection-related charges like cheque bouncing charges, late payment charges and foreclosure charges, and (iii) insurance commission. BPO services comprises of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers.

Secondary Segment (Geographical Segment)

Since the business operations of the Group are concentrated in India, the Group is considered to operate only in the domestic segment and therefore there is no reportable geographic segment.

c) Segment Revenue and Expense

Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'.

d) Segment Assets and Liabilities

Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

e) Accounting Policies

The accounting policies consistently used in the preparation of the financial statements are also applied to items of revenue and expenditure in individual segments.

36 Related party disclosures

Name of the related party and nature of relationship

Holding Group : HDFC Bank Limited

Enterprise under common control of Holding Group : HDFC Securities Limited

Key Management Personnel (KMP) :

Aditya Puri (Chairman & Non Executive Director) (resigned effective 5 November 2020)

Jimmy Tata (Non Executive Director) (resigned effective 30 June 2020)

Bhavesh Zaveri (Non Executive Director) (resigned effective 28 November 2019)

Smita Affinwalla (Independent Director)

Venkatraman Srinivasan (Independent Director)

Dr. Amla Samanta (Independent Director)

Adayapalam Viswanathan (Independent Director)

G Ramesh (Managing Director and CEO)

Other related parties :

HDFC Ergo General Insurance Group Limited

HDFC Life Insurance Group Limited

HDFC Asset Management Group Limited

Details of Related Party Transactions for the Year:

Related party	Nature of transaction	31 March 2021	31 March 2020
HDFC Bank Limited	Bank charges	11.98	11.06
	Charges for back office support services received / recoverable	907.26	878.53
	Charges for sales support services received / recoverable	1,233.14	1,391.50
	Commission Expenses	4.94	-
	Corporate logo license fees	3.72	10.26
	Dividend paid	-	135.11
	Fixed deposits placed	1,172.73	167.74
	Interest paid on non-convertible debentures	59.92	64.51
	Interest paid on term loan and OD account	379.94	366.13
	Interest received on fixed deposits	12.78	11.06
	Investment banking fees paid	1.26	1.42
	IPA charges	0.00	0.01
	Reimbursement of IT expense, secondment charge & other common expenses	2.74	2.12
	Rent paid for premises taken on sub-lease	2.42	2.27
	Securities purchased during the year	3,115.00	1,986.50
	Securitisation	473.06	1,982.47
	Term loan availed during the year	2,350.00	4,696.15
	Term loan paid during the year	1,959.09	2,614.41
	Tele collection charges / field collection charges received / recoverable for collection services rendered	206.53	189.48
HDFC Securities Limited	Commission on sourcing of loans	-	0.03
	Rent received / receivable for premises given on sub-lease	0.08	0.13
Key Management Personnel	Director sitting fees and commission paid	0.80	0.60
	Dividend paid	-	0.11
	Salary including perquisites and allowances	3.79	4.10
	Stock Options#	0.86	3.49
	Others Contribution to Funds*	0.00	0.12
HDFC Asset Management Group Limited	Investment in mutual fund during year	1,910.00	-
	Redemption of mutual fund during year	1,910.00	-
HDFC Life Insurance Company Limited	Insurance commission received / receivable	7.91	10.21
	Rent paid / payable	0.01	0.03
HDFC Ergo General Insurance Company Limited	Insurance commission received / receivable	9.77	13.06

* excludes amounts pertaining to gratuity and compensated absences, which are actuarially valued at the Group level.

\# The intrinsic value of the stock options granted is Nil. However, the Group in compliance with Ind-AS 102 has been charged to the statement of profit and loss of ₹1.10 crore (previous year ₹0.88 crore) with a corresponding credit to the reserves.

(Currency : Indian Rupees in crore)

Balances outstanding:

Related party	Nature of transaction	31 March 2021	31 March 2020
HDFC Bank Limited	Securitisation	**379.10**	1,553.06
	Balance in current accounts	**645.56**	310.85
	Balance receivable	**85.66**	141.48
	Balance payable	**1.92**	7.92
	Fixed deposit	**182.53**	167.74
	Security deposit paid	**0.11**	0.07
	Security deposit received	**9.85**	9.85
	Term loan outstanding	**5,572.73**	5,181.82
	Non convertible debentures issued	**3,115.00**	650.00
	Undrawn commitments facility	**500.00**	1,000.00
HDFC Securities Ltd.	Balance receivable	**0.13**	0.22
HDFC Life Insurance Company Limited**	Balance payable - Securities	**905.00**	1,435.00
	Balance payable - Expenses	**0.01**	-
	Balance receivable	**1.59**	0.54
HDFC Asset Management Group Limited	Balance payable	**811.90**	971.90
	Balance receivable	**0.36**	-
HDFC Ergo General Insurance Company Limited**	Balance payable	**70.00**	20.00
	Balance receivable	**1.22**	0.64

** excludes amounts pertaining to insurance premiums payable that are in the nature of pass through.

37 Employee benefits

(A) Defined contribution plan

The contribution made to various statutory funds is recognized as expense and included in Note 29 ‘Employee benefits expense’ under ‘Contribution to provident and other funds’ in Statement of Profit and Loss.

(B) Defined benefit plan (Gratuity)

The Group contributes to the group gratuity fund based on the actuarial valuation determined as at the year-end through the HDFC Life Insurance Group (‘HDFC Life’) Limited and Life Insurance Corporation of India Limited (LIC). HDFC Life and LIC have certified the Fair Value of the Plan Assets.

Details of Actuarial Valuation as at March 31, 2021

	Particulars	31 March 2021	31 March 2020
A.	**Change in defined benefit obligation.**		
1	Defined benefit obligation at beginning of period	**116.48**	76.88
2	Service cost		
	a. Current service cost	**12.76**	13.54
	b. Past service cost	**-**	-
	c. (Gain) / loss on settlements	**-**	-
3	Interest expenses	**5.67**	5.30
4	Cash flows		
	a. Benefit payments from plan	**(10.00)**	(11.01)
	b. Benefit payments from employer	**-**	-
	c. Settlement payments from plan	**-**	-
	d. Settlement payments from employer	**-**	-

HDB FINANCIAL SERVICES

(Currency : Indian Rupees in crore)

	Particulars	31 March 2021	31 March 2020
5	Remeasurements		
	a. Effect of changes in demographic assumptions	**4.36**	0.19
	b. Effect of changes in financial assumptions	**5.10**	6.51
	c. Effect of experience adjustments	**14.72**	25.07
6	Transfer In / Out		
	a. Transfer In	**-**	-
	b. Transfer out	**-**	-
7	Defined benefit obligation at end of period	**149.09**	116.48
B.	**Change in fair value of plan assets**		
1	Fair value of plan assets at beginning of period	**54.53**	38.09
2	Interest income	**2.66**	2.63
3	Cash flows		
	a. Total employer contributions		
	(i) Employer contributions	**32.78**	19.66
	(ii) Employer direct benefit payments	**-**	-
	(iii) Employer direct settlement payments	**-**	-
	b. Participant contributions	**-**	-
	c. Benefit payments from plan assets	**(10.00)**	(11.01)
	d. Benefit payments from employer	**-**	-
	e. Settlement payments from plan assets	**-**	-
	f. Settlement payments from employer	**-**	-
4	Remeasurements		
	a. Return on plan assets (excluding interest income)	**1.54**	5.17
5	Transfer In /Out		
	a. Transfer In	**-**	-
	b. Transfer out	**-**	-
6	Fair value of plan assets at end of period	**81.51**	54.53
C.	**Amounts recognised in the Balance Sheet**		
1	Defined benefit obligation	**149.09**	116.48
2	Fair value of plan assets	**(81.51)**	(54.53)
3	Funded status	**67.58**	61.95
4	Effect of asset ceiling	**-**	-
5	Net defined benefit liability (asset)	**67.58**	61.95
D.	**Components of defined benefit cost**		
1	Service cost		
	a. Current service cost	**12.76**	13.54
	b. Past service cost	**-**	-
	c. (Gain) / loss on settlements	**-**	-
	d. Total service cost	**12.76**	13.54
2	Net interest cost		
	a. Interest expense on DBO	**5.67**	5.30
	b. Interest (income) on plan assets	**2.66**	2.63
	c. Interest expense on effect of (asset ceiling)	**-**	-
	d. Total net interest cost	**3.01**	2.67
3	Remeasurements (recognised in OCI / Retained Earnings)		
	a. Effect of changes in demographic assumptions	**4.36**	0.19
	b. Effect of changes in financial assumptions	**5.10**	6.51
	c. Effect of experience adjustments	**14.72**	25.07

(Currency : Indian Rupees in crore)

	Particulars	31 March 2021	31 March 2020
	d. Return on plan assets (excluding interest income)	**1.54**	5.17
	e. Changes in asset ceiling (excluding interest income)	**-**	-
	f. Total remeasurements included in OCI / Retained Earnings	**22.64**	26.59
4	Total defined benefit cost recognised in P&L and OCI	**38.41**	42.81
E.	**Remeasurement**		
	a. Actuarial Loss / (Gain) on DBO	**24.18**	31.77
	b. Returns above Interest Income	**(1.54)**	(5.17)
	c. Change in Asset ceiling	**-**	-
	Total Re-measurements (OCI / Retained Earnings)	**22.64**	26.59
F.	**Employer Expense (P&L)**		
	a. Current Service Cost	**12.76**	13.54
	b. Interest Cost on net DBO	**3.01**	2.67
	c. Past Service Cost	**-**	-
	d. Total P&L Expenses	**15.77**	16.21
G.	**Net defined benefit liability (asset) reconciliation**		
1	Net defined benefit liability (asset)	**61.95**	38.79
2	Defined benefit cost included in P&L	**15.77**	16.21
3	Total remeasurements included in OCI / Retained Earnings	**22.64**	26.59
4	a. Employer contributions	**(32.78)**	(19.66)
	b. Employer direct benefit payments	**-**	-
	c. Employer direct settlement payments	**-**	-
5	Net transfer	**-**	-
6	Net defined benefit liability (asset) as of end of period	**67.58**	61.95
H.	**Reconciliation of OCI (Re-measurement)**		
1	Recognised in OCI at the beginning of period	**34.46**	7.87
2	Recognised in OCI during the period	**22.64**	26.59
3	Recognised in OCI / Retained Earnings at the end of the period	**57.11**	34.46
I.	**Sensitivity analysis - DBO end of Period**		
1	Discount rate +100 basis points	**(3.77)**	(2.88)
2	Discount rate -100 basis points	**4.10**	3.05
3	Salary Increase Rate +1%	**3.66**	2.64
4	Salary Increase Rate -1%	**3.49**	(2.68)
5	Attrition Rate +1%	**1.27**	(0.68)
6	Attrition Rate -1%	**1.35**	0.70
J.	**Significant actuarial assumptions**		
1	Discount rate Current Year (p.a.)	**3.86%**	4.87%
2	Discount rate Previous Year (p.a.)	**4.87%**	6.84% - 6.92%
3	Salary increase rate (p.a.)	**5.00% - 9.00%**	7.00% - 8.00%
4	Attrition Rate (%)	**9.00% - 76.00%**	26.00% - 89.00%
5	Retirement Age (years)	**60**	60
6	Pre-retirement mortality	**IALM (2006-08) Ultimate**	IALM (2006-08) Ultimate
7	Disability	**Nil**	Nil
K.	**Data**		
1	No.	**99,629**	105,029
2	Average age (yrs.)	**29.23**	28.70
3	Average past service (yrs.)	**2.71**	2.30
4	Average salary monthly (₹)	**8,863.61**	8,606.00
5	Future service (yrs.)	**30.77**	31.30
6	Weighted average duration of DBO	**4.00**	3.00

	Particulars	31 March 2021	31 March 2020
L.	**Expected cash flows for following year**		
1	Expected contributions / Addl. Provision Next Year	**30.31**	32.83
2	Expected total benefit payments		
	Year 1	**47.88**	57.04
	Year 2	**30.37**	35.32
	Year 3	**20.98**	24.00
	Year 4	**15.27**	16.58
	Year 5	**10.90**	11.90
	Next 5 years	**25.22**	24.19

Category of Plan asset	% of Fair value to total planned assets (as at 31 March 2021)
Government securities and corporate bonds / debentures	**94.11%**
Money market instruments and fixed deposits	**3.22%**
Net current assets and other approved security	**2.67%**
Total	**100.00%**

The Group's gratuity plan obligation is determined by actuarial valuation and is funded by investments in government securities. As such, the valuation and the funding are exposed to certain risks, including mainly salary increments, attrition levels, interest rates and investment yields. If salaries and interest rates rise faster than assumed or if the attrition rates are lower than assumed, then the Group's gratuity obligation would rise faster in future periods and an increase in market yields of government securities would reduce the value of the plan's investments, leading to higher future funding requirements. The Group monitors plan obligations and investments regularly with a view to ensuring that there is adequate funding on an ongoing basis, thus mitigating any potential adverse consequences of the risks described.

C) Compensated absences

The Group neither has a policy of encashment of unavailed leaves for its employees nor allow the leaves to be carry forward to next year.

D) The Parliament has approved the Code on Social Security, 2020 ('Code') which may impact the contribution by the Group towards Provident Fund and Gratuity. The effective date from which the Code and its provisions would be applicable is yet to be notified and the rules which would provide the details based on which financial impact can be determined are yet to be framed after which the financial impact can be ascertained. The Group will complete its evaluation and will give appropriate impact, if any, in the financial result following the Code becoming effective and the related rules being framed and notified.

38 Contingent liabilities

S.N.	Particulars	31 March 2021	31 March 2020
1	Claims against the Group not acknowledged as debt (Refer Note 38.1)	**93.55**	94.32
2	Estimated amount of contracts remaining to be executed on capital account and not provided for: (Net of Advances amounting to ₹1.22 crore, previous year ₹3.61 crore)	**8.64**	12.42
3	Undrawn committed sanctions to borrowers	**26.65**	88.84

38.1 Claims against the Group not acknowledged as debt

Particulars	**31 March 2021**	31 March 2020
Suit filed by borrowers	**3.36**	4.13
Other contingent liabilities in respect of :		
1. Provident Fund matter - (see (a) below)	**50.14**	50.14
2. Payment of Bonus (Amendment) Act, 2015 - (see (b) below)	**34.88**	34.88
3. Income tax matter	**4.85**	4.85
4. Payment of Labour Welfare Fund	**0.32**	0.32
Total	**93.55**	94.32

a) Provident Fund matter

The Group had received a notice of demand from the Provident Fund department amounting to ₹ 50.14 crore. The Group had filed an appeal challenging the Provident Fund Commissioner's order before the Provident Fund Appellate Tribunal, wherein the Group had received a favorable outcome. However, a sum of ₹ 1 crore has been deposited under protest with the Provident Fund Appellate Authority. This amount is shown under Other financial assets in Note 10.

The Provident Fund department has challenged the order of the appellate authority in the High Court. The management of the Group is of the view that no material losses will arise in respect of the legal claim and accordingly the same has been disclosed as a contingent liability. In the eventuality of any claim arising out of this case, the same will be billed to the customer in the year the claim is final and accordingly no provision has been made.

b) Payment of Bonus (Amendment) Act, 2015

As per the amendment to the Payment of Bonus (Amendment) Act, 2015 vide notification number DL-(N)04/70007/2003-16 issued on 1 January 2016 by Government of India, the Group would be required to pay statutory bonus to all eligible employees as per the amendments specified thereunder, with effect from 1 April 2014. However, various High Courts have granted a stay on retrospective effect of Payment of Bonus (Amendment) Act, 2015 from financial year 2014-15. In light of the above, the Group has decided to disclose such bonus amounting to ₹ 34.88 crore as a contingent liability.

38.2 The Group's pending litigations comprise of claims against the Group by the customers and proceedings pending with other authorities. The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in the financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

38.3 The Group has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At the year end, the Group has reviewed and ensured that adeqaute provision as required under any law / accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.

39 Maturity analysis of assets & liabilities

Particulars	**31 March 2021**		31 March 2020	
	Within 12 months	**After 12 months**	Within 12 months	After 12 months
ASSETS				
Financial Assets				
(a) Cash and cash equivalents (CCE)	**753.51**	**-**	355.95	-
(b) Bank balances other than CCE	**220.50**	**2.37**	207.23	-
(c) Derivative financial instruments	**-**	**-**	81.32	-
(d) Trade receivables	**117.32**	**-**	181.18	-
(e) Loans	**18,500.34**	**40,101.10**	17,730.01	39,415.87
(f) Investments	**1,455.03**	**137.87**	1,744.81	0.95
(g) Other financial assets	**209.63**	**39.59**	69.90	48.18
	21,256.33	**40,280.93**	20,370.40	39,465.00

Particulars	31 March 2021		31 March 2020	
	Within 12 months	**After 12 months**	Within 12 months	After 12 months
Non-financial Assets				
(a) Current tax assets (Net)	**56.91**	**-**	77.42	-
(b) Deferred tax assets (Net)	**-**	**729.99**	-	415.62
(c) Property, plant and equipment	**-**	**91.52**	-	124.48
(d) Capital work-in-progress	**-**	**-**	-	0.06
(e) Other intangible assets	**-**	**7.98**	-	9.07
(f) Right of Use Assets	**47.39**	**170.01**	37.62	214.79
	104.30	**999.50**	115.04	764.02
TOTAL ASSETS	**21,360.63**	**41,280.43**	20,485.44	40,229.02
LIABILITIES				
Financial Liabilities				
(a) Derivative financial instruments	**42.72**	**-**	-	-
(b) Trade payables	**334.26**	**-**	149.99	-
(c) Debt securities	**7,131.39**	**16,670.68**	9,228.64	13,364.74
(d) Borrowings other than debt securities	**8,352.32**	**14,216.75**	8,661.58	14,918.58
(e) Subordinated liabilities	**-**	**3,987.61**	-	3,630.55
(f) Other financial liabilities	**2,291.85**	**553.08**	1,986.95	267.43
	18,152.54	**35,428.12**	20,027.16	32,181.30
Non-Financial Liabilities				
(a) Current tax liabilities (net)	**173.05**	**-**	74.60	-
(b) Provisions	**282.24**	**37.61**	224.61	62.25
(c) Other non-financial liabilities	**121.26**	**-**	45.51	81.23
	576.55	**37.61**	344.72	143.48
TOTAL LIABILITIES	**18,729.09**	**35,465.73**	20,371.88	32,324.78
NET	**2,631.54**	**5,814.70**	113.56	7,904.24

40 Corporate social responsibility

The average profit before tax of the Group for the last three financial years was ₹1,541.63 crore, basis which the Group was required to spend ₹30.83 crore towards Corporate Social Responsibility (CSR) activities for the current financial year.

a) Amount spent during the year on:

Particulars	31 March 2021			31 March 2020		
	Amount Spent	**Amount Unpaid/ provision**	**Total**	Amount Spent	Amount Unpaid/ provision	Total
Construction/acquisition of any asset	**-**	**-**	**-**	-	-	-
On purpose other than (i) above	**23.52**	**7.31**	**30.83**	24.81	3.47	28.28

(Currency : Indian Rupees in crore)

b) In case of Section 135(5) unspent amount:

Opening Balance	Amount deposited in Specified Fund of Sch. VII within 6 months	Amount required to be spent during the year	Amount spent during the year	Closing Balance
-	Not Applicable	30.83	23.52	7.31

Note: ₹ 3.47 crore reported as unspent in financial year 2019-20 has been spent in first quarter of financial year 2020-21

c) In case of Section 135(5) Excess amount spent

Opening Balance	Amount required to be spent during the year	Amount spent during the year	Closing Balance
Not Applicable			

d) In case of Section 135(6) Details of ongoing projects

Opening Balance		Amount required to be spent during the year	Amount spent during the year		Closing Balance	
With Group	In Separate CSR Unspent Account		From Group's Bank Account	From Separate CSR Unspent A/c	With Group	In Separate CSR Unspent Account
NIL	Not Applicable	30.83	23.52	Not Applicable	7.31	NIL

Note: Closing balance of ₹ 7.31 crore available with the Company shall be transferred to an unspent CSR account by end of 30 April 2021.

41. Details of dues to Micro, Small and Medium Enterprises

As per the confirmation received from the parties following is the status of MSME parties.

Particulars	31 March 2021	31 March 2020
The Principal amount remaining unpaid at the end of the year	**0.01**	-
The Interest Amount remaining unpaid at the end of the year	-	-
Interest paid along with amount of payment made to the supplier beyond the appointed day	-	-
Amount of interest due and payable for the period of delay on payments made beyond the appointed day	-	-
Amount of interest accrued and remaining unpaid	-	-
Further interest due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprises	-	-
Balance of MSME parties at the end of the year	**0.01**	-

Note - The above is based on the information available with the Group which has been relied upon by the auditors.

(Currency : Indian Rupees in crore)

42 Fair value measurement

a) Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below:

b) Total financial assets measured at fair value on a recurring basis :

The following tables show an analysis of the fair value of financial assets by level of the fair value hierarchy.

Particulars	**Category**	**Fair value hierarchy**	**Fair Value**	
			31 March 2021	31 March 2020
Mutual fund units	FVTPL	Level 1	**572.21**	750.02
Unquoted equity shares	FVTPL	Level 3	**1.45**	0.95
Treasury bills	FVTPL	Level 1	**882.82**	994.79
Securities receipt of ARC	FVTPL	Level 2	**136.42**	-
Derivative financial instruments	FVTPL	Level 2	**-**	81.32

Level 1:

Units held in mutual funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions.

Treasury bills are valued based on market quotes.

Level 2:

Fair value of debt securities, borrowings other than debt securities and subordinated liabilities have estimated by discounting expected future cash flows discounting rate near to report date based on comparable rate / market observable data.

Level 3:

Fair value of loans have estimated by discounting expected future cash flows using discount rate equal to the rate near to the reporting date of the comparable product.

Unquoted equity shares are measured at fair value using suitable valuation models viz., net asset value technique.

c) The table below presents information pertaining to the fair values and carrying values of the Group's financial assets and liabilities.

Particulars	**Category**	**Fair value hierarchy**	**31 March 2021**		31 March 2020	
			Carrying value	**Fair value**	Carrying value	Fair value
Financial Assets						
(a) Cash and cash equivalents (CCE)	Amortised cost		**753.51**	**753.51**	355.95	355.95
(b) Bank balances other than CCE	Amortised cost		**222.87**	**222.87**	207.23	207.23
(c) Derivative financial instruments	FVTPL	Level 2	**-**	**-**	81.32	81.32
(d) Trade receivables	Amortised cost		**117.32**	**117.32**	181.18	181.18
(e) Loans	Amortised cost	Level 3	**58,601.44**	**55,503.95**	57,145.88	53,256.66

(Currency : Indian Rupees in crore)

Particulars		Category	Fair value hierarchy	31 March 2021		31 March 2020	
				Carrying value	Fair value	Carrying value	Fair value
(f)	Investments - Mutual funds and Treasury bills	FVTPL	Level 1	**1,455.03**	**1,455.03**	1,744.81	1,744.81
	Investments - In Security Receipts	FVTPL	Level 2	**136.42**	**136.42**	-	-
	Investments - Unquoted equity shares	FVTPL	Level 3	**1.45**	**1.45**	0.95	0.95
(g)	Other financial assets	Amortised cost		**249.22**	**249.22**	118.08	118.08
				61,537.26	**58,439.77**	59,835.40	55,946.18
Financial Liabilities							
(a)	Derivative financial instruments	FVTPL	Level 2	**42.72**	**42.72**	-	-
(b)	Trade payables	Amortised cost		**334.26**	**334.26**	150.00	150.00
(c)	Debt securities	Amortised cost	Level 2	**23,802.07**	**25,052.85**	22,593.38	23,951.81
(d)	Borrowings other than Securitisation	Amortised cost	Level 2	**20,532.65**	**19,753.95**	20,954.00	20,762.75
	Borrowings under Securitisation	Amortised cost	Level 2	**2,036.41**	**2,004.24**	2,626.16	2,831.79
(e)	Subordinated liabilities	Amortised cost	Level 2	**3,987.61**	**4,281.90**	3,630.55	3,913.97
(f)	Other financial liabilities	Amortised cost		**2,844.94**	**2,844.94**	2,254.38	2,254.38
				53,580.66	**54,314.86**	52,208.47	53,864.69

(i) Short-term and other financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months) and for other financial assets and other financial liabilities that are insignificant in value, the carrying amounts, net of impairment, if any, are a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, bank balances other than cash and cash equivalents, trade receivables, trade payables, other financial assets and other financial liabilities.

(ii) Loans

These financial assets are recorded at amortised cost, the fair values of which are estimated at portfolio level using a discounted cash flow model based on contractual cash flows discounted using market rates incorporating the counterparties' credit risk.

(iii) Debt securities, borrowings and subordinated liabilities

Fair value is estimated at portfolio level by a discounted cash flow model incorporating market interest rates and the Group's own credit risk or based on market-observable data such as secondary market prices for its traded debt, as relevant.

43 Capital Management

The primary objective of the Group's capital management policy is to ensure compliance with regulatory capital requirements. In line with this objective, the Group ensures adequate capital at all times and manages its business in a way in which capital is protected, satisfactory business growth is ensured, cash flows are monitored, borrowing covenants are honoured and ratings are maintained.

Regulatory capital-related information is presented as part of the RBI mandated disclosures. The RBI norms require capital to be maintained at prescribed levels. In accordance with such norms, Tier I capital of the Group comprises of share capital, share premium, reserves and perpetual debt, Tier II capital comprises of subordinated debt and provision on loans that are not credit-impaired. There were no changes in the capital management process during the periods presented.

44 Risk Management

While risk is inherent in the Group's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

The Group's Treasury is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

a) Credit risk

The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Financial assets measured on a collective basis

The Group splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristies, as described below in the following order:

- Secured/unsecured i.e. based on whether the loans are secured
- Nature of security i.e. the nature of the security if the loans are determined to be secured
- Nature of loan i.e. based on the nature of loan

Significant increase in credit risk

The Group considers an exposure to have significantly increased in credit risk when the borrower crosses 30 DPD but is within 90 DPD.

Impairment assessment

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower crosses 90 days past due on its contractual payments. Further, the borrower is retained in Stage 3 (credit-impaired) till all the overdue amounts are repaid i.e borrower becomes 0 days past due on its contractual payments.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that incorporates the probability of default and subsequent recoveries, discounted.

Current economic data and forward-looking economic forecasts and scenarios are used in order to determine the Ind-AS 109 LGD rate. The company uses data obtained from third party sources and combines such data with inputs to the Group's ECL models including determining the weights attributable to the multiple scenarios.

Credit quality of assets

a) The table below shows credit quality and maximum exposure to credit risk based on year-end stage classification. The amounts presented are gross of Impairment loss allowance.

(Rupees in crore)

Stage	**31 March 2021**	31 March 2020
Stage 1: 0 to 30 days past due	**55,263.27**	54,243.55
Stage 2: 31 to 90 days past due	**3,300.87**	1,928.27
Stage 3: more than 90 days past due	**2,760.86**	2,259.13
Total	**61,325.00**	58,430.95

(Currency : Indian Rupees in crore)

b) An analysis of changes in the gross carrying amount and corresponding ECL allowances in relations to loans is as under:

	31 March 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount - opening balance	54,243.55	1,928.27	2,259.13	58,430.95
Originated or new	24,165.19	269.87	142.71	24,577.77
Matured or repaid	(18,076.95)	(753.75)	(1,365.78)	(20,196.48)
Transfers to Stage 1	919.63	(650.27)	(269.36)	-
Transfers to Stage 2	(3,088.42)	3,229.17	(140.75)	-
Transfers to Stage 3	(2,899.73)	(722.42)	3,622.15	-
Amounts written off (net of recovery)	-	-	(1,487.24)	(1,487.24)
Gross carrying amount - closing balance	55,263.27	3,300.87	2,760.86	61,325.00

	31 March 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount - opening balance	52,537.04	1,171.99	1,000.38	54,709.41
Originated or new	29,206.43	436.03	210.94	29,853.40
Matured or repaid	(23,364.88)	(878.26)	(905.71)	(25,148.85)
Transfers to Stage 1	259.33	(188.06)	(71.27)	-
Transfers to Stage 2	(1,956.56)	1,967.09	(10.53)	-
Transfers to Stage 3	(2,437.81)	(580.52)	3,018.33	-
Amounts written off (net of recovery)	-	-	(983.01)	(983.01)
Gross carrying amount - closing balance	54,243.55	1,928.27	2,259.13	58,430.95

	31 March 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment loss allowance - opening balance	634.25	212.22	438.60	1,285.07
Originated or new	401.34	38.68	34.77	474.79
Matured or repaid	(175.73)	(66.92)	1,108.56	865.91
Transfers to Stage 1	111.71	(56.61)	(55.09)	-
Transfers to Stage 2	(61.34)	90.13	(28.79)	-
Transfers to Stage 3	(60.93)	(66.90)	127.83	-
Remeasurement	456.81	392.11	736.11	1,585.03
Amounts written off (net of recovery)			(1,487.24)	(1,487.24)
Impairment loss allowance - closing balance	1,306.11	542.71	874.74	2,723.56

	31 March 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment loss allowance - opening balance	358.37	148.18	321.69	828.24
Originated or new	241.75	33.84	36.09	311.68
Matured or repaid	(161.27)	(78.50)	557.42	317.66
Transfers to Stage 1	42.05	(18.13)	(23.93)	-
Transfers to Stage 2	(28.70)	32.23	(3.54)	-
Transfers to Stage 3	(57.46)	(59.47)	116.93	-
Remeasurement	239.50	154.07	416.94	810.51
Amounts written off (net of recovery)	-	-	(983.01)	(983.01)
Impairment loss allowance - closing balance	634.25	212.22	438.60	1,285.07

(Currency : Indian Rupees in crore)

c) Modified financial assets

The Group renegotiates loans given to customers in financial difficulties (referred to as forbearance activities, restructuring or rescheduling) to maximise collection opportunities and minimise the risk of default. Under the Companies forbearance policy, loan forbearance is granted on a selective basis if the customer is currently in default on its debt or if there is a high risk of default, there is evidence that the customer made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Risk Management Committee regularly reviews reports on forbearance activities.

Upon renegotiation, such accounts are classified as Stage 3. Such accounts are upgraded to Stage 1 only upon observation of satisfactory repayments of one year from the date of such down-gradation and accordingly loss allowance is measured using 12 month PD.

Exposure to modified financial assets	**31 March 2021**	31 March 2020
Gross carrying amount	**3,649.96**	-
Impairment allowance	**956.92**	-
Net carrying amount	**2,693.04**	-

Analysis of risk concentration

The following table shows risk concentration of the Group's loans basis risk exposure into smaller homogeneous portfolios, based on shared credit risk characteristics as under:

	31 March 2021	31 March 2020
Carrying value of Loans	**58,601.44**	57,145.88
Mortgage backed loans	**17,041.68**	17,847.74
Other assets backed loans	**25,430.92**	23,817.31
Personal loans	**13,322.88**	13,234.91
Others	**2,805.97**	2,245.92
Total	**58,601.44**	57,145.88

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Collateral coverage - credit impaired loans

Loan to Value (LTV) range	**31 March 2021**	31 March 2020
Upto 50 % Coverage	**1,476.62**	1,202.22
51-75 % Coverage	**402.89**	555.54
76-100 % Coverage	**5.95**	51.94
Above 100% Coverage	**0.65**	10.83
Total	**1,886.11**	1,820.53

(Currency : Indian Rupees in crore)

b) Liquidity risk and funding management

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

Maturity profile of financial liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31st March.

31 March 2021	**Less than 1 year**	**1 year to 3 years**	**3 years to 5 years**	**5 years and above**	**Total**
Trade payables	**334.26**	**-**	**-**	**-**	**334.26**
Derivative financial instruments	**42.72**	**-**	**-**	**-**	**42.72**
Debt securities	**8,780.45**	**17,885.98**	**399.14**	**793.20**	**27,858.77**
Borrowings	**8,107.92**	**13,506.54**	**282.55**	**-**	**21,897.01**
Borrowings under Securitization	**1,342.04**	**842.97**	**14.75**	**-**	**2,199.76**
Subordinated liabilities	**363.54**	**1,497.86**	**1,013.71**	**3,396.56**	**6,271.67**
Total	**18,970.93**	**33,733.35**	**1,710.15**	**4,189.76**	**58,604.19**

31 March 2020	Less than 1 year	1 year to 3 years	3 years to 5 years	5 years and above	Total
Trade payables	150.00	-	-	-	150.00
Derivative financial instruments	-	-	-	-	-
Debt securities	10,828.66	14,631.49	833.87	420.75	26,714.76
Borrowings	8,580.57	13,821.56	1,097.94	-	23,500.07
Borrowings under Securitization	1,483.34	1,303.57	46.99	-	2,833.89
Subordinated liabilities	337.22	1,274.65	1,262.80	3,115.79	5,990.46
Total	21,379.79	31,031.27	3,241.59	3,536.54	59,189.19

c) Market risk

Market risk represents the risk that 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.

i) **Interest rate risk**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Group's statement of profit and loss.

	% Increase/decrease in rate		**Increase/decrease in profit**	
	31 March 2021	31 March 2020	**31 March 2021**	31 March 2020
Borrowings that are re-priced	**0.25%**	0.25%	**38.00**	44.35
Loans that are re-priced	**0.25%**	0.25%	**40.31**	42.07

ii) Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk for the Group arise majorly on account of foreign currency borrowings. The Group manages this foreign currency risk by entering in to cross currency swaps and forward contract. When a derivative is entered in to for the purpose of being as hedge, the Group negotiates the terms of those derivatives to match with the terms of the hedge exposure. The Group's policy is to fully hedge its foreign currency borrowings at the time of drawdown and remain so till repayment.

(Currency : Indian Rupees in crore)

The Group holds derivative financial instruments such as cross currency interest rate swap to mitigate risk of changes in exchange rate in foreign currency and floating interest rate. The counterparty for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in market place.

d) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or from external events.

The operational risks of the Group are managed through comprehensive internal control systems and procedures and key back up processes. This enables the management to evaluate key areas of operational risks and the process to adequately mitigate them on an ongoing basis. The Group also undertakes Risk based audits on a regular basis across all business units / functions. While examining the effectiveness of control framework through self-assessment, the risk-based audit would assure effective implementation of self-certification and internal financial controls adherence, thereby, reducing enterprise exposure.

The Group has put in place a robust Disaster Recovery (DR) plan, which is periodically tested. Business Continuity Plan (BCP) is further put in place to ensure seamless continuity of operations including services to customers, when confronted with adverse events such as natural disasters, technological failures, human errors, terrorism, etc. Periodic testing is carried out to address gaps in the framework, if any. DR and BCP audits are conducted on a periodical basis to provide assurance regarding the effectiveness of the Group's readiness.

45 Impact of hedging activities

a) Disclosure of effects of hedge accounting on financial position:

31 March 2021								
Type of hedge and risks	**Nominal value**		**Carrying amount of hedging instrument**		**Maturity date**	**Changes in fair value of hedging instrument**	**Change in the value of hedged item used as the basis for recognising hedge effectiveness**	**Line item in Balance Sheet**
Cash flow hedge	**Assets**	**Liabilities**	**Assets**	**Liabilities**				
Foreign exchange forward contracts (Cross currency interest rate swaps)	3,874.83	-	-	42.72	30 Oct 2022, 29 Nov 2022, 10 Dec 2022 and 18 June 2023	(124.04)	(124.04)	Borrowings

31 March 2020								
Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness	Line item in Balance Sheet
Cash flow hedge	**Assets**	**Liabilities**	**Assets**	**Liabilities**				
Foreign exchange forward contracts (Cross currency interest rate swaps)	2,269.50	-	81.32	-	30 Oct 2022, 29 Nov 2022 and 10 Dec 2022	81.32	(81.32)	Borrowings

(Currency : Indian Rupees in crore)

b) **Disclosure of effects of hedge accounting on financial performance**

31 March 2021				
Type of hedge	**Change in the value of the hedging instrument recognised in other comprehensive Income**	**Hedge ineffectiveness recognised in statement of profit and loss**	**Amount reclassified from cash flow hedge reserve to statement of profit and loss**	**Line item affected in statement of profit and loss because of the reclassification**
Cash flow hedge				
Foreign exchange risk and interest rate risk	**(124.04)**	**-**	**127.03**	**Finance cost**

31 March 2020				
Type of hedge	Change in the value of the hedging instrument recognised in other comprehensive Income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedge reserve to statement of profit and loss	Line item affected in statement of profit and loss because of the reclassification
Cash flow hedge				
Foreign exchange risk and interest rate risk	81.32	-	(128.28)	**Finance cost**

46 Changes in Liabilities arising from financing activities

Particulars	**1 April 2020**	**Cash flows**	**Exchange Difference**	**Other**	**31 March 2021**
Debt securities	**22,593.38**	**1,162.82**	**-**	**45.87**	**23,802.07**
Borrowings other than debt securities	**20,954.00**	**(450.24)**	**-**	**28.90**	**20,532.66**
Borrowings under Securitisation	**2,626.16**	**(593.04)**	**-**	**3.29**	**2,036.41**
Subordinated liabilities	**3,630.55**	**344.67**	**-**	**12.39**	**3,987.61**
Total	**49,804.09**	**464.21**	**-**	**90.45**	**50,358.75**

Particulars	1 April 2019	Cash flows	Exchange Difference	Other	31 March 2020
Debt securities	24,119.67	(1,727.00)	-	200.71	22,593.38
Borrowings other than debt securities	16,474.55	4,372.45	128.28	(21.28)	20,954.00
Borrowings under Securitisation	1,621.10	1,005.06	-	-	2,626.16
Subordinated liabilities	2,889.78	743.50	-	(2.73)	3,630.55
Total	45,105.10	4,394.01	128.28	176.70	49,804.09

(i) Other column includes the effect of accrued but not paid interest on borrowing, amortisation of processing fees etc

(ii) Total Liabilities comprises of Debt securities, Borrowings (other than debt securities) and Subordinated Liabilities

47 Expenditure / Remittances in Foreign Currencies

a) **Expenditure in Foreign Currencies**

Particulars	**31 March 2021**	31 March 2020
Interest and processing charges for debt instrument	**15.70**	19.46
Professional charges	**0.03**	0.14
Annual software application fee	**0.12**	0.03

b) There is no dividend paid in foreign currency.

48 Event after Reporting Date

Subsequent events are tracked and evaluated by the Group. Necessary adjustments / disclosures have been provided in the financial statements for significant subsequent events.

49 Transfer of Financial Assets

49.1 Transferred financial assets that are not derecognised in their entirety

The following tables provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

A) Securitisation

The Group has transferred certain pools of fixed rate loan receivables backed by underlying assets by entering into securitisation transactions with the Special Purpose Vehicle Trusts (SPV Trust) sponsored by commercial banks for consideration received in cash at the inception of the transaction.

The Group, being the Originator of these loan receivables, also acts as a Servicer with a responsibility of collection of receivables from its borrowers and depositing the same in Collection and Payout Account maintained by the SPV Trust for making scheduled payouts to the investors in Pass Through Certificates (PTCs) issued by the SPV Trust. These securitisation transactions also require the Group to provide for first loss credit enhancement in various forms, such as corporate guarantee, cash collateral, subscription to subordinated PTCs etc. as credit support in the event of shortfall in collections from underlying loan contracts. By virtue of existence of credit enhancement, the Group is exposed to credit risk, being the expected losses that will be incurred on the transferred loan receivables to the extent of the credit enhancement provided.

In view of the above, the Group has retained substantially all the risks and rewards of ownership of the financial asset and thereby does not meet the derecognition criteria as set out in Ind-AS 109. Consideration received in this transaction is presented as 'Borrowing under Securitisation' under Note 17.

The following table provides a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

Particulars	**31 March 2021**	31 March 2020
Carrying amount of transferred assets measured at amortised cost	**2,167.91**	2,632.39
Carrying amount of associated liabilities (Debt securities - measured at amortised cost)	**2,036.41**	2,626.16
Fair value of assets	**1,964.93**	2,364.33
Fair value of associated liabilities	**2,004.24**	2,831.79
Net position at Fair Value	**(39.31)**	(467.46)

B) Assignment

The Group has sold some loans (measured at amortised cost) by way of direct bilateral assignment, as a source of finance.

As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been de-recognised from the Group's balance sheet.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain/(loss) on derecognition, per type of asset.

Particulars	**31 March 2021**	31 March 2020
Carrying amount of de-recognised financial asset	**235.67**	401.80
Carrying amount of retained assets at amortised cost*	**26.37**	47.40
Gain on sale of the de-recognised financial asset	**Nil**	Nil

*excludes Excess Interest Spread (EIS) on de-recognised financial assets

49.2 Transferred financial assets that are derecognised in their entirety but where the Group has continuing involvement

The Group has not transferred any assets that are derecognised in their entirety where the Group continues to have continuing involvement.

50 Provision for impact of COVID-19

The Group had recognized provision on loans for which moratorium was granted in accordance with the COVID-19 Regulatory Package announced by the Reserve Bank of India vide notifications dated 27 March 2020, 17 April 2020 and 23 May 2020. The provision amount is reviewed regularly and is adjusted against the ECL provision when these loans are classified as impaired.

51 Supreme Court Order dated 23 March 2021

The Honourable Supreme Court of India vide order dated 23 March 2021 has stated that interim relief granted vide an interim order dated 3 September 2020 stands vacated. Accordingly, the Group has classified and recognised provision as at 31 March 2021 in accordance with the Group's Expected Credit Loss policy.

RBI circular dated 7 April 2021 advised all lending institutions to immediately put in place a Board-approved policy to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. 1 March 2020 to 31 August 2020 in conformity with the above judgement. Further, the circular stated that in order to ensure that the Supreme Court judgement dated 23 March 2021 is implemented uniformly in letter and spirit by all lending institutions, methodology for calculation of the amount to be refunded/adjusted for different facilities shall be finalised by the Indian Banks Association (IBA) in consultation with other industry participants/bodies, which shall be adopted by all lending institutions and also advised all lending institutions to disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ended 31 March 2021. Pending clarification on the calculation methodology of the amount to be refunded/adjusted from IBA, the Group has made a provision in the financial statements as at 31 March 2021 based on proforma calculation.

The Government of India, Ministry of Finance, vide its notification dated 23 October 2020, had announced a scheme for COVID-19 Relief for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts. The Group had implemented the ex-gratia scheme and credited the accounts of or remitted amounts to the eligible borrowers as per the Scheme.

52 Disclosure under clause 28 of the Listing Agreement for Debt Securities

S.N.	Particulars	31 March 2021	31 March 2020
a)	Loans and advances in the nature of loans to subsidiaries	-	-
b)	Loans and advances in the nature of loans to associates	-	-
c)	Loans and advances in the nature of loans where there is -	-	-
	(i) no repayment schedule or repayment beyond seven years	-	-
	(ii) no interest or interest below section 186 of Companies Act, 2013	-	-
d)	Loans and advances in the nature of loans to firms/companies in which directors are interested	-	-

53 Disclosure under clause 16 of the Listing Agreement for Debt Securities

The Debentures are secured by way of a first and pari passu mortgage in favour of the Security Trustee on the Group's Office no 319, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and further secured by way of hypothecation of receivables under financing activity with a minimum requirement of asset cover of 1.1 times.

54 Standards issued but not yet effective

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 are applicable from 1 April 2021.

55 Previous year figures have been regrouped/rearranged, where necessary.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firms' Registration No: 101248W/W-100022

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-
Akeel Master
Partner
Membership No. 046768

Sd/-
G Ramesh
Managing Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Haren Parekh
Chief Financial Officer

Sd/-
Dipti Khandelwal
Company Secretary

Mumbai
17 April 2021

www.hdbfs.com

HDB FINANCIAL SERVICES
REIMAGINING OPPORTUNITIES

Total branches - **1319**

Disclaimer : All efforts have been made to make this image accurate. However, the Company and it's Directors do not own the responsibility for the correctness or the authenticity of the same.

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