FEDBANK
FINANCIAL SERVICES LIMITED

MARCH

2020

FEDBANK FINANCIAL SERVICES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31, 2020

Business Highlights

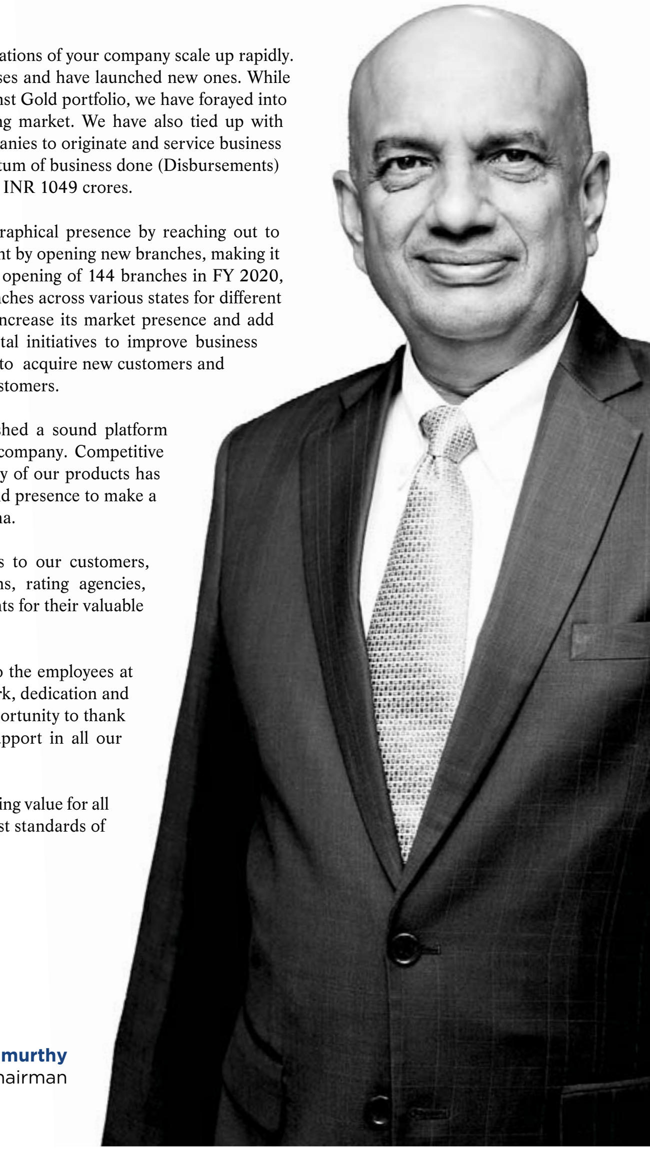
(Rs. in crore)

PARTICULAR	2019- 20 *	2018-19 *	2017-18	2016-17	2015-16
Branch Network (Nos)	300	152	123	107	112
Loan Disbursements	2295	1049	802	515	342
Loan Assets Under Management 2	3769	2,004	1,422	962	611
Net worth	691	459	260	230	208
Borrowing 3	3218	1,600	1,155	725	403
Total Revenue	466	256	198	135	89
Net Interest Income	230	122	94	71	54
Profit Before Tax	56	51	49	35	19
Profit After Tax	39	36	31	23	12

KEY RATIOS					
Gross NPA (%)	1.47	2.28	0.92	0.22	0.39
Net NPA (%)	1.08	1.93	0.80	0.18	0.31
Capital Adequacy Ratio (%)	17.89	21.61	17.22	22.98	32.81
Return on Total Asset (ROTA) (%)	1.26	1.99	2.48	2.73	2.2
Return on Equity (ROE) (%)	6.81	10.13	12.57	10.28	6.07
Basic Earnings Per Share (Rs.)	1.61	1.76	1.62	1.19	0.64
Diluted Earnings Per Share (Rs.)	1.60	1.76	1.62	1.19	0.64

1. Figures and ratios for FY 2019-20 and FY 2018-19 are as per Ind AS.
2. Loan Asset Under Management represents total principal outstanding including that of loans assigned and outstanding as at 31 March 2020
3. Borrowings represent the total borrowings outstanding as at 31 March, 2020

Chairman's Letter



The Financial Year 2020 has seen the operations of your company scale up rapidly. We have consolidated our existing businesses and have launched new ones. While we continue to rapidly grow our Loan against Gold portfolio, we have forayed into the large and attractive Unsecured Lending market. We have also tied up with Microfinance companies and Fintech companies to originate and service business for us. These initiatives have seen the quantum of business done (Disbursements) increase by 119% to INR 2295 crores from INR 1049 crores.

Your Company further expanded its geographical presence by reaching out to different locations and increased its footprint by opening new branches, making it more accessible to its customers. With the opening of 144 branches in FY 2020, the network has now increased to 300 branches across various states for different products. The Company will continue to increase its market presence and add more branches, implement the various digital initiatives to improve business and operational efficiency and continue to acquire new customers and provide better reach and services to our customers.

The scale up during the year has established a sound platform to build on for the further growth of the company. Competitive intensity has decreased and the profitability of our products has increased. We have the people, products and presence to make a mark in the Indian Consumer Lending arena.

To conclude, I express my sincere thanks to our customers, stakeholders, bankers, financial institutions, rating agencies, service providers and all other constituents for their valuable support and unstinted co-operation.

My special thanks and appreciation goes to the employees at all levels of the company, for their hard work, dedication and continued commitment. I also take this opportunity to thank all the shareholders for their unstinted support in all our endeavors.

We continue to be committed towards creating value for all our stakeholders and adhering to the highest standards of corporate governance.

- Balakrishnan Krishnamurthy
Chairman

MESSAGE
from MD & CEO

THE ENVIRONMENT

The previous financial year saw the consumer lending industry, specifically the NBFC sector, marginally recovering from the aftermath of the events pursuant to the IL&FS crisis. The liquidity pipes unclogged and the availability of long term debt improved, especially for companies with good pedigree.

However, a few large players stopped disbursal of loans. The total availability of consumer loans declined for the second year in a row, driven by lower supply as well as muted economic growth.

IMPACT ON FEDFINA

The fact that the supply of retail loans has diminished in the year has stood us in good stead. We were able to get easier access to good quality borrowers. Also, our margins on instalment loans have improved during the course of the year, from 5.8% to 6.4%.

Further, the heightened uncertainty in the environment saw a 60% rise in the price of gold. This, along with the doubling of our distribution footprint, has helped more than double our gold loan balance sheet.

OUR OPERATING PERFORMANCE

These tail winds, coupled with our ambition resulted in a year of growth and rejuvenation at Fedfina. There was a heightened level of activity as we took our first steps towards becoming a significant midsized player in the Indian Consumer Lending Space.

We added 926 people during the year taking up our headcount to 1890. Our branch network grew from 149 to 300 branches. We originated Rs 2295 cr. of loans during the year which resulted in our portfolio growing from 2007 cr. to Rs 3687 cr., as a consequence.

While revenues increased by 82 %, expenses increased 100% in line with the scale up. Our pre-tax, pre-provision profit went up 44% to 77.88 cr. Our GNPA stood at 1.47% (NNPA at 1.08%).

We have taken a COVID related provision of 6.19 cr., in light of the ongoing pandemic and consequent uncertainty.

CAPITAL INFUSION

The growth during the year was fuelled by two rounds of capital infusion – Rs 112 cr. in September and Rs. 80 cr. in March taking our Capital Adequacy Ratio to 17.89% at the end of the year. Thus, Fedfina has seen a total infusion of Rs 361 cr. of capital over the past 20 months, which has increased our net worth by 1.1 times.

This ensures that we are adequately capitalised to take advantage of the opportunities that the environment may throw up in the coming year.

THE COMING YEAR

We had cast our ambitions into a five year growth plan last year and have been tracking ourselves to the same. However, with the COVID-19 pandemic disrupting economic activity across the country, there will be a lower level of originations this year.

The environment will test the quality of the portfolio that we have built. Our profitability this year and how we evolve over the coming years will be dependent on our ability to manage the portfolio this year.

In addition to collections, we will use the current year to consolidate our business model. This entails continuing our deployment of technology for increased productivity, rationalising costs while we grow.

We hope that, with our access to capital and debt, product suite, distribution and technological evolution, we should be able to navigate the current environment and take advantage of the opportunities as the economy recovers from the effects of the current pandemic.

- Anil Kothuri
MD & CEO

CORPORATE INFORMATION

BOARD MEMBERS

Chairman
Mr. Balakrishnan Krishnamurthy (DIN: 00034031)

Non-Executive Independent Director
Mrs. Gauri Shah (DIN: 06625227)

Non-Executive Director
Mr. Shyam Srinivasan (DIN: 02274773)

Nominee Director
Mr. Ashutosh Khajuria (DIN: 05154975)
Mr. Maninder Juneja Singh (DIN: 02680016)

Managing Director & Chief Executive Officer
Mr. Anil Kothuri (DIN: 00177945)

KEY MANAGERIAL PERSONNEL

MD & CEO
Mr. Anil Kothuri

Chief Financial Officer:
Mr. Sudeep Agrawal

Company Secretary & Compliance Officer
Mr. S. Rajaraman

HOLDING COMPANY

The Federal Bank Ltd

COMMITTEES OF BOARD

Audit Committee
Risk Management Committee
Nomination and Remuneration Committee
Corporate Social Responsibility Committee
Credit Committee

AUDITORS

Statutory Auditors
M/s. Varma & Varma,
Chartered Accountants,
Unit no.101, Option Primo,
Plot no. X-21, MIDC Road No.21,
Andheri-East, Mumbai-400093.

SECRETARIAL AUDITORS:

M/s. SVJS & Associates
Company Secretaries
65/2364A, Ponoth Road,
Kaloor, Kochi, E rnakulam- 682 017
www.svjs.in
+91 484 2950007

REGISTERED AND CORPORATE OFFICE

Fedbank Financial Services Limited
CIN: U65910KL1995PLC008910.

REGISTERED OFFICE:

Federal Towers, Alwaye,
Ernakulam, Kerala- 683101
Ph.: 011- 0484 2634411,

CORPORATE OFFICE:

Kanakia Wall Street, A-Wing,
5th Floor, Unit No.501/502/511/512
Andheri – Kurla Road,
Chakala, Andheri East,
Mumbai, Maharashtra – 400093
Contact: 022 6852 0601
E-Mail: customercare@fedfina.com
Website: www.fedfina.com

REGISTRAR & SHARE TRANSFER AGENT FOR FULLY PAID-UP EQUITY SHARES

Link Intime India Pvt. Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Road, Bhandup West,
Mumbai-400078
Tel No.: 022-2496 3838

PROFILE OF
BOARD MEMBERS

MR. BALAKRISHNAN KRISHNAMURTHY

Mr. Balakrishnan Krishnamurthy is a Chairman and Independent Director of Fedfina since September, 2019.

He has over 30 years of professional experience, of which around 25 years have been in the Financial Services business in India, providing strategic and financial advice to a variety of Indian and Multinational Corporations, Financial Sponsors and private business families. He is a qualified Chartered Accountant and Company Secretary. Currently, he is the Chairman of Kriscore Financial Advisors Pvt. Ltd. & also an Independent Director of The Federal Bank Ltd. With excellent client relationships and domain knowledge, he was instrumental in originating and leading execution of most of these transactions. During his tenure with Lazard, he worked on advisory assignments with a variety of large Indian and multinational clients. He also served as Head of Corporate Finance and Advisory for HSBC Investment Bank and was responsible for the corporate finance and advisory business of HSBC Investment Banking in India. He has also worked with Infrastructure Leasing & Financial Services Ltd, Mumbai, and led teams both on advisory and financing assignments.

MR. MANINDER SINGH JUNEJA

Mr. Maninder Singh Juneja joined Fedfina as Nominee Director (Nominee of True North Fund VI LLP) since December, 2018.

A thought Leader in Banking Industry with experience in setting independently retail asset, deposits, transaction banking franchise and now chartering the banks digital journey. Influential in policy circles through board position on CIBIL (credit bureau of India Ltd) and NPCI (National Payment Council of India). Personal Leadership philosophy is led by example and at ease with Strategizing decisions and nitty-gritty of execution. He has over 25 years of hands on experience in strategizing, planning and setting up Branch franchise and managing top line and P&L of retail banks across Assets, deposit, Wealth Management, Small Business loans, NRI Segment, Credit, Policy, Business Intelligence, Digital Channels, collections and Fraud control, Strong business development professional skilled in Negotiation, Interest Rates, Management, Management Information Systems (MIS), and Business Process Outsourcing (BPO).

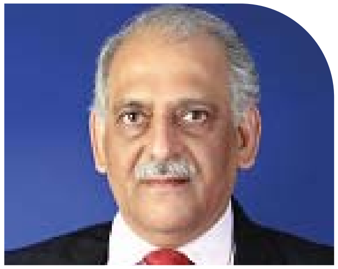
Presently a Partner with True North Managers LLP, role involves Identify, Acquire and Lead one or more Financial Services Businesses as CEO/Managing Director. The objective is to create a large and one of the most admired, new age tech centric financial services business.

MR. SHYAM SRINIVASAN

Mr. Shyam Srinivasan joined Fedfina as Non-Executive Promoter Director of the Company Since 2011.

He is equipped with the experience of over 20 years with leading multinational banks in India, Middle East and South East Asia, where he gained significant expertise in retail lending, wealth management and SME banking

He is an alumnus of the Indian Institute of Management, Kolkata and Regional Engineering College, Tiruchirapally. He has completed a Leadership Development Program from the London Business School and has served on the Global Executive Forum (the top 100 executives) of Standard Chartered Bank from 2004 to 2010.



MR. ASHUTOSH KHAJURIA

Mr. Ashutosh Khajuria joined Fedfina as Nominee Director (The Federal Bank Ltd.) since April, 2020.

He is a Graduate in Science from the prestigious Banaras Hindu University and is a Bachelor in Law as well. He is also an Executive Director & Chief Financial Officer of Federal Bank. He has been the Group President and Chief Credit Officer of other institutions overseeing Corporate, Institutional and Commercial Banking.

He has a total Work Experience of more than 34 Years in various senior level roles in leading organizations. He has a very keen eye on the financial markets and features regularly in panel discussions in FEDAI/FIMMDA conferences and also on various television channels.

MRS. GAURI SHAH

Mrs. Gauri Rushabh Shah joined Fedfina as an Independent Director of the Company since 2015.

She is a Chartered Accountant with over 14 years of experience in Tax, Financial, Business Advisory and Estates & Succession Planning Services. She has worked with Deloitte Haskins & Sells for five years.

MR. ANIL KOTHURI

Anil Kothuri joined Fedfina in August, 2018 as MD & CEO.

He has over twenty six years of experience across various asset businesses including Mortgage, SME Financing, Auto Loans, Share Finance and Unsecured Lending. Prior to joining Fedfina he was the head of the Retail Lending business of the Edelweiss Group. He has also worked in Citibank where he led key assignments across functions in Audit, Operations, Sales, Product Management and Marketing.

He is an MBA graduate from the Indian Institute of Management, Ahmedabad and a Computer Engineer from Andhra University.

HR INITIATIVES
FY 2019 - 2020

At Fedfina it's always about our People and creating a High Trust and High Performance culture. And as a first step towards this, for the first time we have been certified as a Great Place to Work from the GPTW Institute. This is true testimony to the culture which we have been keenly promoting.

We always believed in bringing out the best in our employees by identifying their true potential, recognizing their efforts and celebrating their successes and opportunities of fun workplace.

We empower them to be their best version of themselves every day and this is biggest accolade on the people front which we have bagged.

During the year the focus of the company was to ensure that young talent is nurtured and mentored consistently, that rewards and recognition are commensurate with performance and that employees have the opportunity to grow and develop.

Going back to our Approach of Hire Right our emphasis has been on getting the right talent on board and is a culture fit. We believe in finding the best when it comes to the most formidable assets our People. This year we have expanded to newer geographies and added new branches which has naturally resulted in a large influx of new joiners.

Our blended approach to our hiring process, from external markets, developing our existing employees and providing them with opportunities for personal growth and career progression has helped us achieve this feat.

Building on this we have focussed on a number of key areas to support us attract and nurture top talent to support us.

Concerted efforts have been put in talent management and succession planning practices, strong performance management initiatives to ensure that Fedfina consistently develops inspiring, strong and credible leadership.

Our focus on learning and commitment to employee personal and professional development has always remained a key part of our offering. This has been one of our unique value propositions too.

Learning @ Fedfina is a continuous process and is not the sole responsibility of the Learning & Development Function. Our Managers are active agents in our people's learning thus impacting engagement and productivity.

With regular communication and sustained efforts it is ensuring that employees are aligned on common objectives and have the right information on business evolution during the year we launched "Quarterly Dialogue" an interactive communication platform which provides all our people an opportunity to connect with the CEO and the leadership team and understand from them our progress, our focus areas and share ideas, feedback and suggestions.

While with introduction of Quarterly Dialogue we have created formal settings for communication and sharing feedback we always felt that getting to know each other individually is the key to build the right synergy and enhancing engagement. Inside Out is one such attempt to get our people connected and celebrate togetherness.

A quarterly employee's magazine to build on the social connect which otherwise in our busy office schedule is missed out. The unique thing about this magazine is that it explores the personal side of an individual, hidden talents, their way of celebrations, achievements of their children, secret recipes, travel diaries etc.

Fedfina's success story is attributed to all of our people's hard work, dedication, motivation and passion towards their work. And we go all out to acknowledge these extra ordinary efforts. We are fostering a culture where employee recognition has no calendar and is a continuous process.

As our make-over journey in 2019 we revamped our Recognition Policy and re- introduced our new policy ICON – Recognizing Impeccable Contributions which brought together the formal recognition tools which serve to celebrate our successes, our people, and highlight our Priority Behaviours.

DIRECTORS' REPORT

DEAR STAKEHOLDERS,

We would like to wish all our Stakeholders a very 25th Anniversary of our Company. For this, my sincere thanks goes to our loyal and incredible Fedfina team. I also hope that all the employees, working in the Company have been having a challenging, stimulating, exciting, and a continuous learning and developmental experience.

Your Directors present to you their Twenty-Fifth Annual Report along with IND_AS audited financial statements of the Company for the Financial Year ended 31st March 2020.

FINANCIAL PERFORMANCE:

(INR In Cr.)

Financial Highlights	FY 2020	FY 2019
Total Revenue	466.07	255.80
Net Interest Income (NII)	230.38	121.73
Fees and Other Income	40.59	22.71
Operating Expenses & Loan Loss Provisions	208.97	91.05
Profit Before Tax (PBT)	56.00	50.81
Net Profit	39.14	36.13
Appropriations: Transfer To Reserve Fund Transfer To General Reserve Transfer To Capital Reserve Transfer to Impairment Reserve Proposed Dividend Balance Carried Over To Balance Sheet	 7.83 0 0 0 0 31.31	 7.02 0 0 0 0 29.11
Total Advances	3686.52	2006.62
Total Borrowings	3217.59	1600.15
Total Assets (Balance Sheet Size)	4086.19	2150.61
Net Worth	691.16	458.63
Ratios:		
Return on Average Assets (%)	1.26	1.99
Return on Equity (%)	6.81	10.13
Earnings per share (Rs.)	1.61 1.60	1.76 1.76
Book Value per share (INR.)	25.28	19.94
Cost to Income ratio (%)	70.61	61.76
Capital Adequacy Ratio (%)	17.89	21.61

INTERPRETATION:

The past year has seen the operations of your company scale up rapidly. We have consolidated our existing businesses and have launched new ones. We have forayed into the large and attractive Unsecured Lending market. We have also tied up with Microfinance companies and Fintechs to originate and service business for us. These initiatives have seen the quantum of business done (Disbursements) increase by 119% to INR 2295 Crs. as from INR 1049 Crs. last year.

The portfolio of loans has grown by 84% over last year to INR 3687 Crs.

The Non-Performing Loans have reduced from 2.28% to 1.47%.

Total revenue for your Company has grown by 82% from INR. 255.80 Crs. in FY19 to INR 466.07 Crs this year. Similarly, Net Interest Income (NII) grew by 89% from INR. 121.73 Crs. in FY19 to INR 230.38 Crs this year.

Operating expenses grew by 129% from INR. 91.05 Crs. in FY19 to INR 208.97 Crs this year, and the Cost to Income ratio increased Y-o-Y from 62% in FY19 to 71% this year.

As at 31st March 2020, aggregate borrowings of your Company stood at INR 3218 Crs. as compared to INR 1600 Crs as at 31st March 2019.

NETWORK EXPANSION:

Your Company further expanded its geographical presence by reaching out to different locations and increased its footprint by opening new branches and making it more accessible to its customers. With the opening of 144 branches in FY 20, the network has now increased to 300 branches across various states for different products as follows:

Product wise Branches Count				
Location	GL	LAP & BL & MSE LAP (RO + HO)	MSE LAP	Grand Total
Tamilnadu	49	3	3	55
Andhra Pradesh	34	-	5	39
Telangana	26	1	2	29
Karnataka	57	1	3	61
Delhi	10	1	-	11
Gujarat	29	1	11	41
Maharashtra	44	2	8	54
Rajasthan	-	1	5	6
Haryana	-	1	-	1
Pondicherry	-	-	1	1
Madhya Pradesh	-	-	1	1
Uttar Pradesh	1	-	-	1
Grand Total	**250**	**11**	**39**	**300**

OUTLOOK:

The scale up during the year gone by has established a sound platform to build on for the further growth of the company. Competitive intensity has decreased and the profitability of our products has increased. We have the people, products and presence to make a mark in the Indian Consumer Lending arena.

However, the Corona Virus pandemic has cast its shadow over our plans for the coming year. The extent of the distress in the economy and its consequent impact on the demand for loans and on the repayment capability of our customers is unclear. However, what is clear is that there will be muted growth and the numbers of bad loans will increase.

Hence our approach during the coming year will be as follows.

- Focus on Account Management and preserving the health of our portfolio
- Dial up originations as and when appropriate
- Relook at our cost structure and optimize.

DIVIDEND:

In view of the planned business growth, your Directors deem it proper to preserve the resources of the Company for its activities and therefore, do not propose any dividend for the financial year ended 31 March, 2020.

AMOUNT PROPOSED TO BE CARRIED TO RESERVES:

Your Board of Directors have proposed a transfer of INR. 7.83 Crs to the Statutory Reserve maintained under Section 45IC of the RBI Act, 1934.

ASSET-LIABILITY MANAGEMENT:

Your Company follows a well-defined Asset Liability Management system, driven by Asset–Liability Committee (ALCO), to monitor efficiently and pursue appropriate policy initiatives.

Liquidity positions are examined regularly across the specified time- buckets to assess and manage mismatches. The ALM policy and practices of your Company are in line with the regulatory guidelines and best practices; designed to protect against liquidity as well as interest rate risk challenges and to optimize cost of funds at all times to fund growth requirements.

STATE OF COMPANY'S AFFAIRS:

Share Capital:

At the beginning of the year, Paid up share capital of the Company was INR. 2,300,425,000/- divided into 230,042,500 Equity shares of INR 10 each. During the year 43,380,925 Equity shares of face value of INR. 10/- each were issued on allotment basis and 4,729,730 0.01% Optionally Convertible Redeemable Preference Shares(OCRPS) of face value of INR. 10 each out of which INR. 2 paid up. Consequently as at 31st March, 2020, the issued, subscribed and Paid up share capital of the Company stood at INR. 2,734,234,250/- divided into 27,34,23,425 Equity shares of INR 10 each and INR. 9,459,460 divided into 4,729,730 0.01% Optionally Convertible Redeemable Preference Shares(OCRPS) of INR. 2 each paid up and INR. 10 each face value.

The Company has also granted Employees Stock Options to the following employees of the Company as at 31st March, 2020:

Name of Employee	No of ESOPs granted	Price
Anil Kothuri	1,351,351	42.11
Amit Gupta	1,00,000	30
Sivakumar B	60,000	30
Paramjit Singh Chawla	1,00,000	30
Shekaar Subramanian	1,00,000	30
Sudeep Kumar Agrawal	1,00,000	30
Ali Asad M Ansari	1,00,000	30
Siva Nandpati	2,00,000	42.11
Ashish Gautam	1,00,000	42.11
Jagadeesh Rao	1,00,000	42.11
Shardul Kadam	10,00,000	30
Ramchander Raghavendran	4,00,000	42.11
Vikas Srivastava	6,00,000	42.11
Anila Rajneesh	5,00,000	42.11
K Suresh Kumar	7,00,000	42.11

Further Company has not issued any bonus issue during the year. The Company has not issued shares with differential voting rights and sweat equity shares.

Board of Directors:

i) Composition:

Your Company's Board consists of Five Directors as follows:

- Mr. Balakrishnan Krishnamurthy (DIN: 00034031), Chairman & Independent Director
- Mr. Shyam Srinivasan (DIN: 02274773), Non Executive Director
- Mrs. Gauri Rushabh Shah (DIN: 06625227), Independent Director
- Mr. Maninder Juneja (DIN: 02680016), Nominee Director
- Mr. Anil Kothuri (DIN: 00177945), MD & CEO

The Board of Directors, based on the recommendation of the Nomination and Remuneration Committee, at their meeting dated 27th September, 2019, noted the retirement of Mr. Dilip Sadarangani as Independent Director of the Company and proposed the appointment of Mr. Balakrishnan Krishnamurthy for a period of 5 years with effect from 28th September, 2019 subject to the approval of the Shareholders.

The Board of Directors, based on the recommendation of the Nomination and Remuneration Committee, vide its resolution dated 18th March, 2020 noted resignation of Mr. Sumit Kakkar (DIN: 08387675), Nominee Director, representative of Federal Bank Ltd w.e.f. 13th March, 2020.

We wish to place on record the significant contributions made by Mr. Dilip Sadarangani and Mr. Sumit Kakkar during their tenure as Directors of the Company.

ii) No. of Meetings held during the year:

During the FY 2019-20, your Board of Directors met 9 times and the gap between any two meetings was less than one hundred and twenty days.

The dates on which the meetings were held are 3rd May, 2019, 7th June, 2019, 12th July, 2019, 27th September, 2019, 11th October, 2019, 30th October, 2019, 11th December, 2019, 13th January, 2020 and 18th March, 2020.

iii) Attendance record of each Director and other details for FY 2019-20:

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year are given herein below.

Name of Director	Category	Meetings held	Meetings attended
Mr. Dilip Sadarangani	Chairman & Independent Director	3	3
Mrs. Gauri Rushabh Shah	Independent Director	9	8
Mr. Shyam Srinivasan	Non-Executive Director	9	8
Mr. Balakrishnan Krishnamurthy	Chairman & Independent Director	5	5
Mr. Sumit Kakkar	Nominee Director	8	8
Mr. Maninder Singh Juneja	Nominee Director	9	8
Mr. Anil Kothuri	MD & CEO	9	8

Note:

a. Mr. Dilip Sadarangani ceased to be Chairman & Independent Director of the Company w.e.f. 8th September, 2019

b. Mr. Balakrishnan Krishnamurthy appointed as Chairman & Independent Director of the Company w.e.f 28th September, 2019.

c. Mr. Sumit Kakkar who was appointed as Nominee Director ceased to be the Director w.e.f. 13th March, 2020.

Based on the confirmations received, none of the Directors are disqualified for appointment under Section 164(2) of the Companies Act, 2013.

Audit Committee:

i) Composition:

The Audit Committee of Board consists of three Directors as follows:

- Mrs. Gauri Rushabh Shah (DIN: 06625227)–Chairperson
- Mr. Balakrishnan Krishnamurthy (DIN: 00034031)
- Mr. Sumit Kakkar (DIN: 08387675)

The Board of directors noted retirement of Mr. Dilip Sadarangani (member of Audit Committee) as Independent Director of the Company w.e.f. 8th September, 2019 & resignation of Mr. Sumit Kakkar (member of Audit Committee) as Nominee Director of the Company w.e.f. 13th March, 2020.

It is proposed to appoint a Nominee Director in place of Mr. Sumit Kakkar in the month of April, 2020 and thereafter, the Audit Committee will be re-constituted.

During the year the constitution of the Committee was in compliance with the regulatory requirements.

The Committee members are financially literate and have the necessary accounting and relevant financial technical management experience. During the year, all the recommendations of the Audit Committee were accepted by the Board.

Terms of reference and role of the audit committee includes the matters specified under the Companies Act 2013. Broad terms of reference includes: to oversights of financial reporting process, to review financial results and related information, to approve or modify any related party transactions, to review Internal financial controls and risk management system, to evaluate performance of statutory and internal auditors, effectiveness of audit process, to recommend for the appointment and payments of auditors.

ii) No. of Meetings held during the year:

During the FY 2019-2020, the Audit Committee of the Board met 6 times on 3rd May, 2019, 12th July, 2019, 11th October, 2019, 11th December, 2019, 13th January, 2020 and 18th March, 2020.

iii) Attendance record of Audit Committee for FY 2019-20:

The names, designation and categories of the Directors on the Audit Committee, their attendance at the Meetings held during the year are given herein below.

Name of Director	Designation in the Committee	Category	Meetings held	Meetings attended
Mrs. Gauri Rushabh Shah	Chairperson	Independent Director	6	6
Mr. Dilip Sadarangani	Member	Independent Director	2	2
Mr. Balakrishnan Krishnamurthy	Member	Independent Director	4	4
Mr. Sumit Kakkar	Member	Nominee Director	5	5

Note:

a. Mr. Dilip Sadarangani ceased to be Chairman & Independent Director of the Company w.e.f. 8th September, 2019

b. Mr. Balakrishnan Krishnamurthy appointed as Chairman & Independent Director of the Company w.e.f 28th September, 2019.

c. Mr. Sumit kakkar who was appointed as Nominee Director ceased to be the Director w.e.f. 13th March, 2020.

Nomination & Remuneration Committee:

i) Composition:

The Nomination & Remuneration Committee of Board consists of Four Directors as follows:

- Mrs. Gauri Shah (DIN: 06625227) - Chairperson
- Mr. Balakrishnan Krishnamurthy (DIN: 00034031)
- Mr. Shyam Srinivasan (DIN: 02274773)
- Mr. Maninder Singh Juneja (DIN: 02680016)

The constitution of the Committee is in compliance with the regulatory requirements.

Terms of reference of the Nomination & Remuneration Committee includes the matters specified under the Companies Act 2013. Broad terms of reference includes: to formulate the Nomination and Remuneration policy, to set criteria for determining qualifications, positive attributes and independence of a director, to formulate criteria for evaluation of independent directors and the Board and criteria for appointment of directors and senior management.

ii) No. of Meetings held during the year:

During the FY 2019-2020, the Nomination & Remuneration Committee of the Board met 4 times on 3rd May, 2019, 7th June, 2019, 27th September, 2019 and 18th March, 2020.

iii) Attendance record of Nomination & Remuneration Committee for FY 2019-20:

The names, designation and categories of the Directors on the Nomination & Remuneration Committee, their attendance at the Meetings held during the year are given below.

Name of Director	Designation in the Committee	Category	Meetings held	Meetings attended
Mrs. Gauri Rushabh Shah	Chairperson	Independent Director	4	4
Mr. Dilip Sadarangani	Member	Independent Director	2	2
Mr. Shyam Srinivasan	Member	Non Executive Director	4	4
Mr. Maninder Juneja	Member	Nominee Director	4	3
Mr. Balakrishnan Krishnamurthy	Member	Independent Director	1	1

Note:

a. Mr. Dilip Sadarangani ceased to be Chairman & Independent Director of the Company w.e.f. 8th September, 2019

b. Mr. Balakrishnan Krishnamurthy appointed as Chairman & Independent Director of the Company w.e.f 28th September, 2019.

iv) Policy on Directors, KMPs & Other Employees Appointment & Remuneration including Criteria as per Section 178 of the Companies Act 2013:

The Nomination & Remuneration policy of your Company is to ensure an appropriate mix of executive and independent directors; so as to maintain the independence of the Board, and separate its functions of governance and management.

As on March 31, 2020, the Board consisted of 5 members.

The Nomination and Remuneration Policy of the Company reflects a good focus on enhancing value and attracting and retaining quality staff members with requisite knowledge and excellence - both as Executive and Non-Executive Directors or KMP / Senior Management for achieving overall objectives of the Company.

Pursuant to the provisions of the Companies Act, 2013, a Policy on Appointment & Remuneration of Directors, Key Managerial Personnel, Senior Management and other employees has been formulated; including criteria for determining qualifications, positive attributes, independence of a Director and other matters as required under the said Act. The Nomination and Remuneration Committee also takes into account the fit and proper criteria for appointment of directors as stipulated by Reserve Bank of India.

The detailed Nomination and Remuneration Policy of the Company is placed on the website of the Company:
https://www.fedfina.com/corporate-governance/

Corporate Social Responsibility (CSR) Committee:

In accordance with the provisions of Section 135 of the Companies Act, 2013 (the Act), the Board of Directors of the Company have constituted the Corporate Social Responsibility (CSR) Committee.

i) Composition:

The CSR Committee of Board consists of Four Directors as follows:

- Mr. Balakrishnan Krishnamurthy (DIN: 00034031)–Chairman
- Mr. Shyam Srinivasan (DIN: 02274773)
- Mrs. Gauri Shah (DIN: 06625227)
- Mr. Anil Kothuri (DIN: 00177945)

The constitution of the Committee is in compliance with the regulatory requirements.

Terms of reference of the CSR Committee includes the matters specified under the Companies Act 2013. Broad terms of reference includes: to formulate and recommend to the Board a 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.

ii) No. of Meetings held during the year:

During the FY 2019-2020, the CSR Committee of the Board met only 1 time on 18th March, 2020.

iii) Attendance record of CSR Committee for FY 2019-20:

Names, designations and categories of the Directors on the CSR Committee, their attendance at the Meeting held during the year are given below:

Name of Director	Designation in the Committee	Category	Meetings held	Meetings attended
Mr. Balakrishnan Krishnamurthy	Chairman	Independent Director	1	1
Mr. Shyam Srinivasan	Member	Non Executive Director	1	1
Mrs. Gauri Shah	Member	Independent Director	1	1
Mr. Anil Kothuri	Member	MD & CEO	1	1

Note:

a. Mr. Dilip Sadarangani ceased to be Chairman & Independent Director of the Company w.e.f. 8th September, 2019
b. Mr. Balakrishnan Krishnamurthy appointed as Chairman & Independent Director of the Company w.e.f 28th September, 2019.

iv) CSR Activities & Its Reporting:

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.

During the year under review, your Company spent INR. 90 Lakhs on corporate social responsibility (CSR) projects/programs through Cuddle Foundation. Your Company is in compliance with the statutory requirements in this regard.

Further Annual Report on Corporate Social Responsibility (CSR) Activities pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014 is set out in Appendix-I.

Risk Management Committee:

i) Composition:

Present Risk Management Committee of Board consists of three Directors as follows:

- Mr. Balakrishnan Krishnamurthy (DIN: 00034031)–Chairman
- Mr. Maninder Singh Juneja (DIN: 02680016)
- Mr. Anil Kothuri (DIN: 00177945)

The constitution of the Committee is in compliance with the regulatory requirements.

Broad terms of reference of the Committee includes: to approve and monitor the Company's Risk Management Policies and procedures, to review portfolio & its delinquency at a product level and NPA Management.

ii) No. of Meetings held during the year:

During the FY 2019-2020, the Risk Management Committee of the Board met Four times on 3rd May, 2019, 11th October, 2019, 13th January, 2020 and 18th March, 2020.

iii) Attendance record of Risk Management Committee for FY 2019-20:

Names, designations and categories of the Directors on the Risk Management Committee, their attendance at the Meeting held during the year are given below.

Name of Director	Designation in the committee	Category	Meetings held	Meetings attended
Mr. Dilip Sadarangani	Chairman	Independent Director	1	1
Mr. Balakrishnan Krishnamurthy	Chairman	Independent Director	3	3
Mr. Maninder Singh Juneja	Member	Nominee Director	4	4
Mr. Sumit Kakkar	Member	Nominee Director	3	3
Mr. Anil Kothuri	Member	MD & CEO	4	4

Note:

a. Mr. Dilip Sadarangani ceased to be Chairman & Independent Director of the Company w.e.f. 8th September, 2019

b. Mr. Balakrishnan Krishnamurthy appointed as Chairman & Independent Director of the Company w.e.f 28th September, 2019.

c. Mr. Sumit Kakkar who was appointed as Nominee Director ceased to be the Director w.e.f. 13th March, 2020.

POST MEETING MECHANISM:

The important decisions taken at the Board/Board Committee Meetings are communicated to the concerned department/division.

DIRECTORS AND KEY MANAGERIAL PERSONNEL:

In accordance with the provisions of section 152(6) of the Act and the Articles of Association of the Company, Mr. Anil Kothuri, MD & CEO (DIN : 00177945) is proposed to retire by rotation at the forthcoming Annual General Meeting (AGM), and being eligible,offers himself for re-appointment. Necessary resolution for this purpose is being proposed in the Notice of the ensuing Annual General Meeting for approval by the members.
No change in key managerial Personnel during the year.

SEPARATE MEETING OF THE INDEPENDENT DIRECTORS:

During the year under review, The Independent Directors met once on 18th March, 2020. The Meetings were conducted in an informal manner without the presence of the Non-Executive Non-Independent Directors or any other Management Personnel and broadly the following issues were discussed in detail:

a. Reviewed the performance of the Nominee directors and the Board as a whole;

b. Reviewed the performance of the Chairperson of the Company, in his absence by taking into account the views of all the Non-Executive Directors;

c. Assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board as necessary for the Board to functioning effectively and to perform their duties.

DECLARATION FROM INDEPENDENT DIRECTORS:

Both the Independent Directors have given declarations that they meet the criteria of independence laid down under Section 149 of the Companies Act, 2013.

As on 31st March, 2020, the following Non-Executive Directors are Independent in terms of Section 149(6) of the Companies Act, 2013:-

- Mr. Balakrishnan Krishnamurthy (DIN: 00034031)
- Mrs. Gauri Rushabh Shah (DIN:06625227)

In the opinion of the Board, the Independent Directors are persons with integrity, expertise and experience in the relevant functional areas.

Requirements of online proficiency self-assessment test in terms of Rule 6(4) of The Companies (Appointment and Qualifications of Directors) Rules, 2014 will be complied within the prescribed timeline.

THE CHANGE IN THE NATURE OF BUSINESS, IF ANY:

There was no change in the nature of business of the Company during the financial year ended 31st March, 2020.

BOARD EVALUATION:

Pursuant to the provisions of the Companies Act, 2013, evaluation of the performance of individual Directors (including the Chairman of the Board) were conducted on parameters such as level of engagement and contribution and independence of judgment - thereby safeguarding the interests of the Company. Evaluation sheet in form of questionnaire were circulated for undertaking performance evaluation.

The performance evaluation of the Independent Directors were carried out by the entire Board, excluding the director being evaluated. The performance evaluation of the Chairman, the Non-Independent Directors and board as a whole were carried out by the Independent Directors. Further, the performance evaluation of every Directors were carried out by the Nomination & Remuneration Committee.

The Board also carried out annual performance evaluation of the working of its Committees.

The Directors have expressed their satisfaction with the evaluation process. The Board opined that the Board Committees' composition, structure, processes and working procedures are well laid down and that the Board Committees members have adequate expertise drawn from diverse functions, industries and business and bring specific competencies relevant to the Company's business and operations.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES:

The Company does not have any subsidiary, joint venture or associate Company.

HUMAN RESOURCE – TALENT POOL – PERFORMANCE MANAGEMENT:

Our growth journey has continued and we have set our foot prints in newer geographies. Our employee strength has grown multi-fold to almost 115%. This year has been quite eventful with our company bagging the Great Place to Work Certification for the period from January 2020 to December 2020.

The Trust Index Score was 78 and Credibility of Management and Pride stood out amongst all other parameters.

This year additionally we have adopted a whole new HRMS platform with mobility features putting us on a new digital journey. We also launched our new Learning Management System which is also available on mobile making learning more convenient, easy and fun for our employees.

PARTICULARS OF EMPLOYEES:

Your Company had 1 employee drawing salary in excess of the limits specified in section 197 of the Companies Act 2013 read with Rule 5(2) and rule 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

a. Employed throughout the year: 1
b. Employed for part of the year: NIL

Details of the employee drawing salary in excess of the limit specified is as follows:

a. Name of the employee: Mr. Anil Kothuri
b. Designation of the employee: MD & CEO
c. Remuneration received: INR. 20,009,995 per annum
d. Nature of employment, whether contractual or otherwise: Permanent Full time employee
e. Qualifications and experience of the employee: MBA from IIM - Ahmedabad & B. Tech.
f. Date of commencement of employment: 8^{th} August, 2018
g. The age of such employee: 49 Years
h. The last employment held by such employee before joining the company: CEO of Edelweiss Housing Finance Ltd.
i. The percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub-rule (2) above: NIL
j. Whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager: No

CAPITAL ADEQUACY:

Your Company's capital adequacy ratio stood at 17.89% as on March 31, 2020 which is well above the threshold limit of 15% prescribed by the Reserve Bank of India. Tier-I Capital ratio alone stood at a healthy 17.53%.

CREDIT RATING:

Rating Agency	Type of Instrument	Rating*	Remarks
CARE Ratings Limited (Formerly Known Credit Analysis & Research Limited)	Long Term Bank Facilities	CARE AA-/ Stable	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
CARE Ratings Limited (Formerly Known Credit Analysis & Research Limited)	Non-Convertible Debenture issue	CARE AA-/ Stable	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
CRISIL Limited	Commercial Paper Program	CRISIL A1+'	The 'A1'+ rating indicates the Highest Level of Rating. Instruments with this rating are considered to have very strong degree of safety regarding timely payment of Financial obligations. Such instruments carry lowest credit risk.
Rating Agency	Type of Instrument	Rating*	Remarks
Acuite Ratings & Research	Commercial Paper Program	Acuite A1+'	The 'A1'+ rating indicates the Highest Level of Rating. Instruments with this rating are considered to have very strong degree of safety regarding timely payment of Financial obligations. Such instruments carry lowest credit risk.

*The ratings mentioned above were reaffirmed by the Rating Agencies during the Financial Year 2019-20.

PUBLIC DEPOSITS:

Your Company is Non- Deposit taking NBFC and has not accepted public deposits during the year under review in terms of chapter-V of the Companies Act, 2013.

RISK MANAGEMENT POLICY:

Your Company has a Board-approved Risk Management Policy that lays down the overall framework for identifying, assessing, measuring and monitoring various elements of risk involved in the businesses and for formulation of procedures and systems for mitigating such risks. The main objective of this policy is to ensure sustainable and prudent business growth.

The function is supervised by a Board Risk Committee which reviews the asset quality and portfolio composition on a regular basis. Any product policy programs are duly approved by this Committee.

Your Company has adopted and laid down sound operating procedures and guidelines to mitigate operational and fraud risks in its business lines.

Your Company continues to invest in people, processes, training and technology; so as to strengthen its overall Risk Management Framework.

AUDITORS:

1. STATUTORY AUDITORS & THEIR REPORT

M/s Varma and Varma, Chartered Accountants (Firm Registration No.004532S) were appointed as Statutory Auditors of your Company at the Twenty First Annual General Meeting (AGM) held on August 11, 2016 from the conclusion of the said AGM till conclusion of Twenty Sixth Annual General Meeting. They have confirmed their eligibility for the FY 2020-21 under Section 141 of the Companies Act, 2013 and the Rules framed thereunder.

The Audit Report submitted by M/s Varma and Varma, Chartered Accountants, for FY 2020 does not contain any qualification, reservation or adverse remark.

2. SECRETARIAL AUDITORS & THEIR REPORT

M/s. SVJS & Associates, Company Secretaries, were re-appointed as the Secretarial Auditors to conduct the Secretarial Audit for the financial year ended March 31, 2020. The Report of the secretarial auditor in the prescribed Form MR-3 is set out in Appendix-II to this Report. The Secretarial Audit Report does not contain any qualifications, reservation or adverse remark.

COMPLIANCE WITH THE PROVISIONS OF SECRETARIAL STANDARD - 1 AND SECRETARIAL STANDARD – 2:

The Directors have devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards issued by the Institute of Company Secretaries of India and that such systems are adequate and operating effectively.

The applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meetings of the Board of Directors' and 'General Meetings', respectively, have been duly complied by your Company.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Your Company believes that strong internal control system and processes play a critical role in the health of the Company. Your company has instituted adequate internal control systems commensurate with the nature of its business & size of operations. Your Company's well-defined organizational structure, documented policy guidelines, defined authority matrix and internal controls ensure efficiency of operations, compliance with internal policies and applicable laws and regulations as well as protection of resources. The internal control system is supplemented by extensive internal audits, regular reviews by the management and standard policies and guidelines which ensure reliability of financial and all other records. The Internal Audit reports are periodically reviewed by the Audit Committee. Your Company's Internal Audit department performed regular reviews of business processes to assess the effectiveness & adequacy of the internal control systems, compliance with policies and procedures.

All significant audit observations of the internal auditors and follow up actions were duly reported and discussed at the Audit Committee.

INTERNAL FINANCIAL CONTROLS AND THEIR ADEQUACY:

During the year, your Company had engaged a reputed firm of Chartered Accountants to evaluate the internal financial control framework and test its effectiveness.

Based on the testing conducted by the firm, the Company has adequate internal financial controls commensurate with the nature and size of its business operations; that operating effectively and no material weaknesses exist.

The deficiencies reported to the Management do not constitute material weaknesses.

Your Company has a process in place to continuously monitor internal controls and identify deficiencies, if any, and implement new and/or improved controls to limit any adverse effects on the Company's operations.

The said evaluation and testing was carried out in line with the general guidelines of the Institute of Chartered Accountants of India.

RELATED PARTY TRANSACTIONS:

All related party transactions are placed before the Audit Committee and the Board for their approval on quarterly basis. Transaction with related parties, as per the requirements of Accounting Standards, 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.

Particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form are provided in the form AOC-2 in accordance with the rule 8 (2) of the Companies (Accounts), 2014 Rules. Form AOC-2 is set out in Appendix-III.

FRAUD REPORTING:

Pursuant to the Board approved 'Fraud Risk Management and Fraud Investigation Policy' of the Company, information relating to all frauds of INR. 1 Lakh and above are reported promptly to the Board and quarterly reviews are placed before the Board for their information.

During the year under review, Eight (8) instances of fraud total amounting to INR.36.65 lakhs were detected and the same has been timely reported to the Board as well as to the Reserve Bank of India (RBI). Subsequently INR. 26.89 lakhs was recovered by the company.

Pursuant to the provisions of the Companies Act, 2013, no fraud was reported by auditors of the Company to the Audit Committee during the year under review.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY:

No material changes and commitments have occurred after the closure of the Financial Year 2019-20 till the date of this Report, which would affect the financial position of your Company.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013:

Pursuant to Section 186(11) of the Companies Act, 2013 ("the Act"), the provisions of Section 186(4) of the Act requiring disclosure in the Financial Statements of the full particulars of the loans made and guarantees given or securities provided by a Non-Banking Financial Company in the ordinary course of its business and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security are exempted from disclosure in the Annual Report.

Further, pursuant to the provisions of Section 186 (4) of the Act, the details of investments made by the Company are given in the Notes to the Financial Statements.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS:

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.

DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT 2013 READ WITH RULES:

The Company has an Anti-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and dealt with during the year 2019-20:

- No. of complaints received: Nil
- No. of complaints disposed off: Not Applicable.

RBI GUIDELINES:

The Reserve Bank of India (RBI) granted the Certificate of Registration to the Company in August 2010 vide Registration No. N-16.00187, to commence the business of a non-banking financial institution without accepting public deposits. Your Company has complied with and continues to comply with all the applicable regulations and directions of the RBI. Details of auctions conducted during the year under review are set out below:

Year	No. of Loan Accounts	Principal Amount outstanding at the dates of auctions (A)	Interest Amount outstanding at the dates of auctions (B)	Total (A+B)	Total value fetched
2019-20	1189	INR. 50,479,237.00	INR. 8,374,082.00	INR. 58,853,319.00	INR. 75,634,646.00

Note: No entity within the Company's group including any holding or associate Company or any related party had participated in any of the above auctions.

VIGIL MECHANISM:

As per the provisions of Section 177(9) of the Companies Act, 2013, the Company is required to establish an effective Vigil Mechanism for Directors and employees to report genuine concerns. The Company as part of this has in place a Board approved "Policy on Vigil Mechanism" to deal with the instances of fraud and mismanagement, if any. The said policy is available on the website of your Company at https://www.fedfina.com/corporate-governance/

This Vigil mechanism of the Company is overseen by the Audit Committee and provides adequate safeguard against victimisation of employees and also provide direct access to the Chairman of the Audit Committee in exceptional circumstances.

Your Company affirms that no personnel has been denied access to the Audit Committee.

No complaints were received by the Company during the year under review.

EXTRACT OF ANNUAL RETURN:

The details forming part of the extract of the Annual Return in form MGT 9 is set out in Appendix-IV. Pursuant to section 92 (1) of the Companies Act 2013, the Annual Return for the year 2019 – 20 also uploaded on the website of the Company (https://www.fedfina.com/corporate-governance/)

EMPLOYEE STOCK OPTION SCHEME:

With a view to appraise, motivate and reward the Employees for their past association and performance leading to growth and profitability of the Company, your company had formulated and implemented Fedbank Financial Services Limited-Employee Stock Option Plan 2018(ESOP Plan) in accordance with the provisions of Companies Act, 2013 (the Act). The Nomination and Remuneration Committee of the Board of Directors of the Company, inter alia, administers and monitors the ESOP Plan in accordance with the applicable provisions of the Act.

Following options were granted to below employees as on 31st March, 2020:

Name of Employee	No of ESOPs granted	Price
Anil Kothuri	1,351,351	42.11
Amit Gupta	1,00,000	30
Sivakumar B	60,000	30
Paramjit Singh Chawla	1,00,000	30
Shekaar Subramanian	1,00,000	30
Sudeep Kumar Agrawal	1,00,000	30
Ali Asad M Ansari	1,00,000	30
Siva Nandpati	2,00,000	42.11
Ashish Gautam	1,00,000	42.11
Jagadeesh Rao	1,00,000	42.11
Shardul Kadam	10,00,000	30
Ramchander Raghavendran	4,00,000	42.11
Vikas Srivastava	6,00,000	42.11
Anila Rajneesh	5,00,000	42.11
K Suresh Kumar	7,00,000	42.11

Disclosures pertaining to ESOP Plan in terms of Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 are as follows:

a. Number of options granted: ESOP 2018: 55,11,351

b. Number of options vested: NIL

c. Number of options exercised: NIL

d. The total number of shares arising as a result of exercise of option: NIL

e. Options lapsed: NIL

f. The exercise price: NA

g. Variation of terms of options: NA

h. Money realized by exercise of options: NA

i. Total number of options in force: NA

j. Employee wise details of options granted to:

   i. Key managerial personnel: Mr. Anil Kothuri, MD & CEO & Mr. Sudeep Agrawal, CFO were granted 1351351 & 100000 options respectively.

   ii. Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year: Mr. Shardul Kadam granted 1000000 options amount to more than 5% of total options granted during the year

iii. Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant: NIL

PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE INFLOW/OUTFLOW, ETC.:

The requirements of disclosure with regard to Conservation of Energy in terms of Section 134 of the Companies Act, 2013, read with the Companies (Accounts) Rules 2014, are not applicable to the Company; as it does not own any manufacturing facility. However, the Company makes all efforts towards conservation of energy, protection of environment and ensuring safety.
No foreign exchange was earned or spent in terms of actual inflows or outflows during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 134 of the Companies Act, 2013, the Directors confirm that:

i. in the preparation of the annual accounts, the applicable accounting standards have been followed;
ii. such accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020 and the profits of the Company for the financial year ended on that date;
iii. proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
iv. the annual accounts have been prepared on going concern basis;
v. internal financial controls have been laid down and the same are adequate and were operating effectively; and
vi. proper systems had been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

ACKNOWLEDGEMENT:

Your Directors would like to place on record, their gratitude for the cooperation and guidance received from all the statutory bodies, especially the RBI. The Directors also thank the shareholders, clients, vendors, investors, banks and other stakeholders in placing their faith in the Company and contributing to its growth.

EMPLOYEES RELATIONSHIP:

The employees at all grades of the Company have extended their whole-hearted cooperation to the Company for the smooth conduct of the affairs of the Company and the employee relations of the Company have been cordial. Your Directors wish to place on record their deep sense of appreciation for all the employees whose commitment, cooperation, active participation, dedication and professionalism has made the organization's significant growth possible.

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.

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

Balakrishnan Krishnamurthy
Chairman
DIN: 00034031

Date: 29th June, 2020
Mumbai

CSR REPORT

Appendix-I

THE ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.
Kindly refer the Corporate Social Responsibility policy as stated herein below at the Company's website.

2. The Composition of the CSR Committee:

Mr. Balakrishnan Krishnamurthy (DIN: 00034031): Chairman
Mr. Shyam Srinivasan (DIN: 02274773): Member
Mrs. Gauri Rushabh Shah (DIN: 06625227): Member
Mr. Anil Kothuri (DIN: 00177945): Member

3. Average net profit of the company for last three financial years: INR 44.72 Crores

4. Prescribed CSR Expenditure (2% of the amount as in item No. 3 above): INR 89.45 Lakhs

5. Details of CSR spent during the financial year 2019-20:

(a) Total amount to be spent for the financial year 2019-20: INR 103.97 Lakhs
(b) Amount unspent, if any: NIL
(c) Manner in which the amount is spent is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR project or activity identified	Sector In which The Project Is Covered	Projects or programs 1) Local area or other 2) Specify the State and district where projects or programs was undertaken.	Amount outlay (budget) project or programs wise. (INR)	Amount spent on the projects or programs Sub-heads: (INR) 1) Direct on projects or programs- 2) Overheads:	Cumulative Expenditure up to the reporting Period. INR	Amount spent Direct or through implementing Agency.
1.	Nutritional Outreach Program	Child Welfare	AIIMS Delhi, Bhagwan Mahaveer Jaipur, MNJ Hyderabad and Wadia Hospital, Mumbai.	INR 10,397,009*	INR 90,00,000 (Spent as on 31.03.2020)	INR 90,00,000	Implementing Agency Cuddles Foundation
			Total			**INR 90 Lakhs**	

* Balance INR 13,97,009 spent in the month of April, 2020.

6. In case the Company fails to spend the 2% of the average net profit of the last 3 financial years, the reasons for not spending the amount shall be stated in the Board Report: NA

7. Responsibility statement, of the CSR Committee, that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the Company duly signed by Director and Chairperson of the CSR Committee.
The CSR Committee hereby confirms that the implementation and monitoring of CSR policy is in compliance with CSR objectives, Policy of the Company and in accordance with the provisions of the Companies Act, 2013.

FOR FEDBANK FINANCIAL SERVICES LIMITED

Anil Kothuri
MD & CEO
DIN: 00177945

Balakrishnan Krishnamurthy
Chairman- CSR Committe of the Board
DIN: 00034031

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2020
[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members
Fedbank Financial Services Limited
Federal Towers, Alwaye
Ernakulam -683101

We, SVJS & Associates, Company Secretaries, have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Fedbank Financial Services Limited [CIN: U65910KL1995PLC008910]** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the 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, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31.03.2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **Fedbank Financial Services Limited** ("the Company") for the financial year ended on 31.03.2020 according to the provisions of:

i. The Companies Act, 2013 and the Rules made there under;
ii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder
iii. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; - There was no Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
iv. The following Regulation and Guideline prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

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

v. As informed to us, the following other laws are specifically applicable to the Company:
    1. Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
    2. Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016

3. Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016
4. Master Direction - Know Your Customer (KYC) Direction, 2016
5. The Prevention of Money Laundering Act, 2002 and the Rules made there under
6. Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016
7. Master Direction - Information Technology Framework for the NBFC Sector, 2017
8. Issuance of Non-Convertible Debentures (Reserve Bank) Directions, 2010
9. Reserve Bank Commercial Paper Directions, 2017
10. Reserve Bank of India Act, 1934.

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

(i) Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India.

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, agenda and detailed notes on agenda were sent at least seven days in advance and at shorter notice in certain cases in accordance with the provisions of the Act and Secretarial Standards, 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.

There were no dissenting views on any decisions of the Board, as recorded in the Minutes of Board meetings.

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 there were no instances of:

(i) Public issues or issue of sweat equity
(ii) Redemption / buy-back of securities
(iii) Merger / amalgamation / reconstruction
(iv) Foreign technical collaborations

During the period, the following issues have taken place:

Sl. No.	Method of Issue	Mode of Approval	Date of Approval	Number of shares issued/ Amount
1.	Private Placement	Shareholders' approval by way of special resolution in the Annual General Meeting	16.07.2019	Shareholders' approval obtained on 16.07.2019 for issuing of Secured/Unsecured Redeemable Non-Convertible Debentures on a private placement basis in one or more tranches for an amount not exceeding Rs.200 Crore, within the overall borrowing limits.
2.	Preferential Issue and Private Placement	Board's approval in the Meeting of Board of Directors	27.09.2019	Shareholders' approval obtained on 12.11.2018 for issue of 66,756,757 equity shares at a price of Rs.42.1052631578 (including a premium of Rs.32. 1052631578) in II Tranches. I[st] tranche of shares allotted 13.11.2018. Allotment of II[nd] tranche of 26714257 equity shares of Rs.10/- at a price of Rs.42.1052631578 (including a premium of Rs.32. 1052631578) on 27.09.2019.
3.	Issue of Optionally Convertible Redeemable Preference shares	Shareholders' approval by way of special resolution in the Extra Ordinary General Meeting	30.10.2019	Shareholders' approval obtained on 30.10.2019 to issue an aggregate number of 4729730, 0.01% Optionally Convertible Redeemable Preference shares of Rs.10 each at an issuing price of Rs.42.10/-per share (including premium of Rs. 32.10/- per share)
		Board's approval in the Meeting of Board of Directors	31.10.2019	4729730 0.01% Optionally Convertible Redeemable Preference shares of Rs.10/- each at an issue price of Rs.42.10/- per share (including premium of Rs.32.10/- per share) were allotted on a partly paid up basis on 31.10.2019.
4.	Right Issue of shares	Board's approval in the Meeting of Board of Directors	18.03.2020	Board approved on 18.03.2020 to issue 16,666,668 equity shares of Rs.10/- each at an issuing price of Rs. 48/- per share (including premium of Rs. 38/- per share) 16,666,668 equity shares of Rs.10/- each at a premium of Rs.38/ were allotted on 30.03.2020.

We further report that during the audit period:

The company has taken Shareholders' approval at the Annual General Meeting held on 16.07.2019 for the following

- Pursuant to section 180(1)(c) of the companies act, 2013 for increase in borrowing limits of the company from Rs. 3,000 Crores to Rs. 4,000 Crores
- Pursuant to section 180(1)(a) of the companies act, 2013 to increase limits for creation of charge/security on the assets of the company upto an amount of Rs. 4000 Crores to secure its borrowings.
- Pursuant to section 180(1)(a) of the companies act, 2013 to sell/assign substantial assets including receivables/book debt of the company provided that the aggregate amount of such transactions shall not exceed Rs. 750 Crore.
- Pursuant to section 61 of the companies act, 2013, for reclassification of authorised share capital of the company of Rs. 300,00,00,000 (Rupees three hundred crores) divided into 30,00,00,000 (thirty crores) equity shares of Rs. 10/- (Rupees ten only) each to Rs. 300,00,00,000 (Rupees three hundred crores) divided into 29,00,00,000 (twenty nine crores) equity shares of Rs. 10/- (Rupees ten only) and 1,00,00,000 (one crore) 0.01 % Non-cumulative redeemable preference shares of Rs. 10/- (Rupees ten only) each and consequent alteration of memorandum of association.
- Pursuant to section 188 of the companies act, 2013, to enter into contract(s)/arrangement(s)/transaction(s) of securitisation with the federal bank limited.

This report is to be read with **Annexure A** of even date and the same forms an integral part of this report.

Kochi
29.06.2020

UDIN: F003067B000396341
For **SVJS & Associates**
Company Secretaries

CS Vincent P.D.
Managing Partner
CP No.: 7940, FCS: 3067

Annexure A
ANNEXURE TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE

To
The Members
Fedbank Financial Services Limited
Federal Towers, Alwaye
Ernakulam -683101

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

1. Maintenance of the secretarial records is the responsibility of the management of the Company. Our responsibility as Secretarial Auditors is to express an opinion on these records, based on our audit.
2. During the audit, we have followed the practices and processes as were appropriate, to obtain reasonable assurance about the correctness of the contents of the secretarial records. We believe that the process and practices we followed provide a reasonable basis for our report.
3. The correctness and appropriateness of financial records and Books of Accounts of the Company have not been verified.
4. We have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events etc., wherever required.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards etc. is the responsibility of management. Our examination was limited to the verification of the procedures and compliances on test basis.
6. While forming an opinion on compliance and issuing the Secretarial Audit Report, we have also taken into consideration the compliance related actions taken by the Company after 31st March 2020 but before issue of the Report.
7. We have considered actions carried out by the Company based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

Kochi
29.06.2020

UDIN: F003067B000396341
For **SVJS & Associates**
Company Secretaries

CS Vincent P.D.
Managing Partner
CP No.: 7940, FCS: 3067

RELATED PARTY DISCLOSURE

Appendix-III:

Form No. AOC-2

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

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

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

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

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

a) Name(s) of the related party and nature of relationship: Refer "Note 1"
b) Nature of contracts /arrangements/transactions: Refer "Note 1"
c) Duration of the contracts/arrangements/transactions: Refer "Note 1"
d) Salient terms of the contracts or arrangements or transactions including the value, if any: Refer "Note 1"
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: N.A.
g) Amount paid as advances, if any: Refer "Note 1"

Note 1:

Name of the related party	Nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions *	Value (INR In Lakhs)
The Federal Bank Ltd	Holding Company	Commission Income	-	Commission received during the year for normal business Transactions.	0
The Federal Bank Ltd	Holding Company	Cash credit Facility and Term Loan- Interest Paid	1 year	Interest paid at contractual interest rate.	7,953
The Federal Bank Ltd	Holding Company	Issuing & Paying Agent Charges	-	At market price	1
The Federal Bank Ltd	Holding Company	Rent paid	5 years	Use of office space – at market rates.	1

Name of the related party	Nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions *	Value (INR In Lakhs)
The Federal Bank Ltd	Holding Company	Processing Fees	As per sanction letter of Federal Bank	Processing Fees	158
The Federal Bank Ltd	Holding Company	Re-imbursements of Expenses by Holding Company	-	Reimbursement of Expenses	0
The Federal Bank Ltd	Holding Company	Income from Distribution Business	1 year	Recovery of expenses incurred on behalf of Bank for sourcing distribution verticals products	2,385
The Federal Bank Ltd	Holding Company	Rent for Sub-leased premises	-	Sub-lease Agreement	129
The Federal Bank Ltd	Holding Company	Share Application Money	-	Investment by Federal Bank	5,920
True North Fund VI LLP	Enterprises controlling voting power / significant influence	Share Application Money	-	Investment by True North	13,328
True North Managers LLP	Enterprises over which related party has significant influence/ control	Ordinary Course of business	-	Reimbursement of Expenses	24
Managing Director	Key Managerial Personnel	Remuneration	-	Remuneration	297
Chief Financial Officer	Key Managerial Personnel	Remuneration	-	Remuneration	38
Company Secretary	Key Managerial Personnel	Remuneration	-	Remuneration	16
Managing Director	Key Managerial Personnel	Issue of Preference Shares	-	Issue of Optionally Convertible Redeemable Preference shares of FV Rs.10, Paid up-Rs.2 No. of shares-4729730	95
Managing Director & Chief Financial Officer	Key Managerial Personnel	Options granted under ESOS	-	Number of options-14,51,351 As per Board Approval	-
Managing Director	Key Managerial Personnel	Advance Given	-	Advance given in ordinary course of business	32

* Maintained at arm's length similar to third party contracts.

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

Balakrishnan Krishnamurthy
Chairman
DIN: 00034031

Date: 29th June, 2020
Mumbai

MGT - 9

Appendix-IV

Form MGT- 9

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

Extract of the Annual Return as on the financial year ended on March 31, 2020:

I. REGISTRATION AND OTHER DETAILS:

CIN	U65910KL1995PLC008910
Registration Date	17.04.1995
Name of the Company	FEDBANK FINANCIAL SERVICES LIMITED
Category / Sub-Category of the Company	Public Company, Limited by Shares, Non-govt Company, NBFC
Address of the Registered Office, Corporates office and contact details	Registered Office: Federal Towers, Alwaye, Ernakulam, Kerala-683101, Tel: 0484 2634411. Corporate office: Kanakia Wall Street, A-Wing, 5th Floor, Unit No.501/502/511/512 Andheri – Kurla Road, Chakala, Andheri East, Mumbai, Maharashtra – 400093 Contact Details: Tel: 022 6852 0601, Email ID: secretarial@fedfina.com Website: www.fedfina.com
Whether listed company	No
Name, Address and contact details of Registrar & Transfer Agents (RTA), if any	Link Intime India Pvt. Limited C-13, Pannalal Silk Mills Compound, L.B.S. Road, Bhandup West, Mumbai-400078 Tel No.: 022-2496 3838

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10% or more of the total turnover of the company shall be stated: -

Sr. No.	Name and Description of main products / Services	NIC Code of the Product/ service	% to total turnover of the company
1	Non-Banking Financial Services (Lending)	649	91.24%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	THE FEDERAL BANK LTD Federal Towers, PB No: 103, Aluva, Ernakulam, Kerala-683101	L65191KL1931PLC000368	Holding	74%	Section 2(46) of Companies Act, 2013

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total	Demat	Physical	Total	% of Total	
A. Promoters									
1) Indian									
a) Individual / HUF	405	-	405	0.001	405	-	405	0.001	Nil
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt (s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	189,999,595	-	189,999,595	82.59	202,332,929	-	202,332,929	74.00	8.59
f) Any Other...	-	-	-	-	-	-	-	-	-
Sub-total (A) (1) :-	190,000,000	-	190,000,000	82.59	202,333,334	-	202,333,334	74.00	8.59
2) Foreign						-			
a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
Sub-total (A) (2) :-	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	190,000,000	-	190,000,000	82.59	202,333,334	-	202,333,334	74.00	8.59
B. Public Shareholding									
1) Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-		-	-	-	-
Sub-total (B)(1) :-	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total	Demat	Physical	Total	% of Total	
2) Non-Institutions									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individuals shareholders holding nominal share capital upto Rs.1 lakh	-	-	-	-	-	-	-	-	-
ii) Individuals shareholders holding nominal share capital in excess of Rs.1 lakh	-	-	-	-	-	-	-	-	-
c) Others (True North Fund VI LLP)	40,042,500	-	40,042,500	17.41	71,090,091	-	71,090,091	26.00	8.59
Trusts	-	-	-	-	-	-	-	-	-
Custodians / Clearing member	-	-	-	-	-	-	-	-	-
NRIs	-	-	-	-	-	-	-	-	-
Sub-total(B)(2) :-	40,042,500	-	40,042,500	17.41	71,090,091	-	71,090,091	26.00	8.59
Total Public Shareholding (B)=(B)(1)+(B)(2)	40,042,500	-	40,042,500	17.41	71,090,091	-	71,090,091	26.00	8.59
C. Shares held by Custodian for GDRs & ADRs	0	-	0	0	0	-	0	0	-
Grand Total (A+B+C)	230,042,500	-	30,042,500	100	273,423,425	-	273,423,425	100	

(ii) Shareholding of Promoters:

Sl No.	Shareholder's Name	Shareholding at the beginning of the year (As on 1st April 2019)			Shareholding at the end of the year (As on 31st March 2020)			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	
1	The Federal Bank Ltd	189999595	99.99	Nil	202332929	74.00	Nil	26.00
2	Mr. Shyam Srinivasan*	200	0.00	Nil	200	0.00	Nil	Nil
3	Mr. Ashutosh Khajuria*	1	0.00	Nil	1	0.00	Nil	Nil
5	Mr. Girish Kumar Ganapathy*	1	0.00	Nil	0	0.00	Nil	0
6	Mr. Ganesh Sankaran*	100	0.00	Nil	0	0.00	Nil	0
7	Mrs. Shalini Warrier*	100	0.00	Nil	100	0.00	Nil	Nil
8	Mr. Sumit Kakkar*	1	0.00	Nil	1	0.00	Nil	Nil
9	Mr. Baby K P*	1	0.00	Nil	1	0.00	Nil	Nil
10	Mr. Samir Pravinbhai Rajdev*	0	0.00	Nil	1	0.00	Nil	0
11	Mr. Lakshmanan V *	0	0.00	Nil	100	0.00	Nil	0
12	Mr. Ajith Kumar K K*	1	0.00	Nil	1	0.00	Nil	Nil
	Total	**190000000**	**100**		**202333334**	**74.00**		**26.00**

* jointly with the Federal Bank Ltd

(iii) Change in Promoters' Shareholding:

Sl. No.	Name of Shareholder's	Shareholding at the beginning of the year (01/04/2019)		Change during the year		Cumulative Shareholding during the year (01/04/2019 to 31/03/2020)	
		No of shares	% of total shares of the company	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Mr. Girish Kumar Ganapathy*						
	Opening Balance as on 01/04/2019	1	0.00				
	Share Transfer on 19/03/2020			-1	0.00		
	Closing Balance as on 31/03/2020					0	0.00

Sl. No.	Name of Shareholder's	Shareholding at the beginning of the year (01/04/2019)		Change during the year		Cumulative Shareholding during the year (01/04/2019 to 31/03/2020)	
		No of shares	% of total shares of the company	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
2	Mr. Samir Pravinbhai Rajdev*						
	Opening Balance as on 01/04/2019	I	0.00				
	Share Transfer on 19/03/2020			1	0.00		
	Closing Balance as on 31/03/2020					1	0.00
3	Mr. Ganesh Sankaran*						
	Opening Balance as on 01/04/2019	100	0.00				
	Share Transfer on 19/03/2020			100	0.00		
	Closing Balance as on 31/03/2020					100	0.00
4	Mr. Lakshmanan V *						
	Opening Balance as on 01/04/2019	100	0.00				
	Share Transfer on 19/03/2020			100	0.00		
	Closing Balance as on 31/03/2020					100	0.00

* jointly with the Federal Bank Ltd

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) :

Sl. No.	Name	Shareholding at the beginning of the year (01/04/2019)		Cumulative Shareholding during the year (01/04/2019 to 31/03/2020)	
		No of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	True North Fund VI LLP				
	Opening Balance as on 01/04/2019	40042500	17.41		
	Shares issued on 27/09/2019			26714257	
	Shares issued on 30/03/2020			4333334	
	Closing Balance as on 31/03/2020			71090091	26.00

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Name	Shareholding at the beginning of the year (01/04/2019)		Cumulative Shareholding during the year (01/04/2019 to 31/03/2020)	
		No of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	**Mr. Shyam Srinivasan (DIN: 02274773)***				
	Opening Balance as on 01/04/2019	200	0.00		
	Closing Balance as on 31/03/2020			200	0.00
2	**Mr. Sumit Kakkar (DIN: 8387675)***				
	Opening Balance as on 01/04/2019	1	0.00		
	Closing Balance as on 31/03/2020			1	0.00
3	**Mr. Ashutosh Khajuria (DIN: 05154975)***				
	Opening Balance as on 01/04/2019	1	0.00		
	Closing Balance as on 31/03/2020			1	0.00

* jointly with the Federal Bank Ltd; Further Mr. Sumit Kakkar resigned as the Nominee Director of the Company w.e.f. 13/03/2020

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment as on March 31,2020:

(INR in Crore)

	Secured Loans excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	1378.72	221.68	-	1600.40
ii) Interest due but not paid	0.00	0.00	-	0.00
iii) Interest accrued but not due	1.43	0.01	-	1.44
Total (i+ii+iii)	1380.15	221.69	-	1601.84
Change in Indebtedness during the financial year				
• Addition	12793.79	685.10	-	13478.89
• Reduction	11135.73	710.00 710.00	-	11845.73
Net Change	1658.06	-24.90	-	1633.16
Indebtedness at the end of the financial year				
i) Principal Amount	3036.78	196.79	-	3233.56
ii) Interest due but not paid	0.00	0.00	-	0.00
iii) Interest accrued but not due	5.99	0.38	-	6.36
Total (i+ii+iii)	**3042.76**	**197.16**	**-**	**3239.93**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager :

Sl. No.	Particulars of Remuneration	Mr. Anil Kothuri, Managing Director	Total Amount (INR in Lakhs)
1	Gross Salary		
	a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	200.09	200.09
	b) Value of perquisites u/s 17(2)of the Income Tax Act, 1961	0	0.00
	c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0.00
2	Stock Option	0.00	0.00
3	Sweat Equity	0	0.00
4	Commission	0	0.00
	: as % of profit	0	0.00
	: others, specify.....	0	0.00
5	Others, please specify	0	0.00
	Total(A)	**200.09**	**200.09**
	Ceiling as per the Act	11% of the Net Profit computed as per Section 198 of the Act	

*During FY 2019-20, 1,351,351 stock options was granted at Rs. 42.11 per stock to Mr. Anil Kothuri, but the same are not vested by him during the year

B. Remuneration to other directors :

Sl. No.	Particulars of Remuneration	Mrs. Gauri Shah	Mr. Dilip Sadarangani	Mr. Balakrishnan Krishnamurthy	Total Amount (INR in Lakhs)
1	Independent Directors				
	• Sitting Fees for attending board / committee meetings	7.80	3.10	5.00	15.90
	• Commission	-	-	-	-
	• Others, please specify	-	-	-	-
	Total(1)	**7.80**	**3.10**	**5.00**	**15.90**
2	Other Non-Executive Directors				
	• Sitting Fees for attending board / committee meetings	-	-		-
	• Commission	-	-	-	-
	• Others, please specify	-	-	-	-
	Total(2)	-	-	-	-
	Total(B)=(1+2)	**7.80**	**3.10**	**5.00**	**15.90**
	Total Managerial Remuneration	It should be noticed that except sitting fees, no other remuneration is paid to any director.			
	Overall sitting fees Ceiling as per the Act	INR 1 lakh per meeting			

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD:

Sl. No.	Particulars of Remuneration	Mr. Sudeep Agrawal, Chief Financial Officer	Mr. Ankit Kawa, Company Secretary	Total Amount (INR in Lakhs)
1	Gross Salary			
	a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	42.70	16.23	58.93
	b) Value of perquisites u/s 17(2)of the Income Tax Act, 1961	0.00	0.00	0.00
	c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0.00	0.00	0.00
2	Stock Option	0.00	0.00	0.00
3	Sweat Equity	0.00	0.00	0.00
4	Commission	0.00	0.00	0.00
	: as % of profit	0.00	0.00	0.00
	: others, specify.....	0.00	0.00	0.00
5	Others, please specify	0.00	0.00	0.00
	Total	**42.70**	**16.23**	**58.93**

*During FY 2019-20, 1,00,000 stock options was granted at Rs. 30 per stock to Mr. Sudeep Agrawal, but the same are not vested by him during the year

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

Type	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/NCLT/ COURT]	Appeal made,if any
A.COMPANY			
Penalty			
Punishment		Nil	
Compounding			
B. DIRECTORS			
Penalty			
Punishment		Nil	
Compounding			
C. OTHER OFFICERS IN DEFAULT			
Penalty			
Punishment		Nil	
Compounding			

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

Balakrishnan Krishnamurthy
Chairman
DIN: 00034031

Date: 29th June, 2020
Mumbai

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To,
The Members,
Fedbank Financial Services Limited

Report on the Financial Statements

We have audited the accompanying financial statements of M/s **Fedbank Financial Services Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the cash flow statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, (''Ind AS") and other accounting principles generally accepted in India , of the state of affairs of the Company as at March 31, 2020 and its profit, total 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 Companies Act, 2013. Our responsibilities under those Standards 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 (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with the requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

We draw attention to Note 48.28 to the financial statements, which describes the extent to which the COVID-19 Pandemic will impact the company's financial performance will depend on future developments, which are highly uncertain. The financial statements do not include any adjustments that might result from the outcome of this uncertainty except to the extent stated in the said note.

Our Opinion is not modified in respect of this matter.

Other Matters

On account of the lockdown, the corporate office of the company and many of the branches have not been opened for business from March 23, 2020 till the date of this report. This has restricted our access to original loan documents, security documents, valuation certificates, records, vouchers etc. We have carried out our audit based on electronic copies of these documents that were made available to us by the management. In respect of loans sourced through business partners, KYC documents were available but electronic copies of loan documentation were not available owing to the lockdown. We have relied on system reports and representations made by the management.

Our Opinion is not modified in respect of these matters.

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

The Company's Board of Directors is responsible for the other information. The other information comprises the Board's report, including Annexure to Board Report, and Shareholders Information but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind-AS) specified under Section 133 of the Act, read with relevant rules issued thereafter.

This responsibility also includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure A, a statement on the matters specified in Paragraphs 3 and 4 of the said Order.

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

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

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

c) The Balance Sheet, the Statement of Profit and Loss including Other comprehensive Income, Statement of Changes in equity and Cash Flow Statement dealt with by this report are in agreement with the books of account.

d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with rule 7of Companies (Accounts) Rules, 2014.

e) On the basis of written representations received from the directors as on March 31, 2020, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020, from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B";

g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(6) of the Act, as amended;

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

h) With respect to the other matters to be included in the Auditor's report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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, if any, on its financial position in its financial statements. Refer Note 48.24 to the financial statements.

ii. the Company has made provision, as required under the applicable law or Indian accounting standards, for material foreseeable losses, if any, on long term contracts.

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

For **VARMA & VARMA**
Chartered Accountants
FRN 004532S

Georgy Mathew
Partner
M No. 209645

Place: Bengaluru
Date: June 29, 2020

ANNEXURE A TO THE AUDITORS' REPORT

Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our Independent Auditors Report of even date on the Financial Statement of **M/s Fedbank Financial Services Limited** for the year ended March 31, 2020, we report that:

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

b. These fixed assets have been physically verified by the management during the year; and no material discrepancies were noticed on such verification. In our opinion the frequency of verification of fixed assets of the company is adequate.

c. The company does not own any immovable property, thus, paragraph 3(i)(c) of the Order is not applicable to the Company.

ii. The Company is a service company and it does not hold any inventory of goods. Thus, paragraph 3(ii) of the Order is not applicable to the Company

iii. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013 thus, paragraph 3(iii)(a) to 3(iii)(c) of the Order is not applicable to the Company.

iv. According to the information and explanation given to us, and based on the audit procedures conducted by us, the Company has not given loans, guarantees, investments or securities which fall under the purview of Sections 185 & 186 of the Companies Act, 2013 made

v. The Company has not accepted any deposits. Hence the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder are not applicable to the Company.

vi. As per the information and explanation given to us, the Central Government has not prescribed the maintenance of cost records under sub-section (l) of section 148 of the Companies Act, 2013 for any of the services rendered by the Company.

vii. a. According to the information and explanations given to us and on the basis of our examination of the 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, sales tax, value added tax, duty of customs, service tax, goods and service tax, cess have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of 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, sales tax, value added tax, duty of customs, service tax, goods and service tax , cess were in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.

b. According to the information and explanations given to us, there are no material statutory dues which have not been deposited with the appropriate authorities on account of any dispute except, the Company has filed an appeal u/s 246 of Income Tax Act, 1961 with ACIT against assessment order for AY 2011-12. Amount payable as per assessment order is INR. 32.18 lakhs of which INR. 5.02 lakhs have been paid in response to the assessment order and balance INR. 27.16 lakhs are adjusted against refund received for the AY 2013-14.

viii. According to the information and explanations given to us the company has not defaulted in repayment of loans or borrowings to a financial institution or bank. The company has not borrowed any amount from Government or debenture holders.

ix. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments), and with respect to term loans availed by the Company, they have been applied for the purpose for which such loans were obtained.

x. According to the information and explanations given to us and as per the records of the Company examined by us, during the year the Company has reported to the Reserve Bank of India 8 instances of frauds against the Company amounting to INR 36.65 Lakhs, out of which INR 21.65 Lakhs has since been recovered by the Company.

xi. According to the information and explanations given to us and based on our examination of the records of the Company, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013

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

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the company has made private placement of its equity shares during the year under review and the requirement of section 42 of the Companies Act, 2013 have been complied with and the amount raised has been used for the purposes for which the funds were raised

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

xvi. The Company is registered under section 45-IA of the Reserve Bank of India Act 1934.

For **VARMA & VARMA**
Chartered Accountants
FRN 004532S

Georgy Mathew
Partner
M No. 209645

Place: Bengaluru
Date: June 29, 2020

ANNEXURE - B TO THE AUDITORS' REPORT

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

We have audited the internal financial controls over financial reporting of **M/s Fedbank Financial Services Limited** ("the Company") as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Ind AS and the generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Ind AS and the generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **VARMA & VARMA**
Chartered Accountants
FRN 004532S

Georgy Mathew
Partner
M No. 209645

Place: Bengaluru
Date: June 29, 2020

FINANCIAL STATEMENT

Fedbank Financial Services Limited
CIN : U65910KL1995PLC008910
Balance sheet as at March 31, 2020
(Currency : Indian rupees in lakhs)

	Note	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
ASSETS				
(1) Financial Assets				
Cash and cash equivalents	4	14,229	911	1,419
Bank balance other than cash and cash equivalents	5	7,502	2,500	-
Receivables	6			
(I) Trade receivables		231	119	52
(II) Other receivables		140	518	176
Loans	7	368,652	200,662	142,479
Investments	8	4,136	1,254	1,031
Other Financial assets	9	828	3,022	271
(2) Non-financial Assets				
Current tax assets (net)	10	839	406	231
Deferred tax Asset (net)	11	650	529	500
Property, Plant and Equipment	13.1 & 13.4	10,466	4,527	2,197
Capital work-in-progress	13.3	42	31	33
Other Intangibles assets	13.2	198	80	40
Other non-financial assets	12	705	502	197
Total Assets		**408,619**	**215,061**	**148,626**
LIABILITIES AND EQUITY				
Liabilities				
(1) Financial Liabilities				
Derivative financial instruments	14	-	-	45
Payables				
Trade payables	15			
(i) Total outstanding dues of micro enterprises and small enterprises		10	8	1
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		399	167	107
(II)Other Payables	15.1			
(i) Total outstanding dues of micro enterprises and small enterprises				
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		485	478	89
Debt Securities	16	12,178	19,668	21,494
Borrowings (other than Debt securities)	17	309,581	140,347	94,619
Other financial liabilities	18	13,426	7,251	5,839
		336,079	**167,918**	**122,194**
(2) Non-Financial liabilities				
Current tax liabilities (net)	19	-	43	49
Provisions	20	192	54	100
Other non-financial liabilities	21	3,232	1,183	789
		3,424	**1,280**	**938**
(3) Equity				
Equity Share capital	22	27,342	23,004	19,000
Other Equity	23	41,774	22,858	6,494
		69,116	**45,863**	**25,494**
Total Liabilities and Equity		**408,619**	**215,061**	**148,626**

The accompanying notes are an integral part of the financial statements.

Sudeep Agrawal
CFO

S Rajaraman
Company Secretary
M.No.F3514

As per our report of even date attached
For **Varma & Varma**
Chartered Accountants
FRN : 004532S

For and on behalf of Board of Directors

Balakrishnan Krishnamurthy
Chairman
DIN:00034031

Gauri Rushabh Shah
Director
DIN:06625227

Shyam Srinivasan
Director
DIN:02274773

Georgy Mathew
Partner
M.No: 209645
Place: Bengaluru
Date: June 29, 2020

Maninder Juneja
Director
DIN:02680016

Ashutosh Khajuria
Director
DIN:05154975

Anil Kothuri
MD & CEO
DIN:00177945

Place: Mumbai
Date: June 29, 2020

Fedbank Financial Services Limited

CIN : U65910KL1995PLC008910

Statement of Profit and Loss for the period ended March 31, 2020

(Currency : Indian rupees in lakhs)

	Note	Year ended 31 March 2020	Year ended 31 March 2019
Revenue from operations			
Interest Income	24	42,548	23,309
Fee & Commission Income	25	2,385	1,811
Net gain on fair value changes	26	9	71
Total revenue from operations		**44,942**	**25,191**
Other Income	27	1,665	389
Total Income		**46,607**	**25,580**
Expenses			
Finance costs	28	20,110	11,394
Fees and commission expense	29	1,239	934
Impairment on financial instruments	30	2,188	344
Employee benefits expenses	31	10,082	4,774
Depreciation and amortisation	13	1,921	775
Other expenses	32	5,467	2,278
Total expenses		**41,007**	**20,499**
Profit before tax		**5,600**	**5,081**
Tax expense	33		
(i) Current tax		1,849	1,500
(ii) Adjustment of tax relating to earlier periods		(47)	-
(iii) Deferred tax		(116)	(32)
		1,686	1,468
Profit for the year		**3,914**	**3,613**
Other comprehensive income / (loss)			
A. Items that will not be reclassified to profit or loss			
Re-measurement of defined benefit plan		(20)	12
Income tax relating to items that will not be reclassified to profit or loss		5	(3)
Total (A)		**(15)**	**9**
B. Items that will be reclassified to profit or loss			
Effective portion of gain on hedge instruments in cash flow hedges, net of tax effect		-	158
Income tax relating to items that will be reclassified to profit or loss		-	-
Total (B)		**-**	**158**
Other comprehensive income / (loss) (A+B)		**(15)**	**167**
Total comprehensive income for the year		**3,900**	**3,780**
Earnings per equity share:	35		
Basic earnings per share		1.61	1.76
Diluted earnings per share		1.60	1.76
Face value per share (in)		10.00	10.00

The accompanying notes are an integral part of the financial statements.

Sudeep Agrawal
CFO

S Rajaraman
Company Secretary
M.No.F3514

As per our report of even date attached
For **Varma & Varma**
Chartered Accountants
FRN : 004532S

For and on behalf of Board of Directors

Balakrishnan Krishnamurthy
Chairman
DIN:00034031

Gauri Rushabh Shah
Director
DIN:06625227

Shyam Srinivasan
Director
DIN:02274773

Georgy Mathew
Partner
M.No: 209645
Place: Bengaluru
Date: June 29, 2020

Maninder Juneja
Director
DIN:02680016

Ashutosh Khajuria
Director
DIN:05154975

Anil Kothuri
MD & CEO
DIN:00177945

Place: Mumbai
Date: June 29, 2020

Fedbank Financial Services Limited

CIN : U65910KL1995PLC008910

Statement of Changes in Equity for the year ended March 31, 2020

(Currency : Indian rupees in lakhs)

Equity share capital

Particulars	Number of shares	Amount
As at 1 April 2018	190,000,000	19,000
Changes during the year	40,042,500	4,004
As at 31 March 2019	230,042,500	23,004
Changes during the year		
As at 30 June 2018		
Changes during the year	43,380,925	4,338
As at 31 March 2020	273,423,425	27,342

Other equity

Particulars	Reserves and surplus						Items of OCI	Equity Component of Compound Financial Instrument	Total
	General Reserve	Statutory Reserve	Securities Premium	Employee stock outstanding	Retained Earnings	Impairment Reserve			
Opening balance as at 01 April 2018	10	1,805	-	-	4,837	-	(158)	-	6,494
Addition	-	-	12,856	-	-	-	-	-	12,856
utilised	-	-	(271)	-	-	-	-	-	(271)
Transferred from retained earnings	-	702	-		(702)	-	-	-	-
Profit for the year	-	-	-	-	3,613	-	-	-	3,613
Add: Retained earning - Effects of transition to Ind-AS								-	-
Other comprehensive income/ (loss) for the year	-	-	-		-	-	167	-	167
Closing balance as at 31 March 2019	**10**	**2,507**	**12,585**	**-**	**7,748**	**-**	**9**	**-**	**22,859**
Addition	-	-	14,910	253	-	-	-	40	15,203
utilised	-	-	(188)	-	-	-	-	-	(188)
Transferred from retained earnings	-	783	-	-	(783)	-	-	-	-
Profit for the year	-	-	-	-	3,914	-	-	-	3,914
Other comprehensive income/ (loss) for the year	-	-	-	-	-	-	(15)	-	(15)
Closing balance as at 31 March 2020	**10**	**3,290**	**27,307**	**253**	**10,879**	**-**	**(6)**	**40**	**41,774**

Sudeep Agrawal
CFO

S Rajaraman
Company Secretary
M.No.F3514

As per our report of even date attached
For **Varma & Varma**
Chartered Accountants
FRN : 004532S

For and on behalf of Board of Directors

Balakrishnan Krishnamurthy
Chairman
DIN:00034031

Gauri Rushabh Shah
Director
DIN:06625227

Shyam Srinivasan
Director
DIN:02274773

Georgy Mathew
Partner
M.No: 209645
Place: Bengaluru
Date: June 29, 2020

Maninder Juneja
Director
DIN:02680016

Ashutosh Khajuria
Director
DIN:05154975

Anil Kothuri
MD & CEO
DIN:00177945

Place: Mumbai
Date: June 29, 2020

Fedbank Financial Services Limited
CIN : U65910KL1995PLC008910
Cash flow statement for year ended 31 March 2020
(Currency : Indian rupees in lakhs)

		Year ended 31 Mar 2020	Year ended 31 Mar 2019
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net profit before tax	**5,600**	**5,081**
	Adjustments for :		
	Finance cost	20,103	11,394
	Share based payment to employee	253	-
	Depreciation	1,921	775
	(Profit)/Loss on sale of tangible assets	18	(1)
	Profit on Sale Of Mutual Fund units (Net)	(8)	(71)
	Straight lining of lease	(164)	(66)
	Share Issue Expenses	-	2
	Security deposit	14	6
	Financial assets measured at amortised cost	(135)	(60)
	Direct Assignment Transaction (net)	(1,054)	-
	Liability no longer required Written back	(23)	-
	Impairment on financial instrument	2,175	341
	Reclassification of actuarial gains/losses to other comprehensive income	(20)	12
			-
	Gain/(Loss) on fair valuation of mutual fund	(1)	
	Operating profit before working capital changes	**28,679**	**17,412**
	Adjustments for working capital:		
	- (Increase)/decrease in loans	(170,889)	(59,357)
	- (Increase)/ decrease in financial and non financial Assets	469	(359)
	- (Increase)/decrease in trade receivables	(113)	(66)
	- Increase/(decrease) in trade payables	224	451
	- Increase/(decrease) in provisions	121	(50)
	- Increase/(decrease) in other financial and non financial liabilities	3,944	(878)
	Cash generated from operating activities	**(137,565)**	**(42,847)**
	Direct taxes paid (net)	(1,756)	(1,501)
	Net cash generated from operating activities	**(139,321)**	**(44,348)**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of tangible assets	(1,876)	(608)
	Sale of tangible assets	-	215
	Investment in NCD	121	(322)
	Investment in MF	(3,000)	-
	Redemption of fixed deposit	2,500	-
	Investment in fixed deposits	(4,999)	(5,000)
	Profit on Sale Of Mutual Fund units (Net)	8	71
	Net cash generated from / (used in) investing activities	**(7,246)**	**(5,644)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Debt Securities	-	-
	Borrowings	161,707	44,698
	Finance Cost	(19,601)	(11,197)
	Lease Payment	(1,376)	(603)
	Equity Shares Issued	4,433	4,003
	Share Premium	14,910	12,856
	Share Issue Expenses	(188)	(273)
	Net cash used in financing activities	**159,885**	**49,484**
	Net increase / (decrease) in cash and cash equivalents	**13,318**	**(508)**
	Cash and cash equivalents as at the beginning of the period	911	1,419
	Closing balance of cash and cash equivalents (A+B+C)	**14,229**	**911**
	Components of cash and cash equivalents:		
	Cash on hand *	763	350
	Balances with banks		
	- in current accounts	6,165	561
	- in fixed deposit with maturity less than 3 months	7,301	-
	Bank Overdraft		
	Cash and cash equivalents	**14,229**	**911**

Note:

The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) statement of cash flows. Effective 1 April 2018, the Company adopted the amendment to Ind AS 7, which require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements. Refer to note 34

Sudeep Agrawal
CFO

S Rajaraman
Company Secretary
M.No.F3514

As per our report of even date attached
For **Varma & Varma**
Chartered Accountants
FRN : 004532S

For and on behalf of Board of Directors

Balakrishnan Krishnamurthy
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Anil Kothuri
MD & CEO
DIN:00177945

Place: Mumbai
Date: June 29, 2020

1. CORPORATE INFORMATION

Fedbank Financial Services Limited ('the Company') is a Public Limited Company incorporated on 17th April, 1995 in India and is a subsidiary of The Federal Bank Ltd. Its registered office is located at Federal Towers, Alwaye, Ernakulam, Kerala, 683101. The Company is in the business of lending and has a diversified lending portfolio consisting of Gold Loans, Loan against Property, Home Loans, SME Loans and Wholesale Finance. The Company also extends Micro Loans through tie ups. The Company is registered with the Reserve Bank of India as a Non-Banking Finance Company (NBFC) vide Registration No 16.00187 and is presently categorized as a Systemically Important Non-Deposit taking Non-Banking Financial Company (NBFC-ND-SI) in accordance with the guidelines of Reserve Bank of India.

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Companies Act, 2013 ("the Act") and in conformity with the accounting principles generally accepted in India and other relevant provisions of the Act. Any application guidance/ clarifications/ directions issued by RBI or other regulators are implemented as and when they are issued/applicable. The financial statements have been prepared on going concern basis.

For all periods up to and including the year ended 31 March 2019, the Company prepared its financial statements in accordance with the generally accepted accounting principles in India (Indian GAAP) under the historical cost convention as a going concern and on accrual basis, unless otherwise stated, and in accordance with the provisions of the Companies Act, 2013, the Accounting Standards specified under section 133 of the Act read with rule 7 of the Companies (Accounts) Rules 2014 (as amended), prudential norms for income recognition, assets classification and provisioning for non-performing assets as well as contingency provision for standard assets as prescribed by The Reserve Bank of India (RBI) for NBFCs, collectively referred as "Previous GAAP".

These are the first financial statements of the Company prepared in accordance with Ind AS. Accordingly, Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. Refer note 40 for an explanation of how the transition from Previous GAAP to Ind AS has affected the previously reported financial position, financial performance, Company's total equity, total comprehensive income and cash flow of the company.

2.2 Presentation of financial statements

The financial statements of the Company are presented as per Schedule III (Division III) of the Act applicable to NBFCs, as notified by the Ministry of Corporate Affairs (MCA). The Company presents its balance sheet in order of liquidity. Financial assets and financial liabilities are generally reported on a gross basis except when, there is an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event. Similarly, the Company offsets incomes and expenses and reports the same on a net basis when permitted by Ind AS specifically.
These financial statements were approved by the Company's Board of Directors and authorised for issue on 29 June 2020.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost basis, except for the following assets and liabilities which have been measured at fair value:
a) fair value through other comprehensive income (FVOCI) instruments,
b) financial assets and liabilities designated at fair value through profit or loss (FVTPL),
c) derivative financial instruments,
d) other financial assets held for trading.

2.4 Critical accounting estimates and judgments

The preparation of Company's financial statements requires Management to make use of estimates and judgements. In view of the inherent uncertainties and a level of subjectivity involved in measurement of items, it is possible that the outcomes in the subsequent financial years could differ from those on which the Management's estimates are based. Accounting estimates and judgements are used in various line items in the financial statements for e.g.:

Effective Interest Rate (EIR) Method:

The Company recognizes interest income /expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loans given / taken. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as expected changes to other fee income/ expense that are integral parts of the instrument.

Contingencies:

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability requires the application of judgement to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and revised to take account of changing facts and circumstances.

Useful lives of property, plant and equipment and Intangible assets:

Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation to be recorded during any reporting period. The useful lives and residual values as per schedule II of the Companies Act, 2013 or are based on the Company's historical experience with similar assets and taking into account anticipated technological changes, whichever is more appropriate.

Defined employee benefit obligation:

The cost of post-employment benefits is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rates, 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 annually.

Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation technique that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Business model assessment

Classification and measurement of financial assets depends on the results of the solely payment of principal and interest (SPPI) and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Income taxes

Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carryforwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

Expected credit losses on financial assets

The impairment provisions of financial assets and contract assets are based on assumptions about risk of default and expected timing of collection. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history of collections, customer's creditworthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.

Leases

Ind AS 116 defines a lease term as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods, when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term. The option to extend the lease term are included in the lease term, if it is reasonably certain that the lessee will exercise the option. The Company reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

Estimation uncertainty relating to the global health pandemic on COVID-19

In assessing the recoverability of financial and non-financial assets, the Company has considered internal and external information up to the date of approval of these financial statements including credit reports and economic forecasts. The Company has performed sensitivity analysis on the assumptions used and based on current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets. The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Functional and presentation currency

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

3.2 Measurement of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The management regularly reviews significant unobservable inputs and valuation adjustments.

'When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the changes have occurred.

3.3 Revenue Recognition

Interest income

Interest income is recognized in Statement of profit and loss using the effective interest rate (EIR) method for all financial instruments which are measured either at amortised cost or at fair value through other comprehensive income. The EIR is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period.

The EIR is calculated by taking into account any discount or premium on acquisition, fees and transaction costs that are an integral part of the contract. Transaction costs include incremental costs that are directly attributable to the acquisition of financial asset.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is accounted as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through interest income in the Statement of profit and loss.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Company calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit- impaired, the Company reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets, if any, required to be measured at FVTPL is recognized using the contractual interest rate as net gain on fair value changes.

Fee, commission and distribution income

The Company recognizes revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial Instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue from contracts with customers. The Company identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognizes revenue only on satisfactory completion of performance obligations. Revenue from contract with customer for rendering services is recognized at a point in time when performance obligation is satisfied.

Fees and commission income are measured at an amount that reflects the fair value of the consideration received or receivable, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties.

Distribution income is earned by selling of services and products of other entities under distribution arrangements. The income so earned is recognized on successful sales on behalf of other entities subject to there being no significant uncertainty of its recovery.

Income from bill discounting is recognized over the tenure of the instrument so as to provide a constant periodic rate of return.

Dividend and interest income on investments:

Dividends are recognized in Statement of profit and loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

Interest income from investments is recognized when it is certain that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Net gain on fair value changes

The Company recognises gains on fair value change of financial assets measured at FVTPL and realised gains on derecognition of financial asset measured at FVTPL and FVOCI on net basis.
However, net gain / loss on derecognition of financial instruments classified as amortised cost is presented separately under the respective head in the Statement of profit and loss.

Income from direct assignment

Gains arising out of direct assignment transactions comprise of 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 behavioral cash flows on execution of the transaction, discounted at the applicable rate entered into with the assignee is recorded upfront in the statement of profit and loss. EIS is evaluated and adjusted for ECL and expected prepayment.

Other income and expenses

All other income and expense are recognized in the period they occur.

3.4 Property plant and equipments

Property, plant and equipment ("PPE") are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discount and rebates, any directly attributable cost incidental to acquisition and installation, up to the point the asset is ready for its intended use.

Advances paid towards the acquisition of PPE outstanding at each reporting date are shown under other non-financial assets. Assets acquired but not ready for intended use or assets under construction at the reporting date are classified under capital work in progress.

Subsequent expenditure related to the asset are added to its carrying amount or recognized as a separate asset only if it increases the future benefits of the existing asset, beyond its previously assessed standards of performance and cost can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

Depreciation

Depreciation on property, plant and equipment is provided on straight-line method over the useful lives of assets as determined by the management which is in line with Schedule II of the Act.

The estimated useful lives used for computation of depreciation are as follows:

	Useful Life (in years)
Computer equipment	3
Server	6
Office equipment	5
Furniture and fixtures	10
Vehicles	8

Leasehold improvements are amortized over the period of the lease.

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 amortization period or methodology, as appropriate, and treated as changes in accounting estimates.

PPE is derecognized on disposal or when no future economic benefits are expected from it use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the net carrying amount of the asset) is recognized in other income / netted off from any loss on disposal in the Statement of profit and loss in the year the asset is derecognized. Assets held for sale or disposals are stated at the lower of their net book value and net realisable value.

On transition to Ind AS, the company has elected to continue with the carrying value of all of its property, plant and equipment recognized as at 1 April 2018 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

3.5 Intangible Assets

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset comprises its purchase price and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure related to the asset is added to its carrying amount or recognised as a separate asset only if it increases the future benefits of the existing asset, beyond its previously assessed standards of performance and cost can be measured reliably.

Intangible assets comprise of software which is amortized using the straight-line method over a period of three years commencing from the date on which such asset is first recognized.

Gains or losses from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the Statement of Profit and Loss when the asset is derecognised.

On transition to Ind AS, the company has elected to continue with the carrying value of all of its intangible assets recognized as at 1 April 2018 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

3.6 Foreign exchange transactions & translations

a) Initial recognition

Transactions in foreign currencies are recognised at the prevailing exchange rates between the reporting currency and a foreign currency on the 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 recognised 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.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Thus, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

Non-monetary items that are measured at historical cost in foreign currency are not retranslated at reporting date.

3.7 Financial instruments

a) Initial recognition and measurement:

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in Statement of profit and loss.

b) Initial classification and subsequent measurement of financial assets:

The Company classifies its financial assets into various measurement categories. The classification depends on the contractual terms of the financial assets' cash flows and Company's business model for managing financial assets. On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair Value through Other Comprehensive Income (FVOCI) - debt instruments;
- FVOCI - equity instruments;
- Fair Value Through Profit and Loss (FVTPL)

Amortised cost

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios being the level at which they are managed. These financial assets comprise bank balances, loans, trade receivables and other financial instruments.

Debt instruments measured at amortized cost where they have:

a) contractual terms that give rise to cash flows on specified dates, that represent solely payment of principal and interest (SPPI) on the principal amount outstanding; and

b) are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These financial assets are subsequently measured at amortized cost using effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment provision are recognized in Statement of profit and loss. Any gain and loss on derecognition are recognized in Statement of profit and loss.

FVOCI - debt instruments

The Company measures its debt instruments at FVOCI when the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset meet the SPPI test.

Debt investment at FVOCI are subsequently measured at fair value. Interest income under effective interest method, foreign exchange gains and losses and impairment provision are recognized in Statement of profit and loss. Other net gains and losses are recognized in other comprehensive income (OCI). On derecognition, gains and losses accumulated in OCI are reclassified to Statement of profit and loss.

FVOCI - equity instruments

For equity investments, the Company makes an election on an instrument-by-instrument basis to designate equity investments as measured at FVOCI.

These elected investments are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the reserves. The cumulative gain or loss is not reclassified to Statement of profit and loss on disposal of the investments. These investments in equity are not held for trading. Instead, they are held for strategic purpose. Dividend income received on such equity investments are recognized in Statement of profit and loss.

FVTPL

A financial asset which is not classified in any of the above categories are measured at FVTPL. This includes all derivative financial assets.

Equity investments that are not designated as measured at FVOCI are designated as measured at FVTPL and subsequent changes in fair value are recognized in Statement of profit and loss.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in Statement of profit and loss.

c) Initial classification and subsequent measurement of financial liabilities and equity instruments: Classification as debt or equity

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.

Equity instruments

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 Company are recognized at the proceeds received. Transaction costs of an equity transaction are recognised as a deduction from equity.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading or it is a derivative or it is designated as such on initial recognition. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in Statement of profit and loss. Any gain or loss on derecognition is also recognised in Statement of profit and loss.

d) Reclassification of financial assets and liabilities:

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets. Financial liabilities are never reclassified.

e) Derecognition of financial assets and liabilities:

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

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 derecognised.

Financial liabilities

A financial liability is derecognised when the obligation in respect of 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 de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the financial liability and the consideration paid is recognised in Statement of profit and loss.

f) Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. 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 subsequent recoveries made are recognized in Statement of profit and loss.

g) Offsetting:

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

h) Derivatives and hedging activity:

The company uses derivative contracts like cross currency interest rate swaps, forward contracts, to hedge its risk associated with foreign currency and interest rate fluctuation relating to foreign currency floating rate borrowings. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The Company designates derivatives as either (i) hedges of the fair value of recognised assets or liabilities (fair value changes) or (ii) hedges of a particular risk associated with the cash flows of recognised assets and liabilities (cash flow hedges). The Company has designated the cross-currency interest rate swap as a cash flow hedge for changes in both interest rate and foreign exchange rates.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in cash flow hedging reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within other gains/(losses).

Amounts previously recognised in other comprehensive income and accumulated in equity relating to effective portion as described above are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a nonfinancial asset or a non-financial liability, such gains and losses are transferred from equity (but not as a reclassification adjustment) and are included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is reclassified immediately in profit or loss.

Fair value hedges that qualify for hedge accounting

Changes in fair value of the designated portion of derivatives that qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The change in the fair value of the designated portion of hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.
Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

i) Impairment of financial assets

Overview of the Expected Credit Loss (ECL) allowance principles:

The Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on loans measured at amortised cost and FVOCI and other debt financial assets not held at FVTPL.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is calculated to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Company reverts to recognizing impairment loss allowance based on 12-month ECL.

The Company performs an assessment, at the end of each reporting period, of whether a financial assets credit risk has increased significantly since initial recognition. When making the assessment, the change in the risk of a default occurring over the expected life of the financial instrument is used instead of the change in the amount of expected credit losses.

Estimation of Expected Credit Loss (ECL):

The Company calculates ECLs based on a probability-weighted scenarios and historical data to measure the expected cash shortfalls. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

Probability of default (PD):

The Probability of Default is an estimate of the likelihood of default over a given time horizon. The Company uses historical information where available to determine PD.

Exposure of default (ED):

The Exposure at Default is an estimate of the exposure at a future default date.

Loss Given default (LGD):

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

Forward looking information:

While estimating the expected credit losses, the Company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyses if there is any relationship between key economic trends like GDP, unemployment rates, benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Company based on its internal data. While the internal estimates of PD, LGD rates by the Company may not be always reflective of such relationships, temporary overlays, if any, are embedded in the methodology to reflect such macro-economic trends reasonably.

Based on the above process, the Company categorizes its loans into three stages as described below:

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12 months 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. These expected 12-month default probabilities are applied to an EAD and multiplied by the expected LGD. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the company records an allowance for the life time ECL. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.

Stage 3: Financial assets are classified as stage 3 when there is objective evidence of impairment as result of one or more loss events that have occurred after the initial recognition. The Company records an allowance for the life time ECL. The method is similar to that for Stage 2 assets, with the PD set at 100%.

j) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Company are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with impairment requirements of Ind AS 109 - Financial Instruments; and

- the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of Ind AS 115 – Revenue from contracts with customers.

3.8 Impairment of assets other than financial assets

The Company reviews the carrying amounts of its tangible and intangible assets at the end of each reporting period, to determine whether there is any indication that those assets have impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or group of assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount such that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset (or cash-generating unit) in prior years. The reversal of an impairment loss is recognised in Statement of profit and loss.

3.9 Employee benefits

a) Short-term employee benefits

All short-term employee benefits are accounted on undiscounted basis during the accounting period based on services rendered by employees and recognized as expenses in the Statement of profit and loss. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b) Defined contribution plan (provident fund and ESIC)

Retirement benefits in the form of provident fund and superannuation are defined contribution schemes. The Company has no obligation, other than the contribution payable to the respective funds. The Company recognizes contribution payable to the respective funds as expenditure, when an employee renders the related service.

c) Defined benefit plan (Gratuity)

Payment of gratuity to employees is covered by the "Exide Life Group Gratuity Unit Linked Scheme" of the Exide life Insurance Company Limited, which is a defined benefit scheme and the company makes contribution under the said scheme.

The Company's liability towards gratuity scheme is determined by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. Past services are recognised at the earlier of the plan amendment / curtailment and recognition of related restructuring costs/termination benefits.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of profit and loss.

Remeasurement gains/losses - Remeasurement of defined benefit plans, comprising of actuarial gains / losses, return on plan assets excluding interest income are recognised immediately in the balance sheet with corresponding debit or credit to Other Comprehensive Income (OCI). Remeasurements are not reclassified to Statement of profit and loss in the subsequent period.

d) Compensated Absences

The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognized in full in the Statement of profit and loss for the period in which they occur.

3.10 Share-based payments

Equity-settled share-based payments to employees are recognized as an expense at the fair value of equity stock options at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the graded vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding adjustment in equity.

3.11 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 subordinated debts, term loans and working capital loans from Banks, Financial Institutions and NBFCs and Commercial Papers. Finance costs are charged to the Statement of profit and loss.

3.12 Securities issue expenses

Expenses incurred in connection with fresh issue of share capital are adjusted against securities premium reserve.

3.13 Income taxes

Income tax expense comprises of current tax and deferred tax. It is recognized in Statement of profit and loss except to the extent that it relates to an item recognized directly in equity or in other comprehensive income.

a) Current tax:

Current tax comprises amount of tax payable in respect of the taxable income or loss for the year determined in accordance with Income Tax Act, 1961 and any adjustment to the tax payable or receivable in respect of previous years. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

b) Deferred tax:

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequence that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary difference could be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

c) Minimum Alternate Tax (MAT)

Minimum alternate tax (MAT) paid in a year is charged to the Statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that it is probable that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the Statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the MAT Credit Entitlement asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

3.14 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash on hand, cheques and drafts on hand, balances with banks in current accounts, short term deposits with an original maturity of three months or less, which are subject to an insignificant risk of change in value.

3.15 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

The amount recognized 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.. Contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent assets are not recognized in the financial statements. However, it is disclosed only when an inflow of economic benefits is probable.

3.16 Leases

Ind AS 116 Leases was notified by MCA on 30 March 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. On transition to Ind AS, the company has elected to adopt Ind AS 116 using the modified retrospective approach with effect from April 1, 2018 and hence comparative information has been reported under Ind AS 116.

The company as a lessee

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the Statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using incremental borrowing rate (because the implicit rate in the lease contracts is not available). The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The company has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less, and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in rental income in the Statement of profit and loss, unless the increase is in line with expected general inflation, in which case lease income is recognised based on contractual terms.

When the company is an intermediate lessor it accounts, for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the company applies the exemption described above, then it classifies the sub-lease as an operating lease.

3.17 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, sub-division of shares etc. that have changed the number of equities shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders is divided by the weighted average number of equity shares outstanding during the period, considered for deriving basic earnings per share and weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

3.18 Cash flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

3.19 Segment information

The Company is engaged in the business segment of Financing, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated and to assess its performance, and for which discrete financial information is available. Operating segments of the Company are reported in a manner consistent with the internal reporting provided to the chief operating decision maker and accordingly the Company has classified its operations into three segments – Distribution (retail loan/insurance products), Retail Finance and Whole sale Finance. For presentation of segment information, directly attributable income and assets are allocated as such and the other income, expenses and other assets and liabilities are apportioned on appropriate basis.

3.20 First-time adoption of Ind AS – mandatory exceptions and optional exemptions

The Company has prepared the opening balance sheet as per Ind AS as of 1st April 2018 ("the transition date") by recognizing all assets and liabilities whose recognition is required by Ind AS, not recognizing items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from Previous GAAP to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognized assets and liabilities. However, this principle is subject to certain exceptions and certain optional exemptions availed by the Company as mentioned below:

Mandatory exceptions:

a) Estimates:

The estimates at April 01, 2018 and at March 31, 2019 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Indian GAAP did not require estimation:

- Impairment of financial assets based on expected credit loss model
- Fair valuation of financial instruments carried at FVTPL
- Determination of discounted value for financial instruments carried at amortized cost
- Investment in equity instruments carried at FVOCI and FVTPL

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions at April 01, 2018 the date of transition to Ind AS and as of March 31, 2019.

b) Classification and measurement of financial assets

The Company has classified the financial assets in accordance with Ind AS 109 on the basis of facts and circumstances that exist at the date of transition to Ind AS.

Exemptions applied:

a) Deemed cost for property, plant and equipment and intangible assets

The Company has elected to measure property, plant and equipment, and intangible assets at its Previous GAAP carrying amount and use that Previous GAAP carrying amount as its deemed cost at the date of transition to Ind AS.

b) Leases

The Company has availed the exemption to assess whether an arrangement contains a lease based on facts and circumstances existing on date of transition to Ind AS by applying principles of Ind AS 116 Leases. Also, the Company has measured right of use asset and lease liability by applying modified retrospective approach with effect from its Ind AS transition date.

c) Designation of previously recognized financial instruments

Ind AS 101 allows an entity to designate investments in equity instruments at FVOCI on the basis of facts and circumstances at the date of transition to Ind AS. The Company has elected to designate investment in equity instruments at FVOCI. Ind AS 109 requires a financial asset to be measured at amortized cost if it meets two tests that deal with the nature of the business that holds the assets and the nature of the cash flows arising on those assets. A first-time adopter must assess whether a financial asset meets the conditions on the basis of the facts and circumstances that exist at the date of transition to Ind AS. Para B8-B8C Ind AS 101 also contains mandatory exception related to classification of financial asset which states that conditions for classifying financial assets to be tested on the basis of facts and circumstances existing at the date of transition to Ind AS instead of the date on which it becomes party to the contract. The Company has applied this exemption and opted to classify all financial assets and liabilities based on facts and circumstances existing on the transition date.

As per para 8D - 8G of Ind AS 101, an entity shall apply the exception to the retrospective application of "Impairment of financial asset" which is as per section 5.5 of Ind AS 109.

3.21 Standard issued but not yet effective (if any to be mentioned)

Certain new standards, amendments to standards and interpretations are not yet effective for annual period beginning after April 1, 2019 and have not been applied in preparing these financial statements. The new standards and amendments to standards are proposed to be effective for reporting periods beginning on or after 1 April 2020. The Company intends to adopt these standards and amendments when they became effective.

The Standards that are issued, but not yet effective, are disclosed below:

A. Issuance of new standard

Ind AS 117 – Insurance Contracts

Ind AS 117 supersedes Ind AS 104 Insurance contracts. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. Under the Ind AS 117 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk.

Application of this standard is not expected to have any significant impact on the Company's financial statements.

B. Amendments to existing Standards

Ministry of Corporate Affairs has carried out amendments of the following accounting standards:

(i) *Ind AS 103 – Business Combination*

The amendment is in connection with clarification of business definition, which help in determining whether an acquisition made is of a business or a group of assets. The amendment added a test that makes it easier to conclude that a Company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The adoption of amendment to Ind AS 103 is not expected to have any significant impact on the Company's financial statements.

(ii) *Ind AS 1, Presentation of Financial Statements and Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors*

The amendment is in connection with refinements to the definition of 'Material' and aligns this definition with other Ind AS. These refinements are intended to make the definition easier to understand and are not intended to alter the concept of materiality in Ind AS. The amended definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The adoption of amendment to Ind AS 1 and Ind AS 8 is not expected to have any significant impact on the Company's financial statements.

(iii) *Ind AS 40 – Investment Property*

Ind AS 40 states that an investment property shall be measured initially at cost and for measurement after recognition, cost model shall be adopted for all the investment property. The amendment is in connection with an addition of option to measure all investment property after recognition as per fair value model. However, the amendment also gives an exception which states that an entity may:

(a) choose either the fair value model or the cost model for all investment property backing liabilities that pay a return linked directly to the fair value of, or returns from, specified assets including that investment property; and

(b) choose either the fair value model or the cost model for all other investment property, regardless of the choice made in (a).

The adoption of amendment to Ind AS 40 is not expected to have any significant impact on the Company's financial statements.

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

		As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
4	**Cash and cash equivalents**			
	Cash on hand	763	350	403
	Balances with banks			
	- in current accounts	6,165	561	1,016
	- in fixed deposits with maturity less than 3 months	7,301	-	-
		14,229	**911**	**1,419**
5	**Bank balances other than cash and cash equivalents**			
	- in fixed deposits with maturity more than 3 months	7,502	2,500	-
		7,502	**2,500**	-
5.1	**Encumbrances on fixed deposits with bank held by the Company**			
	Pledged against Bank OD facility from DCB Bank	2501		
6	**Trade receivables**			
	Unsecured considered good	232	119	52
	Unsecured considered doubtful	-	0	1
	Receivables which are credit impaired	-	-	-
	Total Gross	**232**	**119**	**53**
	Less- Impairment loss allowance	(1)	(0)	(1)
	Total Net	**231**	**119**	**52**
	Other receivables			
	Unsecured considered good	140	518	176
	Unsecured considered doubtful	-	1	0
	Total Gross	**140**	**519**	**176**
	Less- Impairment loss allowance	-	(1)	(0)
	Total Net	**140**	**518**	**176**
		371	**637**	**228**

6.1 No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

		As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
7	**Loans**			
	Measured at amortised cost			
	(i) Bills purchased and bills discounted	-	314	267
	(ii) Term Loans	372,144	201,682	143,212
	Total Gross	**372,144**	**201,996**	**143,479**
	Less- Impairment loss allowance	(3,492)	(1,334)	(1,000)
	Total Net (A)	**368,652**	**200,662**	**142,479**
	(i) Secured by tangible assets (Refer note 44.1.2)	322,304	196,867	143,479
	(ii) Secured by intangible assets	-	-	-
	(iii) Covered by Bank/Government Guarantees	-	-	-
	(iv) Unsecured	49,840	5,129	-
	Total Gross	**372,144**	**201,996**	**143,479**
	Less: Impairment loss allowance	(3,492)	(1,334)	(1,000)
	Total Net (B)	**368,652**	**200,662**	**142,479**
	Loans in India			
	(a) Public sector	-	-	-
	(b) Others	372,144	201,996	143,479
	Total Gross	**372,144**	**201,996**	**143,479**
	Less: Impairment loss allowance	(3,492)	(1,334)	(1,000)
	Total Net (C)	**368,652**	**200,662**	**142,479**

7.1 Disclosure required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Direction, 2016

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Loans against collateral of gold jewellery (Gross)	**104,545**	45,407	35,527
Total assets of the Company	**408,619**	215,061	148,626
Percentage of Loans against collateral of gold jewellery to Total assets of the Company	**25.58%**	21.11%	23.90%

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

7.2 Credit Quality of Assets

The table below shows credit quality and the maximum exposure to credit risk based on year-end stage classification. The amounts presented are gross of impairment allowance. Details of the Company's internal grading system are explained in Note 44 and policies on ECL allowances are set out in Note 3

(a) Gross carrying amount of loan assets allocated to Stage 1, Stage 2 and Stage 3

Particulars	As at 31 March 2020				As at 31 March 2019				As at 01 April 2018			
	Stage 1	Stage 2	Stage 3	**Total**	Stage 1	Stage 2	Stage 3	**Total**	Stage 1	Stage 2	Stage 3	**Total**
Loans (at amortised cost)												
Performing												
High grade	354,909			**354,909**	191,340			**191,340**	136,696			**136,696**
Standard grade		11,762		**11,762**		6,048		**6,048**		5,307		**5,307**
Non-Performing												
Impaired			5,473	**5,473**			4,608	**4,608**			1,476	**1,476**
Total	**354,909**	**11,762**	**5,473**	**372,144**	**191,340**	**6,048**	**4,608**	**201,996**	**136,696**	**5,307**	**1,476**	**143,479**

(b) An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Corporate lending is, as follows:

(i) For the year ended 31 March, 2020

Particulars	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount opening balance	191,340	6,048	4,608	201,996
Transfers to Stage 1	748	(734)	(14)	-
Transfers to Stage 2	(7,485)	7,516	(31)	-
Transfers to Stage 3	(822)	(2,144)	2,966	-
Assets derecognised (excluding write offs)	(57,870)	(2,743)	(3,365)	(63,978)
Loans Repaid	(17,766)	(1,343)	130	(18,979)
New assets originated or purchased	246,764	5,162	1,179	253,105
Gross carrying amount closing balance	**354,909**	**11,762**	**5,473**	**372,144**
Reconciliation of ECL balance is given below	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount opening balance	401	203	729	1,334
Transfers to Stage 1	35	(35)	0	-
Transfers to Stage 2	(38)	41	(3)	-
Transfers to Stage 3	(1)	(92)	93	-
Assets derecognised (excluding write offs)	(66)	(48)	(417)	(531)
Loans Repaid	17	480	1,023	1,520
New assets originated or purchased	1,015	95	60	1,170
Gross carrying amount closing balance	**1,363**	**644**	**1,485**	**3,492**

(ii) For the year ended 31 March, 2019

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	136,696	5,307	1,476	143,479
Transfers to Stage 1	579	(579)	-	0.00
Transfers to Stage 2	(3,123)	3,123	-	-
Transfers to Stage 3	(1,915)	(349)	2,265	-
Assets derecognised (excluding write offs)	(52,216)	(2,618)	(505)	(55,339)
Loans Repaid	(6,747)	(518)	111	(7,154)
New assets originated or purchased	118,065	1,684	1,262	121,010
Gross carrying amount closing balance	**191,340**	**6,048**	**4,608**	**201,996**

Reconciliation of ECL balance is given below	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	384	80	536	1,000
Transfers to Stage 1	13	(13)	-	-
Transfers to Stage 2	(22)	22	-	-
Transfers to Stage 3	(5)	(12)	17	-
Assets derecognised (excluding write offs)	(116)	(1)	(96)	(213)
Loans Repaid	(25)	114	260	349
New assets originated or purchased	174	11	13	198
Gross carrying amount closing balance	**401**	**203**	**729**	**1,334**

	Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
8	**Investments**			
8.1	**Measured at Amortised costs**			
	Investment in NCDs	1,145	1,265	1,039
	Less: Impairment loss allowance	(10)	(11)	(8)
		1,135	**1,254**	**1,031**
8.2	**Measured at Fair Value through profit and loss**			
	Investment in Mutual Funds	3,001	-	-
	Less: Impairment loss allowance	-	-	-
		3,001	-	-
	Total Investments	**4,136**	**1,254**	**1,031**
	Note: All the investment are held in India only			
9	**Other financial assets**			
	Security deposit	826	455	271
	Fixed Deposit with other financial institution	-	2,567	-
	Full & Final Recovery from Employees	48	31	26
	Less: Impairment allowance	(46)	(31)	(26)
		2	-	-
		828	**3,022**	**271**

	Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
10	**Current tax assets (Net)**			
	Advance tax (net of provision)	839	406	231
		839	**406**	**231**
11	**Deferred tax assets (net)**			
	Deferred taxes in relation to :			
	Depreciation and Amortisation	181	195	197
	Provision for Employee benefits	44	16	34
	Provision for Expected Credit Loss	365	163	129
	Lease Equalisation Credit	158	35	6
	Other timing differences	26	15	20
	Effective interest rate on Financial assets	220	241	164
	Interest income on NPA	(46)	(146)	(51)
	Fair valuation of security deposit	5	2	-
	Effective interest rate on Financial Liabilities	(17)	8	1
	Gain/(Loss) on fair valuation of mutual fund	(0)	-	-
	Interest/Other Charges on Direct Assignment Transaction (net)	(265)	-	-
	Impact due to tax rate change	(20)	-	-
	Deferred tax assets (net) (A-B)	**650**	**529**	**500**

Note: For disclosure relating to movement in deferred tax assets / liabilities, refer note 33.3

	Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
12	**Other non-financial assets**			
	Advances for Supplies & Services	217	99	45
	Prepaid expenses	336	239	97
	Advance to employee	111	40	24
	Gratuity		3	
	Others (Refer note 12.1)	41	121	31
		705	**502**	**197**

12.1 The reconciliation of certain GST balances is under process. Though the company does not expect any significant impact, adjustments if any on completion of such reconciliation will be accounted.

FEDBANK FINANCIAL SERVICES LIMITED

CIN : U65910KL1995PLC008910

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

13 Property, Plant & Equipment and Intangible assets for the financial year 2019-20

13.1 Property, Plant & Equipment

Particulars	Computer Equipments	Office Equipments	Lease Hold improvements (Interior Furnishings)	Furniture & Fixtures	Vehicles - Cars	Server	Total Tangible Assets
Gross Block as at April 1, 2019	294	390	798	372	20	150	2,024
Gross Block as at April 1, 2018	(233)	(334)	(677)	(324)	(19)	(120)	(1,707)
	-	-	-	-	-	-	
Additions during FY 19-20	348	258	687	312	-	45	1,650
Adjustments during FY 19-20			59				59
Additions during FY 18-19	(61)	(75)	(121)	(48)	(1)	(30)	(336)
	-	-	-	-	-	-	
Deletions during FY 19-20	0	31	44	23	-	-	98
Deletions during FY 18-19	-	(19)	-	-	-	-	(19)
Gross Block as at March 31, 2020	**642**	**618**	**1,499**	**662**	**20**	**195**	**3,634**
Gross Block as at March 31, 2019	**(294)**	**(390)**	**(798)**	**(372)**	**(20)**	**(150)**	**(2,024)**
Accumulated depreciation as at April 1, 2019	217	299	600	298	12	97	1,523
Accumulated depreciation as at April 1, 2018	(194)	(274)	(545)	(274)	(9)	(87)	(1,383)
	-	-	-	-	-	-	
Additions during FY 19-20	86	112	124	91	3	16	431
Adjustments during FY 19-20			59				59
Additions/Adjustments during FY 18-19	(23)	(43)	(55)	(24)	(3)	(10)	(158)
Deletions during FY 19-20	0	29	41	21	-	-	91
Deletions during FY 18-19	-	(18)	-	-	-	-	(18)
Accumulated depreciation as at March 31, 2020	**303**	**382**	**742**	**369**	**15**	**113**	**1,922**
Accumulated depreciation as at March 31, 2019	**(217)**	**(299)**	**(600)**	**(298)**	**(12)**	**(97)**	**(1,523)**
Total Accumulated Depreciation as at Mar 31, 2019	303	382	742	369	15	113	1,923
	(217)	(299)	(600)	(298)	(12)	(97)	(1,523)
Net block as at March 31, 2020	**339**	**236**	**757**	**293**	**5**	**82**	**1,713**
Net Block as at March 31, 2019	**(77)**	**(91)**	**(198)**	**(74)**	**(8)**	**(53)**	**(501)**

13.2 Intangible Assets

Particulars	Computer Software
Gross Block as at April 1, 2019	494
Gross Block as at April 1, 2018	(432)
	-
Additions/Adjustments during FY 19-20	217
Additions/Adjustments during FY 18-19	(62)
vvv	
Deletions during FY 19-20	34
Deletions during FY 18-19	-
Gross Block as at March 31, 2020	**677**
Gross Block as at March 31, 2019	**(494)**
Accumulated depreciation as at April 1, 2019	414
Accumulated depreciation as at April 1, 2018	(392)
Additions/Adjustments during FY 19-20	86
Additions/Adjustments during FY 18-19	(22)
	-
Deletions during FY 19-20	21
Deletions during FY 18-19	-
Accumulated depreciation as at March 31, 2020	**479**
Accumulated depreciation as at March 31, 2019	**(414)**
Net block as at March 31, 2020	**198**
Net Block as at March 31, 2019	**(80)**

13.3 Capital Work in progress

Particulars	CWIP
Gross Block as at April 1, 2019	31
Gross Block as at April 1, 2018	(33)
	-
Additions/Adjustments during FY 19-20	551
Additions/Adjustments during FY 18-19	(41)
Deletions during FY 19-20	539
Deletions during FY 18-19	(43)
Net Block as at March 31, 2020	**42**
Net Block as at March 31, 2019	**(31)**

13.4 Right-of-Use Assets (Refer to note 47 for details)

Particulars	ROU Assets
Balance of ROU as at April 1, 2019	4,026
Balance of ROU as at April 1, 2018	(1,872)
	-
Additions/Adjustments during FY 19-20	6,131
Additions/Adjustments during FY 18-19	(2,749)
Depreciation during FY 19-20	1,404
Depreciation during FY 18-19	(595)
Balance of ROU as at March 31, 2020	**8,753**
Balance of ROU as at March 31, 2019	**(4,026)**

13 Property, Plant & Equipment and Intangible assets for the financial year 2018-19

13.1 Property, Plant & Equipment

(INR in Lakhs)

Particulars	Computer Equipments	Office Equipments	Lease Hold improvements (Interior Furnishings)	Furniture & Fixtures	Vehicles - Cars	Server	Total Tangible Assets
Gross Block as at April 1, 2018	233	334	677	324	19	120	1,707
Gross Block as at April 1, 2017	(206)	(305)	(617)	(297)	(19)	(91)	(1,535)
	-	-	-	-	-	-	
Additions/Adjustments during FY 18-19	61	75	121	48	1	30	336
Additions/Adjustments during FY 17-18	(33)	(57)	(60)	(28)	-	(30)	(207)
	-	-	-	-	-	-	
Deletions during FY 18-19	-	19	-	-	-	-	19
Deletions during FY 17-18	(6)	(29)	-	-	-	-	(35)
Gross Block as at March 31, 2019	**294**	**390**	**798**	**372**	**20**	**150**	**2,024**
Gross Block as at March 31, 2018	**(233)**	**(334)**	**(677)**	**(325)**	**(19)**	**(121)**	**(1,708)**
Accumulated depreciation as at April 1, 2018	194	274	545	274	9	87	1,383
Accumulated depreciation as at April 1, 2017	(189)	(265)	(493)	(249)	(4)	(75)	(1,275)
	-	-	-	-	-	-	

Particulars	Computer Equipments	Office Equipments	Lease Hold improvements (Interior Furnishings)	Furniture & Fixtures	Vehicles - Cars	Server	Total Tangible Assets
For the year 18-19	23	43	55	24	3	10	158
For the year 17-18	(11)	(36)	(52)	(25)	(5)	(12)	(141)
	-	-	-	-	-	-	
Deletions during FY 18-19	-	18	-	-	-	-	18
Deletions during FY 17-18	(6)	(27)	-	-	-	-	(33)
Accumulated depreciation as at March 31, 2019	**217**	**299**	**600**	**298**	**12**	**97**	**1,523**
Accumulated depreciation as at March 31, 2018	**(194)**	**(274)**	**(545)**	**(274)**	**(9)**	**(87)**	**(1,383)**
Net block as at March 31, 2019	**77**	**91**	**198**	**74**	**8**	**53**	**501**
Net Block as at March 31, 2018	**(39)**	**(60)**	**(132)**	**(50)**	**(10)**	**(34)**	**(325)**

13.2 Intangible Assets

Particulars	Computer Software
Gross Block as at April 1, 2018	432
Gross Block as at April 1, 2017	(403)
	-
Additions/Adjustments during FY 18-19	62
Additions/Adjustments during FY 17-18	(29)
Deletions during FY 18-19	-
Deletions during FY 17-18	-
Gross Block as at March 31, 2019	**494**
Gross Block as at March 31, 2018	**(432)**
" Accumulated depreciation as at April 1, 2018 "	392
" Accumulated depreciation as at April 1, 2017 "	(377)
	-
For the year 18-19	22
For the year 17-18	(15)
	-
Deletions during FY 18-19	-
Deletions during FY 17-18	-
Accumulated depreciation as at March 31, 2019	**414**
Accumulated depreciation as at March 31, 2018	**(392)**
Net block as at March 31, 2019	**80**
Net Block as at March 31, 2018	**(40)**

13.3 Capital Work in progress

Particulars	CWIP
Gross Block as at April 1, 2018	33
Gross Block as at April 1, 2017	(2)
	-
Additions/Adjustments during FY 18-19	41
Additions/Adjustments during FY 17-18	(54)
Deletions during FY 18-19	43
Deletions during FY 17-18	(23)
Net Block as at March 31, 2019	**31**
Net Block as at March 31, 2018	**(33)**

13.4 Right-of-Use Assets (Refer to note 47 for details)

Particulars	ROU Assets
Balance of ROU as at April 1, 2018	1,872
Additions/Adjustments during FY 18-19	2,749
Depreciation during FY 18-19	595
Net block as at March 31, 2019	**4,026**

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

	Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
14	**Derivative financial instruments**			
	Cross Currency Interest Rate Swap	-	-	45
		-	-	**45**
15	**Trade Payables**			
	(i) Total outstanding dues of micro enterprises and small enterprises	10	8	1
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	399	167	107
		409	**175**	**108**
15.1	**Other Payables**			
	(i) Total outstanding dues of micro enterprises and small enterprises	-	-	-
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	485	478	89
		485	**478**	**89**

15.2 The Company has taken steps to identify the suppliers who qualify under the definition of micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006. The aforementioned is based on responses received by the company to its enquires with suppliers with regard to applicability under the said Act. The details of amounts outstanding to Micro, Small and Medium Enterprises based on available Information
with Company is as under :

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Principal amount remaining Unpaid as at the end of accounting year	10	8	1
Interest due on above and remaining unpaid as at the end of accounting year	1	1	-
Amount of Interest paid along with amount of payment made to supplier beyond the appointed day	-	-	-
Interest due on principal amounts paid beyond the due date during the year but without the interest amounts under this act.	-	-	-
Interest accrued and remaining unpaid	-	-	-
Amount of Further Interest remaining due and payable in succeeding years	-	-	-

		As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
16	**Debt Securities**			
	Unsecured debt securities			
	At amortised cost			
	Commercial papers	12,500	20,000	22,000
	Less: Unexpired Discount	(322)	(332)	(506)
		12,178	19,668	21,494
	Debt Securities in India	12,178	19,668	21,494
	Debt Securities outside India	-	-	-
		12,178	**19,668**	**21,494**

16.1 Unexpired discount on commercial papers to be redeemed within next one year is INR 322 (Previous year- INR 332) (Net) towards interest accrued but not due. The carrying interest rate @ 8.00% to 8.75% p.a (Previous Year 6.75% to 8.25% p.a.) In respect of commercial paper maximum amount outstanding during the year was INR 25,000 (Previous Year INR 37,000)

17 Borrowings (other than debt securities)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
At amortised cost			
Secured			
Term loans			
- From Bank	184,698	67,600	51,703
- From Related Parties: Federal Bank	98,727	58,605	30,010
- From Others	4,138	2,327	3,938
Loans repayable on demand			
- From Bank	6,119	-	2,500
- From Related Parties: Federal Bank	7,344	9,315	6,468
- From Other	1,000	-	-
Liability Component of compound financial instruments 0.01% Non -Cumulative Optionally Convertible Redeemable Preference Share {Refer note 22(a)(ii)}	55	-	-
Unsecured			
- Term loans			
- From Bank	5,000	-	-
- From Others	2,500	2,500	-
	309,581	**140,347**	**94,619**
Borrowings in India	309,581	140,347	94,619
Borrowings outside India	**-**	**-**	**-**
	309,581	**140,347**	**94,619**

17.1. For detailed terms of repayment please refer to note 42.1 & 42.2

17.2 These facilities carry interest rates in the range of 8.75% - 10%

18 Other financial liabilities

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Employee benefits and other payables	926	553	292
Liability Towards Non Capital Contracts/goods	1	1	-
Auction Related Payables	97	91	100
Provision for CSR Expenses	-	-	46
Provision for Swap Cost	-	-	115
Commission Payable	882	397	253
Account Payable - Stale Cheque	277	153	69
Book Overdraft (Refer note 18.1)	1,322	1,718	2,859
Interest Payable to MSME Vendors	1	1	-
Lease liability (Refer to note 47)	8,977	3,921	1,809
Others payables (Refer note 18.2)	943	416	296
	13,426	**7,251**	**5,839**

Note 18.1 : Book overdrafts payable includes amount due to The Federal Bank (Holding Company) INR NIL (Previous year - 1718).

Note 18.2 : Other payable includes amount due to The Federal Bank (Holding Company) INR NIL (Previous year - INR NIL)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
19 Current tax liabilities (net)			
Provision for income tax	-	43	49
	-	43	**49**
20 Provisions			
Provision for employee benefits			
Provision for Gratuity (refer note 20.1)	20	-	64
Provision for Compensated Absences	172	54	36
	192	**54**	**100**

20.1 Liability is net off receivable from Fedbank Employees Gratuity Trust INR 11.63

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
21 Other non-financial liabilities			
Statutory dues	287	302	261
Advance from customers	2,945	881	528
	3,232	**1,183**	**789**
22 Share Capital			
Authorised Share capital			
Equity shares	29,000	30,000	30,000
29,00,00,000 (Previous year: 30,00,00,000,1 April 2018: 30,00,00,000) equity shares of Rs.10 each	29,000	30,000	30,000
Equity component of compound financial instruments			
1,00,00,000 Optionally Convertible Redeemable Preference Shared of Rs. 10 each	1,000		
	30,000	**30,000**	**30,000**
Equity shares			
Issued, subscribed and fully paid up			
27,34,23,425 (Previous year: 23,00,42,500; 1 April 2018: 19,00,00,000) equity shares of Rs.10 each	27,342	23,004	19,000
	27,342	**23,004**	**19,000**
Equity component of compound financial instruments			
Issued, subscribed and partly paid up			
47,29,730 0.01% Non -Cumulative Optionally Convertible Redeemable Preference Shares of Rs.10 each partly paid up of Rs. 2 each	40		
	40		

(a) Reconciliation of shares outstanding at the beginning and at the end of the reporting period

(i) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period

	As at 31 March 2020		As at 31 March 2019		As at 1 April 2018	
	Number	Amount	Number	Amount	Number	Amount
Balance at the beginning of the year	30,042,500	23,004	90,000,000	19,000	190,000,000	19,000
Add : Issued during the year	43,380,925	4,338	40,042,500	4,004	-	-
Balance at the end of the year	273,423,425	27,342	30,042,500	23,004	90,000,000	19,000

(ii) Reconciliation of equity component of compound financial instrument outstanding at the beginning and at the end of the reporting period

	As at 31 March 2020		As at 31 March 2019		As at 1 April 2018	
	Number	Amount	Number	Amount	Number	Amount
Balance at the beginning of the year	-	-	-	-	-	-
Add : Issued during the year	4,729,730	40	-	-	-	-
Balance at the end of the year	**4,729,730**	**40**	-	-	-	-

(iii) During the year company issued 2,67,14,257 number of equity share of face value of Rs 10/- each to True North Fund VI LLP on private placement basis. The Board of Directors approved this allotment in its meeting held on 27th September, 2019. The shares were issued at a total consideration of INR 11,248 including premium of INR 8,577. These shares carry same rights as existing shares as given in note no. 22(b).Vide terms of agreements dated 11th May 2018, True North Fund VI LLP has utilized its rights to subscribe to 26,714,257 (Two Crore Sixty Seven Lakhs Fourteen Thousand Two Hundred and Fifty Seven) Equity Shares. The shareholding of True North Fund VI LLP in the company post such subscription has increased to 26.0%. In FY 18-19, the company issued 4,00,42,500 number of equity share of face value of Rs 10/- each to True North Fund VI LLP on private placement basis. The shares were issued at a total consideration of INR 16,860 including premium of INR 12,856. These shares carry same rights as existing shares as given in note no. 22(b)

(iv) During the year company issued 47,29,730 number of Optionally Convertible Redeemable Preference Shares (OCRPS) to the Managing Director of the company Mr. Anil Kothuri of face value of INR 10 each of which INR 2 per share is paid up. The Board of Directors approved this allotment in its meeting held on October 31st, 2019.

(b) Terms/right attached to equity shares:

(i) For Equity shares :

The Company has only one class of Equity shares having face value of INR 10/- each 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 the remaining assets of the company, after distribution of all preferential amounts if any. The distribution will be in proportion to the number of shares held.

(ii) For Preference Shares :

The preference shares shall carry the voting rights which are provided in the Companies Act and shall not have any other voting rights. However, preference shareholders shall have voting rights on any matter affecting the preference shares holder directly or indirectly. Preference shares shall be non-participating and the no participation in surplus fund shall be given to preference shares .No participation in surplus assets and profits, on winding-up which may remain after the entire capital has been repaid shall be given to preference shares .The payment of dividend on preference shares shall be on non-cumulative basis

(c) Rights Issue

On March 30th, 2020 company has invited its shareholders to subscribe to rights issue of 1,66,66,668 number of equity shares in their holding proportion at INR 48/- per share. The Board of directors approved this allotment in its meeting held on March 30th, 2020. Total consideration is INR 8,000 including securities premium of INR 6,333. The right issue is fully subscribed

(d) Details of equity shares held by shareholders holding more than 5% shares of the aggregate shares in the Company

Particulars	As at March 31, 2020		As at March 31, 2019	
	Percentage Of Holding	Rupees in Lakhs	Percentage Of Holding	Rupees in Lakhs
Equity Shares of Rs. 10 fully paid up				
Equity Shares Held by holding company - Federal Bank Limited (Including 405 shares held by nominees)	74.00%	20,233	82.59%	19,000
- True North Fund VI LLP	26.00%	7,109	17.41%	4,004

Details of equity portion of compound financial instrument held by shareholders holding more than 5% shares of the aggregate shares in the Company

Particulars	As at March 31, 2020		As at March 31, 2019	
	Percentage Of Holding	Rupees in Lakhs	Percentage Of Holding	Rupees in Lakhs
Optionally Convertible Redeemable Preference Shares of Rs. 10 each, Rs. 2/- paid up				
Shares Held by Managing Director	100.00%	40	-	Nil
Shares Held by holding company - Federal Bank Limited	-	Nil	-	Nil
- True North Fund VI LLP	-	Nil	-	Nil

(e) Number of shares reserved for ESOPs

Particulars	As at 31 March 2020	As at 31 March 2019
Equity Shares of Rs. 10 fully paid up		
Number of shares reserved for ESOPs (Refer note 46)	5,511,351	-

(f) Terms of any securities convertible into equity/preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date

No other securities is issued other than OCRPS .The conversion of OCRPS into equity shares shall be as under:
• Out of the total OCRPS of 47,29,730 shares, certain OCRPS will be eligible for conversion into equity shares on the lapsation of time (40,20,270 OCRPS) and certain OCRPS will be eligible to convert into equity shares on the occurrence of an Exit Linked Event of the Investor (7,09,460 OCRPS).
• Each time based OCRPS shall be convertible into 1(one) Equity Share, at the option of the Subscriber, in the following manner:

Conversion date	Number of OCRPS eligible for conversion	Number of Equity Shares to be issued upon conversion of the OCRPS
November 1, 2019	670,045	670,045
September 1, 2020	670,045	670,045
September 1, 2021	670,045	670,045
September 1, 2022	670,045	670,045
September 1, 2023	670,045	670,045
September 1, 2024	670,045	670,045

• In the event that the Subscriber does not exercise his right to convert (i.e. by issue of a Conversion Notice as per the provisions below) any of the aforesaid OCRPS before December 31, 2025, then the same shall be redeemed by the Company on December 31, 2025 at par.
• In the event that the Subscriber resigns from the Company or his/her Employment contract is terminated:

i. With respect to the time based OCRPS, before any of the OCRPS are due for conversion (as specified in the table above), all OCRPS due for conversion after the event shall not be due for conversion and be redeemed by the Company at Subscription price.
ii. With respect to the Exit Linked OCRPS, before the exit by the Investor, all such OCRPS will be redeemed at the Subscription price.

• The aggregate value of calls unpaid by directors and also officers of the company for Optionally Convertible Redeemable Preference Shares as on 31st March 2020 is Nil.

23 Other equity

	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
General Reserve	10	10	10
Statutory Reserve	3,289	2,507	1,805
Securities Premium	27,307	12,585	-
Other Comprehensive Income	(6)	8	(158)
Employee stock option outstanding	253	-	-
Surplus in the statement of profit and loss	10,880	7,748	4,837
Equity component of Compound Financial Instrument	40	-	-
	41,774	**22,858**	**6,494**

Nature and purpose of reserves

(i) General Reserve

The reserve is a distributable reserve maintained by the company out of transfers made from annual profits.

(ii) Statutory Reserve

Statutory Reserve represents the Reserve fund created under Section 45-IC of the Reserve Bank of India Act, 1934. During the current financial year an amount of INR 783 (previous year INR 702) has been transferred to the said reserve for the year

(iii) Securities Premium

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

(iv) Surplus in the statement of profit and loss

Surplus in the statement of profit and loss pertain to the Company's undistributed earnings after taxes

(v) Impairment Reserve

Impairment Reserve is appropriated from net profit after tax when charge of impairment allowance is lower than the provisioning required under IRACP

(vi) Equity component of Compound Financial Instrument

This is equity component of compound financial instruments as per Ind AS 32 Financial Instruments: Presentation (refer to note 22(a)(iv) for details)

(vii) Other Comprehensive Income

Re-measurements of net defined benefit plan - It represents the cumulative actuarial gains/(losses) defined employee benefit plans.

Cash flow hedge - It represents the cumulative gains/(losses) arising on fair valuation of the derivative instruments designated as cash flow hedges through OCI.

(viii) Employee Stock Option outstanding

The Employee Stock Options outstanding represents amount of reserve created by recognition of compensation cost at grant date fair value on stock options vested but not exercised by employees and unvested stock options in the Statement of profit and loss in respect of share options granted to the eligible employees of the Company in pursuance of the Employee Stock Option Plan.

(ix) Details of movement in other equity

	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
General Reserve			
Balance at the beginning of the year	10	10	10
Add: Addition during the year	-	-	-
Balance at the end of the year	**10**	**10**	**10**
Statutory Reserve			
Balance at the beginning of the year	2,507	1,805	1,189
Add: Addition during the year	783	702	616
Balance at the end of the year	**3,289**	**2,507**	**1,805**
Securities Premium			
Balance at the beginning of the year	12,585	-	-
Add: Addition during the year	14,910	12,856	-
Less: Share issue expenses adjusted	(188)	(271)	-
Balance at the end of the year	**27,307**	**12,585**	**-**
Employee Stock option outstanding			
Balance at the beginning of the year	-	-	-
Add: Addition during the period	253	-	-
	253	-	-
Other Comprehensive Income			
Cash flow hedge reserve			
Balance at the beginning of the year	8	(158)	-
Addition/ (utilised)	(15)	167	(158)
Balance at the end of the year	**(6)**	**8**	**(158)**
Equity Component of Compound Financial Instrument			
Balance at the beginning of the year	-	-	-
Add: Addition during the period	40	-	-
	40	-	-
Surplus in the statement of profit and loss			
Balance at the beginning of the year	7,748	4,837	2,373
Add: Profit for the period	3,914	3,613	3,080
Less: Transferred to Statutory Reserve u/s 45-IC	(783)	(702)	(616)
Balance at the end of the year	**10,880**	**7,748**	**4,837**
Other equity	**41,774**	**22,858**	**6,494**

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

		For Year ended 31 March 2020	For Year ended 31 March 2019
24	**Interest Income**		
	Interest income on financial assets measured at amortised cost		
	A. Interest on loans		
	(a) Retail Finance		
	Interest/Other Charges on Gold Loans	12,130	6,907
	Interest/Other Charges on Loan Against Property	11,700	7,389
	Interest/Other Charges on MSE Loan Against Property	6,988	3,238
	Interest/Other Charges on Business Loan	1,855	1
	Interest/Other Charges on Housing Loan	636	35
	Interest/Other Charges on Personal Loan	220	-
	Interest/Other Charges on Micro Finance	2,532	146
	Interest/Other Charges on Direct Assignment Transaction (net)	1,210	-
	(b) Whole sale Finance		
	Interest/Other Charges on Wholesale Lending	2,601	3,779
	Interest/Other Charges on Structure Finance	2533	1,646
	B. Interest income from investments		
	Interest from Debentures	133	124
	Add/ (Less): Premium Amortisation	10	44
		42,548	**23,309**
25	**Fee and Commission Income**		
	Fees and commission income	-	2
	Income from distribution business	2,385	1,809
		2,385	**1,811**
26	**Net gain on fair value changes**		
	Net gain on financial instruments measured at fair value through profit or loss (FVTPL) - Mutual fund	9	71
		9	**71**
	Net gain on financial instruments measured at fair value through profit or loss (FVTPL)		
	- Realised	8	71
	- Unrealised	1	-
		9	**71**

		For Year ended 31 March 2020	For Year ended 31 March 2019
27	**Other Income**		
	Interest income on financial assets measured at amortised cost		
	- Security deposits	66	32
	- Interest on deposits with bank	371	122
	Interest on Income Tax Refunds	19	-
	Fees for Provision of Facilities/ Services	1,031	158
	Profit on sale of Property plant and equipments	-	1
	Rent Income	129	-
	Income From Marketing Services	7	61
	Liability no longer required Written back	23	1
	Miscellaneous income	19	14
		1,665	**389**
28	**Finance Costs**		
	On financial liabilities measured at amortised cost		
	Borrowings (other than debt securities) (Refer note 28.1)	18,394	9,571
	Discount on Commercial Papers	1,116	1,565
	Other Finance Costs	-	83
	Interest cost on lease (Lease obligation)	600	175
		20,110	**11,394**

28.1 Finance Cost for Borrowings (other than debt securities) include amount due from Federal Bank (Holding Company) INR 7,116 (Previous year - INR 3,540).

		For Year ended 31 March 2020	For Year ended 31 March 2019
29	**Fees and commission expense**		
	Commission expenses	1,239	934
		1,239	**934**
30	**Impairment on financial instruments**		
	On Financial instruments measured at Amortised Cost		
	Provision for expected credit loss allowance		
	Loans	2,158	338
	Investments	-	1
	Trade Receivable	(1)	-
	Employee Full and final recoverable	14	5
	Bad-debts written off	17	-
		2,188	**344**
31	**Employee benefits expenses**		
	Salaries, bonus and allowances	9,018	4,316
	Share based payment to employee	253	-
	Contribution to provident and other funds (Refer note 36.1 & 36.2)	523	327
	Staff welfare expenses	288	131
		10,082	**4,774**

		For Year ended 31 March 2020	For Year ended 31 March 2019
32	**Other expenses**		
	Printing and stationery	114	57
	Rent	129	27
	Rates and taxes	16	1
	Insurance	68	29
	Postage & Telephones	183	146
	Legal & professional charges	860	446
	Advertisement & Sales Promotion	75	59
	Sourcing Expenses	91	56
	Repairs and maintenance		
	Machinery	3	9
	Others	297	170
	Servicing fees	1,172	63
	Directors' sitting fees	16	15
	Travelling expenses	411	167
	Office Expenses	146	73
	Auditor's remuneration **(Refer note 32.1)**	25	17
	Electricity charges	160	94
	Security charges	519	300
	Recruitment expenses	111	63
	Loss on sale of Property Plant and equipment	18	-
	Service Tax & GST Expenses	832	338
	Corporate social responsibility Donations and expenses **(Refer note 32.2)**	92	69
	Miscellaneous expenses	36	36
	Valuation Charges	56	43
	Processing Fees Share of Micro Finance	18	-
	CWIP written off	19	-
		5,467	**2,278**

32.1	**Professional fees payable to auditors**		
	As Statutory Auditor	16	10
	For Limited Review	2	2
	For Other Matters	3	-
	For Out of pocket expenses	4	5
		25	**17**

32.2 Corporate Social Responsibility (CSR) Expenditure

The Company has provided INR 92 (Previous year spent INR 69) towards CSR expenses in accordance with the provisions of the Companies Act, 2013

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

33	Income Tax	For Year ended 31 March 2020	For Year ended 31 March 2019
33.1	**Tax expense**		
	Current tax expense		
	Current tax for the year	1,849	1,500
	Adjustment of tax relating to earlier periods	(47)	-
		1,802	**1,500**
	Deferred taxes		
	Change in deferred tax assets	(116)	(32)
	Change in deferred tax liabilities	-	-
	Net deferred tax expense	(116)	(32)
	Total income tax expense	**1,686**	**1,468**
33.2	**Reconciliation of total tax charge**		
	Profit/(loss) before income tax expense	5,600	5,081
	Tax at the rate	25.17%	29.12%
	Income tax expense calculated based on this tax rate	1,409	1,480
	Adjustment in respect of current income tax of prior years	(47)	
	Tax effect of amounts which are not deductible / not taxable in calculating taxable income		
	Non deductible expenses for tax purpose	363	(12)
	Items considered under other heads	(39)	-
	Income tax expense	**1,686**	**1,468**

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

33 Income Tax

33.3 Movement of Deferred tax assets / Liabilities

For the year ended March 31, 2020	Deferred tax assets/ (liability) (Opening)	In Profit or Loss	In OCI	Directly in equity	Total movement	Deferred tax assets/ (liability) (Closing)
Deferred taxes in relation to :						
Depreciation and Amortisation	195	(14)	-	-	(14)	181
Provision for Employee benefits	16	23	5	-	28	44
Provision for Expected Credit Loss	163	201	-	-	201	365
Lease Equalisation Credit	35	123	-	-	123	158
Other timing differences	15	12	-	-	12	26
Effective interest rate on Financial assets	241	(22)	-	-	(22)	220
Interest income on NPA	(146)	99	-	-	99	(46)
Finance income on OCRPS	-	-	-	-	-	-
Finance cost on OCRPS	-	-	-	-	-	-
Fair valuation of security deposit	2	3	-	-	3	5
Effective interest rate on Financial Liabilities	8	(24)	-	-	(24)	(17)
Gain/(Loss) on fair valuation of mutual fund	-	(0)	-	-	-	(0)
Interest/Other Charges on Direct Assignment Transaction (net)	-	(265)	-	-	(265)	(265)
Impact due to tax rate change	-	(20)	-	-	(20)	(20)
Total	**529**	**115**	**5**	**-**	**121**	**650**

For the year ended March 31, 2019	Deferred tax assets/ (liability) (Opening)	In Profit or Loss	In OCI	Directly in equity	Total movement	Deferred tax assets/ (liability) (Closing)
Deferred taxes in relation to :						
Depreciation and Amortisation	197	(2)	-	-	(2)	195
Provision for Employee benefits	34	(15)	(3)	-	(18)	16
Provision for Expected Credit Loss	129	34	-	-	34	163
Lease Equalisation Credit	6	29	-	-	29	35
Other timing differences	20	(5)	-	-	(5)	15
					-	-
Effective interest rate on Financial assets	164	77	-	-	77	241
Interest income on NPA	(51)	(95)	-	-	(95)	(146)
Fair valuation of security deposit	-	2	-	-	2	2
Effective interest rate on Financial Liabilities	1	7	-	-	7	8
Total	**500**	**32**	**(3)**	**-**	**29**	**529**

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

34 Cash flow disclosure

Particular	31 March 2019	Cash flow Statement	Exchange difference	Others #	31 March 2020
Debt securities	19,668	(7,490)	-	-	12,178
Borrowings (Other than debt securities)	140,205	169,339	-	37	309,581
Deposits	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-
	159,873	**161,849**	**-**	**37**	**321,759**

Particular	01 April 2018	Cash flow Statement	Exchange difference	Others #	31 March 2019
Debt securities	21,494	(1,826)	-	-	19,668
Borrowings (Other than debt securities)	94,619	46,524	-	(796)	140,347
Deposits	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-
	116,113	**44,698**	**-**	**(796)**	**160,015**

Other includes effect of accrued but not paid interest on borrowing, amortisation of processing fees

35 Earnings per share

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Net profit from operations attributable to equity holders	3,914	3,613
Weighted average number of equity shares outstanding	230,042,500	190,000,000
Add : Effect arising from further equity shares issued during the year	13,740,162	15,249,062
Weighted average number of equity shares for Basic earnings per share	**243,782,662**	**205,249,062**
Number of shares for ESOP dilution	466,704	-
	244,249,366	**205,249,062**
Dilution Effect on EPS After ESOP	1.60	1.76
Number of shares for Preference dilution	395,436	-
Weighted average number of equity shares for Diluted earnings per share	244,644,803	205,249,062
Dilution Effect on EPS After ESOP and Preference Shares	**1.60**	**1.76**
Earnings per share		
Basic earning per share	1.61	1.76
Diluted earning per share	1.60	1.76

[Nominal value of shares Rs. 10 each (Previous year: Rs. 10 each)]

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

36 Retirement benefit plans

36.1 Defined Contribution Plan

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Provident Fund	445	194
Employee State Insurance	37	29
	482	**223**

36.2 The company has contributed INR 41 (previous year INR 104) towards Gratuity trust during the current financial year

36.3 Defined Benefit Obligation and Compensated Absences

(1) Contribution to Gratuity fund (funded scheme)

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Gratuity Act, an employee who has completed five years of service is entitled to specific benefits. The level of benefits provided depends on the member's length of service, managerial grade and salary at retirement age. In accordance with Indian Accounting Standard 19, actuarial valuation was done in respect of the aforesaid defined benefit plan of gratuity based on the following assumptions:-

	Particulars	GRATUITY		COMPENSATED ABSENCE	
		31 March 2020	31 March 2019	31 March 2020	31 March 2019
(i)	**Actuarial assumptions**				
	Mortality	IALM (2012-14) Ult.	IALM (2006-08) Ult.	IALM (2012-14) Ult.	IALM (2006-08) Ult.
	Interest/ Discount rate	5.59%	6.85%	5.59%	6.85%
	Rate of increase in compensation	6.50%	7.97%	6.50%	7.97%
	Expected average remaining service	3.94	3.64	3.94	3.57
	Employee Attrition Rate(Past Service (PS))	PS: 0 to 5 : 39.11%	PS: 0 to 5 : 45.52%	PS: 0 to 5 : 39.11%	PS: 0 to 5 : 45.52%
		PS: 5 to 40 : 0.89%	PS: 5 to 40 : 1.91%	PS: 5 to 40 : 0.89%	PS: 5 to 40 : 1.91%
(ii)	**Changes in the present value of obligation**				
	Present value of obligation at the beginning of the year	107	64	54	34
	Interest expense	7	4	5	2
	Current service cost	59	32	86	23
	Past service cost	-	-	0	0
	Actuarial (gain) /loss	19	14	(12)	6
	Benefits paid	(12)	(7)	(12)	(11)
	Present Value of obligation at the end of the year	**181**	**107**	**120**	**54**
(iii)	**Changes in the Fair value of Plan Assets**				
	Fair value of plan assets at beginning of the year	110	-	-	-
	Adjustment to Opening Fair Value of Plan Asset	-	-	-	-
	Return on Plan Assets excl. interest income	(1)	2	-	-
	Interest income	9	4	-	-
	Contributions by Employer	41	104	-	-
	Contributions by Employee	-	-	-	-
	Benefits Paid	(10)	-	-	-
	Fair Value of Plan Assets at the end of the year	**149**	**110**	**-**	**-**
(iv)	**Assets and liabilities recognised in the balance sheet**				
	Present value of the obligation at the end of the year	181	107	120	54
	Less: Fair value of plan assets at the end of the year	149	0	-	-
	Net liability recognised	(31)	(107)	(120)	(54)
	Recognised under provisions				
	Current provisions	11	7	93	19
	Non-current provisions	170	100	79	35
	Short Term Compensated Absence Liability*	-	-	(52)	(0)
	(*Not included in Net Liability recognised in the Balance sheet.)				

(v) Expenses recognised in the Statement of Profit and Loss

Particulars	GRATUITY		COMPENSATED ABSENCE	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Current Service Cost	59	32	86	23
Past service cost	-	-	0	0
Net interest (income)/ expense	(2)	1	5	2
Return on Plan Assets excluding net interest	-	-	0	0
Actuarial gain/ loss on post employment benefit obligation	-	-	(12)	6
Net cost recognised in the current year	**57**	**33**	**78**	**31**
Included in note 31 'Employee benefits expense'				

(vi)

Expenses recognised in the Statement of Other comprehensive income (OCI)	GRATUITY		COMPENSATED ABSENCE	
Particulars	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Actuarial gain/ loss on post employment benefit obligation	19	14	-	-
Return on Plan Assets excluding net interest	1	(2)	-	-
Total measurement cost / (credit) for the year recognised in OCI	**20**	**12**	**-**	**-**

(vii)

Reconciliation of Net asset / (liability) recognised:	GRATUITY		COMPENSATED ABSENCE	
Particulars	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Net asset / (liability) recognised at the beginning of the period	(3)	64	54	34
Contributions paid	(41)	(104)	(12)	(11)
Benefits paid directly by company	(1)	(7)	0	0

Amount recognised in other comprehensive income	20	12		
Expenses recognised at the end of period	57	33	78	31
Mortality charges and taxes				
Net asset / (liability) recognised at the end of the period	**31**	**(3)**	**120**	**54**

(viii) Sensitivity Analysis: (GRATUITY)

Particulars	DR: Discount Rate		ER: Salary Escalation Rate	
	PVO DR +1%	PVO DR -1%	PVO ER +1%	PVO ER -1%
PVO as at 31st March 2020	157	210	199	158
PVO as at 31st March 2019	94	124	122	95

(ix) Category of planed assets

Particulars	31 March 2020	% Allocation	31 March 2019	% Allocation
Gratuity Fund (Exide Life Insurance)	149	100%	110	100%
Net asset / (liability) recognised at the end of the period	149	100%	110	100%

(x) Future commitments and pay-outs

Year	Pay-outs
1	11.28
1 to 2	7.71
2 to 3	6.58
3 to 4	7.55
4 to 5	7.81
5 to 10	19.57

37 Related Party Disclosures

Related party disclosures as required under Indian Accounting standard 24, " Related party disclosure" are given below.

37.1 List of related parties

Nature of Relationship	Name of Related Party
Ultimate Holding Company	The Federal Bank Limited
Key Management Personnel	Anil Kothuri, Managing Director
	Shardul Kadam, President
	Sudeep Agrawal, CFO
	Ankit Kawa, Company Secretary (resigned w.e.f. 14th April, 2020)

37.2 Transactions during the year with related parties :

Nature of Transactions	31 March 2020	31 March 2019	1 April 2018
The Federal Bank Limited			
Commission Income	-	2	11
Income from distribution business	2,385	1,809	1,382
Re-imbursements of Expenses by Holding Company	-	4	-
Interest paid on Cash Credit Facility & Term Loan	7,953	3,821	1,793
Issuing & Paying Agent Charges	1	2	1
Rent paid	1	1	-
Processing Fees	158	170	-
Discount on Commercial Papers	-	-	-
Rent for Sub leased premises	129	-	-
Salary and employee benefits (Refer note 37.4)			
Remuneration to Managing Director	297	55	-
Remuneration to President	-	64	71
Remuneration to Chief Financial Officer	38	37	34
Remuneration to Company Secretary	16	13	8
Enterprises controlling voting power / significant influence			
Investment in Equity Shares	19,248	16,860	-
Investment in Preference Shares	95	-	-
Enterprises over which related party has significant influence/control			
Re-imbursements of Expenses	24	1	-
Employee Stock Option Scheme - Key Management Personnel			
No.of Options granted under ESOS (in numbers)	1,451,351	-	-
No.of Options outstanding under ESOS (in numbers)	1,451,351	-	-
Advances given balance - Key Management Personnel			
Advance given to Managing Director	32	-	-

37.3 Amount due (to) / from related parties:

Balance outstanding as at the year end	31 March 2020	31 March 2019	01 April 2018
The Federal Bank Limited			
Current Account – Receivable/(Payable)	3,456	(3,260)	(3,059)
Borrowings Cash credit facility	1,345	6,315	6,468
Borrowings:		-	-
Term Loan	98,875	58,563	29,500
Commercial Papers	-	3,000	-
WCDL	6,000	-	-
Account Receivable & Reimbursements	140	518	176
Account Payable	-	-	46

37.4 Details of other benefits to KMPs of the Company

Particulars	31 March 2020				31 March 2019			
	MD & CEO	President	CFO	Company Secretary	MD & CEO	President	CFO	Company Secretary
Provident Fund	0	9	3	1	3	4	2	0
Share based benefit	61	45	5	-	-	-	-	-
Gratuity, Leave encashment, Others	Information relating to remuneration paid to key managerial personnel mentioned above excludes provision made for gratuity, leave encashment, bonus which are provided for employees on an overall basis. These are included on cash basis. The variable compensation included here in is on cash basis.							

38 Capital Management

The Company's objectives when managing capital are to

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders. The company maintains its capital base to cover the risks inherent in the business and in meeting the capital adequacy requirements of the Reserve Bank of India (RBI) of India. The adequacy of the company's capital is monitored using, among other measures, the regulations issued by RBI.

Company has complied in full with all its externally imposed capital requirements over the reported period.

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

38.1 Regulatory Capital

Particulars	31 March 2020	31 March 2019	01 April 2018
CRAR (%)	17.89	21.61	17.24
CRAR - Tier I capital (%)	17.53	21.42	16.98
CRAR - Tier II capital (%)	0.36	0.19	0.26
Amount of subordinated debts raised as tier-II capital	-	0.00	-
Amount raised by the issue of perpetual debt instruments	-	-	-

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

39 Fair value measurement

39.1 Fair value hierarchy

The fair values of the financial assets and liabilities are included at the amount 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.

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its financial instruments into the three levels prescribed under the Indian Accounting standard. An explanation of each level follows underneath the table.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. For example, listed equity instruments that have quoted market price.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the- counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, contingent consideration and indemnification asset included in level 3.

39.2 Financial assets (other than investment in subsidiaries) and liabilities measured at amortised cost at each reporting date

	31 March 2020			
	Carrying Value	Fair value		
		Level 1	Level 2	Level 3
Financial assets measured at amortised cost				
Cash and cash equivalent	14,229	14,229		
Bank balances other than cash and cash equivalent	7,502	7,502		
Trade Receivables	231		231	
Other receivables	140		140	
Loans and advances to customers	368,652			362,057
Financial investments (other than investment in subsidiaries)	4,136	3,001	-	1,135
Other financial assets	828		828	
Total	**395,719**	**24,732**	**1,200**	**363,192**
Financial liabilities measured at amortised cost				
Trade Payables	409		409	
Debt Securities	12,178		12,178	
Borrowing other than debt securities	309,581		309,581	
Subordinated Liabilities	-		-	
Other financial liabilities	13,426		13,426	
Total	**335,594**	**-**	**335,594**	**-**

	31 March 2019			
	Carrying Value	Fair value		
		Level 1	Level 2	Level 3
Financial assets measured at amortised cost				
Cash and cash equivalent	911	911		
Bank balances other than cash and cash equivalent	2,500	2,500		
Trade Receivables	119		119	
Other receivables	518		518	
Loans and advances to customers	200,662			200,058
Financial investments (other than investment in subsidiaries)	1,254			1,254
Other financial assets	3,022		3,022	
Total	**208,986**	**3,411**	**3,659**	**201,312**
Financial liabilities measured at amortised cost				
Trade Payables	175		175	
Debt Securities	19,668		19,668	
Borrowing other than debt securities	140,347		140,347	
Subordinated Liabilities	-		-	
Other financial liabilities	7,251		7,251	
Total	**167,441**	**-**	**167,441**	**-**

	01 April 2018			
	Carrying Value	Fair value		
		Level 1	Level 2	Level 3
Financial assets measured at amortised cost				
Cash and cash equivalent	1,419	1,419		
Trade Receivables	52		52	
Other receivables	176		176	
Loans and advances to customers	142,479			142,431
Financial investments (other than investment in subsidiaries)	1,031			1,031
Other financial assets	271		271	
Total	**145,428**	**1,419**	**499**	**143,462**
Financial liabilities measured at amortised cost				
Derivative financial instruments	45		45	
Trade Payables	108		108	
Debt Securities	21,494		21,494	
Borrowing other than debt securities	94,619		94,619	
Other financial liabilities	5,839		5,839	
Total	**122,105**	**-**	**122,105**	**-**

39.3 Valuation Techniques

Each class of financial assets/ liabilities	Techniques
Debt Securities	The Group uses active market prices when available, or other observable inputs in discounted cash flow models to estimate the corresponding fair value including CDS data of the issuer to estimate the relevant credit spreads
Security deposit	Fair values of security deposits are based on discounted cash flows using a discount rate determined considering company's incremental borrowing rate.
Interest rates derivatives	Interest rate derivatives include interest rate swaps, cross currency interest rate swaps, basis swaps and interest rate forwards (FRAs). The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations by estimating future cash flows and discounting them with the appropriate yield curves incorporating funding costs relevant for the position.
Loans and advances	These have been valued at amortised cost
Other financial assets	These have been valued at amortised cost
Borrowings	These have been valued at amortised cost
Other financial liabilities	These have been valued at amortised cost

39.4 Valuation methodologies of financial instruments not measured at fair value

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Company's financial statements. These fair values were calculated for disclosure purpose only. The below methodologies and assumptions relate only to instruments in the above tables and as such may differ from the techniques and assumptions explained in the notes.

(i) Short term and other financial liabilities

For financial assets and financial liabilities that have short term maturity (less than twelve months), the carrying amounts are reasonable approximation of their fair value. Such instruments include: trade receivable, trade payable and contract liability without a specific maturity. Such amounts have been classified as Level 2 on the basis that no adjustment have been made to the balance in the balance sheet. Cash and cash equivalent and Bank balance other than cash and cash equivalents have been classified as Level 1.

(ii) Financial assets at amortised cost

The fair values of financial assets measured at amortised cost is estimated using discounted cash flow model based on contractual cash flows using incremental borrowing rate incorporating the counterparties' credit risk.

(iii) Debt securities, borrowings and subordinated liabilities

Fair value is estimated by a discounted cash flow model incorporating incremental borrowing rate and the Company's own credit risk.

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

40 First time adoption of Ind AS

A First Ind AS Financial statements

These are the company's first separate financial statements prepared in accordance with Ind AS applicable as at 31 March 2019.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2019, the comparative information presented in these financial statements for the year ended 31 March 2018 and in the preparation of an opening Ind AS balance sheet at 1 April 2018 (the date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2014 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP).

An explanation of how the transition from previous GAAP to Ind AS has affected the company's financial position, financial performance and cash flows is as follows:

Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional exemption and mandatory exemption applied in the transition from Previous GAAP to Ind AS.

(i) Optional exemptions availed

Deemed cost - Property, plant and equipment

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets and investment property covered by Ind AS 40 Investment Properties.

Accordingly, the company has elected to measure all of its property, plant and equipment and intangible assets and at their previous GAAP carrying value.

Leases

Effective 01 April 2019, the Company has adopted Ind-AS 116 - Leases and applied it to all lease contracts existing on 01 April 2018 using the modified retrospective method. Based on the same and as permitted under the specific transitional provisions in the standard. Further, the Company has also opted for low value assets exemption in line with the requirement of Ind AS 116

(ii) Mandatory exceptions applied

Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1 April 2018 are consistent with the estimates as at the same date made in conformity with previous GAAP except where Ind AS required a different basis for estimates as compared to the previous GAAP.

De-recognition of financial assets and liabilities

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The company has applied the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

The company has classified its financial assets on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

Impairment of financial assets

Ind AS 101 provides relaxation from applying the impairment related requirements of Ind AS 109 retrospectively. At the date of transition, it requires an entity to use reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised and compare that to the credit risk at the date of transition to Ind AS or recognize a loss allowance at an amount equal to lifetime expected credit losses at each reporting date until that financial instrument is de-recognised, if at the date of transition to Ind AS, determination of credit risk involves undue cost or effort.

The Company has availed the above exemption of impairment of financial asset.

40.1 Effect of Ind AS adoption on the balance sheet as at 31 March 2019

Equity reconciliation for the year ended 31 March 2019

	31 March, 2019	01 April, 2018
Total equity as reported under Indian GAAP	46,223	25,968
Ind AS adjustments increasing/(decreasing) net worth as reported under Indian GAAP:		
Amortisation of transaction (income)/cost - EIR on Financial Assets	(831)	(566)
Interest/Other Charges on Direct Assignment Transaction (net)	-	
Amortisation of transaction cost of borrowing - EIR on Financial Liabilities	(24)	(2)
Expected credit loss provision	21	(228)
Ind As 116 - finance lease	(101)	-
Finance income & Cost on OCRPS		
Liability component of OCRPS (Preference shares)		
Fair valuation of financial assets and liabilities - Security Deposits & Mutual fund	(6)	-
Interest on NPA (Net of ECL)	428	127
Tax effect on above adjustments	149	195
Total equity as per Ind AS	**45,860**	**25,494**

40.2 Reconciliation of total comprehensive income for the year ended 31 March 2019

	31 March, 2019
Profit for the year as reported under Indian GAAP	3,509
Ind AS adjustments increasing/(decreasing) net worth as reported under Indian GAAP:	
Amortisation of transaction (income)/cost - EIR on Financial Assets	(265)
Amortisation of transaction cost of borrowing - EIR on Financial Liabilities	(22)
Expected credit loss provision	249
Interest on NPA (Net of ECL)	300
Ind As 116 - finance lease	(101)
Fair valuation of financial assets and liabilities - Security Deposits & Mutual fund	(6)
Acturial (gain)/loss on gratuity	(12)
Tax effect on above adjustments	(42)
Profit for the year as per Ind AS	**3,610**
Other Comprehensive Income for the year as per Ind AS	167
Total Comprehensive Income for the year as per Ind AS	**3,778**

40.3 The following is the reconciliation of key components of Balance Sheet

Particular	Note	As on 31st March 2019			
		IGAAP Amount	Ind AS Adjustment	Reclassification	Ind AS Amount
Loan (Net of provision)	A	202,660	(1,671)	(326)	200,662
Property, plant and equipment- tangible	F	501	4,026	-	4,527
Provision	A	54	-	-	54
Borrowings (other than debt securities)	D	126,364	(169)	14,152	140,347

Particular	Note	As on 1st April 2018			
		IGAAP Amount	Ind AS Adjustment	Reclassification	Ind AS Amount
Loan	A	143,862	(1,419)	36	142,479
Property, plant and equipment- tangible	F	325	1,872	-	2,197
Provision	A	100	-	-	100
Borrowings (other than debt securities)	D	96,180	(58)	(1,503)	94,619

40.4 The following is the reconciliation of Statement of Profit and Loss for the year ended 31 March, 2019

Revenue from operations	IGAAP 31st March 2019	Ind AS Adjustment	Ind AS 31st March 2019
Interest Income	23,652	(344)	23,308
Fee & Commission Income	1,811	-	1,811
Net gain on fair value changes	71	-	71
Total revenue from operations	**25,534**	**(344)**	**25,190**
Other Income	**358**	**32**	**390**
Total Income	**25,891**	**(312)**	**25,580**
Expenses			
Finance costs	11,197	197	11,394
Fees and commission expense	1,312	(378)	934
Impairment on financial instruments	565	(220)	345
Employee benefits expenses	4,762	12	4,774
Depreciation and amortisation	180	595	775
Other expenses	2,940	(662)	2,278
Total expenses	**20,956**	**(456)**	**20,500**
Profit before tax	**4,935**	**144**	**5,080**
Tax expense			
(i) Current tax	1,500	-	1,500
(ii) Adjustment of tax relating to earlier periods	-	-	-
(iii) Deferred tax	-73	42	-32
	1,427	42	1,468
Profit for the year	**3,509**	**103**	**3,611**
Other comprehensive income / (loss)			
A. Items that will not be reclassified to profit or loss			
Re-measurement of defined benefit plan	-	12	12
Income tax relating to items that will not be reclassified to profit or loss	-	(3)	-3
Total (A)	**-**	**8**	**8**
B. Items that will be reclassified to profit or loss			
Effective portion of gain on hedge instruments in cash flow hedges, net of tax effect	**-**	**158**	**158**
Income tax relating to items that will be reclassified to profit or loss	-	-	-
Total (B)	-	158	158
Other comprehensive income / (loss) (A+B)	**-**	**167**	**167**
Total comprehensive income for the year	**3,509**	**269**	**3,778**

40.5 Explanatory notes to the reconciliation of Balance Sheet and Statement of profit and loss

A. Loans

1. Under erstwhile GAAP, the Company has created provision for loans based on guidelines on prudential norms issued by RBI. Under Ind AS, impairment allowance has been determined based on Expected Credit Loss Model (ECL). The differential impact has been adjusted in Retained earnings / Profit and loss during the period March 31, 2019. Consequently, the Company has reclassified the Previous GAAP provisions for standard assets and NPAs amounting to INR 736 and INR 1297 as on March 31, 2018 and March 31, 2019 respectively to impairment allowance as ECL. Provisions as per ECL amounts to INR 1000 Lacs and INR 1334 as on March 31, 2018 and March 31, 2019 respectively.

2. Under erstwhile GAAP, NPA provision along with Standard asset provision has been disclosed under Provisions amounts to INR 736 and INR 1297 as on March 31, 2018 and March 31, 2019 respectively -Under Ind AS the ECL provision charged to P&L A/c for the period ended 31st March 2019 INR 338 Lacs (during the FY 2018-19).

3. Under erstwhile GAAP, transaction cost (Net) charged to customers in connection with loans are amortised upfront and charged to profit and loss for the period. Under Ind AS, transaction cost (Net) are included in the initial recognition amount of financial asset measured at amortised cost (Net) and charged to profit and loss using effective interest method. Consequently, loan to customers from transition date have Decreased by INR 335 (including Stage 3 income impact) as on March 31, 2019 and impact of the same has been taken to retained earnings and Profit & Loss A/c. Further, the loans have Decreased by INR 419 (including Stage 3 income impact) as on March 31, 2018 and impact of the same in statement of Retained earning. The impact of the same for the period ended was of INR 264 in FY 2018-19.

4. Under erstwhile GAAP, Company has reversed the interest income on NPA accounts which was booked based on guidelines on prudential norms issued by RBI amounts to INR 325 in FY 2018-19 and. Under Ind AS, Interest income for Stage 3 receivables are recognised on the amortised cost of such receivables and the same is also tested for impairment.

B. Investment

1. Under the erstwhile GAAP, investments in Non-Convertible Debenture were classified as long-term investments or current investments based on the maturity period and reliability. Investments were carried at cost less provision as per RBI prudential norms. Under Ind AS, investments in NCD's has been fair valued on inception date by discounting all the future cash flows at market rate of interest prevailing on the date of purchase. Subsequently, these NCD's has been measured at amortized costs using EIR method.

2. The Company has reclassified the Previous GAAP provisions for standard assets created on NCD's as per RBI Prudential Norms amounting to INR 4 and INR 5 as on March 31, 2018 and March 31, 2019 respectively to impairment allowance as ECL. Provisions as per ECL amounts to INR 8 and INR 11 as on March 31, 2018 and March 31, 2019 respectively.

C. Security Deposit

1. Under the erstwhile GAAP, interest-free security deposit (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets are required to be recognized at fair value. Accordingly, the Company has fair valued these security deposits under Ind AS. Difference between the fair value and transaction value of the security deposit has been recognized as prepaid expenses. Consequently, the amount of security deposit as on March 31, 2019 has decreased by 266 Lacs (March 31, 2018: 118 Lacs) with a corresponding increase in prepaid expenses. The Profit for the period ended March 31, 2019 has decreased by INR 38 Lacs due to amortization of prepaid expenses.

D. Debt Securities, Borrowings and Subordinated Liabilities

Under erstwhile GAAP, transaction costs incurred on borrowings was charged to prepaid expenses and amortised on straight line basis over the tenure of the loan while under Ind AS, such costs are included in the initial recognition amount of borrowings and recognized as interest expense using the effective interest method over the tenure of the borrowings. Consequently, borrowings as on March 31, 2019 have decreased by INR 169 (INR 58 as on March 31, 2018) and it has an negative impact on Profit & Loss A/c amounting to INR 22 during year ended March 2019 with a decrease in prepaid expenses by 193 INR Lacs as on March31, 2019 (INR 60 as on March 31, 2018)

E. Deferred tax

Erstwhile GAAP required deferred tax accounting using the statement of profit and loss approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP.

F. Leases

Effective April 1, 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2018 (giving effect from the date of transition) using the modified retrospective approach where, on the date of transition(i.e. April 01, 2018) Right of Use (ROU) Asset asset is equal to the Lease Liability, with adjustments for any prepayments or accruals after excluding the initial indirect cost from the measurement of ROU asset at the transition date to Ind AS. On the date of transition discount rate considered in discounting of lease liability is incremental rate of borrowings as on that date. The entity has assessed and applied the Ind AS 116 for all leases except for the leases which are ending in the next twelve months from the transition date.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset, the balance amount as on March 31, 2019 was of INR 4026 (March 31, 2018 INR 1872) Rent amount reversed in P&L A/c for the period ended March 31, 2019 was INR 626 with a corresponding debit of depreciation amount of INR 595 for the period ended March 31, 2019 and Interest cost of INR 175.

G. Defined Benefit Obligation

Both under Previous GAAP and Ind AS, the Company recognized costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, are charged to Statement of Profit and Loss. Under Ind AS, re-measurements comprising of actuarial gains and losses are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI. Thus, the employee benefit cost for the period ended March 31, 2019 increased by INR 12 and re-measurement gains/ losses on defined benefit plans of the corresponding amount has been recognized in the OCI, net of taxes.

H. Other comprehensive income

Under Indian GAAP, the Company had not presented other comprehensive income (OCI) separately.

I. Figures are re-grouped wherever required to conform to the requirement of Ind AS

Fedbank Financial Services Limited
Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)
(Currency : Indian rupees in lakhs)

41 Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. With regard to loans and advances to customers, the company uses the same basis of repayment as used for contractual maturity analysis

Assets	31 March 2020			31 March 2019			31 March 2018		
	Within 1 year	After 1 year	Total	Within 1 year	After 1 year	Total	Within 1 year	After 1 year	Total
Financial Assets									
Cash and cash equivalents	14,229	-	14,229	911	-	911	1,419	-	1,419
Bank balance other than cash and cash equivalents	7,502	-	7,502	2,500	-	2,500	-	-	-
Trade receivables	232	-	232	119	-	119	52	-	52
Other receivables	140	-	140	518	-	518	176	-	176
Loans	161,099	207,552	368,651	68,202	132,460	200,662	54,330	88,149	142,479
Investments	4,136	-	4,136	1,254	-	1,254	1,032	-	1,031
Other Financial assets	(488)	1,316	828	2,230	792	3,022	322	440	271
(2) Non-financial Assets									
Current tax assets (net)	295	544	839	251	155	406	32	199	231
Deferred tax Asset (net)	-	650	650	-	530	530	-	500	500
Property, Plant and Equipment	-	10,466	10,466	-	4,527	4,527	-	2,197	2,197
Other Intangibles assets	-	198	198	-	80	80	-	40	40
Capital work-in-progress	-	42	42	-	31	31	-	33	33
Other non-financial assets	260	445	706	356	146	502	80	117	197
Total Assets	**187,405**	**221,213**	**408,619**	**76,340**	**138,721**	**215,061**	**57,442**	**91,674**	**148,626**
Liabilities									
Financial liabilities									
Derivative financial instruments	-	-	-	-	-	-	45	-	45
Trade Payables	409	-	409	175	-	175	108	-	108
Other Payables	485	-	485	478	-	478	89	-	89
Debt Securities	12,178	-	12,178	19,668	-	19,668	21,494	-	21,494
Borrowings (other than Debt securities)	99,650	209,931	309,581	42,263	98,086	140,348	27,254	67,366	94,619
Subordinated Liabilities	-	-	-	-	-	-	-	-	-
Other financial liabilities	13,426	-	13,426	7,251	-	7,251	5,839	-	5,839
Non-Financial liabilities									
Current tax liabilities (net)	-	-	-	43	-	43	49	-	49
Provisions	99	93	192	19	35	54	28	72	100
Other non-financial liabilities	287	2,945	3,232	1,183	-	1,183	789	-	789
				-	-	-	-	-	-
Total liabilities	**126,534**	**212,969**	**339,502**	**71,080**	**98,121**	**169,201**	**55,696**	**67,437**	**123,132**
Net	**60,872**	**8,245**	**69,116**	**5,260**	**40,600**	**45,860**	**1,746**	**24,237**	**25,494**

Fedbank Financial Services Limited
CIN : U65910KL1995PLC008910
Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)
(Currency : Indian rupees in lakhs)

42 Terms of repayment

42.1 As at 31 March, 2020

Lender	Loan (Term Loan)	Repayment Mode	Instalment Amount (INR in Lakhs)	Repayment		Rate Of Interest	Security	Margin	Other Terms Initial Repayment (Moratorium of Months)
				Beginning Date	End Date				
The Federal Bank Ltd	2	Quarterly	625	5/29/2017	2/28/2021	Interest Rates in the range of 6.90% to 9.90% p.a (Previous year :8.28 %-10%)	First Pari passu charge by way of hypothecation of receivables (except gold loan receivables)	1.15 Times	12
	3	Quarterly	188	11/23/2018	8/28/2022				12
	3	Quarterly	125	11/28/2018	8/28/2022				12
	3	Quarterly	188	12/29/2018	9/29/2022				12
	3	Quarterly	63	1/31/2019	10/31/2022				12
	3	Quarterly	375	3/29/2019	12/29/2022				12
	4	Quarterly	313	6/29/2019	3/29/2023				12
	4	Quarterly	156	9/26/2019	6/26/2023				12
	4	Quarterly	156	9/27/2019	6/27/2023				12
	5	Quarterly	625	12/26/2019	9/26/2023				12
	6	Quarterly	1,111	7/26/2019	10/26/2023				6
	7	Quarterly	556	10/30/2020	1/30/2025				6
	8	Quarterly	556	9/30/2020	12/31/2024				6
	9	Quarterly	1,667	2/24/2020	5/24/2024				6
HDFC Bank	1	Quarterly	294	7/13/2017	7/13/2021		First Pari passu charge by way of hypothecation of LAP and CF	1.15 Times	9
	2	Quarterly	100	12/3/2015	9/3/2020		First Pari passu charge by way of hypothecation of LAP		No
									9
	3	Quarterly	333	4/13/2018	4/13/2020		First Pari passu charge by way of hypothecation of LAP and CF		9
	4	Quarterly	250	3/30/2018	12/30/2022				No
	5	Quarterly	417	1/31/2019	10/30/2021				No
	6	Quarterly	94	3/27/2020	12/27/2023				No
	7	Quarterly	125	3/27/2020	12/27/2023				No
	8	Quarterly	200	3/30/2020	12/30/2024		Pari Passu charge on entire eligible receivables of the company		No
	9	Quarterly	100	3/30/2020	12/30/2024				No
	10	Quarterly	31	3/27/2020	12/27/2023				No
	11	Quarterly	417	11/20/2019	8/20/2022		Pari Passu charge on entire eligible receivables of the company		No
	12	Quarterly	250	11/20/2019	8/20/2022				No
	13	Quarterly	313	6/19/2020	3/19/2024		Pari Passu charge on entire eligible receivables of the company		No
	14	Quarterly	750	6/18/2020	3/18/2025				No
ICICI Bank	1	Quarterly	111	12/31/2017	3/31/2022		First Pari passu charge by way of hypothecation of receivables	1.15 Times	6
	1	Quarterly	167	3/31/2018	6/30/2022				6
	2	Quarterly	56	6/30/2018	9/30/2022				6
	2	Quarterly	222	5/31/2019	8/31/2023				6
	3	Quarterly	167	11/30/2019	2/26/2024				6
	3	Quarterly	250	12/31/2019	2/26/2024				6
	4	Quarterly	417	6/30/2021	3/3/2024				
	4	Quarterly	333	6/30/2021	3/5/2024		First Pari passu charge by way of hypothecation of receivables		12Months

Lender	Loan (Term Loan)	Repayment Mode	Instalment Amount (INR in Lakhs)	Repayment		Rate Of Interest	Security	Margin	Other Terms Initial Repayment (Moratorium of Months)
				Beginning Date	End Date				
SIDBI Bank	1	Quarterly	250	10/10/2017	7/10/2022	Interest Rates in the range of 6.90% to 9.90% p.a (Previous year :8.28 %-10%)	First Pari passu charge on hypothecation of book debts, receivables and current Asset	1.15Times	6
	1	Quarterly	265	1/10/2020	7/10/2024		First Pari passu charge on hypothecation of book debts and receivables of secured laons provided by the borrower to MSME		5
	2	Quarterly	265	1/10/2020	7/10/2024				5
	3	Quarterly	265	12/10/2019	6/10/2024				5
Karnataka Bank	1	Quarterly	156	6/28/2019	3/28/2023		First Pari passu charge by way of hypothecation of receivables (except gold loan receivables)	1.10 Times	12
	2	Quarterly	227	11/29/2018	5/29/2021				12
J&K Bank	1	Quarterly	556	4/30/2018	7/30/2022		First Pari passu charge by way of hypothecation of receivables	1.15 Times	6
Indian Bank	1	Quarterly	625	3/12/2019	12/12/2022		First Pari passu charge by way of hypothecation of receivables (except gold loan receivables)	1.15 Times	12
	2	Quarterly	625	9/30/2019	6/30/2023				12
Bajaj Finance Ltd	1	Quarterly	156	2/28/2019	11/30/2022		First Pari passu charge by way of hypothecation of receivables	1.10 Times	12
	2	Quarterly	156	1/31/2020	10/31/2023		First Pari passu charge by way of hypothecation of receivables	1.15 Times	No
	Unsecured Loan	Bullet	2,500	5/2/2025			NA	NA	NA
DCB Bank	1	Quarterly	156	9/30/2018	6/30/2021		First Pari passu charge by way of hypothecation of receivables	1.15 Times	No
	1	Quarterly	83	9/30/2018	6/30/2020				No
	2	Quarterly	174	3/31/2017	9/30/2019				No
	Unsecured Loan	Bullet		3750 - 11-Sep-2020 1250- 11-Dec-2020			NA	NA	NA
Bank of Baroda	Term Loan	Quarterly	1,000	12/31/2019	9/30/2024		Pari Passu frist charge on Standard Loan receivables & other current Assets	1.10 Times	No
Axis Bank	1	Quarterly	684	3/16/2020	3/16/2023		Pari Passu frist charge on Standard Loan receivables	1.10 Times	No
	2	Quarterly	105	5/28/2020	11/28/2024				No
	3	Quarterly	789	9/30/2020	3/31/2025		Pari Passu frist charge on Standard Loan receivables		No
State Bank of India	1	Quarterly	250	5/14/2020	2/14/2025		First charge over entire receivables and current asset of the company both present and future , on par ipassu basis	1.15 Times	No
	2	Quarterly	250	5/27/2020	2/27/2025				No
	3	Quarterly	250	5/28/2020	2/28/2025				No
	4	Quarterly	250	5/30/2020	2/28/2025				No
South Indian Bank	Term Loan	Quarterly	250	5/25/2020	2/25/2025		Pari Passu Charge on onward lending receivables	1.10 Times	No
Allahabad Bank	Term Loan	Quarterly	500	6/30/2020	9/30/2022		First Pari Passu charge on receivables both present and future	1.15 Times	6
Karur Vyasa Bank	1	Quarterly	208	9/30/2020	6/30/2023		Pari Passu frist charge on Standard Loan receivables	1.15 Times	12
Karur Vyasa Bank	2	Quarterly	156	5/31/2020	2/29/2024		Pari Passu frist charge on Standard Loan receivables	1.15 Times	No

Note There has been no default as on Balance Sheet date in repayment of loans and payment of interest.

Fedbank Financial Services Limited

CIN : U65910KL1995PLC008910

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

42 Terms of repayment

42.1 As at 31 March, 2019

Lender	Loan (Term Loan)	Repayment Mode	Instalment Amount (INR in Lakhs)	Repayment		Rate Of Interest	Security	Margin	Other Terms Initial Repayment (Moratorium of Months)
				Beginning Date	End Date				
The Federal Bank Ltd.	2	Quarterly	625	5/29/2017	2/28/2021	Interest Rates in the range of 8.28% to 10% p.a (Previous year :8.25 %-9.55%)	First Pari passu charge by way of hypothecation of receivables (except gold loan receivables)	1.15 Times	12
	3	Quarterly	188	11/23/2018	8/28/2022			1.15 Times	12
	3	Quarterly	125	11/28/2018	8/28/2022			1.15 Times	12
	3	Quarterly	188	12/29/2018	9/29/2022			1.15 Times	12
	3	Quarterly	63	1/31/2019	10/31/2022			1.15 Times	12
	3	Quarterly	375	3/29/2019	12/29/2022			1.15 Times	12
	4	Quarterly	313	6/29/2019	3/29/2023			1.15 Times	12
	4	Quarterly	156	9/26/2019	6/26/2023			1.15 Times	12
	4	Quarterly	156	9/27/2019	6/27/2023			1.15 Times	12
	5	Quarterly	625	12/26/2019	9/26/2023			1.15 Times	12
	6	Quarterly	1,111	7/26/2019	10/26/2023			1.15 Times	6
HDFC Bank	1	Quarterly	294	7/13/2017	7/13/2021		First Pari passu charge by way of hypothecation of LAP and CF	1.15 Times	9
	2	Quarterly	100	12/3/2015	9/3/2020		First Pari passu charge by way of hypothecation of LAP	1.15 Times	No
	2	Quarterly	25	3/28/2015	12/28/2019			1.15 Times	No
	3	Quarterly	222	3/27/2018	3/27/2020		First Pari passu charge by way of hypothecation of LAP and CF	1.15 Times	9
	3	Quarterly	333	4/13/2018	4/13/2020			1.15 Times	9
	4	Quarterly	250	3/30/2018	12/30/2022			1.15 Times	No
	5	Quarterly	417	1/31/2019	10/30/2021			1.15 Times	No
ICICI Bank	1	Quarterly	111	12/31/2017	3/31/2022		First Pari passu charge by way of hypothecation of receivables	1.15 Times	6
	1	Quarterly	167	3/31/2018	6/30/2022			1.15 Times	6
	2	Quarterly	56	6/30/2018	9/30/2022			1.15 Times	6
	2	Quarterly	222	5/31/2019	8/31/2023			1.15 Times	6
	3	Quarterly	167	11/30/2019	2/26/2024			1.15 Times	6
	3	Quarterly	250	12/31/2019	2/26/2024			1.15 Times	6
SIDBI Bank	1	Quarterly	250	10/10/2019	7/10/2022		First Pari passu charge by way of hypothecation of receivables (except gold loan receivables)	1.15 Times	6
Karnataka Bank	1	Quarterly	156	6/28/2019	3/28/2023			1.10 Times	12
	2	Quarterly	227	11/29/2018	5/29/2021			1.10 Times	2
J&K bank	1	Quarterly	556	4/30/2018	7/30/2022		First Pari passu charge by way of hypothecation of receivables	1.15 Times	6
Indian Bank	1	Quarterly	625	3/12/2019	12/12/2022		First Pari passu charge by way of hypothecation of receivables (except gold loan receivables)	1.15 Times	12
	2	Quarterly	625	9/30/2019	6/30/2023			1.15 Times	12
Bajaj Finance Ltd.	1	Quarterly	156	2/28/2019	11/30/2022		First Pari passu charge by way of hypothecation of receivables	1.10 Times	12
Bajaj Finance Ltd.	Unsecured Loan	Bullet	2,500	5/2/2025			NA	N.A	N.A
DCB Bank	1	Quarterly	156	9/30/2018	6/30/2021		First Pari passu charge by way of hypothecation of receivables	1.15 Times	No
	1	Quarterly	83	9/30/2018	6/30/2020			1.15 Times	No
	2	Quarterly	174	3/31/2017	9/30/2019			1.15 Times	No

Note There has been no default as on Balance Sheet date in repayment of loans and payment of interest.

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

43 Segment Information

43.1 Business segment

In terms of the Accounting Standards specified under Section 133 of the Companies Act,2013 read with rule 7 of the Companies (Accounts) Rules, 2014, the company's operations are classified into three business segments as described in the accounting policy and the information on the same is as under:

Business Segments	Distribution			Retail Finance			Whole Sale Finance			Total		
	Year ended 31st March 2020	Year ended 31st March 2019	Year ended 31st March 2018	Year ended 31st March 2020	Year ended 31st March 2019	Year ended 31st March 2018	Year ended 31st March 2020	Year ended 31st March 2019	Year ended 31st March 2018	Year ended 31st March 2020	Year ended 31st March 2019	Year ended 31st March 2018
Segment Revenue	2,385	1,811	1,393	37,272	17,592	12,774	5,277	5,716	5,487	44,934	25,118	19,655
Segment Expenditure *	2,271	1,691	1,302	29,917	13,478	9,119	3,513	3,116	2,839	35,701	18,284	13,261
Allocated Expenditure (Net)	-	-	-	4,491	1,667	1,090	814	549	482	5,305	2,216	1,572
Results	**114**	**120**	**91**	**2,863**	**2,447**	**2,565**	**951**	**2,051**	**2,166**	**3,928**	**4,618**	**4,822**
Unallocated Income										1,303	339	111
Interest Income on FD & Income Tax Refund										371	122	-
Profit/(Loss) before Tax										**5,602**	**5,079**	**4,934**
Income Taxes										1,686	1,468	1,854
Net Profit/(Loss)										**3,916**	**3,611**	**3,080**
Other Information												
Segment Assets	148	321	283	360,941	173,603	103,535	47,530	41,136	44,810	408,619	215,061	148,628
Unallocated Assets		-	-		-	-		-	-	-	-	-
Total Assets	**148**	**321**	**283**	**360,941**	**173,603**	**103,535**		**41,136**	**44,810**	**408,619**	**215,061**	**148,628**
Segment Liabilities	255	303	385	287,555	136,797	87,568	51,694	32,131	35,181	339,504	169,231	123,134
Equity & Reserves		-	-		-	-		-	-	69,115	45,861	25,494
Total Liabilities	**255**	**303**	**385**	**287,555**	**136,797**	**87,568**		**32,131**	**35,181**	**408,619**	**215,092**	**148,628**
Capital Expenditure	12	2	7	1,349	259	214	1	-	16	1,362	261	237
Unallocated Capital Expenditure	-	-	-	-	-	-	-	-	-	510	137	40
Depreciation/ Amortisation	3	7	6	489	759	139	25	9	10	517	775	156
Impairment of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Depreciation	-			-			-			-	-	-

The Company has only Domestic Geographic Segment and hence no secondary segment disclosures are made.

Segment Composition

Distribution Segment comprises of Sourcing Business of Home Loans, Auto Loans, Personal Loans & SME Loans for Holding Company.

Retail Finance Segment comprises of Gold Loans, Loan Against Property, MSE Loan against property, Business Loans, Personal Loans & Housing Finance.

Whole Sale Finance Segment comprises of Construction Finance, Loans to Other NBFC's & Bill Discounting.

Note:

Unallocated Income comprises of Other Income earned by the business.

Unallocated Expenses comprises of Tax Expense.

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

44 Risk Management

a) The Company has a Board-approved Risk Management Policy that lays down the overall framework for identifying, assessing, measuring and monitoring various elements of risk involved in the businesses and for formulation of procedures and systems for mitigating such risks. The main objective of this policy is to ensure sustainable and prudent business growth. The function is supervised by a Risk Management Committee (RMC) which reviews the asset quality and portfolio composition on a regular basis. Any product policy programs are duly approved by this Committee. The Company has adopted and laid down sound operating procedures and guidelines to mitigate operational and fraud risks in its business lines. Close monitoring and timely auctions have prevented any instance of principal waivers or interest write-backs in gold loans. Gold auction realizations continue to remain at ~98% of market value, one of the highest in industry. An independent credit audit has been instituted to review the mortgage and structured finance loans to assist management to embrace rigorous processes and adopt best practices. The Company continues to invest in people, processes, training and technology; so as to strengthen its overall Risk Management Framework.

b) Types of Risks

The Company's risk are generally categorised in the following risk types:

(i) Credit Risk

RMC is actively involved in the following:

- Oversight over the implementation of Core Credit Policies and Remedial Management Policies;
- Review of the overall portfolio credit performance of and establishing concentration limits by product programs, collateral types, tenors and customer segments;
- Determination of portfolio credit quality by reviewing non-performing loan loss rates, provisions held, write-offs and status of recoveries from defaulting borrowers; and
- Review of product programs and recommending improvements/ amendments thereto.

(ii) Liquidity Risk

- The Company's Board of Directors and management have the responsibility to implement an effective liquidity risk management process. The board is responsible for setting the strategic direction for the company This includes, establishing the board's liquidity risk appetite and the liquidity required to fulfil its strategic initiatives, setting boundaries/limits within such levels of tolerance and approving the policies that govern risk management under business as usual and stressed conditions.
- Liquidity risk is managed by the Asset Liability Committee (ALCO), based on the Company's Liquidity Policy and Procedures which are based on guidelines provided by BRC. ALCO derives its authority from the BRC and is responsible for ensuring adherence to the liquidity and asset – liability management limits set by the Board and to oversee implementation of the strategic direction articulated by the Board.
- ALCO ensures that the Company has adequate liquidity not only on an on-going basis and also examines how liquidity requirements are likely to evolve under different assumptions. ALCO also prepares statement of structural liquidity in line with guidance provided by the Reserve Bank of India.

(iii) Market Risk

- RMC is involved in the formulation of policies for monitoring market risk. The risk is managed through close identification, supervision and monitoring of risks arising from movements in market rates or prices, such as interest rates, foreign exchange rates, equity prices, currency risk and credit spreads, which may result in a loss of earnings and capital.

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

44 Risk Management

44.1 Credit Risk

Credit risk is the risk of financials loss to the group if a customer or counter party for financial instrument fails to meet its contractual obligation, and arises principally from the Group's placements and balances with other banks, loans to customers, government securities and other financial assets.

The RMC reviews and approves Loan Product programs on an on-going basis. These product programs outline the framework of any credit financial product being offered by the Company. Within this established framework, credit policies have been established to manage the sourcing of proposals, channels of business acquisition, process of underwriting, information systems involved, verification, documentation and disbursement procedures.

The impact of Macroeconomic, regulatory and other high impact variables and portfolios underwritten within the credit policy framework are reviewed on an on-going basis.

Other than the transaction structure which determines the adequacy of the risk / reward ratio, there are other risks via, microeconomics of the individual/entity being assessed, the industry or service that the individual/entity operates in, geographical risk, collateral related risk, default risk, regulatory risk related to documentation, pricing and debt management.

Whilst ability of a customer / entity to repay a loan can be adequately determined through assessment of financials and cash flows, defaults with the intention of fraud or misreported information are additional challenges to the Company.

Product level credit risk policies are implemented to segment all new customer acquisitions across locations and regions, individual profiles, income levels, leverage positions, collateral types and value, source of income and continuity of employment/business.

a) Impairment Assessment

The Company applies the expected credit loss model for recognising impairment loss. The expected credit loss allowance is computed based on a provision matrix which takes into account historical credit loss experience and adjusted for forward looking information

The expected credit loss is a product of exposure at default, probability of default and loss given default. The Company has devised internal model to evaluate the probability of default and loss given default bases on parameters set out in Ind AS. Accordingly, loan are classified into various stage as follows:

Internal rating grade	Internal grading description	Stages
Performing		
High grade	0 dpd* and 1-30 dpd*	Stage 1
Standard grade	31-90 dpd*	Stage 2
Non performing		
Individually impaired	90+ dpd*	Stage 3

* days past due

b) Probability of Default (PD)

The Group's independent Credit Risk Department operates its internal rating models. The Group runs separate models for its key portfolios in which its customers are rate from 1 to 25 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from Good Rating Agency. PDs are then adjusted for Ind AS 109 ECL calculations to incorporate forward looking information and the Ind AS 109 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

c) Loss Given Default (LGD)

The LGD represents expected losses on EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and time value of money. For corporate loans, LGD values are assessed at least every three months by account managers and reviewed and approved by the Group's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

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

Further recent data and forward-looking economic scenarios are used in order to determine the Ind AS 109 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group.

d) Exposure At Default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The Ind AS 109 PDs are then assigned to each economic scenario based on the outcome of Group's models

e) Significant increase in credit risk (SICR)

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk when the Ind AS 109 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Group may also consider that certain events are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

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

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

44.1.1 Analysis of Risk concentration

The following table shows the risk by industry for the components of the balance sheet.

	31 March 2020			
Industry Analysis	**Retail**	**Construction**	**Financial Services**	**Total**
Financial assets measured at amortised cost				
Cash and cash equivalent	-	-	14,229	14,229
Bank balances other than cash and cash equivalent	-	-	7,502	7,502
Trade Receivables	-	-	232	232
Other receivables	-	-	140	140
Loans and advances to customers	330,115	38,536	-	368,651
Financial investments (other than investment in subsidiaries)	-	-	4,136	4,136
Other financial assets	-	-	828	828
Total	**330,115**	**38,536**	**27,067**	**395,718**

	31 March 2019			
Industry Analysis	**Retail**	**Construction**	**Financial Services**	**Total**
Financial assets measured at amortised cost				
Cash and cash equivalent	-	-	911	911
Bank balances other than cash and cash equivalent	-	-	2,500	2,500
Trade Receivables	-	-	119	119
Other receivables	-	-	518	518
Loans and advances to customers	164,731	35,931	-	200,662
Financial investments (other than investment in subsidiaries)	-	-	1,254	1,254
Other financial assets	-	-	3,022	3,022
Total	**164,731**	**35,931**	**8,323**	**208,985**

	01 April 2018			
Industry Analysis	**Retail**	**Construction**	**Financial Services**	**Total**
Financial assets measured at amortised cost				
Cash and cash equivalent	-	-	1,419	1,419
Bank balances other than cash and cash equivalent	-	-	-	-
Trade Receivables	-	-	52	52
Other receivables	-	-	176	176
Loans and advances to customers	102,809	39,670	-	142,479
Financial investments (other than investment in subsidiaries)	-	-	1,032	1,032
Other financial assets	-	-	271	271
Total	**102,809**	**39,670**	**2,950**	**145,429**

44.1.2 Collateral Held and other credit enhancements

a) The following table shows the maximum exposure to credit risk by class of financial asset along with details of principal type of collateral

	Maximum exposure to credit risk (carrying amount before ECL)			Principal type of collateral
Financial assets measured at amortised cost	**As at 31-03-2020**	**As at 31-03-2019**	**As at 31-03-2018**	
Loans (at amortised cost)	322,304	196,867	143,479	Property; book receivables
Total (A)	**322,304**	**196,867**	**143,479**	

b) Financial assets that are stage 3 and related collateral held in order to mitigate potential losses are given below:

Financial assets measured at amortised cost As at March 2020	**Maximum exposure to credit risk (carrying amount before ECL)**	**Associated ECL**	**Carrying Amount**	**Fair value of collateral**
Loans (at amortised cost)	5,398	1,443	3,956	7,865
Total	**5,398**	**1,443**	**3,956**	**7,864.58**

Financial assets measured at amortised cost As at March 2019	**Maximum exposure to credit risk (carrying amount before ECL)**	**Associated ECL**	**Carrying Amount**	**Fair value of collateral**
Loans (at amortised cost)	4,606	729	3,877	6,788
Total	**4,606**	**729**	**3,877**	**6,788**

Financial assets measured at amortised cost As at 1st April 2018	**Maximum exposure to credit risk (carrying amount before ECL)**	**Associated ECL**	**Carrying Amount**	**Fair value of collateral**
Loans (at amortised cost)	1,476	536	941	2,028
Total	**1,476**	**536**	**941**	**2,028**

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

44 Risk Management

44.2 Liquidity Risk

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 lows and liquidity on a daily basis.

44.2.1 Maturity pattern of certain items of assets and liabilities as at 31 March, 2020.

Particulars	1 day to 30/31 days (One Month)	1 Month to 2 Months	2 Months to 3 Months	3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 3 years	Over 3 Years to 5 years	Over 5 Years	Total
Liabilities :									
Borrowings from banks	5,210	6,155	19,466	27,604	41,215	141,538	65,884	2,500	309,572
Market Borrowings	-	5,000	5,000	-	2,500	-	-	-	12,500
Assets :									
Advances	15,205	16,140	21,131	26,370	70,604	59,385	26,005	130,230	365,070
Investments	3,000	209	-	209	418	295	-	-	4,130

Maturity pattern of certain items of assets and liabilities as at 31 March, 2019.

Particulars	1 day to 30/31 days (One Month)	1 Month to 2 Months	2 Months to 3 Months	3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 3 years	Over 3 Years to 5 years	Over 5 Years	Total
Liabilities :									
Borrowings from banks	4,912	1,543	3,001	8,504	25,159	64,828	29,927	2,500	140,374
Market Borrowings	-	10,000	10,000	-	-	-	-	-	20,000
Assets :									
Advances	4,634	4,435	5,502	15,097	31,154	36,834	18,646	82,873	199,174
Investments	-	-	-	-	-	1,251	-	-	1,251

Maturity pattern of certain items of assets and liabilities as at 01 April, 2018.

Particulars	1 day to 30/31 days (One Month)	1 Month to 2 Months	2 Months to 3 Months	3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 3 years	Over 3 Years to 5 years	Over 5 Years	Total
Liabilities :									
Borrowings from banks	2,277	913	1,844	3,432	19,823	41,622	24,095	-	94,007
Market Borrowings	-	5,000	7,000	7,500	2,500	-	-	-	22,000
Assets :									
Advances	3,279	4,240	8,458	13,747	20,834	31,299	16,852	42,603	141,311
Investments	-	250	-	429	250	-	-	-	929

45.2.2 Financial assets available to support future funding

Following table sets out availability of Group financial assets to support funding

As at March 31, 2020	Encumbered		Unencumbered		
	Pledge as collateral	Contractually / legally restricted assets *	Available as collateral	Others #	Total Carrying Amount
Cash and cash equivalent	2,500	-	11,729	-	14,229
Bank balances other than cash and cash equivalent	-	-	7,502	-	7,502
Trade Receivables	-	-	231	-	231
Other receivables	-	-	140	-	140
Loans and advances to customers	368,652	-	-	-	368,652
Financial investments (other than investment in subsidiaries)	-	-	4,136	-	4,136
Other financial assets	-	-	828	-	828
	371,152	**-**	**24,567**	**-**	**395,719**

As at March 31, 2019	Encumbered		Unencumbered		
	Pledge as collateral	Contractually / legally restricted assets *	Available as collateral	Others #	Total Carrying Amount
Cash and cash equivalent	-	-	911	-	911
Bank balances other than cash and cash equivalent	-	-	2,500	-	2,500
Trade Receivables	-	-	119	-	119
Other receivables	-	-	518	-	518
Loans and advances to customers	200,662	-	-	-	200,662
Financial investments (other than investment in subsidiaries)	-	-	1,254	-	1,254
Other financial assets	-	-	3,022	-	3,022
	200,662	**-**	**8,324**	**-**	**208,986**

As at April 01, 2018	Encumbered		Unencumbered		
	Pledge as collateral	Contractually / legally restricted assets *	Available as collateral	Others #	Total Carrying Amount
Cash and cash equivalent	-	-	1,419	-	1,419
Bank balances other than cash and cash equivalent	-	-	-	-	-
Trade Receivables	-	-	52	-	52
Other receivables	-	-	176	-	176
Loans and advances to customers	142,479	-	-	-	142,479
Financial investments (other than investment in subsidiaries)	-	-	1,031	-	1,031
Other financial assets	-	-	271	-	271
	142,479	**-**	**2,949**	**-**	**145,428**

* Represents assets which ate not pledged and Group believes it is restricted from using to secure funding for legal or other

Represents assets which are not restricted for use a collateral, but that the group would not consider readily available to secure fusing in normal course of business

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

44 Risk Management

44.3 Market Risk

Market risk is the risk of loss arising from adverse movement in market variables pertaining to portfolios held by the Company. The Company is exposed to market risk which mainly comprises of interest rate risk arising from its, borrowings, debt securities, portfolio loans & investments.

45.3.1 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows of financial instruments. The sensitivity of the statement of profit and loss is effect of assumed changes in interest rate for a year, based on floating rate non-trading financial assets and financial liabilities held as at year end

The following table demonstrates the sensitivity to reasonably possible change in interest rates (all other variables being constant) of the Company's statement of profit and loss

For the year ended	Increase / (Decrease) in basis points	Increase in profit after tax	Decrease in profit after tax
INR Loans			
March 31, 2020	25/(25)	384	(384)
March 31, 2019	25/(25)	278	(278)
INR Borrowings			
March 31, 2020	25/(25)	(530)	530
March 31, 2019	25/(25)	(234)	234

45.3.2 Total Market Risk Exposure

Particular	As at 31 March 2020			As at 31 March 2019			As at 01 April 2018			Primary Risk sensitivity
	Carrying Amount	Traded Risk	Non-traded Risk	Carrying Amount	Traded Risk	Non-traded Risk	Carrying Amount	Traded Risk	Non-traded Risk	
Financial Assets										
Cash and cash equivalent	14,229	-	14,229	911	-	911	1,419	-	1,419	Interest Risk
Bank balances other than cash and cash equivalent	7,502	-	7,502	2,500	-	2,500	-	-	-	Interest Risk
Trade Receivables	231	-	231	119	-	119	52	-	52	
Other receivables	140	-	140	518	-	518	176	-	176	
Loans and advances to customers	368,652	-	368,652	200,662	-	200,662	142,479	-	142,479	Interest Risk
Financial investments (other than investment in subsidiaries)	4,136	-	4,136	1,254	-	1,254	1,031	-	1,031	Price Risk
Other financial assets	828	-	828	3,022	-	3,022	271	-	271	
Total	**395,719**	**-**	**395,719**	**208,986**	**-**	**208,986**	**145,428**	**-**	**145,428**	
Financial Liability										
Derivative financial instruments	-	-	-	-	-	-	45	-	45	
Trade Payables	10	-	10	8	-	8	1	-	1	
Other Payables	399	-	399	167	-	167	107	-	107	
Debt Securities	12,178	-	12,178	19,668	-	19,668	21,494	-	21,494	Interest Risk
Borrowing other than debt securities	309,581	-	309,581	140,347	-	140,347	94,619	-	94,619	Interest Risk
Subordinated Liabilities	-	-	-	-	-	-	-	-	-	
Other financial liabilities	13,426	-	13,426	7,251	-	7,251	5,839	-	5,839	
Total	**335,594**	**-**	**335,594**	**167,441**	**-**	**167,441**	**122,105**	**-**	**122,105**	

Fedbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

45 Trade Receivable

Provision matrix for Trade Receivable

Particular	Trade receivable days past due	1-90 days	91-180 days	181-360 days	more than 360 days	Total
ECL Rate		**0.14%**	**0.27%**	**0.00%**	**0.00%**	
As at March 31, 2020	Estimated total gross carrying amount at default	330.26	43.21	-	-	373.47
	ECL Provision	0.47	0.12	-	-	0.59
	Net Carrying Amount	**329.79**	**43.09**	**-**	**-**	**372.88**
ECL Rate		**0.17%**	**0.42%**	**0.00%**	**0.00%**	
As at March 31, 2019	Estimated total gross carrying amount at default	518.39	116.02	-	-	634.40
	ECL Provision	0.86	0.49	-	-	1.35
	Net Carrying Amount	**517.53**	**115.53**	**-**	**-**	**633.06**
ECL Rate		**0.17%**	**1.22%**	**0.00%**	**0.00%**	
As at March 31, 2018	Estimated total gross carrying amount at default	176.21	49.93	-	-	226.14
	ECL Provision	0.29	0.61	-	-	0.90
	Net Carrying Amount	**175.92**	**49.32**	**-**	**-**	**225.24**

Fedfbank Financial Services Limited

Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)

(Currency : Indian rupees in lakhs)

46 Accounting for Employee Share based Payments

Shareholders of the Company had approved "Fedbank Financial Services Limited Employee Stock Option Plan 2018" ("ESOP Plan"), the result of which was announced on November 13, 2018, enabling the Board and/or the "Nomination and Remuneration Committee" (NRC) to grant such number of equity shares, including options, to eligible employee(s) of the Company each of which is convertible into one equity share, not exceeding 6% of the aggregate number of paid up equity shares of the Company.

Such options vest at definitive date, save for specific incidents, prescribed in scheme as framed/approved by NRC. Such options are exercisable for period following vesting at the discretion of the NRC, subject to maximum of 10 years from the date of Vesting of Options

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 options outstanding under the Employee Stock Option Plan for the year ended 31 March 2020

Particulars	Options	Weighted Average Exercise Price
Options outstanding, beginning of the year	-	-
Granted during the year	5,571,351	38.59
Exercised during the year	-	
Forfeited /lapsed during the year	60,000	30.00
Options outstanding, end of the year	5,511,351	38.68
Options exercisable	515,028	36.90

Following summarises the information about stock options outstanding as at 31 March 2020

Category	Weighted Average Exercise Price	Number of shares arising out of options	Weighted average remaining contractual life (in years)
Class A	34.22	860,000	5.13
Class B	38.44	3,300,000	5.09
MD	42.11	1,351,351	5.09

Fair Valuation Methodology

The fair value of options have been estimated on the dates of each grant using the Modified Black-Scholes model (MBS). 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	31 March 2020	31 March 2019
Dividend yield	0.00%	-
Expected volatility	29.73%	-
Risk free interest rate *	6.29%	-
Expected life of the option *	4.18	-

* The values in the above items are weighted average

The Company has recorded an employee compensation expense of INR 253.47 (Previous year: Nil) in the statement of Profit and Loss

Fedfbank Financial Services Limited
Notes to the standalone financial statements for the year ended 31 March 2020 (contd.)
(Currency : Indian rupees in lakhs)

47 Leases

Implementation of Ind AS 116

Effective 01 April 2018, the Company has adopted Ind-AS 116 - Leases and applied it to all lease contracts existing on 01 April 2018 using the modified retrospective Option II method. On transition the standard resulted recognition of Right-of-Use (ROU) assets of INR 1,753 and a lease liability of INR 1,753.

The Company has presented lease liability as a separate line item in schedule on 'Other Financial Liabilities'. The Company presents ROU assets (pertaining to its branch/office premises) as part of Properties, Plant and Equipment. Further in applying Ind AS 116 for the first time, the Company has also used the following practical expedients permitted by the standard:

- applying single discount rate to a portfolio of leases with reasonably similar characteristics.
- there were no onerous contracts as at 01 April, 2018.
- excluding initial direct cost for the measurement of the right-of-use asset at the date of initial application
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

a) The changes in the carrying value of right of use assets - building or premises for the year ended 31st March 2020.

Particular	31 March 2020	31 March 2019
Opening Balance of ROU - Building or Premises	3,582	1,872
Addition during the year	6,131	2,305
Depreciation charges for the year	(1,355)	(595)
Total balance of ROU - Building or Premises	**8,359**	**3,582**

b) The changes in the carrying value of right of use assets - furniture for the year ended 31st March 2020.

Particular	31 March 2020	31 March 2019
Opening Balance of ROU - Furniture	443	-
Addition during the year	-	443
Depreciation charges for the year	(49)	0
Total balance of ROU - Furniture	**394**	**443**

c) The following is the movement in lease liabilities during the year ended 31st March 2020.

Particular	31 March 2020	31 March 2019
Opening Balance of Lease Liabilities	3,921	1,809
Addition during the year	5,833	2,540
Finance cost accrued during the year	600	175
Payment made during the year	(1,376)	(603)
Closing balance of lease liabilities	**8,978**	**3,921**

d) The table below provides details of amount recognised in the Statement of Profit and Loss

Particular	31 March 2020	31 March 2019
Depreciation charge for right of use asset	1,404	595
Interest expense (included in finance cost)	600	175
Expense relating to short term lease	129	27
Total	**2,133**	**797**

e) The table below provides details regarding the contractual maturities of lease liabilities as of 31st March,2020 on an undiscounted basis:

Particular	31 March 2020	31 March 2019	01 April 2018
Less than one year	1,887	922	562
One to five years	3,783	1,889	491
More than five years	6,599	2,594	1,208
Total	**12,269**	**5,405**	**2,261**

f) Rental expense recorded for leases of low-value assets was Nil for the year ended March 31, 2020, (Previous year INR 6.37)

FEDBANK FINANCIAL SERVICES LIMITED
CIN : U65910KL1995PLC008910
Notes to the financial statements as at March 31, 2020

48 Regulatory Disclosures

48.01 Foreign Currency

The Company has not undertaken any foreign currency transaction during the year ended March 31, 2020 (Previous Year: Rs. Nil). The Company does not have any outstanding unhedged foreign currency exposure (Previous year: Nil)

48.02 Investments

	Particulars	As at March 31, 2020	As at March 31, 2019
(1)	Value Of Investments		
(i)	Gross Value of Investments		
	(a) India	4,146	1,265
	(b) Outside India	NIL	NIL
(ii)	Provision for Depreciation		
	(a) India	10	11
	(b) Outside India	NIL	NIL
(iii)	Net Value of Investments		
	(a) India	4,136	1,254
	(b) Outside India	NIL	NIL
(2)	Movement of Provisions held towards depreciation on investments		
(i)	Opening Balance	11	8
(ii)	Add : Provisions made during the year	-	11
(iii)	Less : Write Off / write-back of excess provisions during the year	1	8
(iv)	**Closing Balance**	**10**	**11**

48.03 Derivatives

(a) Forward Rate Agreement / Interest Rate Swap

S.No.	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	The notional principal of swap agreements	Nil	Nil
(ii)	Losses which would be incurred if counterparties failed to fulfil their obligation under the agreements	Nil	Nil
(iii)	Collateral required by the applicable NBFC upon entering into swaps	Nil	Nil
(iv)	Concentration of credit risk arising out of swaps $	Nil	Nil
(v)	The fair value of the swap book @	Nil	Nil

Note: Nature and terms of swaps including information on credit and market risk and the accounting policies adopted for recording the swaps should be disclosed

$ Examples of concentration could be exposures to particular industries or swaps with highly geared companies.

@ If the swaps are linked to specific assets, liabilities, or commitments ,the fair value would be estimated amount that the applicable NBFC would receive or pay to terminate the swap agreements as on the balance sheet date.

FEDBANK FINANCIAL SERVICES LIMITED

CIN : U65910KL1995PLC008910

Notes to the financial statements as at March 31, 2020

(b) Exchange Traded Funds

S.No.	Particulars	Amount
(i)	Notional principal amount of exchange traded IR derivatives undertaken during the year (instrument-wise)	
	a)	**Nil**
(ii)	Notional principal amount of exchange traded IR derivatives outstanding as on 31st March 2020	
	a)	**Nil**
(iii)	Notional principal amount of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	
	a)	**Nil**
(iv)	Mark-to-market value of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	
	a)	**Nil**

(c) Qualitative Disclosure

The Company has not entered into any derivative contracts during the year (Previous year Rs. Nil)

(d) Quantitative Disclosure

S.No.	Particulars	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)	Nil	Nil
	For Hedging	Nil	Nil
(ii)	Marked to Market Positions (1)		
	a) Assets (+)	Nil	Nil
	b) Liability (-)	Nil	Nil
(iii)	Credit Exposure	Nil	Nil
(iv)	Unhedged Exposures	Nil	Nil

FEDBANK FINANCIAL SERVICES LIMITED

CIN : U65910KL1995PLC008910

Notes to the financial statements as at March 31, 2020

48.04 Direct Assignment and Securitisation

a) Disclosure in the notes to the accounts in respect of assignment transaction as required under revised guidelines on securitisation and assignment transactions issued by RBI vide circular no. DNBS.PD.No.301/3.10.01/2012-13 dated August 21, 2012

Sl No.	Particulars		March 31, 2020	March 31, 2019
(i)	No. of transactions assigned by the NBFC		2	-
(ii)	Total Amount Outstanding		11,788	-
(iii)	Total amount of exposure retained by the NBFC to comply with MRR as on date of balance sheet			
	a)	Off balance sheet exposures		
	-	First Loss	-	-
	-	Others	-	-
	b)	On balance sheet exposure		
	-	First Loss	-	-
	-	Others	2,948	-
(iv)	Amount of Exposure to assignment transaction other than MRR			
	a)	Off balance sheet exposures		
	i)	Exposure to own assignment		
	-	First loss	-	-
	-	Others	-	-
	ii)	Exposure to third party assignment		
	-	First Loss	-	-
	-	Others	-	-
	b)	On balance sheet exposures		
	iii)	Exposure to own assignment		
	-	First loss	-	-
	-	Others	-	-
	iv)	Exposure to third party assignment		
	-	First Loss	-	-
	-	Others	-	-

b) Details of Financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

Sl No.	Particulars	March 31, 2020	March 31, 2019
(i)	No. of Accounts	Nil	Nil
(ii)	Aggregate value (net of provision0 of accounts sold to SC / RC	Nil	Nil
(iii)	Aggregate consideration received	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

c) Details of Assignment transaction undertaken

Sl No.	Particulars	March 31, 2020	March 31, 2019
(i)	No. of Accounts	696	Nil
(ii)	Aggregate value of accounts sold	12,662	Nil
(iii)	Aggregate consideration received	12,662	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

FEDBANK FINANCIAL SERVICES LIMITED

CIN : U65910KL1995PLC008910

Notes to the financial statements as at March 31, 2020

48.05 Asset Liability Management Maturity pattern of certain items of Assets and Liabilities

As at March 31, 2020

Particulars	1 to 7 days	8 t0 14 days	15 days to 30 / 31 days	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total
Deposits											-
Advances*	4,795	2,162	8,248	16,140	21,131	26,370	70,604	59,390	26,005	130,540	365,385
Investment	3,000	-	-	209	-	209	418	295	-	-	4,130
Borrowings	-	1,407	3,802	11,155	24,466	27,604	43,715	141,538	65,884	1,818	321,390
Foreign Currency assets											-
Foreign Currency liabilities											-

* Excluding interest accrued and MTM gain on investment

As at March 31, 2019

Particulars	1 to 7 days	8 t0 14 days	15 days to 30 / 31 days	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 year upto 5 years	Over 5 years	Total
Deposits											-
Advances *	2,327	429	1,878	4,435	5,502	15,097	31,154	36,834	18,646	82,042	198,343
Investment	-	-	-	-	-	-	-	1,251	-	-	1,251
Borrowings	-	3,877	1,034	11,543	13,001	8,504	25,159	64,828	29,927	2,331	160,204
Foreign Currency assets											-
Foreign Currency liabilities											-

* Excluding interest accrued and MTM gain on investment

48.06 Capital to Risk Asset Ratio (CRAR)

S.No.	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	CRAR (%)	17.89	21.61
(ii)	CRAR - Tier I Capital (%)	17.53	21.42
(iii)	CRAR - Tier II Capital (%)	0.36	0.19
(iv)	Amount of subordinated debt raised as Tier-II capital	-	-
(v)	Amount raised by way of perpetual debt	-	-

48.07 Details of non-performing financial assets purchased / sold

During the year the Company has neither purchased nor sold any non-performing financial assets. (Previous year : Nil)

a) Details of non-performing accounts purchased

S.No.	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	No of accounts purchased during the year	Nil	Nil
(ii)	Aggregate outstanding	Nil	Nil
(iii)	Of these, number of accounts restructured during the year	Nil	Nil
(iv)	Aggregate outstanding	Nil	Nil

b) Details of non-performing accounts purchased

S.No.	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	No of accounts purchased during the year	Nil	Nil
(ii)	Aggregate outstanding	Nil	Nil
(iii)	Aggregate consideration received	Nil	Nil

48.08 Exposure to real estate sector, both direct and indirect & exposure to capital market

a) Exposure to real estate sector, both direct and indirect

Category	As at March 31, 2020	As at March 31, 2019
a) Direct exposure		
(i) Residential Mortgages -		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented:	**163,322**	**89,818**
(ii) Commercial Real Estate -		
Lending secured by mortgages on commercial real estate's (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:	**29,461**	**42,572**
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures-		
a. Residential	**Nil**	**Nil**
b. Commercial Real Estate	**Nil**	**Nil**

FEDBANK FINANCIAL SERVICES LIMITED

CIN : U65910KL1995PLC008910

Notes to the financial statements as at March 31, 2020

b) Exposure to capital market

Category	As at March 31, 2020	As at March 31, 2019
(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;	Nil	Nil
(ii) advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	Nil	Nil
(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;	Nil	Nil
(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;	Nil	Nil
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	Nil	Nil
(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;	Nil	Nil
(vii) bridge loans to companies against expected equity flows / issues;	Nil	Nil
(vii) all exposures to Venture Capital Funds (both registered and unregistered)	Nil	Nil

48.09 Movement of credit impaired loans under Ind AS

S. No.	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	Net impaired loss allowance to Net loans (%)	1.08%	1.93%
(ii)	Movement of Credit impaired loans under Ind AS (Gross)		
	a) Opening balance	4,608	1,476
	b) Additions during the year	4,275	3,637
	c) Reductions during the year	3,410	505
	d) Closing balance	5,473	4,608
(iii)	Movement of Net impaired loans		
	a) Opening balance	3,879	940
	b) Additions during the year	3,098	3,348
	c) Reductions during the year	2,990	410
	d) Closing balance	3,988	3,879
(iv)	Movement of impairment loss allowance on credit impaired loans		
	a) Opening balance	729	536
	b) Additions during the year	1,176	289
	c) Reductions during the year	420	96
	d) Closing balance	1,485	729

48.10 Concentration of Loan, Exposure & Credit impaired loans

a) Concentration of Loan

Particulars	As at March 31, 2020	As at March 31, 2019
Total Advances to twenty largest borrowers	27,459	28,140
Total Advances to twenty largest borrowers	7.45%	14.02%

b) Concentration of Exposure

Particulars	As at March 31, 2020	As at March 31, 2019
Total Exposures to twenty largest borrowers	40,302	37,697
Percentage of exposures to twenty largest borrowers to Total Exposures	9.89%	16.70%

c) Concentration of Exposure

Particulars	As at March 31, 2020	As at March 31, 2019
Total Exposures of top four credit impaired accounts	1,985	1,206

d) Sector wise distribution of credit impaired loss

S.No.	Sector	Percentage of credit impaired loans to Total loans in that sector	
		As at March 31, 2020	As at March 31, 2019
1	Agriculture and allied activities	-	-
2	MSME	-	-
3	Corporate borrowers	1.43%	2.89%
4	Services	-	-
5	Unsecured personal loans	-	-
6	Auto Loans	-	-
7	Other personal loans	1.48%	2.15%
8	Others	-	-

48.11 Details of single borrower limit and group borrower limit exceeded by the Company

During the year ended March 31, 2020 and March 31, 2019, the Company's credit exposure to single borrower and group borrowers were within the limits prescribed by the RBI

48.12 Unsecured Advances

The Company has not taken any charge over the rights, licences, authorisation etc. against unsecured loan given to borrowers in the current year and previous year

48.13 Fraud Reporting

The fraud detected and reported for the year amounted to Rs.36.65 lakhs (Previous year Rs. 11.28 lakhs)

FEDBANK FINANCIAL SERVICES LIMITED

CIN : U65910KL1995PLC008910

Notes to the financial statements as at March 31, 2020

48.14 Net profit or loss for the period, prior period items and change in accounting policy

There are no prior period items (previous year Rs. Nil). For changes in accounting policy refer to note 3 and note 40 for "First Time adoption to Ind AS"

48.15 Details of 'provision and contingencies'

	Breakup of 'provision and contingencies' shown under the head expenditure	For the year March 31, 2020	For the year March 31, 2019
i)	Provision for depreciation on investment	-	-
ii)	Provision towards credit impaired loans	756	194
iii)	Provision towards income tax	1,849	1,500
iv)	Other provision and contingencies (with details)		
v)	Provision for standard loans (Stage 1 & 2)	1,402	140

48.16 Draw down from reserves

The Company has not made any draw down from reserves during current year and previous year

48.17 Customer complaints

	Particulars	As at March 31, 2020	As at March 31, 2019
(a)	No. of complaints pending as at the beginning of the year	-	1
(b)	No. of complaints received during the year	53	11
(c)	No. of complaints redressed during the year	52	12
(d)	No. of complaints pending as at the end of the year	1	-

48.18 Registration obtained from Financial Sector Regulators

Regulator	Registration No.
1. Reserve Bank of India	Certificate of Registration No. N-16.00187 dt 24th August, 2010

48.19 Ratings assigned by the credit rating agencies and migration of ratings during the Financial Year

Particulars	As at 31st March, 2020	As at 31st March, 2019
Long Term	CARE AA-	CARE AA-
Short Term	ACUITE A1+	ACUITE A1+
Short Term	CRISIL A1+	CRISIL A1+

48.20 There is no amount due to be credited to Investor Education and Protection Fund as at March 31, 2020 and at March, 31, 2019

48.21 Off Balance Sheet SPV sponsored - Nil (Previous year Nil)

48.22 Penalties imposed by RBI for FY 19 20 - NIL (Previous year Nil)

48.23 Ownership Overseas Assets (for those with joint ventures and subsidiaries abroad)

There are no overseas assets owned by the Company (Previous year Nil)

48.24 Contingent Liabilities (to the extent not provided for)

Particulars	As at March 31, 2020	As at March 31, 2019
Contingent Liabilities:		
Disputed Income Taxes(1)	34	32
Other Sums contingently liable for(2)	23	23
Total	**56**	**55**

[1]. The Assessing Officer has disagreed with the treatment of certain expenses in connection with the return of income tax return filed by the company and accordingly raised a demand of INR 32 for AY 2011-12. This has been challenged by the Company before the Income Tax Department. However, during the financial year 2015-16 the disputed demand of INR 32 was adjusted against refund amount for AY 2013-14 by the Income tax Department. In addition to this disputed taxes also includes the amounts of TDS Demand of INR 1.36 as per traces website.

[2].The Payment of Bonus Act, 1979 was amended with retrospective effect during the previous year, the estimated probable additional cost to the Company on account of this to the extent it pertains to the earlier financial year has not been considered a liability by placing reliance on Kerala High Court judgement which has stayed this matter and accordingly disclosed as contingent liability.

[3]. In line with industry practice, the Company auctions gold kept as security of borrowers whose loans are in default. Certain customers of the Company have filed suits in consumer/civil courts for auctioning of their gold ornaments or for obtaining of stay order against auction of their pledged gold. The management does not expect any material liability from such suits.

48.25 Capital & Other Commitments:

Particulars	As at March 31, 2020	As at March 31, 2019
Capital Commitments		
- Estimated amount of contracts remaining to be executed on capital accounts not provided for (Net of advances)	318	285
Other Commitments towards partly disbursed loans	8,236	7,108

48.26 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 auction conducted

Particulars	As at March 31, 2020	As at March 31, 2019
No. of loan accounts	1189	1441
Principal Amount outstanding at the date of auction	505	816
Interest Amount outstanding at the date of auction	84	147
Total value fetched	756	1,246

Note: No entity within the Company's group including any holding or associate Company or any related party had participated in any of the above auctions.

FEDBANK FINANCIAL SERVICES LIMITED

CIN : U65910KL1995PLC008910

Notes to the financial statements as at March 31, 2020

48.27 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	As at 31st March, 2020	As at 31st March, 2019
	Liabilities side		
1	**Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:**		
	(a) Debentures		
	- Secured	Nil	Nil
	- Unsecured	Nil	Nil
	(other than falling within the meaning of public deposits*)		
	(b) Deferred Credits	Nil	Nil
	(c) Term Loans	295,063	131,032
	(d) Inter-corporate loans and borrowing		
	(e) Commercial Paper	12,178	19,668
	(f) Other Loans (represents Working Capital Demand Loan, Cash credit, Bank Over draft and Liability component of Compound financial instrument)	14,518	9,315
	Asset Side		
2	**Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :**		
	(a) Secured	322,304	196,867
	(b) Unsecured	49,840	5,129
3	**Break up of Leased Assets and stock on hire and other assets counting towards AFC activities**		
	(i) Lease assets including lease rentals under sundry debtors :	Nil	Nil
	(a) Financial lease	Nil	Nil
	(b) Operating lease	Nil	Nil
	(ii) Stock on hire including hire charges under sundry debtors:	Nil	Nil
	(a) Assets on hire	Nil	Nil
	(b) Repossessed Assets	Nil	Nil
	(iii) Other loans counting towards AFC activities	Nil	Nil
	(a) Loans where assets have been repossessed	Nil	Nil
	(b) Loans other than (a) above	Nil	Nil
4	**Break-up of Investments**		
	1 Quoted :		
	(i) Shares		
	a) Equity	Nil	Nil
	b) Preference	Nil	Nil
	(ii) Debentures and Bonds	Nil	Nil
	(iii) Units of mutual funds	-	Nil
	(iv) Government Securities	Nil	Nil
	(v) Others (please specify)	Nil	Nil
	2 Unquoted :		
	(i) Shares		

S.N.	Particulars	As at 31st March, 2020	As at 31st March, 2019
	a) Equity	Nil	Nil
	b) Preference	Nil	Nil
	(ii) Debentures and Bonds	-	-
	(iii) Units of mutual funds	Nil	Nil
	(iv) Government Securities	Nil	Nil
	(v) Others (please specify)	Nil	Nil
	Long Term investments :		
	1. Quoted :		
	(i) Shares		
	a) Equity	Nil	Nil
	b) Preference	Nil	Nil
	(ii) Debentures and Bonds	Nil	Nil
	(iii) Units of mutual funds	Nil	Nil
	(iv) Government Securities	Nil	Nil
	(v) Others (please specify)	Nil	Nil
	2. Unquoted :		
	(i) Shares		
	a) Equity	Nil	Nil
	b) Preference	Nil	Nil
	(ii) Debentures and Bonds	Nil	Nil
	(iii) Units of mutual funds	Nil	Nil
	(iv) Government Securities	Nil	Nil
	(v) Others (please specify)	Nil	Nil
5	**Borrower group-wise classification of assets financed as in (2) and (3) above :**		
	1. Related Parties		
	(a) Subsidiaries	Nil	Nil
	(b) Companies in the same group	Nil	Nil
	(c) Other related parties-Holding Company	Nil	Nil
	2. Other than related parties	-	-
	Total		
6	**Other Information:**		
	(i) Gross Non-Performing Assets		
	(a) Related parties	Nil	Nil
	(b) Other than related parties	5,473	4,608
	(ii) Net Non-Performing Assets		
	(a) Related parties	Nil	Nil
	(b) Other than related parties	3,988	3,879
	(iii) Assets acquired in satisfaction of debt	Nil	Nil

FEDBANK FINANCIAL SERVICES LIMITED

CIN : U65910KL1995PLC008910

Notes to the financial statements as at March 31, 2020

48.28(a) Provision for impact of COVID-19

"COVID-19 virus, a global pandemic has affected the world economy including India leading to significant decline and volatility in financial markets and decline in economic activities. The extent to which the COVID-19 pandemic will impact the Company's provision on assets will depend on the future developments, which are highly uncertain, including among the other things any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government mandated or elected by the Company

The RBI on 27th March, 2020 and 17th April, 2020, announced 'COVID-19 Regulatory Package' on asset classification and provisioning. In terms of the RBI guidelines, the lending institutions have been permitted to grant a moratorium of three months on payment of all instalments/ interest, as applicable, falling due between 1st March, 2020 and 31st May, 2020 ('moratorium period'). For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period.

Further, in relation to the accounts overdue but standard as at 29 February 2020 where moratorium benefit has been extended in terms of aforesaid RBI guidelines, the staging of those accounts at March 31, 2020 is based on the days past due status as on February 29, 2020. Based on an assessment by the Company, this relaxation has not been deemed to be automatically triggering significant increase in credit risk. The Company continues to recognize interest income during the moratorium period and in the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria. On May 22, 2020, the RBI has extended the Moratorium Period by further three months.

The Company holds provision as at 31 March, 2020 against the potential impact of Covid-19 based on the information available at this point in time"

48.28(b) Disclosure pursuant to Reserve Bank of India Circular DOR.No.BP.BC.63/21.04.048/2019-20 dated 17 April 2020 pertaining to Asset Classification and Provisioning in terms of COVID19 Regulatory Package

Particulars	31 March, 2020
(i) Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended	3 5,378
(ii) Respective amount where asset classification benefits is extended.	3 5,378
(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 impairment

FINANCIAL STATEMENT | FEDBANK

FEDBANK FINANCIAL SERVICES LIMITED

CIN : U65910KL1995PLC008910

Notes to the financial statements as at March 31, 2020

48.29 Disclosure in term of notification no. RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20

Comparison between provisions required under IRACP and impairment allowances made under Ind AS 109

Asset classification as per		Gross Carrying amount as per Ind AS			Loss Allowances (Provision) as required under Ind AS 109			Net carrying amount			Provision required under IRACP norms			Difference between Ind AS 109 and IRACP norms		
RBI Norms	Ind AS 109	31 March 2020	31 March 2019	01 April 2018	31 March 2020	31 March 2019	01 April 2018	31 March 2020	31 March 2019	01 April 2018	31 March 2020	31 March 2019	01 April 2018	31 March 2020	31 March 2019	01 April 2018
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = (3)-(6)	(10) = (4)-(7)	(11) = (5)-(8)	(12)	(13)	(14)	(15)= (6)-(12)	(16)= (7)-(13)	(17)= (8)-(14)
Performing Advances																
Standard	Stage 1	354,909	191,026	136,429	1,363	401	384	3,53,546	190,624	136,045	1,407	766	546	-44	-365	-162
	Stage 2	11,762	6,048	5,307	644	203	80	11,118	5,845	5,226	651	19	17	-7	184	64
Subtotal		366,671	197,073	141,736	2,007	604	464	364,664	196,469	141,272	2,058	785	563	-51	-181	-98
Non Performing Assets (NPA)																
Substandard	Stage 3	4,171	3,692	786	1,072	311	393	3,099	3,380	393	404	327	109	667	-16	284
Doubtful - upto 1 year	Stage 3	1,189	885	668	365	391	123	824	493	545	223	156	44	142	235	79
1 to 3 years	Stage 3	52	0	-	12	0	-	40	0	-	11	0	-	1	-0	-
More than 3 years	Stage 3	-			-			-	-	-	-			-	-	-
Subtotal for doubtful		1,241	885	668	378	391	123	864	493	545	235	156	44	143	235	79
Loss	Stage 3	61	32	23	37	27	20	24	5	3	58	29	20	-21	-2	0
Subtotal for NPA		5,473	4,608	1,476	1,486	729	536	3,987	3,879	941	697	512	173	789	218	363
Other items : Full and Final recovery	Stage 1							-	-	-				-	-	-
	Stage 2	48	31	26	46	31	26	2	-	-	46	31	26	-	-	-
	Stage 3							-	-	-				-	-	-
Subtotal		48	31	26	46	31	26	2	-	-	46	31	26	-	-	-
Total	Stage 1	354,909	191,026	136,429	1,363	401	384	353,546	190,624	136,045	1,407	766	546	-44	-365	-162
	Stage 2	11,810	6,079	5,333	690	234	106	11,120	5,845	5,226	697	50	43	-7	184	64
	Stage 3	5,473	4,608	1,476	1,486	729	536	3,987	3,879	941	697	512	173	789	218	363
	Total	372,191	201,713	143,238	3,538	1,365	1,026	368,653	200,348	142,212	2,800	1,328	761	738	37	265

48.30 Internal Control System

During the year, the Company engaged a reputed firm of Chartered Accountants to evaluate that the Internal Financial Controls are in place and also test its effectiveness. The deficiencies identified during the independent review do not reflect any material weakness as the company has compensatory controls in place. The Company has adequate Internal Financial Controls that are commensurate with the nature and size of its business operations; wherein controls are in place and operating effectively and no material weakness exists.

48.31 The Company has disbursed loans against mortgage of properties, and the borrowers have assigned lease rentals receivable from the said properties towards repayment of EMIs/instalments.

The borrowers have opened Escrow accounts with certain banks under lien to the Company. The aforesaid escrow accounts do not form part of these financial statements

48.32 Public Disclosures as mandated by LRM framework for NBFCs issued by the RBI on 4th November 2019.

(i) Funding Concentration based on significant counterparty

Sr. No.	Number of Significant Counterparties	Amount	% of Total Liabilities
1	Allahabad Bank	4,992	1.46%
2	Axis Bank	26,641	7.82%
3	Bajaj	7,546	2.21%
4	Bank of Baroda	17,943	5.26%
5	Commercial Paper	12,178	3.57%
6	DCB	8,065	2.37%
7	Federal Bank Ltd	106,072	31.12%
8	HDFC Bank Ltd	43,966	12.90%
9	ICICI BANK	23,810	6.99%
10	Indian Bank	14,987	4.40%
11	Jammu & Kashmir Bank Ltd	5,553	1.63%
12	KVB Bank	4,985	1.46%
13	State Bank of India	19,898	5.84%
14	South Indian Bank	4,990	1.46%
15	SIDBI	16,428	4.82%

(ii) Top 10 borrowings

Sr. No.	Number of Significant Counterparties	Amount	% of Total Borrowing
1	Federal Bank Ltd	106,072	33.04%
2	HDFC Bank Ltd	43,966	13.69%
3	Axis Bank	26,641	8.30%
4	ICICI BANK	23,810	7.42%
5	SBI	19,898	6.20%
6	Bank of Baroda	17,943	5.59%
7	SIDBI	16,428	5.12%
8	Indian Bank	14,987	4.67%
9	Commercial Paper	12,178	3.79%
10	DCB	8,065	2.51%

(iii) Funding Concentration based on significant instrument/ product

Sr. No.	Number of Significant Counterparties	Amount	% of Total Liabilities
1	Short Term working Capital	14,458	4.24%
2	Term Loan- Secured	286,932	84.19%
3	Term Loan- unsecured	7,500	2.20%
4	Commercial paper	12,178	3.57%

(iv) Stock Ratio

Particulars	%
(a) Commercial Paper as % of Total Liabilities	**3.57%**
(b) Commercial Paper as % of Total Assets	**2.97%**
(c) Other Short Term Liabilities as % of Total Liabilities	**3.33%**
(d) Other Short Term Liabilities as % of Total Asset	**2.76%**

48.33 Previous years figures are regrouped wherever necessary in confirmation to the current years' requirement

The accompanying notes are an integral part of the financial statements.

Sudeep Agrawal
CFO

S Rajaraman
Company Secretary
M.No.F3514

As per our report of even date attached
For **Varma & Varma**
Chartered Accountants
FRN : 004532S

For and on behalf of Board of Directors

Balakrishnan Krishnamurthy
Chairman
DIN:00034031

Gauri Rushabh Shah
Director
DIN:06625227

Shyam Srinivasan
Director
DIN:02274773

Georgy Mathew
Partner
M.No: 209645

Maninder Juneja
Director
DIN:02680016

Ashutosh Khajuria
Director
DIN:05154975

Anil Kothuri
MD & CEO
DIN:00177945

Place: Mumbai
Date: June 29, 2020

Place: Bengaluru
Date: June 29, 2020

FEDBANK
FINANCIAL SERVICES LIMITED

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