

Annual Report 2022-23

Fedbank Financial Services Limited

Business Highlights

(INR in crores)

Particulars	Ind AS 2022-23	Ind AS 2021-22	Ind AS 2020-21	Ind AS 2019-20	IndAS 2018-19	IGAAP 2017-18	IGAAP 2016-17
Branch Network (Nos)	575	516	360	300	152	123	107
Loan Assets Under Management	9070	6187	4862	3838	2,019	1,422	962
Net worth	1356	1154	835	691	459	260	230
Borrowing	7136	5017	4328	3218	1600	1155	725
Total Revenue	1215	884	698	466	256	198	135
Net Interest Income	623	463	334	215	114	94	71
Profit Before Tax	243	139	77	56	51	49	35
Profit After Tax	180	103	62	39	36	31	23

Key Ratios	Ind AS 2022-23	Ind AS 2021-22	Ind AS 2020-21	Ind AS 2019-20	IndAS 2018-19	IGAAP 2017-18	IGAAP 2016-17
Gross NPA (%)	2.03	2.23	1.04	1.47	2.28	0.92	0.22
Net NPA (%)	1.59	1.75	0.71	1.08	1.93	0.80	0.18
Capital Adequacy Ratio (%)	17.94	23.04	23.52	17.89	21.61	17.22	22.98
Return on Total Asset (ROTA) (%)	2.31	1.72	1.29	1.26	1.99	2.48	2.73
Return on Equity (ROE) (%)	14.36	10.41	8.08	6.81	10.12	12.57	10.28
Basic Earnings Per Share (INR)	5.60	3.32	2.19	1.61	1.76	1.62	1.19
Diluted Earnings Per Share (INR)	5.59	3.31	2.18	1.60	1.76	1.62	1.19

1. Figures and ratios from FY 2018-19 onwards are as per Ind AS.

2. Loan Asset Under Management represents total gross loan book and assignee's share outstanding as on last day of reporting period.

3. Borrowings represent the total borrowings outstanding on last day of reporting period.



Chairman's Letter

Dear Shareholders,

I am delighted to present the annual report of Fedbank Financial Services Limited for the fiscal year ending 2022-23. As the Chairman of the company, it is both an honor and a privilege to outline the overview of the company's performance and achievements over the past year.

Our company, driven by the "twin-engine business model", was strongly paced to cater to the demand of the borrowers. As a result of this strategy, we registered a 47% growth in the assets under management to reach above INR 9,000 crs.

We have a "phygital distribution model" that served the customers both physically and digitally. We added 59 branches during the year, taking the toll of branches to 575, covering 16 states and union territories. Digital remains part of our core strategy as we plan to expand our offerings, we started "door step gold loans", a fully digital offering of gold loans at their doorstep. Further, we added "digi locker" to our kitty, a fully digital product, where the customer can utilise their credit limits, basis the stock of gold stored with us.

Despite rapid expansion, we enhanced our profitability scenario as we clocked a profit after tax of INR 180.1 crores in FY 22-23, registering a

growth of 74% year on year. However, it would be an understatement to measure profitability only through the reported numbers as our company has ventured into the build phase, where we have expanded our infrastructure, branches and employee base, we have gone through elevated expenses. However, as these expansion plans materialise and we start extracting operating leverage from these branches, our profitability will improve substantially. Despite sectorial head-winds and the shift to the new regime of NPA recognition, our asset quality remained largely intact.

As we are growing and becoming sizeable in the geographies and products we are in, we have ensured our commitment to the key Environmental, Societal and Governance related policies. We have formed a board approved ESG policy

to ensure that the business growth is both sustainable and stable. Keeping in mind, the issue of climate change, we have formed an in-house climate change committee.

To conclude, I am extremely grateful to all our customers, employees, investors, lenders, rating agencies, service providers and all the other stakeholders, whom have continued to extend their support during these challenging times.

We continue to be committed towards our vision of "Empowering emerging India with an easy access to credit".

Mr. K Balakrishnan

Chairman & Independent Director



Message from **MD and CEO**



The year gone by saw the environment open up and become more enabling for the conduct of small businesses. Systemic credit showed strong growth on back of pent-up in retail demand. Fedfina took advantage of these tail winds and increased its quantum of business.

Our Operating Performance

Our loan disbursements grew from INR 7,470 Crs to INR 10,749 Crs - a 44% growth over the past year. Our Balance Sheet was up 38% during the year and closed at INR 9,071 Crs - up from INR 6,556 Crs the previous year. This helped increase our profit after tax from INR 103.5 Crs last year to INR 180.1 Crs in the current year, a growth of 74%. Our Return on Equity improved from 10.4% to 14.4%.

Progress during the year

Our company grew stronger in the year gone by

The credit rating of our Company was upgraded from AA- to AA by CARE Ratings Limited. This upgrade is in recognition of the increasing size and improving profitability of our business. In addition to lowering our cost of borrowing, we expect this upgrade to help us access sources of borrowing through additional avenues. Our GNPA improved from 2.23% to 2.03% during the course of the year.

Our People

People are at the forefront of our organization. We believe that human talent is one of the key pillars for our success and growth. As of fiscal 2023, we employed 3,570 people across the country. Our ability to attract and retain talent is demonstrated by our Company being certified as

a "Great Place to Work" for the last three consecutive years, by the Great Place to Work Institute, India. Further, in calendar year 2023, we have also been recognized as one of the Top 50 Indian's Best Workplaces in BFSI 2023' by the Great Place to Work Institute, India.

The Future

India is expected to remain one of the fastest-growing major economies. Over the last few years, the retail credit market has grown at a healthy pace. Further, retail credit is large, has good growth prospects, is under penetrated and profitable.

We have filed our Draft Red Herring Prospectus and propose to undertake an Initial Public Offering (IPO) of our company's equity shares subject to receipt of requisite approvals, market conditions and other considerations. There are many people who are helping realise these ambitions on a daily basis. I thank all the employees of Fedfina, for all that they do every day. Thanks are also due to our Board of Directors for their guidance and to our shareholders for their unstinted support.

Mr. Anil Kothuri
 Managing Director & CEO



We opened 59 branches during the course of the year to increase our presence to 575 branches across 16 states.

Corporate Information

Board of Directors

Mr. Balakrishnan Krishnamurthy
Chairman and Independent Director

Mr. Anil Kothuri
Managing Director & CEO

Ms. Gauri Rushabh Shah
Independent Director

Mr. Peruvemba Ramachandran Seshadri
Additional Independent Director

Mr. Shyam Srinivasan
Non- Executive Director

Mr. Maninder Singh Juneja
Non-Executive Nominee Director

Mr. Ashutosh Khajuria
Non-Executive Nominee Director

Key Managerial Personnel

Mr. Anil Kothuri
Managing Director & CEO

Mr. Chattapuram Venkatraman Ganesh
Chief Financial Officer

Mr. Rajaraman Sundaresan
Company Secretary

Committees of the Board

Audit Committee

Nomination and Remuneration Committee

Risk Management Committee

Corporate Social Responsibility Committee

IT Strategy Committee

Stakeholders Relationship Committee

Capital Raising Committee

Committee of Directors (Operations)

Holding Company

The Federal Bank Limited

Statutory Auditors of our Company

BSR & Co. LLP
Chartered Accountants

14th Floor, Central Wing B Wing and North C Wing, Nesco IT Park 4, Nesco Center, Western Express Highway, Goregaon (East) Maharashtra, India

Tel: +91 22 6257 1000
Email: asuvarna@bsraffiliates.com

Firm Registration No.: 101248W/W-100022

Peer Review Certificate Number: 011748

Secretarial Auditors of our Company

DM & Associates Company Secretaries LLP
Company Secretaries

205, Nadiadwala Market, Poddar Road, Malad (East), Mumbai-400097

Tel: 022-28443641 Email: dmassociatesllp@gmail.com

Firm Registration No.: L2017MH003500

Peer Review Certificate: 758/2020

Debenture Trustees of our Company

IDBI Trusteeship Services Limited
Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 001

Tel: 02240807000
Email: compliance@idbitrustee.com

Beacon Trusteeship Limited
4C & D Siddhivinayak Chambers, Gandhi Nagar, Opp MIG Cricket Club, Bandra East (E), Mumbai - 400051

Tel: 022-26558759
Email: contact@beacontrustee.co.in

Registrar & Share Transfer Agents

Link Intime India Private Limited
C 101, 247 Park, Lal Bahadur Shastri Marg, Vikhroli (West), Mumbai - 400 083

Tel: 02249186200
Email: mumbai@linkintime.co.in

Registered and Corporate Office

Kanakia Wall Street, A Wing, 5th Floor, Unit No.511, Andheri Kurla Road, Andheri (East), Mumbai - 400093, Maharashtra.

Tel: 022 68520601
Email: customercare@fedfina.com
Website: www.fedfina.com

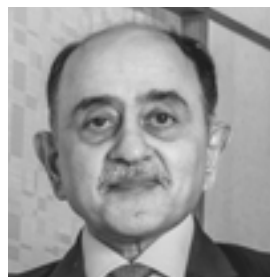
Profile of Board members



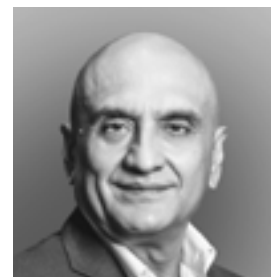
Balakrishnan Krishnamurthy is the Chairman and an Independent Director of our Company. He holds a bachelor's degree in commerce (honours) from Faculty of Commerce, Osmania University. He is a qualified chartered accountant and company secretary. He has experience in the financial services sector. Currently, he serves as the chairman of Kriscore Financial Advisors Private Limited and director of Kriscore Ventures Private Limited. Previously, he has been associated with Lazard India Private Limited as Managing Director.



Anil Kothuri is the Managing Director and Chief Executive Officer of our Company. He holds a bachelor's degree of technology in computer science and engineering from Andhra University and a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad. He has over 28 years of experience across various asset businesses including mortgage, SME financing, auto loans, housing finance and unsecured lending. Prior to joining our Company, he has served at Edelweiss Housing Finance Limited as President, and at Citibank N.A.



Shyam Srinivasan is a Non-Executive Director of our Company. He holds a bachelor's degree in engineering from the Faculty of Engineering, University of Madras and post-graduate diploma in management from the Indian Institute of Management, Calcutta. He currently serves as director of Ageas Federal Life Insurance Company Limited and managing director and chief executive officer of The Federal Bank Limited.



Maninder Singh Juneja is a Non-Executive Nominee Director of our Company. He holds a bachelor's degree in civil engineering from Maharaja Sayajirao University of Baroda and a post graduate diploma in management from Indian Institute of Management Society, Lucknow. He has over 25 years of experience in the banking and finance industry. He has previously been associated with Godrej GE Appliances Limited, SRF Finance Limited as business manager of corporate finance, Whirlpool of India Limited as business manager, ICICI Bank Limited as group executive and National Bulk Handling Corporation Private Limited as managing director and chief executive officer. Currently, he is associated with True North Managers LLP as a partner.



Ashutosh Khajuria is a Non-Executive Nominee Director of our Company. He holds a bachelor's degree in law from Jiwaji University, Gwalior and a master's degree in arts from Doctor Harisingh Gour Vishwavidyalaya, Sagar. Previously, he has served at The Federal Bank Limited in various designations including president and head of treasury, following which he was the executive director and chief financial officer. He has also served as the director of Ageas Federal Life Insurance Company. Presently, he is serving as the Chief Mentor at The Federal Bank Limited and oversees the functions of treasury, credit underwriting, credit monitoring and collections, ESG, and the IFSC banking unit (IBU) in GIFT City, Gujarat.



Gauri Rushabh Shah is an Independent Director of our Company. She holds a bachelor's degree in commerce from University of Bombay. She has passed the final examination held by the Institute of Chartered Accountants of India. She secured the 44th rank in the intermediary examination held by the Institute of Chartered Accountants of India. She was associated with CC Choksi Advisors Private Limited.



Peruvembala Ramachandran Seshadri is an Additional Independent Director of our Company. He holds a bachelor's degree in engineering (electrical) from the University of Delhi and post-graduate diploma in management from Indian Institute of Management, Bangalore. He has previously served as the managing director and chief executive officer, central office of The Karur Vysya Bank Limited and has also been associated with Citibank N.A., Singapore for 23 years, including as its managing director.

Directors' Report

Dear Shareholders

Your Directors present to you their Twenty-Eighth Annual Report along with IND AS audited financial statements of the Company for the Financial Year ended 31st March 2023.

FINANCIAL PERFORMANCE:

(INR In Lakhs)

Financial Highlights	FY 2022-2023	FY 2021-2022
Total Revenue	1,21,467	88,364
Net Interest Income (NII)	63,801	47,424
Fees and Other Income	10,451	6,175
Operating Expenses & Loan Loss Provisions	48,413	39,678
Profit Before exceptional items and tax	25,839	13,921
Exceptional items	(1,537)	0
Profit Before Tax	24,302	13,921
Net Profit	18,013	10,346
Appropriations:		
Transfer to Reserve Fund	3,602	2,069
Transfer to General Reserve	0	0
Transfer to Capital Reserve	0	0
Transfer to Impairment Reserve	0	0
Proposed Dividend	0	0
Balance Carried Over To Balance Sheet	14,411	8,277
Total Advances	7,99,970	5,64,481
Total Borrowings	7,13,583	5,01,684
Total Assets (Balance Sheet Size)	9,07,099	6,55,571
Net Worth	1,35,568	1,15,352
Ratios:		
Return on Average Assets (%)	2.31	1.72
Return on Equity (%)	14.36	10.41
Earnings per share (INR)	5.60	3.32
	5.69	3.31
Book Value per share (INR.)	42.11	35.88
Cost to Income ratio (%)	58.60	58.38
Capital Adequacy Ratio (%)	17.94	23.04

STATE OF COMPANY'S AFFAIRS:

Your Company is a retail focused non-banking finance company promoted by The Federal Bank Limited. The Company has the second lowest cost of borrowing among the micro, small and medium enterprises, gold loan and MSME and gold loan peer set in India in FY 2022-23. As on 31st March, 2023, your Company had the third fastest Asset under Management (AUM) growth among NBFCs in the peer set in India with a three year CAGR of 33% during FY 2020-2023.

The AUM of the company has increased by 47%, from INR 6,18,720 Lakhs to INR 9,06,960 Lakhs which was mainly contributed by growth in Housing Finance portfolio by 72%, small ticket LAP by 50%. We have also grown our securitization partnerships during the year with other banks and NBFCs.

The portfolio of loans has grown by 41% over last year to INR 8,10,274 Lakhs.

Total revenue for your Company has grown from INR 88,364 Lakhs in FY22 to INR 1,21,467 Lakhs this year. Similarly, Net Interest Income (NII) grew by 34.53% from INR 47,424 Lakhs in FY22 to INR 63,801 Lakhs this year.

Operating expenses (including Impairment provision) grew from INR 39,678 Lakhs in FY22 to INR 48,413 Lakhs this year, and the Cost to Income ratio increased marginally Y-o-Y from 58.38% in FY22 to 58.61% this year.

The Net Profit for the year ended 31st March 2023 increased by 74% to INR 18,013 Lakhs from INR 10,346 Lakhs for the year ended 31st March 2022. The Return on Average Assets for the year ended 31st March 2023 improved by 42% to 2.45 % as against 1.72 % for the year ended 31st March 2022

The Net worth as at 31st March 2023 increased by 18% to INR 1,35,568 Lakhs as against INR 1,15,352 Lakhs as at 31st March 2022

As at 31st March 2023, aggregate borrowings of your Company stood at INR 7,13,583 Lakhs as compared to INR 5,01,684 Lakhs as at 31st March 2022.

NETWORK EXPANSION:

Your Company had 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 59 branches in FY 22-23, the branch network has now increased to 575 branches as on March 31, 2023 across various states for different products as follows:

State / Union Territories	Gold Loan	MSME Hubs	Grand Total
Andhra Pradesh	41	16	57
Chandigarh	0	1	1
Delhi NCR	36	2	38
Goa	5	0	5
Gujarat	65	27	92
Haryana	9	0	9
Karnataka	73	14	87
Madhya Pradesh	8	2	10
Maharashtra	71	36	107
Pondicherry	1	1	2
Punjab	9	0	9
Rajasthan	10	12	22
Tamilnadu	63	12	75
Telangana	35	14	49
U/T- Dadra & Nagar Haveli	1	0	1
Uttar Pradesh	10	1	11

OUTLOOK:

We have presence covering 16 states and union territories across India with a strong presence in southern and western geographies. Our wider presence across these states gives us the ability to meet the demand from these markets and customer categories.

We have done an investment in technology and plan to continue to invest in technology and digitization and to ensure our information technology systems continue to help us with across several functions, including loan origination, credit underwriting, risk management, collections, customer service and retention. We believe that such investments will help improve recoveries and reduce our operating expenses, cost of customer acquisition and credit costs over time.

Our strategies going ahead are listed below:

- Continue to deliver consistent and one of the industry leading return matrices building on past performance
- Focus on performance of our large branch network and extracting operating leverage

- Continue to invest in technology and digitization initiatives
- Continue to invest in talent and employee training to achieve industry leading productivity parameters
- Capitalize on our understanding of our customer as a foundation for customer retention and customer acquisition

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 31st March, 2023.

AMOUNT PROPOSED TO BE CARRIED TO RESERVES:

Your Board of Directors have proposed a transfer of INR. 3,602 Lakhs 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 Asset Liability Management policy and practices of your Company are in line with the regulatory guidelines; 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.

CHANGES IN CAPITAL STRUCTURE:

Authorized Share Capital of the Company:

The Authorized Share Capital of the Company is INR 1000,00,00,000/- (Rupees One Thousand crores only) consisting of 99,00,00,000 (Ninety nine crores) equity shares of INR 10/- (Rupees Ten) each and 1,00,00,000 (One Crore) 0.01% non-cumulative redeemable preference shares of face value INR 10 (Rupees Ten) each.

Paid-up Share Capital of the Company:

The Paid up share capital of the Company as on March 31, 2022 was INR 321,51,76,050/- divided into 32,15,17,605 equity shares of INR 10 each.

During the financial year under review, 3,94,000 ESOP's were exercised and allotted pursuant to the Fedbank Financial Services Limited Employees Stock Option Plan 2018, as amended.

Consequently, as at 31st March, 2023, the Issued, Subscribed and Paid up share capital of the Company stood at INR. 321,91,16,050/- divided into 32,19,11,605 Equity shares of face value of INR 10 each.

FINANCE - DEBENTURES

During the year under review, the Company had issued fresh Non-convertible Debentures – (Market Linked Debentures). The details are stated below:

NCD Series	Date of Allotment	Date of redemption	Amount Outstanding (In Rs)
Fedbank Financial Services Limited NCDs 2026	4th January 2023	4th April 2026	200,00,00,000
Total			200,00,00,000

The details of all existing issue of Non-convertible Debentures on private placement basis as on March 31, 2023 are mentioned below:

NCD Series	Date of Allotment	Date of redemption	Amount Outstanding (In Rs)
9% Fedbank Financial Services Limited Tranche - 1 NCDs 2023	17th June 2020	18th June 2023	187,50,00,000
9.90% Fedbank Financial Services Limited Unsecured Subordinated NCD 2027	30th September 2020	30th September 2027	250,00,00,000
Fedbank Financial Services Limited NCDs 2026*	4th January 2023	4th April 2026	200,00,00,000
Total			637,50,00,000

*Market Linked Debentures

DEBENTURE TRUSTEES:

The details of Debenture Trustees as on March 31, 2023 are mentioned below:

IDBI Trusteeship Services Limited

Asian Building, Ground Floor, 17, R. Kamani Marg,

Ballard Estate, Mumbai – 400 001

Email: compliance@idbitrustee.com

Tel no.: 022-40807000

Beacon Trusteeship Limited

4C & D Siddhivinayak Chambers, Gandhi Nagar,

Opp MIG Cricket Club, Bandra East (E),

Mumbai – 400051

Email: contact@beacontrustee.co.in

Tel No: 022-26558759

EMPLOYEES STOCK OPTION SCHEME:

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

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

Detail of Stock options as on 31st March 2023:

1. Shareholders' approval for grant of stock options	: 1,54,05,405
2. Options granted to employees	: 1,45,52,601
3. Options vested	: 27,77,000
4. <u>Options Exercised</u>	
at INR 30/- grant price	: 2,72,000
at INR 42.11/- grant price	: 1,35,000
at INR 48/- grant price	: 2,80,000

5. Total number of shares arising as a result of exercise of option : 6,87,000
6. Options lapsed : 2,81,250
7. Exercise Price INR : 30/-, 42.11/-, 48/-
8. variation of terms of options : None
9. Money realized by exercise of options : INR 2,72,84,850
10. Total number of options in force : 1,35,84,351
11. (i) Stock options held by Key Management Personnel (KMP) as on March 31, 2023
 1. Mr. Anil Kothuri , M.D. & CEO : 33,51,351
 2. Mr. C.V. Ganesh, CFO : 9,40,000
 3. Mr. S. Rajaraman, CS : 30,000
- (ii) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year.- Nil
- (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

Further Company has not made 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, category of Directors and shareholding of non executive Directors:

The Composition of the Board of Directors as on March 31, 2023 is as under:

Sl. no	Name of the Director	Director since	Capacity	DIN	Number of Board Meetings		No. of other Directorships	Remuneration			No. of shares held in and convertible instruments held in the NBFC
					Held	Attended		Salary and other compensation	Sitting fees	Commission	
1.	Balakrishnan Krishna murthy	28/09/2019	Chairman & Independent Director	00034031	14	12	3	-	11,50,000	Nil	-
2	Anil Kothuri	11/12/2018	MD & CEO	00177945	14	14	0	5,04,30,000	-	Nil	27,29,730
3	Shyam Srinivasan	18/03/2011	Non Executive Director	02274773	14	10	2	-	-	Nil	200 (Nominee of Federal Bank)
4	Gauri Rushabh Shah	13/02/2015	Independent Director	06625227	14	14	0	-	14,10,000	Nil	-
5	Maninder Singh Juneja	20/12/2018	Non- executive Nominee Director	02680016	14	10	4	-	-	Nil	-
6	Ashutosh Khajuria	30/04 /2020	Non- executive Nominee Director	05154975	14	10	1	-	-	Nil	1 (Nominee of Federal Bank)
7	Peruvemba Ramachandran Seshadri	12/08 /2022	Additional Director in the capacity of Independent Director	07820690	9	9	4	-	5,50,000	Nil	-

The Company has a regular Chairman and is not related to MD & CEO.

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

Details of change in composition of the Board during the current and previous financial year.

Sr. No.	Name of the Director	Capacity	Nature of Change	Effective Date
1.	Anil Kothuri	MD & CEO	Retirement by rotation	05/08/2022
2.	Peruvemba Ramachandran Seshadri	Additional Director in the capacity of Independent Director	Appointment	12/08/2022

ii) No. of Meetings held during the year:

During the FY 2022-23, your Board of Directors met 14 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 28th April, 2022, 18th May, 2022, 24th May, 2022, 13th July, 2022, 12th August, 2022, 22nd August, 2022, 29th September, 2022, 13th October, 2022, 20th October, 2022, 11th November, 2022, 22nd December, 2022, 13th January, 2023, 10th February, 2023 and 28th March, 2023.

Audit Committee:

i) Composition:

The Composition of the Audit Committee as on March 31, 2023 is as under:

Sr. No.	Name of the Director	Member of Committee since	Capacity	No. of Meetings of the committee		No. of Shares held in the NBFC
				Held	Attended	
1.	Gauri Rushabh Shah	27/03/2015	Chairperson	11	11	-
2.	Balakrishnan Krishnamurthy	28/09/2019	Member	11	8	-
3.	Ashutosh Khajuria	29/04/2020	Member	11	8	1 (Nominee of Federal Bank)
4.	*Peruvemba Ramachandran Seshadri	25/11/2022	Member	3	3	-

*Peruvemba Ramachandran Seshadri was appointed as member of Audit Committee w.e.f 25/11/2022

The constitution of the Committee is 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 the following:

- to oversee the financial reporting process;
- to review financial results and related information and disclosure of its financial information to ensure that its financial statements are correct, sufficient and credible
- to approve or modify any related party transactions, to review internal financial controls and risk management system,
- to review and evaluate with the management performance of statutory and internal auditors, effectiveness of audit process and adequacy of the internal control systems;
- to review and monitor the statutory auditor's independence and performance, and effectiveness of audit process;
- approval of payment to statutory auditors for any other services rendered by the statutory auditors of the Company
- reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
 - matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act as amended from time to time;
 - changes, if any, in accounting policies and practices and reasons for the same;
 - major accounting entries involving estimates based on the exercise of judgment by management;
 - significant adjustments made in the financial statements arising out of audit findings;
 - compliance with listing and other legal requirements relating to financial statements;
 - disclosure of any related party transactions; and
 - modified opinion(s) in the draft audit report.
- reviewing, with the management, the quarterly, half-yearly before submission to the Board for approval;
- reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter. This also includes monitoring the use/ application of the funds raised through the proposed initial public offer by the Company;
- approval or any subsequent modifications of transactions of the Company with related parties and

*The Terms of references for Audit committee were amended in the meeting dated 21.06.2023, to align with the amendments of SEBI(LODR) Regulations, 2015.

omnibus approval for subject to the conditions as may be prescribed, by the independent directors who are members of the Audit Committee;

11. scrutinising of inter-corporate loans and investments;
12. valuation of undertakings or assets of the Company, wherever it is necessary;
13. evaluation of internal financial controls and risk management systems;
14. establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;
15. reviewing the adequacy of internal audit function if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
16. discussing with internal auditors on any significant findings and follow up thereon;
17. reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
18. discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
19. looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
20. reviewing the functioning of the whistle blower mechanism;
21. approving the appointment of the chief financial officer or any other person heading the finance function or discharging that function after assessing the qualifications, experience and background, etc. of the candidate; and
22. carrying out any other function as may be decided by the Board and/or specified/provided under the Companies Act, the Listing Regulations or by any other regulatory authority.
23. reviewing the utilization of loans and/ or advances from/investment by the holding company in any subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as per applicable law.
24. considering and commenting on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders.

25. to ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company

Powers of the Audit Committee

The powers of the Audit Committee shall include the following:

1. To investigate any activity within its terms of reference;
2. To seek information from any employee;
3. To obtain outside legal or other professional advice; and
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Reviewing Powers

The Audit Committee shall mandatorily review the following information:

1. management's discussion and analysis of financial condition and results of operations;
2. statement of significant related party transactions (as defined by the Audit Committee), submitted by the management.
3. related party transactions approved by the Directors.;
4. management letters / letters of internal control weaknesses issued by the statutory auditors;
5. internal audit reports relating to internal control weaknesses;
6. the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee;
7. examination of the financial statements and the auditors' report thereon; and
8. statement of deviations:
 - (i) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of the Listing Regulations; and
 - (ii) annual statement of funds utilised for purposes other than those stated in the document/prospectus/notice in terms of the Listing Regulations

ii) No. of Meetings held during the year:

During the FY 2022-2023, the Audit Committee of the Board met 11 times on 28th April, 2022, 18th May, 2022, 13th July, 2022, 12th August, 2022, 22nd August, 2022, 13th October, 2022, 20th October, 2022, 11th November, 2022, 22nd December, 2022, 13th January 2023 and 10th February, 2023,

Nomination & Remuneration Committee:

i) Composition:

The Composition of the Nomination & Remuneration Committee as on March 31, 2023 is as under:

Sr. No.	Name of the Director	Member of Committee since	Capacity	No. of Meetings of the committee		No. of Shares held in the NBFC
				Held	Attended	
1.	Gauri Rushabh Shah	27/03/2015	Chairperson	4	4	-
2.	Balakrishnan Krishnamurthy	28/09/2019	Member	4	4	-
3.	Shyam Srinivasan	04/06/2013	Member	4	2	200 (Nominee of Federal Bank)
4.	Maninder Singh Juneja	15/03/2019	Member	4	1	-
5.	*Peruvemba Ramachandran Seshadri	25/11/2022	Member	-	-	-

*Peruvemba Ramachandran Seshadri was appointed as member of Nominations Remuneration Committee w.e.f 25th November, 2022

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 the following:

1. To formulate the Nomination and Remuneration policy,
2. Identifying persons who qualify to become directors and ensure their fit and proper status, scrutinize the fit and proper declarations made and who may be appointed in senior management in accordance with the criteria laid down, and recommending to the Board their appointment and removal,
3. Carrying out evaluations of every director's performance and ensuring the fit and proper status of proposed and existing directors and recommending to the Board a policy, relating to the remuneration of the directors, key managerial personnel, senior management and other employee as may deem fit;
4. To set criteria for determining qualifications, positive attributes and independence of a director,
5. To formulate criteria for evaluation of performance of the independent directors and the Board.
6. To evaluate for every appointment of an independent director, the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description.

For the purpose of identifying suitable candidates, the Committee may:

- (i) use the services of an external agencies, if required;

- (ii) consider candidates from a wide range of backgrounds, having due regard to diversity; and

- (iii) consider the time commitments of the candidates.

7. Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
8. Devising a policy on Board diversity;
9. Analysing, monitoring and reviewing various human resource and compensation matters;
10. Performing such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2012, as amended;
11. Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including:
 - (i) the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; or
 - (ii) the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended.
12. Performing such other activities as may be delegated by the Board and/or specified/provided under the Companies Act, the SEBI Listing Regulations or by any other regulatory authority; and
13. Recommend to the Board, all remuneration, in whatever form, payable to senior management

ii) No. of Meetings held during the year:

During the FY 2022-2023, the Nomination & Remuneration Committee of the Board met 4 times on 25th April, 2022, 18th May, 2022, 31st May 2022 and 11th August, 2022

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.

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 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 Composition of the CSR Committee as on March 31, 2023 is as under:

Sr. No.	Name of the Director	Member of Committee since	Capacity	No. of Meetings of the committee		No. of Shares held in the NBFC
				Held	Attended	
1.	Gauri Rushabh Shah	27/03/2015	Chairperson	1	1	-
2.	Shyam Srinivasan	28/04/2014	Member	1	1	200 (Nominee of Federal Bank)
3.	Anil Kothuri	15/03/2019	Member	1	1	27,29,730
4.	Peruvemba Ramachandran Seshadri	25/11/2022	Member	-	-	-

**Peruvemba Ramachandran Seshadri was appointed as member of Corporate Social Responsibility Committee w.e.f 25th November, 2022*

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:

1. to formulate and recommend to the Board a Corporate Social Responsibility ("CSR") Policy which shall indicate the activities to be undertaken by the Company in areas or subject specified in Schedule VII of the Companies Act 2013;
2. to recommend the amount of expenditure to be incurred on the CSR Activities in line with the Schedule VII of the Companies Act, 2013;
3. to monitor CSR policy of the Company from time to time;
4. to institute a transparent monitoring mechanism for implementation of the CSR activities or projects or programs of the Company;
5. To perform such other duties and functions as the Board may require the CSR committee to undertake

to promote the CSR activities of the Company or as may be required under applicable laws

ii) No. of Meetings held during the year:

During the FY 2022-2023, the CSR Committee of the Board met once on 9th May, 2022.

iii) 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.

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 Annexure-I.

Risk Management Committee:

i) Composition:

The Composition of the Risk Management Committee as on March 31, 2023 is as under:

Sr. No.	Name of the Director	Member of Committee since	Capacity	No. of Meetings of the committee		No. of Shares held in the NBFC
				Held	Attended	
1.	*Peruvemba Ramachandran Seshadri	25/11/2022	Chairman	2	2	-
2.	**Balakrishnan Krishnamurthy	28/09/2019	Member	3	2	-
3.	Gauri Rushabh Shah	16/01/2021	Member	5	5	-
4.	Maninder Singh Juneja	15/03/2019	Member	5	4	-
5.	Ashutosh Khajuria	29/04/2020	Member	5	3	1(Nominee of Federal Bank)
6.	Anil Kothuri	15/03/2019	Member	5	5	27,29,730
7.	***Shardul Kadam	16/01/2021	Member	1	1	-
8.	C.V. Ganesh	16/01/2021	Member	5	5	-
9.	K. Siddharth	16/01/2021	Member	5	4	-

*Mr. Peruvemba Ramachandran Seshadri was appointed as the Chairman of the Risk management committee w.e.f 25.11.2022

**Mr. Balakrishnan Krishnamurthy ceases to be the member of the Risk management committee w.e.f 25.11.2022

***Mr. Shardul Kadam ceases to be the member of the Risk management committee w.e.f 13.07.2022

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

Broad terms of reference of the Committee includes the following:

- To formulate and approve Company's Risk Management Policy and procedures which shall include:
 - a framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
 - measures for risk mitigation including systems and processes for internal control of identified risks.
 - business continuity plan.
- To ensure and monitor appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

- To review portfolio and its delinquency at a product level and NPA Management
- To evaluate the overall risks faced by the Company.
- To monitor and evaluate liquidity risk faced by the Company.
- To ensure adherence to liquidity risk management policies and procedure
- To consider and review the Liquidity Risk Analysis and Monitoring measures.
- To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- To recommend to the Board for the appointment of the Chief Risk Officer on such terms as may be approved by the Board.
- To carry out such other functions as may be specified by the Board from time to time or specified/ provided the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, each as amended and/ or by any other regulatory authority.

ii) No. of Meetings held during the year:

During the FY 2022-2023, the Risk Management Committee of the Board met 5 times on 9th May, 2022, 11th August, 2022, 10th November, 2022, 22nd December, 2022 and 12th January, 2023.

IT Strategy Committee:

i) Composition:

The Composition of the IT Strategy Committee as on March 31, 2023 is as under:

Sr. No.	Name of the Director	Member of Committee since	Capacity	No. of Meetings of the committee		No. of Shares held in the NBFC
				Held	Attended	
1.	Gauri Rushabh Shah	27/03/2015	Chairperson	3	3	-
2.	Maninder Singh Juneja	16/01/2021	Member	3	3	-
3.	Anil Kothuri	15/03/2019	Member	3	3	27,29,730
4.	Krishnaswamy Siddharth	16/01/2021	Member	3	3	-
5.	Dhruvil Dalal	13/11/2021	Member	3	3	-
7.	*Dinesh Singh	13/11/2021	Member	2	2	-
8.	**Peruvemba Ramachandran Seshadri	25/11/2022	Member	1	1	-

*Mr. Dinesh Singh resigned as the member of IT Strategy committee w.e.f. 17/02/23

**Mr. Peruvemba Ramachandran Seshadri was appointed as the member of IT Strategy committee w.e.f. 25/11/22.

During the year under review, The Board of Directors of the Company vide its Board Meeting held on 13th November, 2021 appointed Mr. Dhruvil Dalal, CTO/ CIO of the Company and Mr. Dinesh Singh, IT- Head as Members of the Committee. Further the re-constitution of the Committee is in compliance with the regulatory requirements.

Broad terms of reference of the Committee includes: to formulate, approve and implement various IT policies as required by the regulators of the Company.

ii) No. of Meetings held during the year:

During the FY 2022-2023, the IT Strategy Committee of the Board met three times on 9th May, 2022, 10th November, 2022 and 29th March, 2023.

Stakeholders Relationship Committee:

The Stakeholders' Relationship Committee was constituted by our Board at their meeting held on January 11, 2022. The scope and functions of the Stakeholder Relationship Committee are in accordance with Section 178 of the Companies Act, 2013 and the SEBI Listing Regulations.

i) Composition:

The Composition of the Stakeholders Relationship Committee as on March 31, 2023 is as under:

Sr. No.	Name of the Director	Member of Committee since	Capacity	No. of Meetings of the committee		No. of Shares held in the NBFC
				Held	Attended	
1.	*Peruvemba Ramachandran Seshadri	25/11/2022	Chairman	-	-	-
2.	Balakrishnan Krishnamurthy	11/01/2022	Member	1	0	-
3.	Gauri Rushabh Shah	11/01/2022	Member	1	1	-
4.	Anil Kothuri	11/01/2022	Member	1	1	27,29,730

*Mr. Peruvemba Ramachandran Seshadri was appointed as the Chairman of Stakeholders Relationship Committee w.e.f. 25.11.22.

Broad terms of reference of the Committee includes:

- To consider and resolve the grievances of the security holders of the Company including complaints related to transfer/transmission of shares/securities, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints;
- To review measures taken for effective exercise of voting rights by shareholders;
- Giving effect to all transfer/transmission of shares and debentures, dematerialisation of shares and re-materialisation of shares, split and issue of duplicate/ consolidated share certificates, compliance with all the requirements related to shares, debentures and other securities from time to time;
- To review adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent;

5. To review the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company: and
6. Carrying out such other functions as may be specified by the Board from time to time or specified/

provided under the Companies Act, 2013 or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, each as amended or by any other regulatory authority.

ii) No. of Meetings held during the year:

During the FY 2022-2023, the Committee of the Board met once on 9th May, 2022.

Capital Raising Committee:

The Composition of the Capital Raising Committee as on March 31, 2023 is as under:

Sr. No.	Name of the Director	Member of Committee since	Capacity	No. of Meetings of the committee		No. of Shares held in the NBFC
				Held	Attended	
1.	Balakrishnan Krishnamurthy	15/07/2021	Chairperson	4	4	-
2.	Gauri Rushabh Shah	15/07/2021	Member	4	4	-
3.	Anil Kothuri	15/07/2021	Member	4	4	27,29,730
4.	Ashutosh Khajuria	15/07/2021	Member	4	4	1(Nominee of Federal Bank Limited)
5.	Maninder Singh Juneja	15/07/2021	Member	4	3	-
6.	Peruvemba Ramachandran Seshadri	25/11/2022	Member	-	-	-

*Mr. Peruvemba Ramachandran Seshadri was appointed as the member of Capital Raising Committee w.e.f. 25.11.22.

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

Broad terms of reference of the Committee includes:

1. to decide, in consultation with various advisors, various terms and conditions of the Offer, including size, timing, listing jurisdictions and securities to be offered in the Offer, and to make any amendments, modifications, variations or alterations thereto;
2. to consider and invite existing holders of securities of the Company to offer their securities for sale through the Offer and take all steps in connection with such offer for sale;
3. to appoint and enter into arrangements with various advisors or intermediaries to the Offer and to negotiate and finalise the terms of their appointment;
4. to make applications to, seek clarifications and obtain approvals from, if necessary, from various statutory or governmental authorities in connection with the Offer and accept on behalf of the Board such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions as may be required and wherever necessary;
5. to do all such deeds and acts as may be required to dematerialize the securities of the Company and to sign and/or modify, as the case may be, agreements and/or such other documents as may be required in connection thereof;
6. to authorise and approve the incurring of expenditure and payment of fees and expenses in connection with the Offer.
7. to finalize, settle, approve, adopt and file in consultation with the book running lead manager (BRLM) where applicable, the draft red herring prospectus, the red herring prospectus, the prospectus, the preliminary and final international wrap and any amendments, supplements, notices, addenda or corrigenda thereto, and take all such actions as may be necessary for the submission and filing of these documents including incorporating such alterations/corrections/modifications as may be required by SEBI, RoC or any other relevant governmental and statutory authorities or in accordance with applicable laws;
8. to appoint and enter into and terminate arrangements with the BRLM(s), underwriters to the Offer, syndicate members to the Offer, brokers to the Offer, escrow collection bankers to the Offer, refund bankers to the Offer, registrars, legal advisors, auditors, and any other agencies or persons or intermediaries to the Offer and to negotiate, finalise and amend the terms of their appointment, including but not limited to the execution of the mandate letter with the BRLM(s) and negotiation, finalization, execution and, if required, amendment of the offer agreement with the BRLM(s);
9. to negotiate, finalise and settle and to execute and deliver or arrange the delivery of the draft red herring prospectus, the red herring prospectus, the prospectus, offer agreement, syndicate agreement, underwriting agreement, share escrow agreement,

cash escrow agreement, agreements with the registrar to the offer and all other documents, deeds, agreements and instruments whatsoever with the registrar to the Offer, legal advisors, auditors, stock exchange(s), BRLM(s) and any other agencies/intermediaries in connection with the Offer with the power to authorise one or more officers of the Company to execute all or any of the aforesaid documents or any amendments thereto as may be required or desirable in relation to the Offer;

10. To seek, if required, the consent and/or waiver of the lenders of the Company, customers, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents and/or waivers that may be required in relation to the Offer or any actions connected therewith;
11. to open and operate bank accounts in terms of the escrow agreement and to authorize one or more officers of the Company to execute all documents/deeds as may be necessary in this regard;
12. to open and operate bank accounts of the Company in terms of Section 40(3) of the Companies Act, 2013, as amended, and to authorize one or more officers of the Company to execute all documents/deeds as may be necessary in this regard;
13. to accept and appropriate the proceeds of the Offer in accordance with the applicable laws;
14. to approve code of conduct as may be considered necessary by the Capital Raising Committee or as required under applicable laws, regulations or guidelines for the Board, officers of the Company and other employees of the Company;
15. to approve the implementation of any corporate governance requirements that may be considered necessary by the Board or the Capital Raising Committee or as may be required under the applicable laws or the SEBI Listing Regulations and listing agreements to be entered into by the Company with the relevant stock exchanges, to the extent allowed under law;
16. To issue receipts/allotment letters/confirmation of allotment notes either in physical or electronic mode representing the underlying Equity Shares in the capital of the Company with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more stock exchange(s), with power to authorize one or more officers of the Company to sign all or any of the afore stated documents;
17. To authorize and approve notices, advertisements in relation to the Offer in consultation with the relevant intermediaries appointed for the Offer;
18. to do all such acts, deeds, matters and things and execute all such other documents, etc., as may be deemed necessary or desirable for such purpose, including without limitation, to finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, share certificates in accordance with the relevant rules, in consultation with the BRLM(s);
19. to make applications for listing of the Equity Shares in one or more stock exchange(s) for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s) in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of the Company where necessary;
20. to settle all questions, difficulties or doubts that may arise in regard to the Offer, including such issues or allotment, terms of the IPO, utilisation of the IPO proceeds and matters incidental thereto as it may deem fit;
21. to submit undertaking/certificates or provide clarifications to the SEBI, Registrar of Companies, and the relevant stock exchange(s) where the Equity Shares are to be listed;
22. to negotiate, finalize, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the Capital Raising Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Offer and any documents or instruments so executed and delivered or acts and things done or caused to be done by the said Capital Raising Committee shall be conclusive evidence of the authority of the said Capital Raising Committee in so doing;
23. To delegate any of its powers set out under 1 to 22 hereinabove, as may be deemed necessary and permissible under applicable laws to the officials of the Company;
24. To approve suitable policies on insider trading, whistle-blowing, risk management, and any other policies as may be required under the SEBI Listing Regulations or any other applicable laws;
25. deciding, negotiating and finalizing the pricing and all other related matters regarding the Pre-IPO Placement, including the execution of the relevant documents with the investors in consultation with the BRLM(s) and in accordance with applicable laws;
26. Taking on record the approval of the Selling Shareholders for offering their Equity Shares in the Offer for Sale;
27. To withdraw the draft red herring prospectus or the red herring prospectus or to decide not to proceed

with the Offer at any stage in accordance with applicable laws and in consultation with the BRLM(s);

28. To appoint, in consultation with the BRLM(s), the registrar and other intermediaries to the Offer, in accordance with the provisions of the SEBI regulations and other Applicable Laws including legal counsels, banks or agencies concerned and entering into any agreements or other instruments for such purpose, to remunerate all such intermediaries/agencies including the payments of commissions, brokerages, etc. and to

terminate any agreements or arrangements with such intermediaries/ agents.

29. To fix date and time to convene the general meetings of the Shareholders of the Company as and when required.

ii) No. of Meetings held during the year:

During the FY 2022-2023, the Capital Raising Committee of the Board met Four (4) times on 31st May, 2022, 13th October, 2022, 18th October, 2022 and 24th November, 2022.

GENERAL MEETINGS

Sr. No.	Type of Meeting	Date and place	Special Resolution passed
1.	Annual General Meeting	5th August 2022 At Registered and Corporate office through Video conferencing or Other Audio Visual Means	Increase in the borrowing limits of the company from INR 10,000 crores to INR 15,000 crores Offer and issue of Non convertible debentures not exceeding INR 2500 crores

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:

Mr. Anil Kothuri, MD & CEO retired by rotation and was reappointed in accordance with the provisions of Section 152(6) of the Companies Act, 2013 and the Articles of Association of the Company, in the 27th Annual General Meeting (AGM) held on August 5, 2022.

Mr. Peruvemba Ramachandran Seshadri was appointed by the Board of Directors on August 12, 2022 as Additional Director in the capacity of Independent Director. There were no other changes in the composition of the Board of Directors and Key Managerial Personnel of the Company during the year under review.

In accordance with the provisions of section 152(6) of the Act and the Articles of Association of the Company, Mr. Shyam Srinivasan, Non executive Director is proposed to retire by rotation and being eligible offers himself for re-appointment at the forthcoming AGM. Necessary resolution for this purpose is being proposed in the Notice of the ensuing Annual General Meeting for approval by the members.

Mr. Anil Kothuri, MD & CEO is proposed to be re-appointed as Managing Director for a term of 5 years with effect from December 11, 2023 at the forthcoming AGM.

Mr. Peruvemba Ramachandran Seshadri has relinquished his directorship on the Board of the Company vide his letter of resignation dated August 22, 2023 due to his appointment as Managing Director & CEO in South Indian Bank by RBI.

SEPARATE MEETING OF THE INDEPENDENT DIRECTORS:

During the year under review, the Independent Directors met once on 26th May, 2022. The said Meeting was conducted without the presence of the Non-Executive Non-Independent Directors or the members of the management.

DECLARATION FROM INDEPENDENT DIRECTORS:

All the three Independent Directors have given declarations that they meet the criteria of independence laid down under Section 149 of the Companies Act, 2013 and complied with the Code for Independent Directors prescribed in Schedule IV to the Act.

As on 31st March, 2023, the following Non-Executive Directors are Independent in terms of Section 149(6) of the Companies Act, 2013:-

1. Mr. Balakrishnan Krishnamurthy (DIN: 00034031)
2. Mrs. Gauri Rushabh Shah (DIN:06625227)
3. Mr. Peruvemba Ramachandran Seshadri (DIN: 07820690)

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 has been fulfilled by the Independent Directors.

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, 2023.

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

Your Company has received undertaking and declaration from each Director on fit and proper criteria in terms of the provisions of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 "RBI NBFC Master Directions". The Board of Directors has confirmed that all existing Directors are fit and proper to continue to hold the appointment as Directors on the Board, as reviewed and recommended by the Nomination and Remuneration Committee on fit and proper criteria under RBI NBFC Master Direction.

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.

CREDIT RATING:

Rating Agency	Instrument	Credit Rating
CARE Ratings Limited (Formerly Known Credit Analysis & Research Limited)	Non-Convertible Debenture	CARE AA/ Stable*
CARE Ratings Limited (Formerly Known Credit Analysis & Research Limited)	Long Term Bank Facilities Short Term Bank Facilities	CARE AA/Stable CARE A1+*
India Ratings & Research Private Limited	Long Term Bank Facilities	IND AA-/Stable
India Ratings & Research Private Limited	Non-Convertible Debenture	IND AA-/Stable
ICRA Limited	Commercial Paper Program	ICRA A1+

*CARE rating has upgraded the rating from CARE AA- to CARE AA on 27th December, 2022

HUMAN RESOURCE – TALENT POOL – PERFORMANCE MANAGEMENT:

Fedfina has always prided itself in being a people first organization. Our concentration revolves around continuous growth, culture and a learning experience.

Our evolved digitized onboarding assisted us in seamless joining for new joiners in different geographies where we have expanded our foot prints. Our employee strength has grown 25% from the previous year.

Keeping in mind the delivery of our plan in these volatile and dynamic environment we continue to tap and nurture our internal talent pool and enable them in all means which could help them become future ready in these times of dynamic and volatile environment. In line with this, we introduced the 2nd batch of "Leadership Excellence and Acceleration Program" (LEAP) which aims at development of identified High Potential Employees through focused interventions and thus help build a talent pipeline.

In continuation to our endeavor to promote Gender Diversity at workplace, we launched **Restart with Fedfina-** To help women with career breaks; restart their career.

Further, we actively invest in improving the wellness quotient of our employees via ongoing Employee Wellness initiatives like monthly Wellness Leaves for female staff to support them through any health related challenges, Family Friday – a provision where they get more time to spend with their family.

In line with our commitment to contribute to the sustainable economic development by working with the society at large, we have been actively engaging in CSR activities.

PARTICULARS OF EMPLOYEES:

The provisions 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 are not applicable to us.

CAPITAL ADEQUACY:

Your Company's capital adequacy ratio stood at 17.94% as on March 31, 2023 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 15.09%.

PUBLIC DEPOSITS:

Your Company is Non- Deposit taking Systematically Important 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 constituted 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 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 BSR & Co. LLP, Chartered Accountants (Firm Registration No. 101248W / W- 100022) were appointed as Statutory Auditors of your Company at the Twenty sixth Annual General Meeting (AGM) held on September 24, 2021 for a tenure of three years till the conclusion of the Twenty ninth Annual General Meeting to be held for the year 2024. The Audit Report submitted by M/s BSR & Co. LLP, Chartered Accountants, for FY 2022- 2023 does not contain any qualification, reservation or adverse remark.

2. SECRETARIAL AUDITORS & THEIR REPORT

M/s. DM Associates Company Secretaries LLP were appointed as the Secretarial Auditors to conduct the Secretarial Audit for the financial year ended March 31, 2023. The Report of the secretarial auditors in the prescribed Form MR-3 is set out in Annexure-II to this Report. The Secretarial Audit Report does not contain any qualifications, reservation or adverse remark except to the extent stated below:

The Bombay Stock Exchange Limited (BSE) vide their email dated October 31, 2022, imposed a fine of INR 2,08,860/- for non-compliance with Regulation 50(2) for delay in furnishing intimation about meeting of shareholders or holders of non-convertible securities and Regulation 53(2) for non-submission of annual report within the period prescribed (which was duly paid on January 3, 2023). We were informed that the Company vide its email dated November 7, 2022,

submitted to BSE asserting that Regulation 50(2) had been duly complied with and there had been no non-compliance by the Company since the date of holding of 27th Annual General Meeting of the Company was intimated to the exchange on July 14, 2023 which was not later than the date of commencement of dispatch of notices to the members. We were further informed that the Company had submitted a waiver application to BSE for the fine levied under Regulation 53(2) which is currently under consideration with BSE.

Management Response

The observations made in the Secretarial Auditors report are self-explanatory and therefore do not call for any further comments.

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 internal audits, regular reviews by the management and standard policies and guidelines which ensure reliability of financial and all other records. 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:

Internal Financial Controls laid down by the Company is a systematic set of controls and procedures to ensure orderly and efficient conduct of its business including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial information. Internal financial controls not only require the system to be designed effectively but also to be tested for operating effectiveness periodically.

During the year, your Company had engaged a firm of Chartered Accountants to evaluate the internal financial control framework and to test its operating effectiveness. Based on the testing conducted by the aforesaid firm, the Board is of the view that the Company has laid down adequate internal financial controls commensurate with the nature and size of its business operations and these

controls are adequate and operating effectively and no material weaknesses have been observed.

RELATED PARTY TRANSACTIONS:

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.

All related party transactions are placed before the Audit Committee on quarterly basis. Transaction with related parties, as per the requirements of Accounting Standards, are disclosed in the notes to accounts annexed to the financial statements.

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 Annexure-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, the frauds detected and the same has been timely reported to the Audit Committee/ Board as well as to the Reserve Bank of India (RBI) amounting to INR 1767.05 lakhs.

Pursuant to the provisions of the Companies Act, 2013, no frauds were reported by the Auditors of the Company to the Audit Committee during the year under review.

MAJOR EVENTS DURING THE YEAR AND MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY AND THE DATE OF THE REPORT:

Your Company had filed Draft Red Herring Prospectus ("DRHP") dated February 18, 2022 with SEBI. The Company received the letter dated May 6, 2022 from the National Stock Exchange and BSE Limited respectively granting in-principle approvals to issue equity shares through Initial Public Offering ("IPO"). Your Company received final observations from SEBI pursuant to their letter dated May 13, 2022 which was valid for a period of 12 months i.e. till May 12, 2023.

Further, the Board of Directors vide resolution dated May 17, 2023 had approved not to proceed with the IPO due to the expiry of the validity of the SEBI final observations on May 12, 2023 and on account of prevailing market conditions and other commercial and strategic considerations.

Further, the Company at its Extra-ordinary General Meeting ("EGM") held on July 21, 2023 has passed special resolution approving the fresh issue of Equity Shares through IPO upto INR 1,000 crores and Alteration of Articles of Association to this effect.

Further, the Board of Directors vide resolution dated July 26, 2023 approved the DRHP. The Company has re-filed Draft Red Herring Prospectus ("DRHP") dated July 26, 2023 with SEBI. The final observations from SEBI are awaited as on the date of this report.

The Company at its EGM held on July 21, 2023 has also passed special resolution for adoption of amended the Employee Stock Option Plan, 2018 (ESOP, 2018) to vary the Exercise Period in the interest of the employees.

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

Pursuant to the provisions related to loans made, guarantees given and securities provided do not apply to the Company. 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.

COMPLIANCE WITH THE SECRETARIAL STANDARDS AND SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015:

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.

The Company has complied with applicable provisions of SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015. All Board members and senior management personnel have affirmed compliance with the Company's code of conduct for the FY 2022-23.

The Company, being a high value debt listed entity, the corporate governance requirements pursuant to the regulations 16 to regulations 27 of SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015 are

applicable on comply or explain basis till March 31, 2024. The Company is currently in the process of implementing the same and the Company shall comply with all the said regulations from April 1, 2024.

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. Your Company is in compliance with the constitution of Internal Complaints Committee (ICC) 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 2022-23:

- No. of complaints received: Nil
- No. of complaints disposed of: 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 (INR) (A)	Interest Amount outstanding at the dates of auctions (INR) (B)	Total (A+B) (INR)	Total value fetched (INR)
2022-23	10295	₹57,85,79,450	₹10,96,49,315	₹68,82,28,765	₹81,03,43,843

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>

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.

Out of 5 complains received, 3 complaints pertained to vigil mechanism framework/policy and the same were resolved.

ANNUAL RETURN:

Pursuant to section 92 (1) of the Companies Act 2013, the Annual Return for the year 2022-23 is uploaded on the website of the Company (<https://www.fedfina.com>)

MAINTAINENCE OF COST RECORDS

The Company being, a Non Banking Financial Company is not required to maintain cost records as prescribed under section 148 (1) of the Act.

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

The requirements of disclosure with regard to Conservation of Energy and technology absorption 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 as follows:

- 1) Installation of LED (Light emitting diode) in branches / offices.
- 2) Creating environmental education / awareness for employees through electronic / digital form on ways and means conserve electricity and other natural resources.
- 3) Minimizing Air Condition usage
- 4) Shutting of lights when not in use.

Technology is at the forefront of operations of the company with relentless focus on improving customer service, process automations, robust risk management and enhancing digital footprint. We have integrated systems that spans from origination to loan management to financial statements to client servicing. All our core applications are on Cloud enabling both scale and sustenance. Technology forms the bedrock of providing multi-channel experience covering App, Web, Social and Physical. We have made significant investments in

upgrading our architecture aimed at being nimble and support business growth.

We are committed to continue investments in Technology to make us future ready and improve operational efficiencies. We have been recognized with several awards that stands testimony on the efforts undertaken and support in our pursuit of superior differentiation with customers and competition alike.

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 had been followed along with proper explanation relating to material departures;
- 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, 2023 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; and

V. 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**

**Place: Mumbai
Date: 5th Sept, 2023**

**sd/-
Balakrishnan Krishnamurthy
Chairman
DIN: 00034031**

Annexure – I

Annual report on CSR activities to be included in the Board's report for the financial year 2022-23

1. Brief outline on CSR Policy of the Company:

Kindly refer the Corporate Social Responsibility policy as stated herein below at the Company's website.

The weblink is: <http://www.fedfina.com>

2. Composition of CSR Committee:

Sl No.	Name of the Director	Capacity	Number of Meetings of CSR Committee held during the year	Number of Meetings of CSR Committee attended during the year
1	Mrs. Gauri Rushabh Shah	Chairperson	1	1
2	Mr. Shyam Srinivasan	Member	1	1
3	Mr. Anil Kothuri	Member	1	1
4	*Mr. Peruvemba Ramachandran Seshadri	Member	-	-

*Mr. Peruvemba Ramachandran Seshadri was member of the Committee w.e.f 25th November, 2023

3. Provide the web-link where Composition of CSR Committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company:

The weblink is: <http://www.fedfina.com>

4. Provide the executive summary along with web- links of Impact Assessment of CSR projects carried out in in pursuance of sub-rule (3) of rule 8, if applicable: Not Applicable

- a. Average net profit of the company as per sub section(5) of section 135 : INR 68,16,54,610/-
 - b. Two percent of average net profit of the company as per sub section(5) of section 135: INR 1,36,33,092/-
 - c. Surplus arising out of the CSR projects or programmes or activities of the previous financial years.: Nil
 - d. Amount required to be set off for the financial year, if any: Not Applicable
 - e. Total CSR obligation for the financial year (b+c-d)- INR 136,33,092/-
6. a) Amount spent on CSR amount (both ongoing projects and other than ongoing projects): INR 1,83,31,730/-
 - b) Amount spent in administrative overheads: Nil
 - c) Amount spent on Impact Assessment, if applicable: Not Applicable
 - d) Total amount spent for the Financial Year (a+b+c): INR 1,83,31,730/-
 - e) CSR amount spent/unspent in the Financial year:

Total Amount Spent for the Financial Year. (in INR)	Amount Unspent (in INR)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
1,83,31,730	Nil	Not applicable	Not applicable	Nil	Not applicable

- f) Excess amount for set off, if any: Not Applicable

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

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

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in INR)	Balance amount in unspent CSR account under section 135 (6) (in INR)	Amount spent in the reporting Financial Year (in INR)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial year (in INR)	Deficiency, if any
					Name of the Fund	Amount (in Rs)	Date of transfer		
1.	2021-2022	46,98,542	Nil	46,98,542	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
2.	2020-2021	Nil	Nil	Nil	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
3.	2019-2020	Nil	Nil	Nil	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	TOTAL	46,98,542	Nil	46,98,542					

8. Whether any capital assets have been created or acquired through CSR amount spent in the Financial year: No
9. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per sub-section (5) of section 135: Not applicable

sd/-
 Mr. Anil Kothuri
 MD & CEO

sd/-
 Ms. Gauri Rushabh Shah
 Chairperson- CSR Committee

Date: 5th Sept, 2023
 Place: Mumbai

Form No. MR-3

Secretarial Audit Report

[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]
For the Financial Year Ended March 31, 2023

To,
 The Members,
FEDBANK FINANCIAL SERVICES LIMITED
 Unit No.511, A Wing, 5th Floor,
 Kanakia Wall Street,
 Andheri East, Mumbai – 400093.

Dear Members,

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **FEDBANK FINANCIAL SERVICES LIMITED** (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 Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended March 31, 2023, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2023 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 (“SCRA”) and the rules made thereunder;
3. The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder;
4. The provisions of 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 **were not applicable** to the Company during the financial year;
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (“SEBI Act”):-

- a. The Securities and Exchange Board of India (Issue of Capital and Disclosure requirements) Regulations, 2009;
- b. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- c. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- d. The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
- e. The SEBI (Prohibition of Insider Trading) Regulations, 2015;
6. Provisions of the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (“SEBI”) **were not applicable** to the Company under the financial year under report: -
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - c. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
 - d. 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;

We have relied on the representation made by the Company and its Officers for systems and mechanism formed by the Company for compliances under other applicable Acts, Laws and Regulations to the Company.

We further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test check basis, the Company has complied with the following laws applicable specifically to the Company:

1. The Reserve Bank of India Act, 1934;

2. Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016;
3. Master Directions on Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016;
4. Reserve Bank of India (Know Your Customer-KYC) Directions, 2016;
5. Master Directions on Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016 and as amended time to time;
6. The Prevention of Money Laundering Act, 2002 and the Rules made there under;
7. The Reserve Bank – Integrated Ombudsman Scheme, 2021;
8. Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016;
9. Master Direction - Information Technology Framework for the NBFC Sector.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreement entered into by the Company with BSE Limited (For its listed NCD's) pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;

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

The Bombay Stock Exchange Limited (BSE) vide their email dated October 31, 2022, imposed a fine of INR 2,08,860/- for non-compliance with Regulation 50(2) for delay in furnishing intimation about meeting of shareholders or holders of non-convertible securities and Regulation 53(2) for non-submission of annual report within the period prescribed (which was duly paid on January 3, 2023). We were informed that the Company vide its email dated November 7, 2022, submitted to BSE asserting that Regulation 50(2) had been duly complied with and there had been no non-compliance by the Company since the date of holding of 27th Annual General Meeting of the Company was intimated to the exchange on July 14, 2023 which was not later than the date of commencement of dispatch of notices to the members. We were further informed that the Company had submitted a waiver

application to BSE for the fine levied under Regulation 53(2) which is currently under consideration with BSE.

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 for meeting convened under shorter notice were in compliance with section 173(3) of the Companies Act, 2013 and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes. None of the members of the Board have expressed dissenting views on any of the agenda items during the Audit period.

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

We further report that during the audit period the following specific events took place:

Issue of Non-Convertible Debentures:

The Board of Directors on January 04, 2023, allotted 20,000 (Twenty Thousand) Non-Convertible Debentures having face value of INR 1,00,000 (Rupees One Lac Only) each aggregating to INR 200,00,00,000/- (Rupees Two Hundred Crores Only).

For DM & Associates Company Secretaries LLP
Company Secretaries
ICSI Unique Code L2017MH003500

sd/-
Dinesh Kumar Deora
Senior Partner
FCS NO 5683
C P NO 4119
UDIN: F005683E000778653

Place: Mumbai
Date: August 10, 2023

Note: This report is to be read with our letter of even date that is annexed as Annexure - I and forms an integral part of this report.

Annexure - 1 of Secretarial Audit Report

To
The Members,
FEDBANK FINANCIAL SERVICES LIMITED
Unit No.511, A Wing, 5th Floor,
Kanakia Wall Street,
Andheri East,
Mumbai – 400093.

Our report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, we have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events, etc.
5. The compliance of the provisions of corporate and other applicable laws, rules and regulations,

standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.

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

For DM & Associates Company Secretaries LLP
Company Secretaries
ICSI Unique Code L2017MH003500

sd/-
Dinesh Kumar Deora
Senior Partner
FCS NO 5683
C P NO 4119
UDIN: F005683E000778653

Place: Mumbai
Date: August 10, 2023

Annexure-III

RELATED PARTY TRANSACTION DISCLOSURE AS PER SECTION 188 OF THE COMPANIES ACT, 2013

Form No. AOC-2

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

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain 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: Nil

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	Income from Distribution business	1 year	Recovery of expenses incurred on behalf of Bank for sourcing distribution verticals products	3,407
The Federal Bank Ltd	Holding Company	Interest paid - cash Credit and term loan	1 year	Interest paid at contractual interest rate.	3,678
The Federal Bank Ltd	Holding Company	Bank charges	NA	Bank charges	4
The Federal Bank Ltd	Holding Company	Interest on Non Convertible Debentures	As per sanction letter of The Federal Bank	Interest on Non convertible debentures	2,324

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)
True North Enterprise Private Limited	Enterprises controlling voting power/significant influence	Reimbursement of Expenses	NA	Reimbursement of Expenses	30
The Federal Bank Ltd	Holding Company	Term Loan Repaid	NA	Principal repayment of Term Loan	26,203
The Federal Bank Ltd	Holding Company	Cash Credit Repaid	1 year	Principal repayment of Cash Credit	3,132
The Federal Bank Ltd	Holding Company	Cash Credit Received	1 year	Cash Credit drawdown made	2,426
Employee Stock option	Key Managerial Personnel	No of options outstanding	Na	Number of options is 43,21,351 As per Board Approval	43,21,351
Employee Stock option	Key Managerial Personnel	No of options granted	NA	Number of options is 20,00,000 As per Board Approval	20,00,000
Chief Financial Officer	Key Managerial Personnel	Remuneration	Na	Remuneration paid for F.Y 2022-23	184.84
Company Secretary	Key Managerial Personnel	Remuneration	Na	Remuneration paid for F.Y 2022-23	35.86
Managing Director	Key Managerial Personnel	Remuneration	Na	Remuneration paid for F.Y 2022-23	541.30

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

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

**Date: 5th September, 2023
 Place: Mumbai**

**sd/-
 Balakrishnan Krishnamurthy
 Chairman
 DIN: 00034031**

Independent Auditor's Report

To the
Members of
Fedbank Financial Services Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fedbank Financial Services Limited (the "Company") which comprise the balance sheet as at 31 March 2023, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2023, and its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are

independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Key Audit Matter(s)

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

Loss allowance for Expected Credit Loss (ECL) on loans and advances

Refer to the accounting policies in "Note 3 to the Financial Statements"

Charge to the Statement of Profit and Loss: Rs (569) Lakhs

Loss allowance for Expected Credit Loss (ECL) as at 31 March 2023: Rs 10,304 Lakhs

The key audit matter	How the matter was addressed in our audit
<p>Subjective estimate</p> <p>Loans represent significant portion of the Company's assets.</p> <p>Recognition and measurement of loss allowance for ECL on loans and advances involves significant management judgement.</p> <p>Under Ind AS 109, Financial Instruments, loss allowance on loans is determined using ECL model. The Company's loss allowance is derived from estimates including consideration of the historical default and loss ratios and forward-looking risk variables. The Company exercises judgements in determining the quantum of loss based on a range of other factors.</p> <p>The most significant factors are:</p> <ul style="list-style-type: none"> Segmentation of loan book Determination of exposure at default 	<p>In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:</p> <p>Design / controls</p> <ul style="list-style-type: none"> Performed walkthroughs and assessed the design and implementation of controls in respect of the Company's loss allowance process such as the timely recognition of impairment loss, the completeness and accuracy of reports used in the impairment allowance process and management review processes over the measurement of loss allowance and the related disclosures on credit risk management. Evaluation of the impairment principles used by management based on the requirements of Ind AS 109, business understanding and industry practice, including an assessment of management's rationale for rebutting staging principles as per Ind AS 109 for its gold loan portfolio.

The key audit matter	How the matter was addressed in our audit
<ul style="list-style-type: none"> • Loan staging criteria • Calculation of probability of default / loss given default • Consideration of probability weighted scenarios and forward looking macro- economic factors • Qualitative adjustments / management overlays – adjustments to the model driven ECL results as overlays are recorded by management to address known impairment model limitations or emerging trends as well as risks not captured by models. As at 31 March 2023, overlays represent approximately Rs 906 lakhs of the ECL provision. These estimates involve management judgement and consider attributes like potential cost of recovery, time period to recover and other legal and operational matters in settlement and closure of loans. Further, a consideration towards future changes in key macro- economic variables is also factored. <p>The application of ECL model requires several data inputs, including estimation of 12-month ECL for a pool of loans and lifetime for other pool of loans. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model.</p> <p>Further, basis the nature and characteristics of its gold loan portfolio, the Company has elected to rebut the 90 days past due criteria for classification of an exposure as Stage 3, basis the manner in which the Company subsequently monitors default and potential loss as per its credit risk management policy.</p> <p>The underlying forecasts and assumptions used in the estimates of impairment loss allowance are subject to uncertainties which are often outside the control of the Company. Given the size of loan portfolio relative to the balance sheet and the impact of impairment allowance on the financial statements, we have considered this as a key audit matter.</p> <p>Disclosures:</p> <p>The disclosures regarding the Company's application of Ind AS 109 are important in explaining the key judgements and material inputs to the Ind AS 109 ECL results.</p>	<ul style="list-style-type: none"> • Understanding and testing the processes, systems and controls implemented in relation to impairment allowance process. • Evaluating key controls over collation of relevant information used for determining estimates for management overlays. • Testing the controls over 'Governance Framework' in line with the RBI guidance and with Company's laid down policy • Assessing the design and implementation of key internal financial controls over identification, classification, and measurement of impairment charge, including for loans which were restructured. • Testing of key review controls over measurement of loss allowances and disclosures in financial statements. • Assessed sufficiency of the disclosures on key judgements, assumptions and quantitative data with respect to loss allowance in the financial statements. <p>Involvement of specialists We involved financial risk modelling specialists for the following:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the Company's Ind AS 109 impairment methodologies and reasonableness of assumptions used (including those used for management overlays). <p>Substantive tests</p> <ul style="list-style-type: none"> • Assessing management's rationale for determination of criteria for SICR. • Reviewing management's assessment of rebuttal of 90 days past due norm on classification of exposure as Stage 3 in its gold loan portfolio, including reviewing management's basis of conclusion of not considering a loan as restructured when facilities are rolled over or collaterals are repledged. • Assessing the changes made in macroeconomic factors and management overlays to calibrate the risks that are not yet fully captured by the existing model. • Tested through independent check, Company's assessment of restructured pool impacts on segments of its loan portfolio and the resultant loss allowance. • Verifying application of accounting principles, validating completeness and accuracy of the data and reasonableness of assumptions used in the model.

The key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • Test of details over of calculation of loss allowance for assessing the completeness, accuracy, and relevance of data. • For model derived outputs, verifying the calculations through re-computation where practicable. • Checking data for assessing reasonableness of judgments made in respect of calculation methodologies, segmentation, economic factors, the period of historical loss rates used and the valuation of recovery assets and collateral (including collateral in the form of gold). • Assessing the factual accuracy of the financial statements disclosures made by the Company.

Information Technology (IT) systems and controls

The key audit matter	How the matter was addressed in our audit
<p>The Company's key financial accounting and reporting processes are highly dependent on information systems including automated controls, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. The Company uses multiple systems for its overall financial reporting process.</p> <p>We have identified 'Information Technology systems' as key audit matter because of the significant level of automation, the various layers and elements of the IT architecture and the risks associated with remote access of key applications by staff during the year.</p>	<p>Our audit procedures to assess the IT system management included the following:</p> <p>We involved our IT Specialist to:</p> <p>Understand General IT Controls (GITC) i.e., Access Controls, Program/ System Change, Computer Operations (i.e., Job Processing, Data/System Backup) over key financial accounting and reporting systems and supporting control systems (referred to as in-scope systems).</p> <p>Understand IT infrastructure i.e., operating systems and databases supporting the in-scope systems.</p> <p>Test the General IT Controls for design and operating effectiveness for the audit period over the in-scope systems.</p> <p>Understand IT application controls covering:</p> <ul style="list-style-type: none"> • user access and roles, segregation of duties; and • reports and system configuration. <p>Test the IT application controls for design and operating effectiveness for the audit period.</p> <p>Test the automated controls supporting financial reporting process to determine whether these controls remained unchanged during the audit period or were changed following the standard change management process.</p> <p>Test the controls over the IT infrastructure covering user access (including privilege users), and system changes; and</p> <p>Enquiry on data security controls in the context of staff working from remote location during the year.</p> <p>Based on procedures performed above, wherever required, we extended our audit procedures over other IT application controls, periodic reconciliations, manual approval processes, tests on identified key changes and additional substantive testing.</p>

Other Information

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

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Management's and Board of Directors' Responsibilities for the Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/ loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring 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 Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting in preparation of financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c. The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.
- d. In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
- e. On the basis of the written representations received from the directors between 31 March 2023 till 26 May 2023, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2023 from being

appointed as a director in terms of Section 164(2) of the Act.

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

B. With respect to the other matters to be included in the 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:

- a. The Company has disclosed the impact of pending litigations as at 31 March 2023 on its financial position in its financial statements - Refer Note 54 to the financial statements.
- b. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- c. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- d. (i) The management has represented that, to the best of its knowledge and belief, as disclosed in the Note 57(1) to the financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (ii) The management has represented that, to the best of its knowledge and belief, as disclosed in the Note 57(2) to the financial statements, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Parties ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (iii) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing

has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (i) and (ii) above, contain any material misstatement.

- e. The Company has neither declared nor paid any dividend during the year.
- f. As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Company only with effect from 1 April 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 is not applicable.

- C. With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act:

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

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No.:101248W/W-100022

sd/-

Ashwin Suvarna

Partner

Membership No.: 109503

ICAI UDIN:23109503BGXUPF8023

Place: Mumbai

Date: 26 May 2023

Annexure A to the Independent Auditor's Report on the Financial Statements of Fedbank Financial Services Limited for the year ended 31 March 2023

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.
- (B) The Company has maintained proper records showing full particulars of intangible assets.
- (i) (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has a regular programme of physical verification of its Property, Plant and Equipment by which all property, plant and equipment are verified in a phased manner over a period of 3 years. In accordance with this programme, certain property, plant and equipment were verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company does not have any immovable property (other than immovable properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee). Accordingly, clause 3(i)(c) of the Order is not applicable.
- (d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year.
- (e) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.
- (ii) (a) The Company is engaged in the business of a non-banking financial company without accepting public deposits under Section 45 IA of the Reserve Bank of India Act, 1934. Accordingly, it does not hold any physical inventory. Accordingly, clause 3(ii)(a) of the Order is not applicable.
- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets. In our opinion, the quarterly returns or statements filed by the Company with such banks or financial institutions are in agreement with the books of account of the Company.
- (iii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not provided any guarantee or security to companies, limited liability partnership or other parties during the year. The Company has made investments, granted loans and advances in the nature of loans, secured or unsecured to companies, limited liability partnership and other parties in respect of which the requisite information is as below:
- (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company's principal business is to give loans. Accordingly, clause 3(iii)(a) of the Order is not applicable.
- (b) According to the information and explanations given to us and based on the audit procedures conducted by us, in our opinion the investments made during the year and the terms and conditions of the grant of loans and advances in the nature of loans provided during the year are, prima facie, not prejudicial to the interest of the Company. Further the Company, has not provided any guarantee or security to companies, limited liability partnership or other parties during the year.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, in the case of loans given, in our opinion the repayment of principal and payment of interest has been stipulated and the receipts have been regular except for the following:
- A) In case of Gold Loans:

Amount in Lakhs	Number of Delays#	Extent of Delay#
21,899	23,780	1-29 days
10,897	12,657	30-59 days
6,841	7,927	60-89 days
3,876	4,045	90 days and above

B) In case of Other than Gold Loans:

Amount in Lakhs	Number of Delays#	Extent of Delay#
291	1,005	1-29 days
540	765	30-59 days
312	257	60-89 days
12,103	920	90 days and above

the number and extent of delays are computed basis loan wise Days Past Due (DPD) position as at each quarter end during FY 2022-23. Further, if a loan is in DPD in multiple quarters continuously, same is considered only once in number of delays and highest DPD is considered for extent of delay.

- (d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there is no overdue amount for more than ninety days in respect of loans (and advance in the nature of loan) given except an amount of Rs. 15,255 Lakhs (principal amount) and Rs 1,528 Lakhs (interest) overdue for more than ninety days as at 31 March 2023. In our opinion, reasonable steps have been taken by the Company for recovery of the principal and interest. Further, the Company has not given any advance in the nature of loan to any party during the year
- (e) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company's principal business is to give loans. Accordingly, clause 3(iii)(e) of the Order is not applicable.
- (f) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not given any loans, or provided any guarantee or security as specified under Section 185 of the Companies Act, 2013. In respect of the investments made by the Company, in our opinion the provisions of Section 186(1) of the Act have been complied with. The remaining provisions

related to section 186 of the Act do not apply to the Company as it is an NBFC registered with the Reserve Bank of India ('RBI').

- (v) The Company has not accepted any deposits or amounts which are deemed to be deposits from the public. Accordingly, clause 3(v) of the Order is not applicable.
- (vi) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act for the services provided by it. Accordingly, clause 3(vi) of the Order is not applicable.
- (vii) (a) The Company does not have liability in respect of Service tax, Duty of excise, Sales tax and Value added tax during the year since effective 1 July 2017, these statutory dues has been subsumed into GST.

According to the information and explanations given to us and on the basis of our examination of the records of the Company, in our opinion amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Goods and Service Tax, Provident Fund, Employees State Insurance, Income-Tax or Cess or other statutory dues have been regularly deposited by the Company with the appropriate authorities.

According to the information and explanations given to us and on the basis of our examination of the records of the Company, no undisputed amounts payable in respect of Goods and Service Tax, Provident Fund, Employees State Insurance, Income-Tax or Cess or other statutory dues were in arrears as at 31 March 2023 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, statutory dues relating to Goods and Service Tax, Provident Fund, Employees State Insurance, Income-Tax, Duty of Customs or Cess or other statutory dues which have not been deposited on account of any dispute are as follows:

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending	Remarks, if any
Income Tax Act, 1961	Income Tax and Interest	32,18,290	AY 2011-2012	Commissioner of Income Tax (Appeals)	Disallowance of expenses for increase in Share capital
Income Tax Act, 1961	Income Tax and Interest	5,02,320	AY 2013-2014	Commissioner of Income Tax (Appeals)	Disallowance of delay payment of employer contribution after due date but before filing the IT Return
Income Tax Act, 1961	Income Tax and Interest	9,29,088	AY 2017-2018	Commissioner of Income Tax (Appeals)	Disallowance of CSR Expenses

- (viii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not surrendered or disclosed any transactions, previously unrecorded as income in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not defaulted in repayment of loans and borrowing or in the payment of interest thereon to any lender.
- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not been declared a wilful defaulter by any bank or financial institution or government or government authority.
- (c) In our opinion and according to the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilisation were invested in liquid assets.
- (d) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.
- (e) The Company does not hold any investment in any subsidiaries, associates or joint ventures (as defined under the Act) during the year ended 31 March 2023. Accordingly, clause 3(ix)(e) is not applicable.
- (f) The Company does not hold any investment in any subsidiary, associate or joint venture (as defined under the Act) during the year ended 31 March 2023. Accordingly, clause 3(ix)(f) is not applicable.
- (x) (a) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments). Accordingly, clause 3(x)(a) of the Order is not applicable.
- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause 3(x)(b) of the Order is not applicable.
- (xi) (a) During the course of our examination of the books and records of the Company and according to the information and explanations given to us, no fraud by the Company or on the Company has been noticed or reported during the year except that 15 cases of fraud aggregating to Rs. 1767.05 lakhs on the Company were noticed or reported during the year as disclosed in note 48.13 to the financial statement. The fraud mainly pertains to customer induced fraud involving pledge of spurious gold/ theft gold and property mortgaged in favour of Company sold to third party by customer without prior consent of the Company and employee fraud involving replacement of customer Gold with spurious gold and inflating the gold weights.
- (b) According to the information and explanations given to us, no report under sub-section (12) of Section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of the Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) We have taken into consideration the whistle blower complaints received by the Company during the year while determining the nature, timing and extent of our audit procedures.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, clause 3(xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the transactions with related parties are in compliance with Section 177 and 188 of the Act, where applicable, and the details of the related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) (a) Based on information and explanations provided to us and our audit procedures, in our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (b) We have considered the internal audit reports of the Company issued till date for the period under audit.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected to its directors and hence, provisions of Section 192 of the Act are not applicable to the Company.
- (xvi) (a) In our opinion and according to the information and explanation provided to us, the Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and has obtained the registration.
- (b) In our opinion and according to the information and explanations given to us, the Company has not conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.

- (c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, clause 3(xvi)(c) of the Order is not applicable.
- (d) The Company is not part of any group (as per the provisions of the Core Investment Companies (Reserve Bank) Directions, 2016 as amended). Accordingly, the requirements of clause 3(xvi)(d) are not applicable.
- (xvii) The Company has not incurred cash losses in the current and in the immediately preceding financial year.
- (xviii) There has been no resignation of the statutory auditors during the year. Accordingly, clause 3(xviii) of the Order is not applicable.
- (xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as

and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

Also refer to the Other Information paragraph of our main audit report which explains that the other information comprising the information included in Annual report is expected to be made available to us after the date of this auditor's report.

- (xx) (a) In our opinion and according to the information and explanations given to us, there is no unspent amount under sub-section (5) of Section 135 of the Act pursuant to any project other than ongoing projects. Accordingly, clause 3(xx)(a) of the Order is not applicable.
- (b) In our opinion and according to the information and explanations given to us, there is no unspent amount under sub-section (5) of Section 135 of the Act pursuant to any ongoing project. Accordingly, clause 3(xx)(b) of the Order is not applicable.

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

sd/-
Ashwin Suvarna
Partner

Membership No.: 109503
 ICAI UDIN:23109503BGXUPF8023

Place: Mumbai
 Date: 26 May 2023

Annexure B to the Independent Auditor's Report on the financial statements of Fedbank Financial Services Limited for the year ended 31 March 2023

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

(Referred to in paragraph 2.(A).(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

We have audited the internal financial controls with reference to financial statements of Fedbank Financial Services Limited ("the Company") as of 31 March 2023 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibilities for Internal Financial Controls

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

Auditor's Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their

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

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

Meaning of Internal Financial Controls with Reference to Financial Statements

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

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2023, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No.:101248W/W-100022

sd/-

Ashwin Suvarna

Partner

Membership No.: 109503

ICAI UDIN:23109503BGXUPF8023

Place: Mumbai

Date: 26 May 2023

Balance Sheet as on 31 March 2023

(INR in Lakhs)

Particulars	Note	As at 31 March 2023	As at 31 March 2022
I. ASSETS			
(1) Financial assets			
(a) Cash and cash equivalents	4	9,396	6,596
(b) Bank balances other than cash and cash equivalents	5	66	7,664
(c) Receivables			
(i) Trade receivables	7(i)	1,485	1,184
(ii) Other receivables	7(ii)	476	386
(d) Loans	8	799,970	564,481
(e) Investments	9	68,062	51,433
(f) Other financial assets	10	6,446	1,177
Total Financial assets		885,901	632,921
(2) Non-financial assets			
(a) Current tax assets (net)	11	1,197	1,192
(b) Deferred tax assets (net)	12	2,183	3,150
(c) Property, Plant and Equipment	14 (1)	3,066	3,086
(d) Right Of Use Assets	14 (4)	11,193	11,970
(e) Capital work in progress	14 (3)	53	66
(f) Other Intangible assets	14 (2)	320	306
(g) Other non- financial assets	13	3,186	2,880
Total Non-financial assets		21,198	22,650
TOTAL ASSETS		907,099	655,571
II. LIABILITIES & EQUITY			
(1) Financial liabilities			
(a) Derivative financial instruments	6	482	-
(b) Payables			
Trade payables	15		
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		2,609	643
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		-	-
(c) Debt securities	16	61,123	53,342
(d) Borrowings (other than debt securities)	17	626,493	422,435
(e) Subordinated Liabilities	18	25,967	25,907
(f) Lease Liability	19	13,404	13,704
(g) Other financial liabilities	20	35,078	21,097
Total Financial liabilities		765,156	537,128
(2) Non-financial liabilities			
(a) Provisions	21	620	313
(b) Other non-financial liabilities	22	5,755	2,778
Total Non-financial liabilities		6,375	3,091
Equity			
(a) Equity share capital	23	32,191	32,152
(b) Other equity	24	103,377	83,200
		135,568	115,352
TOTAL LIABILITIES AND EQUITY		907,099	655,571
Significant accounting policies and notes to the Financial Statements	3 - 60		

The notes referred to above forms integral part of Financial Statements.
 As per our report of even date attached

For **B S R & Co. LLP**
 Chartered Accountants
 FRN: 101248W/W-100022

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

C. V. Ganesh
 Chief Financial Officer

S. Rajaraman
 Company Secretary
 M.No.F3514

Ashwin Suvarna
 Partner
 Membership No. 109503

Anil Kothuri
 MD & CEO
 DIN:00177945

Balakrishnan Krishnamurthy
 Non Executive Chairman
 DIN:00034031

Gauri Rushabh Shah
 Independent Director
 DIN:06625227

Place: Mumbai
 Date: May 26, 2023

Place: Mumbai
 Date: May 26, 2023

Statement of Profit & Loss for the year ended 31 March 2023

(INR in Lakhs)

Particulars	Note	For the year ended 31 March 2023	For the year ended 31 March 2022
Revenue from operations			
(a) Interest income	25	111,016	82,189
(b) Fee and commission income	26	5,601	4,289
(c) Net gain on fair value changes	27	1,262	454
Total Revenue from operations		117,879	86,932
Other income	28	3,588	1,432
Total Revenue		121,467	88,364
Expenses			
(a) Finance costs	29	47,215	34,765
(b) Fees and commission expenses	30	2,328	1,470
(c) Impairment on financial instruments	31	4,890	8,388
(d) Employee benefits expense	32	24,760	17,541
(e) Depreciation, amortisation and impairment	14	4,187	3,670
(f) Other expenses	33	12,248	8,609
Total expenses		95,628	74,443
Profit before exceptional items and tax (III-IV)		25,839	13,921
Exceptional items	60	(1,537)	-
Profit before tax		24,302	13,921
Tax expenses:			
Current tax	34	5,738	4,710
Deferred tax	34	551	(1,135)
Profit for the year		18,013	10,346
Other Comprehensive Income (OCI)			
(a) Items that will not be reclassified to profit or loss			
(i) Remeasurement gain on defined benefit plans (OCI)		15	92
(ii) Tax effect on Remeasurement gain on defined benefit plans (OCI)		(4)	(24)
Total		11	68
(b) Items that will be reclassified to profit or loss			
(i) Fair value gain - OCI - Loans		1,633	-
(ii) Fair value gain - OCI - Investment in Government Securities		6	-
(iii) Tax effect on above (i) and (ii)		(412)	-
Total		1,227	-
Other Comprehensive Income		1,238	68
Total Comprehensive Income		19,251	10,414
Earnings per equity share			
(1) Basic (INR)	36	5.60	3.32
(2) Diluted INR)	36	5.59	3.31
Face value per share (in ₹)		10.00	10.00
Significant accounting policies and notes to the Financial Statements	3 - 60		

The notes referred to above forms integral part of Financial Statements.
As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
FRN: 101248W/W-100022

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

C. V. Ganesh
Chief Financial Officer

S. Rajaraman
Company Secretary
M.No.F3514

Ashwin Suvarna
Partner
Membership No. 109503

Anil Kothuri
MD & CEO
DIN:00177945

Balakrishnan Krishnamurthy
Non Executive Chairman
DIN:00034031

Gauri Rushabh Shah
Independent Director
DIN:06625227

Place: Mumbai
Date: May 26, 2023

Place: Mumbai
Date: May 26, 2023

Cash Flow Statement for the year ended 31 March 2023

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	24,302	13,921
Adjustments for :		
Finance cost	47,215	34,765
Share based payment to employee	796	249
Depreciation	4,187	3,670
Interest income from Investment	(954)	(89)
Liability no longer required, written back	-	(3)
Interest on Fixed Deposit	(457)	(818)
Loss on sale of tangible assets	2	75
Profit on Sale Of Mutual Fund units (Net) - realised	(1,272)	(444)
Gain/(Loss) on fair valuation of mutual fund - unrealised	9	(9)
Security deposit - Fair Valuation	29	13
EIR impact on Loans	552	232
Excess interest spread on Direct Assignment Transaction (net)	(3,481)	(704)
Impairment on financial instrument	4,890	8,388
Operating profit before working capital changes	75,818	59,246
Adjustments for working capital:		
- (Increase)/decrease in loans	(235,682)	(117,039)
- (Increase)/decrease in financial asset and non financial asset	(596)	(840)
- (Increase)/decrease in trade and other receivables	(443)	(1,280)
- Increase/(decrease) in trade payables	1,966	(353)
- Increase/(decrease) in provisions	322	103
- Increase/(decrease) in financial liabilities and non financial liabilities	16,958	7,290
Cash generated from / (used in) operating activities	(141,657)	(52,873)
Direct taxes paid (net of refund)	(5,743)	(4,916)
Net cash generated from / (used in) operating activities	(147,400)	(57,789)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(1,339)	(2,461)
Sale of tangible assets	3	5
Purchase of intangible assets	(170)	(228)
Investment in Government securities	(107,209)	(41,874)
Redemption of Government securities	82,532	1,500
Investment in Mutual Fund	(837,958)	(393,380)
Sale of Mutual Fund	847,527	386,026
Redemption of fixed deposit	76,465	122,205
Investment in fixed deposit	(74,037)	(114,555)
Interest on fixed deposits	619	981
Interest income from Investment	615	89
Net cash generated from / (used in) investing activities	(12,952)	(41,692)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Debt Securities availed	83,500	40,000
Debt Securities repaid	(77,500)	(45,000)
Borrowings availed	2,641,980	185,000
Borrowings repaid	(2,438,302)	(110,010)
Finance Cost	(43,568)	(34,919)
Lease Payment (principal)	(2,186)	(1,850)
Lease Payment (interest)	(943)	(900)
Share application money pending allotment	-	(4)
Equity Shares Issued	40	2,886

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Money received on partly paid Optionally convertible redeemable preference shares (OCRPS) (being fully paid)	-	1,897
Redemption of OCRPS	-	(842)
Share Premium net of Share Issue Expenses	131	17,216
Net cash generated from / (used in) financing activities	163,152	53,474
Net increase / (decrease) in cash and cash equivalents	2,800	(46,007)
Cash and cash equivalents as at the beginning of the year	6,596	52,603
Closing balance of cash and cash equivalents (A+B+C)	9,396	6,596
Components of cash and cash equivalents:		
Cash on hand	1,339	1,684
Balances with banks		
- in current accounts	8,057	4,912
- in fixed deposit with maturity less than 3 months	-	-
Cash and cash equivalents	9,396	6,596

Note:

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

Refer note 35 for cash flow related disclosure as per Ind AS 7

Significant accounting policies and notes to the Financial Statements

3 - 60

The notes referred to above forms integral part of Financial Statements.
As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
FRN: 101248W/W-100022

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

C. V. Ganesh
Chief Financial Officer

S. Rajaraman
Company Secretary
M.No.F3514

Ashwin Suvarna
Partner
Membership No. 109503

Anil Kothuri
MD & CEO
DIN:00177945

Balakrishnan Krishnamurthy
Non Executive Chairman
DIN:00034031

Gauri Rushabh Shah
Independent Director
DIN:06625227

Place: Mumbai
Date: May 26, 2023

Place: Mumbai
Date: May 26, 2023

Statement of Change in Equity as at 31 March 2023

Equity share capital

(INR in Lakhs)

Particular	As at 31 March 2023		As at 31 March 2022	
	Number of shares	Amount	Number of shares	Amount
Balance at the beginning of the reporting year	321,517,605	32,152	289,923,425	28,992
Changes in Equity Share Capital due to prior year errors	-	-	-	-
Changes in equity share capital during the current year	394,000	39	31,594,180	3,160
Balance at the end of the reporting year	321,911,605	32,191	321,517,605	32,152

Other Equity

Particulars	Share application money pending allotment	Debt instruments through OCI	Equity component of compound financial instruments	Reserves and Surplus						Total
				Securities Premium Account	Employee Stock Option Outstanding	Capital Redemption Reserve	Special Reserve under section 45-IC of the Reserve Bank of India Act, 1934	General reserve	Retained earnings	
Balance at 1 April 2022	-	-	-	52,326	727	200	6,593	10	23,344	83,200
Addition	-	-	-	131	795	-	-	-	-	926
Utilised (share issue expense)	-	-	-	-	-	-	-	-	-	-
Transferred from retained earnings	-	-	-	-	-	-	3,602	-	(3,602)	-
Transferred to securities premium	-	-	-	40	(40)	-	-	-	-	-
Impact of OCPRS due to redemption	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	18,013	18,013
Remeasurement gain/(loss) on defined benefit plans	-	-	-	-	-	-	-	-	11	11
Fair value gain/(loss) on financial assets	-	1,227	-	-	-	-	-	-	-	1,227
Closing Balance as on 31 March 2023	-	1,227	-	52,497	1,482	200	10,195	10	37,767	103,377

Particulars	Share application money pending allotment	Debt instruments through OCI	Equity component of compound financial instruments	Reserves and Surplus						Total
				Securities Premium Account	Employee Stock Option Outstanding	Capital Redemption Reserve	Special Reserve under section 45-IC of the Reserve Bank of India Act, 1934	General reserve	Retained earnings	
Balance at 1 April 2021	4	-	33	33,554	515	-	4,524	10	15,840	54,479
Addition	-	-	-	18,735	249	-	-	-	-	18,984
Utilised (share issue expense)	(4)	-	-	-	-	-	-	-	-	(4)
Transferred from retained earnings	-	-	-	-	-	200	2,069	-	(2,269)	-
Transferred to securities premium	-	-	-	37	(37)	-	-	-	-	-
Impact of OCPRS due to redemption	-	-	(33)	-	-	-	-	-	(642)	(675)
Profit for the year	-	-	-	-	-	-	-	-	10,346	10,346
Remeasurement gain / (loss) on defined benefit plans	-	-	-	-	-	-	-	-	69	69
Fair value gain/(loss) on financial assets	-	-	-	-	-	-	-	-	-	-
Closing Balance as on 31 March 2022	-	-	-	52,326	727	200	6,593	10	23,344	83,200

Significant accounting policies and notes to the Financial Statements
 The notes referred to above forms integral part of Financial Statements.
 As per our report of even date attached

3 - 60

For **B S R & Co. LLP**
 Chartered Accountants
 FRN: 101248W/W-100022

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

C. V. Ganesh
 Chief Financial Officer

S. Rajaraman
 Company Secretary
 M.No.F3514

Ashwin Suvarna
 Partner
 Membership No. 109503

Anil Kothuri
 MD & CEO
 DIN:00177945

Balakrishnan Krishnamurthy
 Non Executive Chairman
 DIN:00034031

Gauri Rushabh Shah
 Independent Director
 DIN:06625227

Place: Mumbai
 Date: May 26, 2023

Place: Mumbai
 Date: May 26, 2023

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

1. Corporate information

Fedbank Financial Services Limited ('the Company') is a Public Limited Company incorporated on 17 April, 1995 in India and is a subsidiary of The Federal Bank Limited. Its registered office is located in Mumbai. 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 with sourcing and servicing agents. The Company is registered with the Reserve Bank of India as a Non-Banking Finance Company (NBFC) vide Registration N- 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 of Financial Statements

2.1 Basis of preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with Indian Accounting Standard ('Ind AS') prescribed under section 133 of the Companies Act, 2013 (the 'Act'), read with relevant rules issued thereunder and the other accounting principles generally accepted in India. Any application guidance/ clarifications/ directions issued by the Reserve Bank of India or other regulators are implemented as and when they are issued/ applicable.

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Company are discussed in Note 3 - Significant accounting judgements, estimates and assumptions.

The financial statements have been approved by the Board of Directors on May 26, 2023.

2.2 Presentation of Financial Statements

The financial statements of the Company are presented as per Schedule III (Division III) of the Companies Act, 2013 applicable to NBFCs, as notified by the Ministry of Corporate Affairs (MCA). The Statement of Cash Flows has been presented using indirect method as per the requirements of Ind AS 7 Statement of Cash Flows.

2.3 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 millions, unless otherwise indicated.

2.4 Basis of measurement

These financial statements have been prepared under the historical cost convention and on an accrual basis, except for certain financial instruments which are measured at fair values as required by relevant Ind AS basis.

3. Critical accounting estimates and judgments

The preparation of the 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 period could differ from those on which the Management's estimates are based. Accounting estimates and judgements that are used for various line items in the financial statements are as follows:

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.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

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 carry forwards 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, expected recovery through liquidations of collateral, 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 reassesses the option when significant events or changes in circumstances occur that are within the control of the lessee.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

4. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements.

4.1 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.

4.2 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 assessment model as set out in Ind AS 115 'Revenue from contracts with customers'. 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.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

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 in which they occur.

4.3 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 asset. 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 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 in case of Computer Equipment & Server and on Written Down Value (WDV) method in case of Office Equipment, Furniture & fixtures & Vehicles. Depreciation is charged over the useful lives of assets as prescribed under Schedule II of the Companies Act 2013.

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 its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the net

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

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 period the asset is derecognized. Assets held for sale or disposals are stated at the lower of their net book value and net realisable value.

4.4 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.

4.5 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 period 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.

4.6 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. The Company follows trade date method of accounting for purchase and sale of investments. 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.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

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.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

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 derecognition 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. The legally enforceable right is not contingent on future events and enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

h) Derivatives and hedging activity:

The Company uses derivative contracts like cross currency interest rate swaps, forward contracts, options 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 resulting gain/loss is recognized in the Statement of Profit and Loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the Statement of Profit and Loss depends on nature and type of the hedge relationship designated.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

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 recognized 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 nonfinancial 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) Restructured, rescheduled and modified loans

Restructured loans (other than OTR) where repayment terms are renegotiated as compared to the original contracted terms due to significant credit distress of the borrower are classified as credit impaired. Such loans continue to be in stage 3 until they exhibit regular payment of renegotiated principal and interest over a minimum observation of period, typically 12 months- post renegotiation, and there are no other indicators of impairment. Having satisfied the conditions of timely payment over the observation period, these loans could be transferred to stage 1 or 2 and a fresh assessment of the risk of default be done for such loans.

Rollovers/repledges in case of gold loans are not considered as restructured provided no concession are allowed and the LTV is maintained at less than or equal to prescribed regulatory guidelines.

For loans restructured under the RBI Resolution Framework (OTR), the Company, basis credit assessment, the terms of restructuring, repayment behavior of borrowers and other qualitative factors, has considered all loans restructured as an early indicator of significant increase in credit risk and accordingly classified such loans as Stage 2.

j) 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 months 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 months 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 determining whether credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, including on historical experience and forward-looking information.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

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 at default (EAD): The Exposure at Default is an estimate of the exposure at a default date taking into account the repayment of principal and interest until the reporting 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, 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%.

For gold loans, when a loan remains overdue for 90 days or more and does not fulfil the conditions for minimum collateral cover, such loans are classified as Stage 3.

The Company has considered additional ECL provision by applying management overlays to model derived PDs and LGDs for certain pool of loans where it believes that there is a need for further adjustments given the uncertainty on forward looking risks.

k) 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.

4.7 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

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

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.

4.8 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 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 period, 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.

4.9 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.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

4.10 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.

4.11 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 period 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. Current tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously

Current tax is recognised in statement of profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax is also recognised in other comprehensive income or directly in equity respectively. The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax. Liabilities and assets, and they relate to income taxes levied by the income tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

4.12 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.

4.13 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

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

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.

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

4.14 Leases

Contracts/arrangements, or part of a contract/arrangement meeting the definition of "lease" and falling within the scope of Ind AS 116 "Leases" to follow accounting policies mentioned below

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.

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.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

4.15 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.

4.16 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.

4.17 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.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

4 Cash and cash equivalents

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Cash on hand	1,339	1,684
Balances with banks		
- in current accounts	8,057	4,912
- in fixed deposits with maturity less than 3 months	-	-
	9,396	6,596

5 Bank balances other than cash and cash equivalents

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Fixed deposit with maturity of more than 3 months and less than 12 months		
- Free	-	7,664
- Under Lien*	66	-
	66	7,664

*Fixed deposit amounting to INR 66 lakhs (PY - Nil) is in lien marked towards forward contract entered into to hedge against foreign currency denominated borrowing.

6 Derivative financial instruments

(INR in Lakhs)

Part I	As at 31 March 2023			As at 31 March 2022		
	Notional amounts	Fair Value - Assets	Fair Value - Liabilities	Notional amounts	Fair Value - Assets	Fair Value - Liabilities
(i) Currency derivatives						
- Spot and forwards	30,040	-	482	-	-	-
- Currency futures	-	-	-	-	-	-
- Currency swaps	-	-	-	-	-	-
- Options purchased	-	-	-	-	-	-
- Options sold (written)	-	-	-	-	-	-
- Others	-	-	-	-	-	-
(ii) Interest Rate Derivatives						
- Forward rate agreements and interest rate swaps	-	-	-	-	-	-
- Options purchased	-	-	-	-	-	-
- Options sold (written)	-	-	-	-	-	-
- Futures	-	-	-	-	-	-
- Others	-	-	-	-	-	-
(iii) Credit Derivatives	-	-	-	-	-	-
(iv) Equity Linked Derivatives	-	-	-	-	-	-
(v) Other Derivatives	-	-	-	-	-	-
Total	30,040	-	482	-	-	-

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

6 Derivative financial instruments (contd.)

(INR in Lakhs)

Part II	As at 31 March 2023			As at 31 March 2022		
	Notional amounts	Fair Value - Assets	Fair Value - Liabilities	Notional amounts	Fair Value - Assets	Fair Value - Liabilities
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging						
- Currency derivatives	-	-	-	-	-	-
- Interest Rate Derivatives	-	-	-	-	-	-
- Credit Derivatives	-	-	-	-	-	-
- Equity Linked Derivatives	-	-	-	-	-	-
- Others	-	-	-	-	-	-
(ii) Cash flow hedging						
- Currency derivatives	-	-	-	-	-	-
- Interest Rate Derivatives	-	-	-	-	-	-
- Credit Derivatives	-	-	-	-	-	-
- Equity Linked Derivatives	-	-	-	-	-	-
- Others	-	-	-	-	-	-
(iii) Net investment hedging	-	-	-	-	-	-
(iv) Undesignated derivatives	30,040	-	482	-	-	-
Total	30,040	-	482	-	-	-

The Company uses forward exchange contracts to economically hedge its risks associated with currency risk arising from the foreign currency borrowing. These contracts are stated at fair value at each reporting date. (Refer note 48.03)

7 Receivables

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
(i) Trade receivables		
Receivables considered good - Unsecured*	1,542	1,332
Trade Receivables which have significant increase in credit risk	123	-
	1,665	1,332
Less: Loss allowance	180	148
	1,485	1,184
(ii) Other receivables		
Receivables considered good - Unsecured	496	386
	496	386
Less: Loss allowance	20	-
	476	386
	1,961	1,570

*Includes unbilled revenue amounting to INR 817 Lakhs (at March 31, 2022: INR 4 Lakhs)

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

7 Receivables (contd.)

Outstanding as at 31 March 2023 from due date of payment

Particulars	Total	Less than 6 months	6 months - 1 year	1 -2 years	2 -3 years	More than 3 year
Undisputed trade & other receivable - Considered good	1,221	1,221	-	-	-	-
Undisputed trade & other receivable which have significant increase in credit risk	123	-	5	118	-	-
Undisputed trade receivables –credit impaired	-	-	-	-	-	-
Disputed trade receivables – considered good	-	-	-	-	-	-
Disputed trade receivables –which have significant increase in credit risk	-	-	-	-	-	-
Disputed trade receivables – credit impaired	-	-	-	-	-	-
Total	1,344	1,221	5	118	-	-
Less: Loss Allowance	(200)	(77)	(5)	(118)	-	-
	1,144	1,144	-	-	-	-
Unbilled receivable	817					
	1,961					

Outstanding as at 31 March 2022 from due date of payment

Particulars	Total	Less than 6 months	6 months - 1 year	1 -2 years	2 -3 years	More than 3 year
Undisputed trade & other receivable - Considered good	1,714	1,596	118	-	-	-
Undisputed trade & other receivable which have significant increase in credit risk	-	-	-	-	-	-
Undisputed trade receivables –credit impaired	-	-	-	-	-	-
Disputed trade receivables – considered good	-	-	-	-	-	-
Disputed trade receivables –which have significant increase in credit risk	-	-	-	-	-	-
Disputed trade receivables – credit impaired	-	-	-	-	-	-
Total	1,714	1,596	118	-	-	-
Less: Loss Allowance	(148)	(30)	(118)	-	-	-
	1,566	1,566	-	-	-	-
Unbilled receivable	4					
	1,570					

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

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

8 Loans

As at March 31, 2023

(INR in Lakhs)

Particulars	Amortised Cost	At Fair Value through other comprehensive income	Total
(i) Term Loans	751,649	58,625	810,274
Gross carrying amount of loans	751,649	58,625	810,274
Less: Impairment Loss Allowance	(10,304)	-	(10,304)
Total Net (A)	741,345	58,625	799,970
(i) Secured by tangible assets (Refer Note 44.1.2)	673,092	23,572	696,664
(ii) Secured by intangible assets	-	-	-
(iii) Covered by guarantees (Refer Note 44.1.2)	2,576	-	2,576
(iv) Unsecured	75,981	35,053	111,034
Total Gross (B)	751,649	58,625	810,274
Less: Impairment Loss Allowance	(10,304)	-	(10,304)
Total Net (B)	741,345	58,625	799,970
Loans in India			
(i) Public sector	-	-	-
(ii) Others *	751,649	58,625	810,274
Total Gross (C)	751,649	58,625	810,274
Less: Impairment Loss Allowance	(10,304)	-	(10,304)
Total Net (C)	741,345	58,625	799,970

* Includes loans given to private sector

As at March 31, 2022

(INR in Lakhs)

Particulars	Amortised Cost	At Fair Value through other comprehensive income	Total
(i) Term Loans	576,094	-	576,094
Gross carrying amount of loans	576,094	-	576,094
Less: Impairment Loss Allowance	(11,613)	-	(11,613)
Total Net (A)	564,481	-	564,481
(i) Secured by tangible assets (Refer Note 44.1.2)	482,736	-	482,736
(ii) Secured by intangible assets	-	-	-
(iii) Covered by guarantees (Refer Note 44.1.2)	4,861	-	4,861
(iv) Unsecured	88,497	-	88,497
Total Gross (B)	576,094	-	576,094
Less: Impairment Loss Allowance	(11,613)	-	(11,613)
Total Net (B)	564,481	-	564,481
Loans in India			
(i) Public sector	-	-	-
(ii) Others *	576,094	-	576,094
Total Gross (C)	576,094	-	576,094
Less: Impairment Loss Allowance	(11,613)	-	(11,613)
Total Net (C)	564,481	-	564,481

* Includes loans given to private sector

8.1 The Company has not advanced any loans to the promoters, directors, KMPs and the related parties either severally or jointly with any other person.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

8 Loans (contd.)

8.2 Disclosure required as per Non-Banking Financial Company - Systematically Important Non Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

Particulars	As at 31 March 2023	As at 31 March 2022
Loans against collateral of gold jewellery (Gross)	298,605	224,753
Total assets of the Company	907,099	655,571
Percentage of Loans against collateral of gold jewellery to Total assets of the Company	32.92%	34.28%

8.3 The table below shows the credit quality and the maximum exposure to credit risk based on the Company's impairment assessment and stage classification. The amounts presented are gross of impairment allowances.

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

Loans (at amortised cost)	As at 31 March 2023	As at 31 March 2022
Stage 1	697,757	513,114
Stage 2	37,461	50,122
Stage 3	16,431	12,858
Total	751,649	576,094

(b) Reconciliation of gross carrying amount of loan assets measured at amortised cost is given below:

(INR in Lakhs)

Particulars	As at 31 March 2023				As at 31 March 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	513,114	50,122	12,858	576,094	445,141	12,881	4,681	462,703
Transfers to Stage 1	6,130	(4,639)	(1,491)	-	841	(764)	(77)	-
Transfers to Stage 2	(11,813)	12,339	(526)	-	(31,415)	31,442	(27)	-
Transfers to Stage 3	(5,380)	(5,234)	10,614	-	(6,623)	(4,362)	10,985	-
Assets derecognised (excluding write offs)	(252,545)	(23,252)	(1,325)	(277,122)	(229,281)	(4,507)	(742)	(234,530)
Asset written off	-	-	(5,818)	(5,818)	-	-	(3,950)	(3,950)
Loan Repaid*	(82,014)	(2,343)	(1,012)	(85,369)	(47,839)	997	514	(46,328)
New assets originated or purchased	530,265	10,468	3,131	543,864	382,290	14,435	1,474	398,199
Gross carrying amount closing balance	697,757	37,461	16,431	751,649	513,114	50,122	12,858	576,094

*Movement covers repayment of loan, change in exposure on account of restructuring, change in exposure for partly disbursed loans and change in staging

(b) Reconciliation of gross carrying amount of loan assets measured at amortised cost is given below:

(INR in Lakhs)

Particulars	As at 31 March 2023				As at 31 March 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balance	2,524	6,251	2,838	11,613	4,536	1,555	1,399	7,490
Transfers to Stage 1	1,012	(754)	(258)	-	140	(122)	(18)	-
Transfers to Stage 2	(85)	174	(89)	-	(2,078)	2,084	(6)	0
Transfers to Stage 3	(370)	(642)	1,012	-	(566)	(809)	1,375	-
Assets derecognised (excluding write offs)	(607)	(2,539)	(784)	(3,930)	(614)	(108)	(91)	(813)
Assets written off	-	-	(2,892)	(2,892)	-	-	(1,192)	(1,192)
Loan Repaid*	(2,646)	(278)	(300)	(3,224)	(259)	2,839	1,305	3,885

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

8 Loans (contd.)

(INR in Lakhs)

Particulars	As at 31 March 2023				As at 31 March 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
New assets originated or purchased	2,637	1,978	4,122	8,737	1,365	812	66	2,243
ECL allowance - closing balance	2,465	4,190	3,649	10,304	2,524	6,251	2,838	11,613

*Movement covers release of provision on account of repayment, increase in provision on account of restructuring, increase in provision on account of disbursement of partly disbursed loans and change in staging.

- (d) Gross carrying amount of loan assets measured at fair value through OCI allocated to Stage 1, Stage 2 and Stage 3

Loans (at FVOCI)	As at 31 March 2023	As at 31 March 2022
Stage 1	59,140	-
Stage 2	207	-
Stage 3	19	-
Total	59,366	-

- (e) Reconciliation of gross carrying amount of loan assets measured at fair value through OCI allocated is given below:

(INR in Lakhs)

Particulars	As at 31 March 2023				As at 31 March 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	-	-	-	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Assets derecognised (excluding write offs)	-	-	-	-	-	-	-	-
Asset written off	-	-	-	-	-	-	-	-
Loan Repaid*	-	-	-	-	-	-	-	-
New assets originated or purchased	59,140	207	19	59,366	-	-	-	-
Gross carrying amount closing balance	59,140	207	19	59,366	-	-	-	-

*Movement covers repayment of loan, change in exposure on account of restructuring, change in exposure for partly disbursed loans and change in staging

- (f) Reconciliation of ECL balance of loan assets measured at fair value through OCI allocated is given below:

(INR in Lakhs)

Particulars	As at 31 March 2023				As at 31 March 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balance	-	-	-	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Assets derecognised (excluding write offs)	-	-	-	-	-	-	-	-
Assets written off	-	-	-	-	-	-	-	-
Loan Repaid*	-	-	-	-	-	-	-	-

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

8 Loans (contd.)

(INR in Lakhs)

Particulars	As at 31 March 2023				As at 31 March 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
New assets originated or purchased	705	33	3	741	-	-	-	-
ECL allowance - closing balance	705	33	3	741	-	-	-	-

*Movement covers release of provision on account of repayment, increase in provision on account of restructuring, increase in provision on account of disbursement of partly disbursed loans and change in staging.

9 Investments

9.1 At Amortised Cost

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Investment in Non Convertible Debentures (NCD)	833	833
Less: Allowance for impairment loss	(167)	(83)
Total	666	750

9.2 At Fair value through OCI

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Investments in Government Securities	65,396	-
Total	65,396	-

9.3 At Fair Value Through Profit & Loss

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Mutual Funds (March'23 - Units : No. 1,67,907 and Cost INR 2,000 Lakhs) (March'22 - Units : No. 19,21,595 and Cost INR 10,299 Lakhs)	2,000	10,309
Investments in Government Securities	-	40,374
	2,000	50,683
Total Investments	68,062	51,433

Note: All the investments are held in India.

10 Other financial assets

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Security Deposits	1,334	1,172
Full & final recovery from employee	104	100
Less: Impairment Loss Allowance	-	(95)
Bank deposits with more than 12 months maturity	5,008	-
	6,446	1,177

11 Current tax assets (net)

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Advance income taxes (net of provision for taxes)	1,197	1,192
	1,197	1,192

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

12 Deferred tax assets (net)

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Deferred tax assets (net)	2,183	3,150
	2,183	3,150

13 Other non-financial assets

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Input tax credit (Net)	854	477
Prepaid expenses	1,449	2,186
Advance to Suppliers	780	117
Advances to employees (other than loans)	102	100
Others	1	-
	3,186	2,880

14.1 Property, Plant and Equipment

(INR in Lakhs)

Particulars	Computer Equipments	Office Equipments	Lease Hold improvements (Interior Furnishings)	Furniture & Fixtures	Vehicles - Cars	Server	Total Property, Plant and Equipment
Gross Block as at April 1, 2022	915	1,344	1,999	897	16	113	5,284
Gross Block as at April 1, 2021	(539)	(505)	(1,220)	(526)	(16)	(113)	(2,920)
Additions during year ended Mar 31, 2023	434	327	372	221	-	-	1,354
Additions during year ended Mar 31, 2022	(376)	(868)	(794)	(379)	-	-	(2,418)
Deductions during year ended Mar 31, 2023	18	7	37	3	-	-	65
Deductions during year ended Mar 31, 2022	-	(30)	(15)	(8)	-	-	(53)
Gross Block as at Mar 31, 2023	1,331	1,664	2,334	1,115	16	113	6,573
Gross Block as at Mar 31, 2022	(915)	(1,344)	(1,999)	(897)	(16)	(113)	(5,284)
Accumulated depreciation as at April 1, 2022	451	573	754	349	12	60	2,199
Accumulated depreciation as at April 1, 2021	(221)	(215)	(390)	(156)	(10)	(43)	(1,035)
Additions during year ended Mar 31, 2023	291	454	407	198	1	17	1,368
Additions during year ended Mar 31, 2022	(230)	(385)	(379)	(197)	(3)	(17)	(1,211)
Deductions during year ended Mar 31, 2023	16	6	36	2	-	-	60
Deductions during year ended Mar 31, 2022	-	(27)	(15)	(4)	-	-	(46)
Accumulated depreciation at Mar 31, 2023	726	1,021	1,125	545	13	77	3,507
Accumulated depreciation at Mar 31, 2022	(451)	(573)	(754)	(349)	(12)	(60)	(2,199)
Net block as at Mar 31, 2023	605	643	1,209	570	3	36	3,066
Net block as at Mar 31, 2022	(464)	(771)	(1,245)	(548)	(4)	(53)	(3,085)

14.2 Intangible Assets

Particulars	Computer Software
Gross Block as at April 1, 2022	602
Gross Block as at April 1, 2021	(375)
Additions during year ended Mar 31, 2023	171
Additions during year ended Mar 31, 2022	(228)
Deductions during year ended Mar 31, 2023	-
Deductions during year ended Mar 31, 2022	-
Gross Block as at Mar 31, 2023	773
Gross Block as at Mar 31, 2022	(602)
Accumulated depreciation as at April 1, 2022	296
Accumulated depreciation as at April 1, 2021	(143)
Additions during year ended Mar 31, 2023	157
Additions during year ended Mar 31, 2022	(152)
Deductions during year ended Mar 31, 2023	-

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

14.2 Intangible Assets (contd.)

Particulars	Computer Software
Deductions during year ended Mar 31, 2022	-
Accumulated depreciation at Mar 31, 2023	453
Accumulated depreciation at Mar 31, 2022	(296)
Net block as at Mar 31, 2023	320
Net block as at Mar 31, 2022	(306)

14.3 Capital Work in progress (CWIP)

Particulars	CWIP
Gross Block as at April 1, 2022	66
Gross Block as at April 1, 2021	(96)
Additions during year ended Mar 31, 2023	293
Additions during year ended Mar 31, 2022	(1,273)
Deductions during year ended Mar 31, 2023	306
Deductions during year ended Mar 31, 2022	(1,303)
Gross Block as at Mar 31, 2023	53
Gross Block as at Mar 31, 2022	(66)

14.4 Right-Of-Use (ROU) Asset

Particulars	ROU
ROU as at Apr 01, 2022	11,970
ROU as at Apr 01, 2021	(11,185)
Additions during year ended Mar 31, 2023	1,886
Additions during year ended Mar 31, 2022	(3,092)
Deductions during year ended Mar 31, 2023	-
Deductions during year ended Mar 31, 2022	-
Amortisation during year ended Mar 31, 2023	2,663
Amortisation during year ended Mar 31, 2022	(2,306)
ROU as at Mar 31, 2023	11,193
ROU as at Mar 31, 2022	(11,970)

14.3.1 Ageing of Capital Work in progress (CWIP)

CWIP	Amount in CWIP - March 31, 2023				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	35	13	5	-	53

CWIP	Amount in CWIP - March 31, 2022				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	44	22	-	-	66

15 Trade Payables

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
(i) Total outstanding dues of micro enterprises and small enterprises	-	-
(ii) Total outstanding dues to creditors other than micro enterprises and small enterprises	2,609	643
	2,609	643

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

15.1 Other payables

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
(i) Total outstanding dues of micro enterprises and small enterprises	-	-
(ii) Total outstanding dues to creditors other than micro enterprises and small enterprises	-	-
	-	-

Outstanding as at 31 Mar'23 from due date of payment

Particulars	Total	Less than 1 year	1 -2 years	2 -3 years	More than 3 year
MSME	-	-	-	-	-
Others	2,609	2,404	60	74	71
Disputed dues - MSME	-	-	-	-	-
Disputed dues - Others	-	-	-	-	-

Outstanding as at 31 Mar'22 from due date of payment

Particulars	Total	Less than 1 year	1 -2 years	2 -3 years	More than 3 year
MSME	-	-	-	-	-
Others	643	540	83	20	-
Disputed dues - MSME	-	-	-	-	-
Disputed dues - Others	-	-	-	-	-

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 enquiries with the suppliers with regard to applicability under the said Act. The details of amounts outstanding to Micro, Small and Medium Enterprises based on information available with the Company is as under:

Particulars	As at 31 March 2023	As at 31 March 2022
Principal amount remaining unpaid as at the end of the year	-	-
Interest due on above and remaining unpaid as at the end of the year	-	-
Amount of interest paid along terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, with amount of payment made to supplier beyond the appointed day	-	-
Interest due and payable on principal amounts for the year of delay in making the payment paid beyond the due date during the year but without the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006 amounts under this Act	-	-
Interest accrued and remaining unpaid at the end of each year	-	-
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

16 Debt securities

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
At amortised cost		
Secured		
Non-convertible redeemable debentures (refer note 16.1, 16.2, 17.2 & 17.3)	40,459	20,068
Unsecured		
Commercial paper (refer note 16.1, 16.3, 17.2 & 17.3)	21,000	35,000
Less: Unamortised discount	(336)	(1,726)
	61,123	53,342
Debt Securities in India	61,123	53,342
Debt Securities outside India	-	-
	61,123	53,342

16.1 Details of security cover provided for debt securities

(INR in Lakhs)

Security Clause	31 March 2023	31 March 2022
Secured by First Pari Passu Charge by way of hypothecation of all book debt receivables, Current Assets and Investments	38,750	18,750
First Pari Passu Charge on all present and future standard business receivables (except receivables hypothecated by way of exclusive charge, if any, to any of the Identified Lenders) and current assets including investments to the extent of security cover of each lender	-	35,000
Subtotal	38,750	53,750
Unamortised Cost	(2)	(1,735)
Interest Accrued	1,711	1,327
Total		53,342

16.2 Contractual Terms of repayment of Debt Securities

(INR in Lakhs)

Particulars	Interest Rate Range	31 March 2023	31 March 2022
Issued on Private Placement Basis			
I. Secured			
Repayable on Maturity			
Maturing within 1 year	9.00%	18,750	-
Maturing Between 1 year to 3 Years	9.00%	-	18,750
Maturing Between 3 year to 5 Years	8.30%	20,000	-
Maturing more than 5 Years		-	-
Total Payable on Maturity		38,750	18,750
Unamortised Cost		(2)	-
Interest Accrued		1,711	1,327
Total Carrying amount		40,459	20,077
II. Unsecured			
Repayable on Maturity			
Maturing within 1 year	8.14%	21,000	35,000
Maturing Between 1 year to 3 Years		-	-
Maturing Between 3 year to 5 Years		-	-
Maturing more than 5 Years		-	-
Total Payable on Maturity		21,000	35,000
Unamortised Discount		(336)	(1,735)
Interest Accrued		-	-
Total Carrying amount		20,664	33,265

16.3 The commercial papers issued by the Company have maturity less than a year with carrying interest rate @ 8.14% p.a (March 2022: 6.04 % to 6.25 % p.a) and maximum amount outstanding during the year ended March 31, 2023 was INR 21,000 Lakhs (March 31, 2022 - INR 35,000 Lakhs)

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

17 Borrowings (other than debt securities)

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Term Loan At amortised cost		
Secured		
Term loans from Bank	548,532	349,250
Term loan from Related Party	24,881	51,041
Term loans from other Parties	19,622	3,124
	593,035	403,415
Unsecured		
Term loans from Bank	-	5,028
Term loans from other Parties	2,501	2,492
	2,501	7,520
Loans repayable on demand		
Secured		
From Bank	22,532	5,501
From Related Party	8,425	5,999
From other parties	-	-
	626,493	422,435
Borrowings in India	626,493	422,435
Borrowings outside India	-	-
	626,493	422,435

17.1 Contractual terms of repayment of borrowings

(INR in Lakhs)

Particulars	Interest Rate Range	31 March 2023	31 March 2022
I. Secured			
1. Repayable in Installments			
i. on monthly basis			
Maturing within 1 year	8.10% to 8.23%	5,500	3,000
Maturing Between 1 year to 3 Years	8.10% to 8.23%	11,000	6,000
Maturing Between 3 year to 5 Years	8.10% to 8.23%	4,667	6,000
Maturing more than 5 Years			-
Subtotal (A)		21,167	15,000
ii. on quarterly basis			
Maturing within 1 year	7.65% to 9.60%	164,288	132,372
Maturing Between 1 year to 3 Years	7.65% to 9.60%	273,563	190,883
Maturing Between 3 year to 5 Years	7.65% to 9.20%	96,375	44,961
Maturing more than 5 Years	8.25% to 8.55%	13,000	4,250
Subtotal (B)		547,226	372,466
iii. On half-yearly basis			
Maturing within 1 year	8.30%	833	-
Maturing Between 1 year to 3 Years	8.30%	4,167	-
Subtotal (C)		5,000	-
iv. on Yearly basis			
Maturing within 1 year	7.82% to 9.08%	6,033	5,167
Maturing Between 1 year to 3 Years	7.82% to 8.65%	10,399	8,833
Maturing Between 3 year to 5 Years	7.82%	3,364	2,500
Subtotal (D)		19,796	16,500

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

17.1 Contractual terms of repayment of borrowings

(INR in Lakhs)

Particulars	Interest Rate Range	31 March 2023	31 March 2022
2. Repayable on Maturity			
Maturing within 1 year	7.70% to 9.65%	30,954	11,500
Maturing Between 1 year to 3 Years		-	-
Maturing Between 3 year to 5 Years		-	-
Subtotal (C)		30,954	11,500
Unamortised Cost		(624)	(657)
Interest Accrued		473	106
Total Secured		623,992	414,915
II. Unsecured			
Repayable on Maturity			
Maturing within 1 year		-	5,000
Maturing Between 1 year to 3 Years	8.20%	2,500	-
Maturing Between 3 year to 5 Years		-	2,500
Maturing more than 5 Years		-	-
Unamortised Cost		-	(8)
Interest Accrued		1	28
Total Unsecured		2,501	7,520

17.2 During the year ended March 31, 2023, the Company had borrowed Rs. 334.83 crores as Foreign Currency (USD) denominated Term Loan. These borrowings are currently carried at Rs. 295.37 crores as at March 31, 2023.

The foreign currency exposure on these borrowings have been economically hedged through forward contracts. (Refer note 48.03)

17.3 There is no borrowing measured at FVTPL or designated as FVTPL.

17.4 No term loan, commercial paper or any other borrowing is guaranteed by promoter or directors of the company.

17.5 Details of security cover provided for borrowings

(INR in Lakhs)

Security Clause	31 March 2023	31 March 2022
First Pari Passu Charge on all present and future standard business receivables (except receivables hypothecated by way of exclusive charge, if any, to any of the Identified Lenders) and current assets including investments to the extent of security cover of each lender	624,142	415,466
Subtotal	624,142	415,466
Adjustment to carrying value for unamortised cost and accrued interest	(150)	(551)
Total	623,992	414,915

18 Subordinated Liabilities

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
At amortised cost		
Unsecured		
Non-convertible redeemable debentures - Related Party	24,437	24,300
Non-convertible redeemable debentures - Others	1,530	1,607
	25,967	25,907

18.1 There is no subordinated liability measured at FVTPL or designated as FVTPL.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

18.2 Contractual terms of repayment of subordinated liabilities

(INR in Lakhs)

Particulars	Interest Rate Range	31 March 2023	31 March 2022
Issued on Private Placement Basis			
Repayable on Maturity			
Maturing within 1 year		-	-
Maturing Between 1 year to 3 Years		-	-
Maturing Between 3 year to 5 Years	9.90%	25,000	-
Maturing more than 5 Years		-	25,000
Total Payable on Maturity		25,000	25,000
Unamortised Cost		(274)	(335)
Interest Accrued		1,241	1,242
Total Carrying amount		25,967	25,907

19 Lease Liability

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Lease Liability *	13,404	13,704
	13,404	13,704

*Refer note 47 for the contractual maturities of lease liabilities

20 Other financial liabilities

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Book overdraft	27,397	14,621
Assignee related payable	552	1,046
Employee related payable	2,784	1,675
Auction Related Payables	2	70
Commission Payable	1,981	1,512
Account Payable - Stale Cheque	312	191
Provision for expense	1,972	1,853
Interest accrued but not due	-	-
Other payables*	78	130
	35,078	21,097

* Includes auction deposit payable

21 Provisions

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Provision for Gratuity	175	4
Provision for Compensated leave absences	336	307
Provision for others	109	2
	620	313

22 Other non-financial liabilities

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Advances from customers	5,313	2,510
Statutory dues payable	442	268
	5,755	2,778

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

23 Equity share capital

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Authorised :		
99,00,00,000 Equity Shares of INR. 10 each	99,000	99,000
1,00,00,000 Optionally Cumulative Redeemable Preference Shares ('OCRPS') of INR.10 each	1,000	1,000
	100,000	100,000
Issued, Subscribed and Paid up:		
32,19,11,605 (Previous year 32,15,17,605) Equity Shares of INR. 10 each fully paid up	32,191	32,152
	32,191	32,152

(a) Reconciliation of the number of shares outstanding and amount of share capital at the beginning and at the end of the year

(i) Reconciliation of the number of equity shares outstanding and amount of share capital at the beginning and at the end of the year

Particulars	As at 31 March 2023		As at 31 March 2022	
	Number of Shares	Rupees in Lakhs	Number of Shares	Rupees in Lakhs
Balance at the beginning of the year	321,517,605	32,152	289,923,425	28,992
Add: Additional equity shares Issued to existing shareholders - Right issue	-	-	28,571,450	2,857
Add: ESOP exercised	394,000	39	293,000	29
Add: Conversion of OCRPS to equity shares	-	-	2,729,730	273
Balance at the end of the year	321,911,605	32,191	321,517,605	32,152

Reconciliation of equity component of compound financial instrument outstanding at the beginning and at the end of the year

Particulars	As at 31 March 2023		As at 31 March 2022	
	Number of Shares	Rupees in Lakhs	Number of Shares	Rupees in Lakhs
Balance at the beginning of the year	-	-	4,729,730	33
Less: Shares converted during the year	-	-	2,729,730	19
Less: Shares redeemed during the year	-	-	2,000,000	14
Less: Transferred to Financial Liability	-	-	-	-
Balance at the end of the year	-	-	-	-

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

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.

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

Particulars	As at 31 March 2023		As at 31 March 2022	
	Number of Shares	Rupees in Lakhs	Number of Shares	Rupees in Lakhs
Equity Shares				
Equity Shares Held by holding company - The Federal Bank Limited (Including 405 shares held by nominees)	73.21%	23,569	73.30%	23,569
- True North Fund VI LLP	25.72%	8,281	25.76%	8,281

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

23 Equity share capital (contd.)

(d) Details of equity shares held by Promoters in the company

As at March 31, 2023

Particulars	Total	Less than 1 year	% of changes during year ended March 31, 2023
Federal Bank Limited	235,685,927	73.21%	0.00%

As at March 31, 2022

Particulars	Total	2 -3 years	% of changes during year ended March 31, 2022
Federal Bank Limited	235,685,927	73.30%	0.00%

(e) Number of shares reserved for ESOPs

Particulars	As at 31 March 2023	As at 31 March 2022
Equity Shares of Rs. 10 fully paid up		
Number of shares reserved for ESOPs	13,476,351	7,870,351

24 Other Components of Equity

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Securities Premium	52,497	52,326
Employee stock option outstanding	1,482	727
Debt instruments through OCI	1,227	-
Statutory Reserve	10,195	6,593
General Reserve	10	10
Capital Redemption Reserve	200	200
Surplus in the Statement of Profit and Loss	37,766	23,344
	103,377	83,200

24.1 Nature and purpose of reserves

a) 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.

b) 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.

c) Other Comprehensive Income

It represents the fair value gains/(losses) on loans and investments.

d) Special Reserve

Special reserve represents the Reserve fund created under Section 45-IC of the Reserve Bank of India Act, 1934.

e) 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 23(a) for details).

f) General Reserve

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

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

24.1 Nature and purpose of reserves (contd.)

g) Impairment Reserve

Impairment Reserve is appropriated from net profit after tax when charge of impairment allowance is lower than the provisioning required under Income Recognition, Asset Classification and Provisioning norms prescribed by Reserve Bank of India (RBI)

h) Capital Redemption Reserve

Capital Redemption Reserve represents the reserve created for a sum equal to nominal value of the preference share redeemed.

i) 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.

24.2 Details of movement in other equity

(INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
a) Securities Premium Account	52,326	33,554
Add : Additions during the year on issue of Equity Shares	171	18,772
Less : Share issue expenses	-	-
	52,497	52,326
b) Share Application Money Pending Allotment	-	4
Add : Additions during the year	-	(4)
	-	-
c) Employee Stock Option Outstanding	727	515
Add : Additions during the year	755	212
	1,482	727
d) Other Comprehensive Income	95	27
Add : Additions during the year	1,238	69
	1,333	95
e) Special Reserve under section 45-IC of the Reserve Bank of India Act, 1934	6,592	4,523
Add : Additions during the year	3,603	2,069
	10,195	6,592
f) Compound Financial Instrument	-	33
Less : Transferred (to)/from Financial Liability	-	(33)
	-	-
g) General Reserve	10	10
Add : Additions during the year	-	-
	10	10
h) Capital Redemption Reserve	200	-
Add : Additions during the year	-	200
	200	200
i) Retained Earning - Opening Balance	23,250	15,815
Add: Profit for the year	18,013	10,346
Less : Redemption of OCRPS	-	(642)
Less : Transfer to CRR on redemption of OCRPS	-	(200)
Less: Transferred to Statutory Reserve	(3,603)	(2,069)
	37,660	23,250
Other Equity	103,377	83,200

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

25 Interest Income

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest on loans	103,463	79,497
Interest on fixed deposits	457	818
Income on direct assignment	6,059	1,608
Interest income from investments	954	173
Interest income on security deposit	83	93
	111,016	82,189

Note: No loans have been measured at FVTPL.

26 Fee and commission income

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Income From Distribution	3,407	2,603
Loan Servicing Fee	58	26
Other fee and charges (cheque bouncing charges, foreclosure charges, auction charges, etc)	2,136	1,660
	5,601	4,289

27 Net gain on fair value changes

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
a) Net gain on financial instrument at fair value through profit or loss	1,262	454
	1,262	454
b) Fair value changes:		
- Realised	1,272	445
- Unrealised	(9)	9
Total Net gain on fair value changes	1,262	454

28 Other income

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Income from Provision of Facilities / Services	3,315	1,375
Liability no longer required, written back	0	3
Interest On Income Tax Refunds	120	-
Miscellaneous Income*	153	54
	3,588	1,432

* Includes notice pay recoveries from employees

29 Finance costs

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest on borrowings (other than debt securities)	37,744	27,098
Foreign currency translation loss *	715	-
Interest on debt securities	6,302	5,333
Interest on subordinated liabilities	1,241	1,241
Interest on lease liability	943	900
Other interest expense	270	193
	47,215	34,765

* It represents net fair value changes on foreign currency borrowings Rs. 233 lakhs and derivative instruments Rs. 482 lakhs.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

30 Fees and commission expenses

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Commission and brokerage	2,328	1,470
	2,328	1,470

Note: No loans have been measured at FVTPL.

31 Impairment on financial instruments

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Bad debts (net of recovery)	5,324	4,204
ECL Provision -		
On Loans	(569)	4,124
On Investment	83	(2)
On Trade receivable and others	52	62
	4,890	8,388

Note: Other than financial instruments measured at amortized cost and FVOCI, there are no other financial instrument measured at FVTPL.

32 Employee benefit expenses

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Salaries and wages	22,108	15,885
Contribution to provident and other funds	1,097	850
Share based payments to employees (Refer note 46)	796	249
Staff welfare expenses	759	557
	24,760	17,541

33 Other expenses

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Advertisement and business promotion	175	80
Auditors' remuneration (refer note below 33.1)	101	74
Directors' sitting fees	31	28
Insurance	219	125
Legal and professional fees	3,324	1,927
Printing and stationery	261	189
Rates and taxes	76	111
Rent	279	150
Repairs and maintenance - Machinery	4	3
Technology cost	2,348	1,097
Electricity charges	295	202
Corporate social responsibility ('CSR') (refer note 33.2)	136	68
Sourcing expenses	275	154
Office expenses	360	265
Postage and courier	487	411
Goods & service tax expenses	1,705	1,276
Travelling and conveyance	1,283	658
Recruitment charges	186	70
Servicing fees - Micro finance loans	(731)	361
Valuation charges	189	160
Housekeeping and security charges	822	899
Loss on sale of assets	2	75
Operational Loss	218	-
Securitisation expenses	121	108
Miscellaneous expenses	82	118
	12,248	8,609

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

33.1 Auditors' remuneration:

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
For Statutory Audit	50	42
For Limited Review	39	26
For Other Matters *	100	119
For Out of pocket expenses*	9	3
	198	190
Less: Amount expensed and disclosed as exceptional item in Statement of Profit and Loss for the year ended 31 March, 2023 (cummulative for the year ended 31 March 2022 and 31 March 2023-refer note 60)	(97)	(116)
Total	101	74

* Includes amount of INR 97 lakhs (previous year INR 116 Lakhs) pertaining to Initial Public Offer (IPO) related work relating to public issuance, both of which has been expensed in current year as Exceptional Item in the Statement of Profit and Loss (refer note 60). During the previous year, the Company had filed the Draft Red Herring Prospectus dated 18 February 2022, with SEBI, for the purpose of raising equity capital. However, due to various internal and external considerations, the IPO plan to issue equity shares to public has been currently put on hold.

33.2 Corporate Social Responsibility Expenditure

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Amount required to be spent	136	114
Amount spent during the year		
(a) Construction / acquisition of asset	-	-
(b) On purpose other than (a) above	136	68
Excess / (shortfall)	-	(46)
Amount required to be contributed to specified fund u/s 135(6)	-	46

Note: CSR projects undertaken by the Company falls under definition of 'Ongoing-Project'.

34 Income Taxes

34.1 Tax Expense

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Current Tax Expense		
Current Tax for the year	5,846	4,710
Current tax expense / (benefit) pertaining to prior years	(108)	-
	5,738	4,710

34.2 Deferred Taxes

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Change in deferred tax assets	551	(1,111)
Net deferred tax expense	551	(1,111)
Total income tax expense recognised in the year	6,289	3,599

34.3 Reconciliation of tax charge

(INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Profit before income tax expense	24,302	13,921
Enacted tax rate in India	25.17%	25.17%
Income tax expense/ (benefits) calculated on above rate	6,117	3,504
Tax effect of amounts not deductible/not taxable in calculating taxable income		
Adjustment related to tax of prior years	(108)	-
Effect of Non-deductible expenses	280	95
Income tax expense	6,289	3,599

The effective income tax rate for the year ended March 31, 2023 is 25.88% (March 31, 2022 is 25.85%).

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

34.4 Movement of Deferred tax assets / Liabilities

(INR in Lakhs)

For the year ended Mar 31, 2023	Deferred tax asset/ liability Opening	In Profit or Loss	In OCI	Directly in Equity	Total Movement	Deferred tax asset/ liability Closing
Deferred taxes in relation to :						
Deferred Tax Assets						
Depreciation and Amortisation	391	128	-	-	128	519
Provision for Employee benefits	65	50	(4)	-	47	112
Provision for Expected Credit Loss	2,730	(162)	-	-	(162)	2,568
Lease	427	87	-	-	87	514
Effective interest rate on Financial assets	259	110		-	110	368
Fair Valuation of financial assets measured at FVOCI	-	-	(412)		(412)	(412)
Effective interest rate on Financial liabilities	120	110			110	230
Fair valuation of security deposit	12	7	-	-	7	19
Foreign currency translation gain/ (loss)	-	78	-	-	78	78
Other timing differences	24	-	-	-	-	24
Total Deferred Tax Assets	4,028	408	(416)	-	(7)	4,021
Deferred Tax Liabilities						
Interest income on NPA	47	-	-	-	-	47
Gain/(Loss) on fair valuation of mutual fund	2	-	-	-	-	2
Effective interest rate on Financial Liabilities	202	83	-	-	83	285
Interest/Other Charges on Direct Assignment Transaction	628	876	-	-	876	1,504
Total Deferred Tax Liabilities	879	959	-	-	959	1,838
Total	3,149	(551)	(416)	-	(965)	2,183

(INR in Lakhs)

For the year ended Mar 31, 2022	Deferred tax asset/ liability Opening	In Profit or Loss	In OCI	Directly in Equity	Total Movement	Deferred tax asset/ liability Closing
Deferred Assets						
Depreciation and Amortisation	267	124	-	-	124	391
Provision for Employee benefits	60	29	(24)	-	5	65
Provision for Expected Credit Loss	1,925	805	-	-	805	2,730
Lease	314	113	-	-	113	427
Effective interest rate on Financial assets	140	119	-	-	119	259
Effective interest rate on Financial liabilities	-	120	-	-	120	120
Fair valuation of security deposit	9	3	-	-	3	12
Other timing differences	23	1	-	-	1	24
Total Deferred Assets	2,738	1,313	(24)	-	1,290	4,029
Deferred Liabilities						
Interest income on NPA	47	-	-	-	-	47
Gain/(Loss) on fair valuation of mutual fund	-	2	-	-	2	2
Effective interest rate on Financial Liabilities	202	-	-	-	-	202

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

34.4 Movement of Deferred tax assets / Liabilities (contd.)

(INR in Lakhs)

For the year ended Mar 31, 2022	Deferred tax asset/ liability Opening	In Profit or Loss	In OCI	Directly in Equity	Total Movement	Deferred tax asset/ liability Closing
Interest/Other Charges on Direct Assignment Transaction	451	177	-	-	177	628
Total Deferred Liabilities	700	179	-	-	179	879
Total	2,038	1,134	(24)	-	1,111	3,150

35 Change in Liabilities arising from Financing activities

(INR in Lakhs)

Particulars	As at April 01, 2022	As represented in Cash Flow Statement	Others #	As at Mar 31, 2023
Debt securities	53,342	6,000	1,781	61,123
Borrowings (other than debt securities)	422,435	203,678	380	626,493
Deposits	-	-	-	-
Subordinated liabilities	25,907	-	60	25,967
Lease Liabilities	13,704	(3,129)	2,829	13,404
	515,388	206,549	5,050	726,987

(INR in Lakhs)

Particulars	As at April 01, 2021	As represented in Cash Flow Statement	Others #	As at Mar 31, 2022
Debt securities	59,370	(5,000)	(1,028)	53,342
Borrowings (other than debt securities)	347,593	74,990	(148)	422,435
Deposits	-	-	-	-
Subordinated liabilities	25,846	-	61	25,907
Lease Liabilities	12,462	(2,750)	3,992	13,704
	445,271	67,240	2,877	515,388

Others includes effect of interest accrued but not paid, amortisation of processing fees, fair value changes on foreign currency denominated term loan and interest on lease liabilities.

36 Earnings Per Share ('EPS')

(INR in Lakhs)

Particulars	Year ended Mar 31, 2023	Year ended Mar 31, 2022
Net Profit from operations attributable to equity holders	18,013	10,346
Weighted average number of equity shares outstanding	321,793,337	311,887,141
Add: Effect arising from further equity shares issued during the year	-	-
Weighted average number of equity shares for Basic Earnings per share	321,793,337	311,887,141
Basic EPS	5.60	3.32
Number of shares for ESOP dilution	303,397	382,482
Weighted average number of equity shares for Diluted Earnings per share	322,096,734	312,269,623
Dilution effect on EPS after ESOP and Preference Shares	5.59	3.31
Earnings per share		
Basic Earnings per share	5.60	3.32
Diluted Earnings per share	5.59	3.31

[Nominal value of shares Rs. 10 each]

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

37 Retirement benefit plans

Defined Contribution Plan

(INR in Lakhs)

Particulars	Year ended Mar 31, 2023	Year ended Mar 31, 2022
Provident Fund	1,041	797
Employee State Insurance	56	54
	1,097	850

The Company has contributed INR Nil (March 31, 2022 is INR 70 Lakhs) towards Gratuity trust during the year ended March 31, 2023.

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 Mar 2023	31 Mar 2022	31 Mar 2023	31 Mar 2022
(i) Actuarial assumptions				
Mortality	IALM (2012-14) Ult.	IALM (2012-14) Ult.	IALM (2012-14) Ult.	IALM (2012-14) Ult.
Interest/ Discount rate	7.13%	6.03%	7.13%	6.03%
Rate of increase in compensation	6.50%	6.50%	6.50%	6.50%
Expected average remaining service	4.24	4.27	4.25	4.27
Employee Attrition Rate(Past Service (PS))	PS: 0 to 5 : 39.11%	PS: 0 to 5 : 39.11%	PS: 0 to 5 : 39.11%	PS: 0 to 5 : 39.11%
	PS: 5 to 40 : 0.89%	PS: 5 to 40 : 0.89%	PS: 5 to 40 : 0.89%	PS: 5 to 40 : 0.89%
(ii) Changes in the present value of obligation				
Present value of obligation at the beginning of the year	319	249	307	236
Interest expense	18	14	15	11
Current service cost	218	162	83	77
Past service cost	-	-	-	-
Actuarial (gain) /loss	(33)	(94)	23	(17)
Benefits paid	(29)	(12)	-	-
Benefits paid by the company	(31)	-	(92)	-
Present Value of obligation at the end of the year	462	319	336	307
(iii) Changes in the Fair value of Plan Assets				
Fair value of plan assets at beginning of the year	307	233	-	-
Adjustment to Opening Fair Value of Plan Asset	9	-	-	-
Return on Plan Assets excl. interest income	(18)	(1)	-	-
Interest income	18	17	-	-
Contributions by Employer	-	70	92	-
Contributions by Employee	-	-	-	-
Benefits Paid	(29)	(12)	-	-
Fair Value of Plan Assets at the end of the year	287	307	92	-
(iv) Assets and liabilities recognised in the balance sheet				
Present value of the obligation at the end of the year	462	319	336	307
Less: Fair value of plan assets at the end of the year	287	307	-	-
Net liability recognised	(175)	(12)	(336)	(307)
Recognised under provisions				
Current provisions	34	16	125	167
Non-current provisions	428	303	211	198

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

37 Retirement benefit plans (contd.)

Particulars	GRATUITY		COMPENSATED ABSENCE	
	31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Mar 2022
(v) Expenses recognised in the Statement of Profit and Loss				
Current Service Cost	218	163	83	77
Past service cost	-	-	-	-
Net interest (income)/ expense	1	(4)	15	11
Return on Plan Assets excluding net interest	-	-	-	-
Actuarial gain/ loss on post employment benefit obligation	-	-	23	(17)
Net cost recognised in the current year	219	159	121	71
Included in note 32 'Employee benefits expense'				

Particulars	GRATUITY		COMPENSATED ABSENCE	
	31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Mar 2022
(vi) Expenses recognised in the Statement of Other comprehensive income (OCI)				
Actuarial gain/ loss on post employment benefit obligation	(33)	(93)	-	-
Return on Plan Assets excluding net interest	18	1	-	-
Total measurement cost / (credit) for the year recognised in OCI	(15)	(92)	-	-

Particulars	GRATUITY		COMPENSATED ABSENCE	
	31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Mar 2022
(vii) Reconciliation of Net asset / (liability) recognised:				
Net asset / (liability) recognised at the beginning of the year	11	16	307	236
Adjustment to opening balance	(9)			
Contributions paid	-	(71)	(92)	-
Benefits paid directly by company	(31)	-	-	-
Amount recognised in other comprehensive income	(15)	(92)		
Expenses recognised at the end of year	219	159	121	71
Mortality charges and taxes				
Net asset / (liability) recognised at the end of the year	175	12	336	307

Particulars	DR: Discount Rate		ER: Salary Escalation Rate	
	PVO DR +1%	PVO DR -1%	PVO ER +1%	PVO ER -1%
(viii) Sensitivity Analysis: (GRATUITY)				
PVO as at 31 March 2023	415	518	513	417
PVO as at 31 March 2022	281	364	362	282

Particulars	31 Mar 2023	% Allocation	31 Mar 2022	% Allocation
(ix) Category of planned assets				
Gratuity Fund (Subscription to HDFC Life Insurance Company Limited)	287	100%	307	100%
Net asset / (liability) recognised at the end of the year	287	100%	307	100%

Particulars	31 Mar 2023	31 Mar 2022
(x) Weighted average duration of defined obligation plan		
Weighted average duration of plan (in years)	9.37	10.42

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

37 Retirement benefit plans (contd.)

Year	Pay-outs March 31, 2023	Pay-outs March 31, 2022
(xi) Future commitments and pay-outs (GRATUITY)		
First	34.36	16.07
Second	60.65	17.94
Third	34.49	30.07
Fourth	20.63	17.96
Fifth	24.99	10.35
Six to Ten	76.73	37.08

38 Related Party Disclosures

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

38.1 List of related parties

Nature of Relationship	Name of Related Party
Holding Company	The Federal Bank Limited
Enterprises having significant influence	True North Fund VI LLP
Enterprises over which related party has significant influence	True North Managers LLP True North Enterprise Private Limited
Key Management Personnel	Anil Kothuri, Managing Director C V Ganesh, Chief Financial Officer S Rajaraman, Company Secretary

38.2 Transactions during the year with related parties :

(INR in Lakhs)

Nature of Transactions	For year ended Mar 31, 2023	For year ended Mar 31, 2022
The Federal Bank Limited		
Income from distribution business	3,407	2,603
Interest paid on PTC Transactions	-	55
Interest paid on Cash Credit Facility & Term Loan	3,678	5,323
Processing Fees	-	101
Interest on NCD	2,324	2,335
Bank Charges	4	-
Interest income on fixed deposits	-	59
Term Loan repaid	26,203	-
Cash Credit availed	2,426	-
Cash Credit repaid	3,132	-
Investment in Equity Shares by The Federal Bank	-	14,799
Enterprises controlling voting power / significant influence		
Investment in Equity Shares	-	5,200
Enterprises over which related party has significant influence/ control		
Re-imbursements of Expenses	30	-
Transaction with Key Management Personnel*		
Investment in Preference Shares	-	1,897
Redemption of Optionally Convertible Redeemable Preference Shares "OCRPS"	-	842
Issuance of Equity shares	-	1,149
Employee Stock Option Scheme - Key Management Personnel		
No. of Options granted under ESOS (in numbers)	2,000,000	-
No. of Options outstanding under ESOS (in numbers)	4,321,351	2,551,351

*Reimbursement made to Key Management Personnel during the course of official duties is not given in above disclosure

For transactions related to KMPs refer note 38.4

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

38.3 Amount due (to) / from related parties: (contd.)

(INR in Lakhs)

Balance outstanding as at the year end	As at Mar 31, 2023	As at Mar 31, 2022
The Federal Bank Limited		
Current Account – Receivable/(Payable)	3,005	1,518
Borrowings		
Term Loan	24,892	51,094
Cash credit facility	2,426	-
WCDL	6,000	6,000
Account Receivable & Reimbursements	496	386
Advance to Suppliers	18	-
Long Term Borrowings	23,470	23,470

(INR in Lakhs)

Maximum outstanding during the year	As at Mar 31, 2023	As at Mar 31, 2022
The Federal Bank Limited		
Current Account – Receivable/(Payable)	21,214	44,143
Borrowings		
Term Loan	51,094	78,734
Cash credit facility	3,405	2,858
WCDL	6,000	6,000
Account Receivable & Reimbursements	834	770
Account Payable	-	209
Advance to Suppliers	18	-
Long Term Borrowings	23,470	23,470
Fixed Deposit	-	41,150

38.4 Details of salary and other emoluments to KMPs of the Company

(INR in Lakhs)

Key Management Personnel	For year ended Mar 31, 2023	For year ended Mar 31, 2022
Salary and employee benefits (Refer note below)	793	505

Note -

- Includes sitting fees paid to independent directors INR 31.10 lakhs and INR 26.30 lakhs for the year ended March 31, 2023 and March 31, 2022 respectively.
- Expenses towards provision for gratuity and leave encashment which are determined on actuarial basis at an overall Company level are not included in the above information.

39 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.

The Company has complied in full with all its externally imposed capital requirements over the reported year

The primary objectives of the Company'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.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

39.1 Regulatory Capital

(INR in Lakhs)

Particulars	As at March 31, 2023	As at March 31, 2022
CRAR (%)	17.94	23.04
CRAR - Tier I Capital (%)	15.09	18.38
CRAR - Tier II Capital (%)	2.85	4.65
Amount of subordinated debts considered as Tier II capital	20,774	25,907

40 Fair value measurement

40.1 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 is given below."

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: This level of hierarchy includes financial assets and liabilities measured using inputs that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data

40.2 Fair value of financial assets and liabilities

(INR in Lakhs)

Particulars	As at 31 March 2023				
	Carrying Value	Fair Value	Fair value		
			Level 1	Level 2	Level 3
Financial assets measured at amortised cost					
Cash and cash equivalent [refer note 40.4(i)]	9,396	9,396	-	-	-
Bank balances other than cash and cash equivalent [refer note 40.4(i)]	66	66	-	-	-
Trade Receivables [refer note 40.4(i)]	1,485	1,485	-	-	-
Other receivables [refer note 40.4(i)]	476	476	-	-	-
Loans and advances to customers	741,345	764,373	-	-	764,373
Financial investments	666	666	-	-	666
Other financial assets	6,446	6,446	-	1,439	-
Total	759,880	782,908	-	1,439	765,039
Financial assets measured at FVOCI					
Loans and advances to customers	58,625	58,625	-	-	58,625
Financial investments	65,396	65,396	65,396	-	-
Total	124,021	124,021	65,396	-	58,625
Financial assets measured at FVTPL					
Financial investments	2,000	2,000	2,000	-	-
Total	2,000	2,000	2,000	-	-

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

40.2 Fair value of financial assets and liabilities (contd.)

(INR in Lakhs)

Particulars	As at 31 March 2023				
	Carrying Value	Fair Value	Fair value		
			Level 1	Level 2	Level 3
Financial liabilities measured at amortised cost					
Trade Payables [refer note 40.4(i)]	2,609	2,609	-	-	-
Debt Securities	61,123	60,494	-	60,494	-
Borrowing other than debt securities	626,493	609,552	-	-	609,552
Subordinated Liabilities	25,967	18,786	-	18,786	-
Other financial liabilities	35,078	35,078	-	35,078	-
Total	751,270	726,519	-	114,358	609,552
Financial liabilities measured at FVTPL					
Derivative financial instruments	482	482	-	482	-
Total	482	482	-	482	-

40.2 Fair value of financial assets and liabilities

(INR in Lakhs)

Particulars	As at 31 March 2022				
	Carrying Value	Fair Value	Fair value		
			Level 1	Level 2	Level 3
Financial assets measured at amortised cost					
Cash and cash equivalent [refer note 40.4(i)]	6,596	6,596	-	-	-
Bank balances other than cash and cash equivalent [refer note 40.4(i)]	7,664	7,664	-	-	-
Trade Receivables [refer note 40.4(i)]	1,184	1,184	-	-	-
Other receivables [refer note 40.4(i)]	386	386	-	-	-
Loans and advances to customers	564,481	588,758	-	-	588,758
Financial investments	750	750	-	-	750
Other financial assets	1,177	1,177	-	1,177	-
Total	582,238	606,515	-	1,177	589,508
Financial assets measured at FVTPL					
Financial investments	50,683	50,683	50,683	-	-
Total	50,683	50,683	50,683	-	-
Financial liabilities measured at amortised cost					
Trade Payables [refer note 40.4(i)]	643	643	-	-	-
Debt Securities	53,342	49,790	-	49,790	-
Borrowing other than debt securities	422,435	421,653	-	-	421,653
Subordinated Liabilities	25,907	17,961	-	17,961	-
Other financial liabilities	21,097	21,097	-	21,097	-
Total	523,424	511,144	-	88,848	421,653

40.3 Valuation Techniques

Each class of financial assets/liabilities	Name of Related Party
Debt Securities	Fair value is estimated by a discounted cash flow model incorporating market interest rates and the Company's own credit risk or based on market-observable data.
Security deposit	Fair values of security deposits are based on discounted cash flows using a discount rate determined considering Company's incremental borrowing rate.
Loans and advances (FVOCI)	Fair values of loans are based on discounted cash flows using a discount rate determined considering Company's incremental lending rate.
Financial investments (FVOCI)	Fair value is quoted market price.
Derivative financial instruments	Fair value of forward foreign exchange contracts is determined by computing present value of payoff between contractual rate (Strike) and forward exchange rates at the testing date.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

40.3 Valuation Techniques (contd.)

Each class of financial assets/liabilities	Name of Related Party
Loans and advances (Amortised Cost)	These have been valued at amortised cost (refer note 40.4 for methodologies used for valuation).
Other financial assets	These have been valued at amortised cost (refer note 40.4 for methodologies used for valuation)
Borrowings	These have been valued at amortised cost (refer note 40.4 for methodologies used for valuation). Foreign currency denominated term loan borrowing is remeasured at closing exchange rate as on reporting date.
Subordinated Liabilities	These have been valued at amortised cost (refer note 40.4 for methodologies used for valuation)
Other financial liabilities	These have been valued at amortised cost (refer note 40.4 for methodologies used for valuation)

40.4 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 assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months) and for other financial assets and other financial liabilities, the carrying amounts, net of impairment, if any, are a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, bank balances other than cash and cash equivalents, trade receivables, other receivables and trade payables.

(ii) Financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI)

Valuation technique: Fair values of loans are based on discounted cash flows using a discount rate determined considering the Company's incremental lending rate.

Sensitivity: There is an inverse correlation. Higher the discount rate i.e average lending rate for the disbursed loans, lower the fair value of the assets.

(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. The fair value of the long term borrowings carrying floating-rate of interest is not impacted due to interest rate changes and will not be significantly different from their carrying amounts. The significant unobservable inputs are incremental borrowing rate incorporating the counterparties' credit risk.

Reconciliation of level 3 fair value measurement is as below :

(INR in Lakhs)

Nature of Transactions	For the year ended March 31, 2023	For the year ended March 31, 2022
Balance at the beginning of the year	-	-
Additions during the year	57,733	-
MTM gain recognized in OCI	892	-
MTM gain recognized in P&L	-	-
Realised during the year	-	-
Balance at the end of the year	58,625	-

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

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.

(INR in Lakhs)

Assets	As at 31 March 2023			As at 31 March 2022		
	Within 1 year	After 1 year	Total	Within 1 year	After 1 year	Total
Financial Assets						
Cash and cash equivalents	9,396	-	9,396	6,596	-	6,596
Bank balance other than cash and cash equivalents	66	-	66	7,664	-	7,664
Trade receivables	1,485	-	1,485	1,184	-	1,184
Other receivables	476	-	476	386	-	386
Loans	397,062	402,908	799,970	294,862	269,619	564,481
Investments	67,397	665	68,062	51,433	-	51,433
Other financial assets	5,457	989	6,446	42	1,135	1,177
(2) Non-financial Assets						
Current tax assets (net)	-	1,197	1,197	-	1,192	1,192
Deferred tax Asset (net)	-	2,183	2,183	-	3,150	3,150
Property, Plant and Equipment	-	3,066	3,066	-	3,086	3,086
Capital work-in-progress	-	53	53	-	66	66
Other Intangibles assets	-	320	320	-	306	306
Right of Use Assets	-	11,193	11,193	-	11,970	11,970
Other non-financial assets	2,435	751	3,186	2,001	879	2,880
Total Assets	483,774	423,325	907,099	364,168	291,403	655,571

(INR in Lakhs)

Liabilities	As at 31 March 2023			As at 31 March 2022		
	Within 1 year	After 1 year	Total	Within 1 year	After 1 year	Total
Financial liabilities						
Derivative financial instruments	482	-	482	-	-	-
Trade Payables	2,404	205	2,609	643	-	643
Other Payables	-	-	-	-	-	-
Debt Securities	39,414	21,709	61,123	33,274	20,068	53,342
Borrowings (other than Debt securities)	222,295	404,198	626,493	157,039	265,396	422,435
Subordinated Liabilities	-	25,967	25,967	-	25,907	25,907
Lease Liability	2,526	10,878	13,404	2,157	11,547	13,704
Other financial liabilities	35,078	(0)	35,078	21,096	1	21,097
Non-Financial liabilities						
Provisions	160	460	620	183	130	313
Other non-financial liabilities	5,755	-	5,755	2,778	-	2,778
Total liabilities	308,114	463,417	771,531	217,170	323,049	540,219
Net	175,659	(40,092)	135,568	146,998	(31,646)	115,352

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

42 Segment Information

42.1 Business segment

In terms of the Indian 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:

(INR in Lakhs)

Business Segments	Distribution		Retail Finance		Wholesale Finance		Total	
	Year ended Mar 31, 2023	Year ended Mar 31, 2022	Year ended Mar 31, 2023	Year ended Mar 31, 2022	Year ended Mar 31, 2023	Year ended Mar 31, 2022	Year ended Mar 31, 2023	Year ended Mar 31, 2022
Segment Revenue	3,407	2,603	111,479	81,582	319	1,303	115,205	85,488
Segment Expenditure	3,256	2,480	80,832	63,393	1,266	2,279	85,353	68,152
Allocated Expenditure (Net)	-	-	7,365	3,429	58	93	7,424	3,522
Results	151	123	23,282	14,760	(1,005)	(1,069)	22,428	13,814
Unallocated Income (net of unallocated Expenditure)							2,953	(880)
Interest Income on Investment							457	987
Profit before Tax							25,839	13,921
Exceptional Items							1,537	-
Income Taxes							6,289	3,575
Net Profit							18,013	10,346
Other Information								
Segment Assets	476	401	896,543	645,861	6,700	4,967	903,719	651,229
Unallocated Assets	-	-	-	-	-	-	3,380	4,342
Total Assets	476	401	896,543	645,861	6,700	4,967	907,099	655,571
Segment Liabilities	484	364	765,755	533,368	5,293	6,487	771,531	540,219
Equity & Reserves	-	-	-	-	-	-	135,568	115,352
Total Liabilities & Equity	484	364	765,755	533,368	5,293	6,487	907,099	655,571
Capital Expenditure	-	5	1,259	2,641	-	-	1,259	2,646
Unallocated Capital Expenditure	-	-	-	-	-	-	549	-
Depreciation/ Amortisation	7	11	4,158	1,352	23	0	4,188	1,363
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.

WholeSale Finance Segment comprises of Construction Finance and Loans to Other NBFCs.

Note:

Unallocated Income comprises of Other Income earned by the business.

Unallocated Expenses comprises of Tax Expense.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

43 Revenue from contracts with customers

(INR in Lakhs)

Particulars	Year ended Mar 31, 2023	Year ended Mar 31, 2022
Type of Service		
Fees and commission income (refer note 26)	5,601	4,289
Other income	3,315	1,432
Total	8,916	5,721
Geographical market		
In India	8,916	5,721
Outside India	-	-
Total	8,916	5,721
Timing of recognition of revenue		
Performance obligation satisfied at a point in time	8,916	5,721
Performance obligation satisfied over a period in time	-	-
Total	8,916	5,721
Contract receivables		
Trade receivables	1,288	892
Other receivable	496	386
Total	1,784	1,278

44 Risk Management

The Company has a Board-approved Risk Management Policy that defines the Risk Management Framework, Risk Monitoring Mechanism and Enterprise level Key Risk Areas. The main objective of this policy is to ensure sustainable and prudent business growth. The Risk Management Framework comprises of Risk Management Committee of Board (RMC), Credit Committee of Board, Asset Liability Management Committee (ALCO) and Credit Risk Management Committee (CRMC). The Risk Management Committee (RMC) reviews the overall asset quality and portfolio composition on a periodic basis. Overseeing liquidity risk position of the Company are also part of terms of reference of this committee. Any product policy programs are approved by this Committee. The Credit Risk Management Committee oversees the Operational Risks and any Operating Risk level decisions are approved by this committee. The Company has adopted and laid down operating procedures and guidelines to mitigate Credit, Reputation, Operational, Market and Fraud risks in its business lines where the Risk Function works very closely with the Independent Internal Audit Department (Risk Based Internal Audit). The Company continues to invest in people, processes, training and technology so as to strengthen its overall Risk Management Framework.

Types of Risks

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

(i) Credit Risk

The RMC & CRMC oversee the following:

- Detailed review of portfolio quality and triggers to ascertain underlying stress levels in portfolio, in light of micro and macro factors
- Approve necessary amendments or new product & policy programs in light of portfolio behaviour, environmental factors and business opportunities.
- Set-up concentration limits & portfolio caps to ensure prudent diversification.
- Account level review of high value accounts & NPAs and provide necessary guidelines.
- Audit Committee of the Board (ACB) oversees the effective implementation of the Lending Policies approved by the Board.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

44 Risk Management (contd.)

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. 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 cash flows.

RBI vide Circular No. RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 has issued with guidelines on Liquidity Risk Management (LRM) Framework for NBFCs. It covers various aspects of LRM in NBFCs such as granular level classification of buckets in structural liquidity statement and tolerance limits thereupon, Liquidity risk management tools and principles. The Company has integrated the LRM framework into its Asset Liability Management (ALM) Policy to manage liquidity risk by use of various tools such as Structural Liquidity Statement to assess the bucket wise mismatches between inflows and outflows, stress testing of bucket wise mismatches between inflows and outflows in the short term buckets (up to 30 days) by discounting inflows under various stress scenarios, Review of Unencumbered Assets available for future secured borrowing, Review of current & projected (for next 3 months) liquidity position, review of various financial ratios under the stock approach of LRM, Liquidity Coverage Ratio (LCR), Review of Liquidity in the Banking System. These tools are reviewed by the ALCO every month. To mitigate the liquidity risk further, the Company also has a Contingency Funding Plan which is reviewed by the ALCO at periodic interval.

The Company maintains Liquidity buffers sufficient to meet all its near term obligations. The Liquidity buffers are maintained by a combination of liquid assets (such as Cash & Cash Equivalent, Liquid Investments in callable FDs and Overnight/Liquid Mutual Funds) and Undrawn Committed Credit Lines.

(iii) Market Risk

Market Risk is the Risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as Gold prices (relevant to Lending against Gold business of the Company), interest rates, foreign currency rates. Refer note 44.3 for details.

44.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party for financial instrument fails to meet its contractual obligation, and arises principally from the company'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 framework, credit policies are incorporated to manage the sourcing of proposals, channels of business acquisition, process of underwriting, information systems involved, verification, documentation, disbursement procedures, portfolio quality triggers, recovery mechanism, NPA management etc.

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

Underwriting comprises of record verification through digital and external agencies, credit bureau check, financial analysis, cash flow assessments, assessing net-worth, leverage and debt service ability etc. through submitted records, personal discussion with borrowers, market reference etc. Collateral verification through independent legal & valuation agencies is a critical aspect in case of secured loans. Legal documentation to create proper charge on mortgaged security, under legal guidance, is another critical aspect.

Whilst ability of a customer 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.

(a) Impairment Assessment

The Company applies the expected credit loss model for recognising impairment loss. The expected credit loss allowance is computed taking into account historical credit loss experience and/or external benchmarks on loss rates and further adjusted for forward looking information.

The expected credit loss is a product of Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD). The Company uses an internal model to compute the PD & LGD based on parameters set out in Ind AS. Accordingly, loans are classified into various stage as follows:

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

44.1 Credit Risk (contd.)

Stages	Internal Rating Description
Stage 1	0 DPD* and 1-29 DPD*
Stage 2	30-59 DPD*, 60-89 DPD* and all loans restructured under One Time Restructuring which are stage 2 or below post restructuring
Stage 3	90 DPD* or more, all linked loans of 90 DPD* or more, all restructured loans other than those restructured under One Time Restructuring #

*DPD means Days Past Due

Also refer accounting policy 4.6 (j), 4.6 (i) and note 49.02

(b) Probability of Default

The probability of default is the estimation of the likelihood of a loan defaulting over a time horizon. A rebuttable presumption is that a default event cannot be later than 90 days past due. The probability of default analysis should consider not only past history but also current economic conditions and forecasts about the future. Incorporating such economic factors is sometimes done using scientific modelling techniques.

Historical DPD data is utilized to calculate Through the Cycle Probability of Default (TTC PD). PD analysis tracks the migration behaviour of a static pool of loans active at the end of each month across different buckets- Stage 1, Stage 2 and Stage 3 over the 12 month and lifetime period. Transition matrix method is used wherein the historical defaults are mapped in monthly intervals for each of cohort months and then the TTC PD is calculated as the weighted average of default rates with number of loans outstanding as the weights.

Vasicek model is one of the accepted models globally for converting the TTC PD into Point in Time PD (PIT PD). The model calculates an AC (Asset Correlation) factor and converts the probability using the macro-economic variable selected. The basic premise of the model is that the higher the TTC probability the lower the correlation with the macro variable and vice versa. Once the asset correlation is determined, the historical PD is calibrated using the readings of the macro-economic variable for a number of years up to the balance sheet date and for a number of years after the balance sheet date. This calibration reflects the relative macro-economic performance in the respective years with reference to the historical mean.

(c) Loss Given Default

LGD is defined as the percentage risk of exposure that is not expected to be recovered in the event of default.

LGD is one of the key components of the credit risk parameters based ECL model. In the context of lifetime ECL calculation, an LGD estimate has to be available for all periods that are part of the lifetime horizon (and not only for the case of a default within the next 12 months).

Wherever possible, workout LGD model is applied to estimate LGD based on past data. The LGD component of ECL is independent of deterioration of asset quality, and thus applied uniformly across various stages with the applicable PD for stage 1, 2 and 3.

(d) Exposure at Default

EAD is one of the key components for ECL computation. The Exposure at Default is an estimate of the exposure at a default date taking into account the repayment of principal and interest until the reporting date.

(e) Significant Increase in Credit Risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or life time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. In line with Ind AS 109, the Company considers an exposure to have significantly increased in credit risk when the DPD is 30 or more. Besides this quantitative factor, the company also assesses Significant Increase in Credit Risk (SICR) based on qualitative factors e.g. One Time Restructuring (OTR) of loans, LTV threshold/margin for gold loan facilities.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

44.1.1 Analysis of Risk Concentration

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

Industry Analysis	As at 31 March 2023			
	Retail	Structured Finance and corporate finance (Real Estate and Non Real Estate)	Financial Services	Total
Financial assets				
Cash and cash equivalent	-	-	9,396	9,396
Bank balances other than cash and cash equivalent	-	-	66	66
Trade Receivables	-	-	1,485	1,485
Other receivables	-	-	476	476
Loans and advances to customers	796,415	3,555	-	799,970
Financial investments	-	-	68,062	68,062
Other Financial Assets	-	-	6,446	6,446
Total	796,415	3,555	85,932	885,901

Industry Analysis	As at 31 March 2022			
	Retail	Structured Finance and corporate finance (Real Estate and Non Real Estate)	Financial Services	Total
Financial assets				
Cash and cash equivalent	-	-	6,596	6,596
Bank balances other than cash and cash equivalent	-	-	7,664	7,664
Trade Receivables	-	-	1,184	1,184
Other receivables	-	-	386	386
Loans and advances to customers	559,514	4,967	-	564,481
Financial investments	-	-	51,433	51,433
Other Financial Assets	-	-	1,177	1,177
Total	559,514	4,967	68,440	632,921

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

(INR in Lakhs)

Business Segments	Maximum exposure to credit risk (carrying amount before ECL)		Principal type of collateral
	Year ended Mar 31, 2023	Year ended Mar 31, 2022	
Loans (at amortised cost)	675,668	487,598	Property; book receivables, Gold jewellery and covered by guarantees
Loans (at FVOCI)	23,572	-	
Total (A)	699,240	487,598	

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

44.1.2 Collateral Held and Other Credit Enhancements (contd.)

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

(INR in Lakhs)

Financial assets measured at amortised cost	Maximum exposure to credit risk (carrying amount before ECL)	Associated ECL	Carrying Amount	Fair Value of Collateral
As at Mar 31, 2023	16,415	3,646	12,769	36,387
As at Mar 31, 2022	12,858	2,838	10,020	20,644

(INR in Lakhs)

Financial assets measured at FVOCI	Maximum exposure to credit risk (carrying amount before ECL)	Associated ECL	Carrying Amount	Fair Value of Collateral
As at Mar 31, 2023	16	3	13	26
As at Mar 31, 2022	-	-	-	-

44.2 Liquidity Management

Liquidity risk arises because of the possibility that the Company might be unable to meet its payment.

44.2.1 Maturity pattern of certain items of assets and liabilities as at 31 March, 2023

(INR in Lakhs)

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	14,569	7,708	34,244	53,602	112,172	286,768	104,576	13,004	626,643
Market borrowings	-	-	39,414	-	-	-	45,000	-	84,414
Trade payables	2,338	2	17	-	47	133	72	-	2,609
Lease Liability	204	203	206	626	1,287	3,981	3,822	3,075	13,404
Other financial liabilities	-	35,078	-	-	-	-	-	-	35,078
Assets									
Advances	24,597	31,284	39,813	139,084	149,042	190,710	126,706	87,200	788,436
Investments	23,420	10,898	10,948	16,025	5,680	-	-	-	66,971

Maturity pattern of certain items of assets and liabilities as at 31 March, 2022

(INR in Lakhs)

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	9,804	11,609	25,429	21,393	88,803	205,716	55,961	4,250	422,965
Market borrowings	-	-	-	-	33,274	18,750	-	25,000	77,024
Trade payables	-	643	-	-	-	-	-	-	643
Lease Liability	174	173	176	529	1,105	4,197	3,299	4,051	13,704
Other financial liabilities	-	21,097	-	-	-	-	-	-	21,097
Assets									
Advances	15,765	36,019	48,445	66,970	117,022	116,084	78,898	83,446	562,649
Investments	17,720	-	-	32,873	-	-	750	-	51,343

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

44.2.2 Financial assets available to support future funding

Following table sets out availability of Company's financial assets to support funding

(INR in Lakhs)

As at Mar 31, 2023	Encumbered			Unencumbered		Total carrying amount
	Pledged as collateral	Contractually/ Legally restricted assets *	Others \$	Available as collateral	Others #	
Cash and cash equivalent	-	-	1,884	7,512	-	9,396
Bank balances other than cash and cash equivalent	66	-	-	-	-	66
Trade Receivables	-	-	-	1,485	-	1,485
Other Receivables	-	-	-	476	-	476
Loans and advances to customers	-	-	755,950	44,020	-	799,970
Financial investments	-	-	31,343	36,719	-	68,062
Other Financial Assets	-	-	-	6,446	-	6,446
	66	-	789,176	96,659	-	885,901

(INR in Lakhs)

As at Mar 31, 2022	Encumbered			Unencumbered		Total carrying amount
	Pledged as collateral	Contractually/ Legally restricted assets *	Others \$	Available as collateral	Others #	
Cash and cash equivalent	-	-	3,692	2,904	-	6,596
Bank balances other than cash and cash equivalent	-	-	-	7,664	-	7,664
Trade Receivables	-	-	-	1,184	-	1,184
Other Receivables	-	-	-	386	-	386
Loans and advances to customers	-	-	502,886	61,595	-	564,481
Financial investments	-	-	5,188	46,245	-	51,433
Other Financial Assets	-	-	-	1,177	-	1,177
	-	-	511,766	121,155	-	632,921

* Represents assets which are not pledged and Company believes it is restricted from using to secure funding for legal or other.

Represents assets which are not restricted for use as collateral, but that the Company would not consider readily available to secure funding in normal course of business

\$ Represents assets which are given as security cover against the secured bank borrowings and non-convertible debentures.

44.3 Market Risk

Market Risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as Gold prices (relevant to lending against gold business of the Company), interest rates, Foreign Currency Rates.

- Gold Price Fluctuation Risk :- The Risk Management Committee of the Board does a periodic review of the Gold price movement and trends & its impact on the gold loan margins in present condition as well as under stress scenarios.
- Interest Rate Risk :- Interest Rate Risk is the risk of change in market interest rates which might adversely affect the Company's profitability.
- Foreign Currency rate Fluctuation Risk :- The Company is exposed to risk in fluctuation of Foreign Currency Rates as the Company has borrowings in foreign currency.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

44.3.1 Gold Price Fluctuation Risk

Sudden fall in the gold price and fall in the value of the pledged gold ornaments can result in some of the customers to default if the loan amount and interest exceeds the market value of gold. This risk is in part mitigated by a minimum 25% margin retained on the value of gold jewellery for the purpose of calculation of the eligible loan amount. Further, the Company appraises the gold jewellery collateral solely based on the weight of its gold content, excluding weight and value of the stone studded in the jewellery. In addition, the sentimental value of the gold jewellery to the customers may induce repayment and redemption of the collateral even if the value of gold ornaments falls below the value of the repayment amount. An occasional decrease in gold prices will not increase price risk significantly on account of our adequate collateral security margins. However, a sustained decrease in the market price of gold can additionally cause a decrease in the size of the loan portfolio and interest income.

44.3.2 Interest Rate Risk

The immediate impact of changes in interest rates is on the Company's earnings by impacting the Net Interest Income. The Company has set up an Earnings at Risk limit for monitoring and controlling the Interest Rate Risk which is monitored by the Asset Liability Management Committee (ALCO) of the Company.

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

(INR in Lakhs)

For the year ended Mar 31, 2023	Increase / (Decrease) in basis points	Increase in profit after tax	Decrease in profit after tax
Loans			
Mar 31, 2023	25/(25)	408	(408)
Mar 31, 2022	25/(25)	315	(315)
Borrowings			
Mar 31, 2023	25/(25)	(1,089)	1,089
Mar 31, 2022	25/(25)	(758)	758

44.3.3 Exposure to Currency Risks

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the foreign currency borrowings taken from Banks.

The Company has hedged its foreign currency exposure through Forwards in such a manner that it has fixed determinate outflows in its functional currency and as such there would be no significant impact of movement in foreign currency rates on the Company's profit before tax (PBT).

44.3.3 Total Market Risk Exposure

(INR in Lakhs)

Particulars	As at 31 March 2023			As at 31 March 2022		
	Carrying Amount	Traded Risk	Non-traded Risk	Carrying Amount	Traded Risk	Non-traded Risk
Financial Assets						
Cash and cash equivalent	9,396	-	9,396	6,596	-	6,596
Bank balances other than cash and cash equivalent	66	-	66	7,664	-	7,664
Trade Receivables	1,485	-	1,485	1,184	-	1,184
Other Receivables	476	-	476	386	-	386
Loans and advances to customers	799,970	-	799,970	564,481	-	564,481
Financial investments (other than investments in subsidiaries)	68,062	67,396	666	51,433	50,683	750
Other Financial Assets	6,446	-	6,446	1,177	-	1,177
Total	885,901	67,396	818,505	632,921	50,683	582,238

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

44.3.3 Total Market Risk Exposure (contd.)

(INR in Lakhs)

Particulars	As at 31 March 2023			As at 31 March 2022		
	Carrying Amount	Traded Risk	Non-traded Risk	Carrying Amount	Traded Risk	Non-traded Risk
Financial Liabilities						
Derivative financial instruments	482	-	482	-	-	-
Trade payables	2,609	-	2,609	643	-	643
Other payables	-	-	-	-	-	-
Debt Securities	61,123	61,123	-	53,342	53,342	-
Borrowings other than debt securities	626,493	-	626,493	422,435	-	422,435
Subordinated liabilities	25,967	25,967	-	25,907	25,907	-
Lease Liability	13,404	-	13,404	13,704	-	13,704
Other Financial liabilities	35,078	-	35,078	21,097	-	21,097
Total	765,156	87,090	678,066	537,128	79,249	457,879

45 Trade & Other Receivables

Provision matrix for Trade & Other Receivable

(INR in Lakhs)

Particulars	Trade & Other receivable days past due	0-90 days	91-180 days	181-360 days	more than 360 days	Total
ECL rate		1.89%	10.03%	100.00%	100.00%	9.24%
As at Mar 31, 2023	Estimated total gross carrying amount at default	1,569	469	5	118	2,161
	ECL Provision	(30)	(47)	(5)	(118)	(200)
	Net Carrying Amount	1,539	422	-	-	1,961
ECL rate		1.86%	0.00%	100.00%	0.00%	8.62%
As at Mar 31, 2022	Estimated total gross carrying amount at default	1,599	1	118	-	1,718
	ECL Provision	(30)	-	(118)	-	(148)
	Net Carrying Amount	1,569	1	-	-	1,570

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 Mar 31, 2023

(INR in Lakhs)

Particulars	Options	Weighted Average Exercise Price
Options outstanding as at April 1, 2022	7,870,351	42.07
Granted during the year	6,281,250	72.37
Exercised during the year	394,000	43.23
Forfeited /lapsed during the year	281,250	72.37
Options outstanding as at March 31, 2023	13,476,351	55.53
Options exercisable	2,110,000	40.81

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

46 Accounting for Employee Share based Payments (contd.)

Movement in options outstanding under the Employee Stock Option Plan for the year ended Mar 31, 2022

(INR in Lakhs)

Particulars	Options	Weighted Average Exercise Price
Options outstanding as at April 1, 2021	8,151,351	41.83
Granted during the year	Nil	NA
Exercised during the year	281,000	35.20
Forfeited /lapsed during the year	Nil	NA
Options outstanding as at March 31, 2022	7,870,351	42.07
Options exercisable	1,439,000	40.93

Following summarises the information about stock options outstanding as at Mar 31, 2023

(INR in Lakhs)

Category	Weighted Average Exercise Price	Number of shares arising out of options	Weighted average remaining contractual life (in years)
Class A*	69.00	4,500,000	2.99
Class B#	42.52	5,625,000	2.55
Options granted to Managing Director	60.17	3,351,351	1.83

Following summarises the information about stock options outstanding as at 31 March 2022

(INR in Lakhs)

Category	Weighted Average Exercise Price	Number of shares arising out of options	Weighted average remaining contractual life (in years)
Class A*	36.42	619,000	3.35
Class B#	42.65	5,900,000	3.58
Options granted to Managing Director	42.11	1,351,351	3.09

*Time based vesting

#Time and event based vesting

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:

(INR in Lakhs)

Particulars	Unit	As at Mar 31, 2023	As at Mar 31, 2022
Fair Value of Options at grant date	Rs	6.50-27.76	6.50-24.60
Fair Value of Equity Shares at grant date	Rs	42.11-72.37	42.11-48.00
Exercise Price	Rs	30.00-72.37	30.00-48.00
Dividend Yield	%	0.00%	0.00%
Expected volatility	%	29.19%	31.36%
Risk free interest rate *	%	6.30%	6.38%
Expected life of the option *	Years	3.19	3.84

* The values in the above items are weighted average

The Company has recorded an employee compensation expense of INR 796 Lakhs in the Statement of Profit and Loss (INR 249 Lakhs during the financial year ended March 31, 2022, in the Statement of Profit and Loss). Refer note 32.

The Company carried Employee Stock Option reserve amounting to INR 1,482 Lakhs (INR 727 Lakhs as at March 31, 2022) in the Balance Sheet.

The total intrinsic value amounting to INR 114 Lakhs (INR 133 Lakhs as at March 31, 2022) at the end of the year of liabilities for which the counterparty's right to cash or other assets had vested by the end of the year.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

47 Leases

- a) The changes in the carrying value of Right Of Use ('ROU') assets - building or premises for the year ended -
(INR in Lakhs)

Particular	As at Mar 31, 2023	As at Mar 31, 2022
Opening Balance of ROU - Building or Premises	11,880	10,840
Addition during the year	1,886	3,272
Depreciation charges for the year	(2,586)	(2,232)
Total balance of ROU - Building or Premises	11,180	11,880

- b) The changes in the carrying value of right of use assets - furniture for the year ended -
(INR in Lakhs)

Particular	As at Mar 31, 2023	As at Mar 31, 2022
Opening Balance of ROU - Furniture	90	345
Reduction during the year	-	(181)
Depreciation charges for the year	(77)	(74)
Total balance of ROU - Furniture	13	90

- c) The following is the movement in lease liabilities during the year ended -
(INR in Lakhs)

Particular	As at Mar 31, 2023	As at Mar 31, 2022
Opening Balance of Lease Liabilities	13,704	12,463
Addition during the year	1,886	3,036
Finance cost accrued during the year	943	900
Payment made during the year	(3,129)	(2,695)
Closing balance of lease liabilities	13,404	13,704

- d) The table below provides details of amount recognised in the Statement of Profit and Loss for the year ended -
(INR in Lakhs)

Particular	As at Mar 31, 2023	As at Mar 31, 2022
Depreciation charge for right of use asset	2,663	2,308
Interest expense (included in finance cost)	943	900
Expense relating to short term lease	-	-
Total	3,606	3,208

- e) The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis as of -

Particular	As at Mar 31, 2023	As at Mar 31, 2022
Less than one year	3,370	3,010
One to five years	9,730	9,530
More than five years	3,327	4,432
Total	16,427	16,972

- f) Rental expense recorded for leases of low-value assets was Nil for the year ended March 31, 2023. (For the year ended March 31, 2022 : NIL)

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48 Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

These disclosures are made pursuant to Reserve Bank of India Master Direction DNBR. PD.008/03.10.119/2016-17 dated September 01, 2016 (as amended), to the extent applicable to the Company.

The Reserve Bank of India, vide its circular reference RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020 outlined the regulatory guidance in relation to Ind AS financial statements from financial year 2019-20 onwards. This included guidance for computation of 'owned funds', 'net owned funds' and 'regulatory capital'.

Accordingly, CRAR has been computed in accordance with these requirements read with the requirements of the Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 (as amended).

48.01 Foreign Currency

The Company has entered into a foreign currency transaction during the year ended March 31, 2023. The Company does not have any outstanding unhedged foreign currency exposure as at March 31, 2023.

48.02 Investments

(INR in Lakhs)

Particular	As at Mar 31, 2023	As at Mar 31, 2022
(1) Value of investments		
(i) Gross value of investments		
(a) In India	68,229	51,516
(b) Outside India,	Nil	Nil
(ii) Provisions for depreciation		
(a) In India	167	83
(b) Outside India,	Nil	Nil
(iii) Net value of investments		
(a) In India	68,062	51,433
(b) Outside India,	Nil	Nil
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	83	85
(ii) Add : Provisions made during the year	83	(2)
(iii) Less : Write-off/write-back of excess provisions during the year	-	-
(iv) Closing balance	167	83

48.03 Derivatives

a) Forward rate agreement/Interest rate swap

(INR in Lakhs)

Particulars	As at Mar 31, 2023	As at Mar 31, 2022
(i) The notional principal of swap agreements	30,040	Nil
(ii) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	Nil	Nil
(iii) Collateral required by the NBFC upon entering into swaps	Nil	Nil
(iv) Concentration of credit risk arising from the swap	Nil	Nil
(v) The fair value of swap book	(482)	Nil

b) Exchange traded interest rate (IR) derivatives

(INR in Lakhs)

Particulars	As at Mar 31, 2023	As at Mar 31, 2022
(i) Notional principal amount of exchange traded IR derivatives undertaken during the year (instrument-wise)	Nil	Nil
(ii) Notional principal amount of exchange traded IR derivatives outstanding	Nil	Nil
(iii) Notional principal amount of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil
(iv) Mark-to-market value of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48.03 Derivatives (contd.)

c) Qualitative disclosures

The Company uses forward exchange contracts to economically hedge its risks associated with currency risk arising from the foreign currency borrowings. These contracts are stated at fair value at each reporting date.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the Forward contracts match that of the foreign currency borrowings (notional amount, interest payment dates, principal repayment date, etc.). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the Forward contracts are identical to the hedged risk components.

d) Quantitative Disclosures

(INR in Lakhs)

Particulars	As at Mar 31, 2023	As at Mar 31, 2022
(i) Derivatives (Notional Principal Amount)		
For Hedging *	30,040	Nil
(ii) Marked to Market Positions (1)		
a) Assets (+)	Nil	Nil
b) Liability (-)	482	Nil
(iii) Credit Exposure	Nil	Nil
(iv) Unhedged Exposures	Nil	Nil

* The foreign currency exposure on foreign currency borrowings have been economically hedged through forward contracts.

48.04 Direct Assignment and Securitisation

(INR in Lakhs)

Part A - Disclosure in the notes to the accounts in respect of securitisation transaction

Particulars	As at March 31, 2023	As at March 31, 2022
No of SPVs sponsored by the applicable NBFC for securitisation transactions	-	-
Total amount of securitised assets as per books of the SPVs sponsored	-	-
Total Amount Outstanding	-	-
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	-	-
Amount of exposures to securitisation transactions other than MRR		
a) Off balance sheet exposures		
i) Exposure to own securitisation		
First Loss	-	-
Others	-	-
ii) Exposure to third party securitisation		
First Loss	-	-
Others	-	-
b) On balance sheet exposures		
iii) Exposure to own securitisation		
First Loss	-	-
Others	-	-
iv) Exposure to third party securitisation		
First Loss	-	-
Others	-	-

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48.04 Direct Assignment and Securitisation (contd.)

Part B - Details of Direct Assignment

Details of loans transferred / acquired during the year ended March 31, 2023 under the RBI Master Direction RBI/DOR/2021-22/86 DOR.STR.REC.51/21.04.048/2021-22 on Transfer of Loan Exposures dated September 24, 2021 are given below:

- The Company has not transferred any non-performing assets (NPAs).
- The Company has not transferred any Special Mention Account (SMA) and loan in default.
- Details of loans not in default transferred through Assignment are given below:

Particulars	Weighted Average Exercise Price
Aggregate amount of Loan transferred (Rs. In lakhs)	87,050
Weighted average residual maturity (in months)	79
Weighted average holding period by originator (in months)	16
Retention of beneficial economic interest	10%/20%
Coverage of tangible security coverage (in %)	46%
Rating-wise distribution of rated loans	NA

- The Company has not acquired any loans through assignment.
- The Company has not acquired any stressed loan.

During the year ended March 31, 2023, the Company has executed thirteen Direct Assignment transaction. The de-recognition criteria as per Ind AS 109 has been met in respect of all the direct assignment transactions. The management has evaluated the impact of all the Direct Assignment transactions de-recognised based on the future business plan, which is to hold these assets for collecting contractual cash flows.

48.05 Asset liability management maturity pattern of certain items of assets and liabilities

As at Mar 31, 2023

Particulars	1 to 7 days	8 to 14 days	15 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	10,095	8,350	11,409	32,474	40,760	141,946	152,028	188,304	124,726	89,878	799,970
Investments	6,996	-	16,427	11,274	10,948	16,048	5,703	-	-	666	68,062
Borrowings (includes foreign currency borrowings)	9,369	2,030	3,641	7,708	74,983	54,842	112,167	286,544	148,980	13,319	713,583

As at Mar 31, 2022

Particulars	1 to 7 days	8 to 14 days	15 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	15,104	3,838	7,464	36,019	48,445	66,970	117,022	116,084	78,898	74,637	564,481
Investments	10,309	7,490	-	-	-	32,884	-	-	750	-	51,433
Borrowings	4,203	780	7,524	11,609	25,429	21,393	122,077	224,466	55,961	28,241	501,683

Note: Above Asset liability maturity pattern are prepared based on the guidelines issued by RBI on Asset liability management framework.

48.06 Capital to Risk Asset Ratio (CRAR)

(INR in Lakhs)

Particulars	As at March 31, 2023	As at March 31, 2022
CRAR (%)	17.94	23.04
CRAR - Tier I Capital (%)	15.09	18.38
CRAR - Tier II Capital (%)	2.85	4.65
Amount of subordinated debts raised as Tier II capital	20,774	25,907

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48.07 Details of non-performing accounts purchased/ sold

(a) Details of non-performing accounts purchased

(INR in Lakhs)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
(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 sold

(INR in Lakhs)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
(i)	No. of accounts sold 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

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

(INR in Lakhs)

Particulars	As at March 31, 2023	As at March 31, 2022
I. 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. Exposure would also include non-fund based (NFB) limits.	333,576	210,496
(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	59,346	50,692
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
(a) Residential	-	-
(b) Commercial Real Estate	-	-
II. Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank and Housing Finance Companies	-	-
Total Exposure to Real Estate	392,923	261,188

b) Exposure to Capital Market

(INR in Lakhs)

Particulars	As at March 31, 2023	As at March 31, 2022
(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

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48.08 Exposure to real estate sector, both direct and indirect & exposure to capital market (contd.)

b) Exposure to Capital Market		(INR in Lakhs)	
(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 stock brokers 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 resource	Nil	Nil
(vii)	bridge loans to companies against expected equity flows / issue	Nil	Nil
(viii)	underwriting commitments taken up by the NBFCs in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	Nil	Nil
(ix)	financing to stockbrokers for margin trading	Nil	Nil
(x)	all exposures to Alternative Investment Funds: (i) Category I (ii) Category II (iii) Category III	Nil	Nil
Total exposure to Capital Market		Nil	Nil

48.09 Movement of credit impaired loans under Ind AS (INR in Lakhs)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
(i)	Net impaired loss allowance to Net loans (%)	1.59%	1.75%
(ii)	Movement of credit impaired loans under Ind AS (Gross)		
	(a) Opening balance	12,858	4,681
	(b) Additions during the year	13,764	12,973
	(c) Reductions during the year	4,354	846
	(d) Written off	5,818	3,950
	(e) Closing balance	16,450	12,858
(iii)	Movement of Net impaired loans		
	(a) Opening balance	10,020	3,282
	(b) Additions during the year	8,627	10,227
	(c) Reductions during the year	2,923	731
	(d) Written off	2,926	2,758
	(e) Closing balance	12,798	10,020
(iv)	Movement of impairment loss allowance on credit impaired loans		
	(a) Opening balance	2,838	1,399
	(b) Additions during the year	5,137	2,746
	(c) Reductions during the year	1,431	115
	(d) Written off	2,892	1,192
	(e) Closing balance	3,652	2,838

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48.10 Concentration of Loan, Exposure & Credit Impaired loans

(a) Concentration of Loan

(INR in Lakhs)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
(i)	Total advances to twenty largest borrowers	13,109	14,054
(ii)	Percentage of Twenty largest borrowers to Total advances	1.62%	2.44%

(b) Concentration of Exposure

(INR in Lakhs)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
(i)	Total exposure to twenty largest borrowers	13,171	14,054
(ii)	Percentage of exposure to twenty largest borrowers to Total Exposure	1.61%	2.44%

(c) Concentration of credit impaired

(INR in Lakhs)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
(i)	Total exposure of top four credit impaired accounts	5,472	3,351

(d) Sector wise distribution of credit impaired loss

(INR in Lakhs)

Sectors	Total Exposure	Gross NPA	% of gross NPA to exposure in that sector
As at March 31, 2023			
Agriculture and allied activities	0.00	0.00	0.00%
MSME	0.00	0.00	0.00%
Corporate borrowers	0.00	0.00	0.00%
Services	0.00	0.00	0.00%
Unsecured personal loans	0.00	0.00	0.00%
Auto Loans	0.00	0.00	0.00%
Other personal loans	0.00	0.00	0.00%
Others	810,274	16,450	2.03%
As at March 31, 2022			
Agriculture and allied activities	0.00	0.00	0.00%
MSME	0.00	0.00	0.00%
Corporate borrowers	0.00	0.00	0.00%
Services	0.00	0.00	0.00%
Unsecured personal loans	0.00	0.00	0.00%
Auto Loans	0.00	0.00	0.00%
Other personal loans	0.00	0.00	0.00%
Others	576,094	12,858	2.23%

(e) Intragroup Exposure

(INR in Lakhs)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
(i)	Total amount of intra-group exposures	-	-
(ii)	Total amount of top 20 intra-group exposures	-	-
(iii)	Percentage of intra-group exposures to total exposure of the NBFC on borrowers/customers	-	-

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48.11 Details of single borrower limit and group borrower limit exceeded by the Company

During the year ended March 31, 2023 and year ended March 31, 2022, 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 year ended March 31, 2023 and year ended March 31, 2022.

48.13 Fraud Reporting

The fraud detected and reported for the year ended March 31, 2023 amounted to INR 1,767.05 lakhs. (Year ended March 31, 2022: INR 1,051.79 Lakhs)

48.14 Net profit or loss for the year, prior period items and change in accounting policy

There are no prior period items and no changes in accounting policy.

48.15 Details of 'provision and contingencies' (INR in Lakhs)

Sr. No.	Particulars	For the year ended Mar 31, 2023	For the year ended Mar 31, 2022
1	Provision for depreciation on investment	83	(2)
2	Provision towards credit impaired loans	814	1,439
3	Provision towards income tax	5,846	4,710
4	Provision for standard loans (Stage 1 & 2)	(1,382)	2,684

48.16 Draw down from reserves

The Company has not made any draw down from reserves during year ended March 31, 2023 (March 31, 2022 - Nil).

48.17 Disclosure of complaints

(I) Summary information on complaints received by the Company from customers and from the Office of Ombudsman: (INR in Lakhs)

Sr. No.	Particulars	For the year ended Mar 31, 2023	For the year ended Mar 31, 2022
	Complaints from customers	2	2
1	No. of complaints pending as at the beginning of the year	6	18
2	No. of complaints received during the year	8	18
3	No. of complaints disposed during the year	3	12
3.1	Of which, number of complaints rejected by the NBFC	-	2
	Maintainable complaints from the Office of Ombudsman		
5*	Number of maintainable complaints received by the NBFC from Office of Ombudsman	67	56
5.1	Of 5, number of complaints resolved in favour of the NBFC by Office of Ombudsman	65	52
5.2	Of 5, number of complaints resolved through conciliation/mediation/ advisories issued by Office of Ombudsman	2	4
5.3	Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the NBFC	-	-
6*	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously The Ombudsman Scheme for Non-Banking Financial Companies, 2018) and covered within the ambit of the Scheme.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48.17 Disclosure of complaints (contd.)

(II) Top five grounds of complaints received by the NBFCs from customers

For year ended March 31, 2023

(INR in Lakhs)

Sr. No.	Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
	1	2	3	4	5	6
I	EMI recovery	-	2	100%	-	-
II	Issuance of Foreclosure Letter	-	2	100%	-	-
III	CIBIL Related	-	1	0%	-	-
IV	Rate of Interest Related	-	1	0%	-	-
V	Others	-	-	-	-	-

For year ended March 31, 2022

(INR in Lakhs)

Sr. No.	Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
	1	2	3	4	5	6
I	Issuance of Foreclosure Letter	-	1	(86%)	-	-
II	Moratorium/Restructuring	-	1	(80%)	-	-
III	Interest on interest charged during moratorium & EMI recovery related.	-	1	(75%)	-	-
IV	Change in Interest Slab	-	1	(75%)	-	-
V	Non updation of CIBIL	-	1	(50%)	-	-

48.18 Registration obtained from Financial Sector Regulators

Regulator	Registration No.
Reserve Bank of India	Certificate of Registration No. N-16.00187 dt 24th August, 2010

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48.19 Ratings assigned by the credit rating agencies and migration of ratings during the year (INR in Lakhs)

Sr. No.	Particulars	Name of the Instrument	For the year ended Mar 31, 2023	For the year ended Mar 31, 2022
1	Long Term	Bank Lines	India Rating and Research Pvt. Ltd. (IND AA- /Stable); CARE Ratings (CARE AA Stable / CARE A1+)	India Rating and Research Pvt. Ltd. AA- /Stable
2	Short Term	Commercial paper	CRISIL Ratings Limited (CRISIL A1+)	CRISIL A1+
3	Long Term	Non convertible debentures	CARE Ratings (CARE AA/Stable)	CARE AA- /Stable
4	Long Term	Non convertible debentures	India Rating and Research Pvt. Ltd. (IND AA-/Stable)	India Rating and Research Pvt. Ltd. AA-
5	Long Term	Non convertible debentures - Subordinated Debt	India Rating and Research Pvt. Ltd. (IND AA-/Stable)	India Rating and Research Pvt. Ltd. AA- /Stable
6	Short Term	Commercial paper		Acuite Ratings & Research Limited A1+
7	Short Term	Commercial paper	ICRA Limited (ICRA A1+)	ICRA Ltd A1+

48.20 Amounts due to Investor Education and Protection Fund

There is no amount due to be credited to Investor Education and Protection Fund as at March 31, 2023 (March 31, 2022 - Nil).

48.21 Off Balance Sheet SPV sponsored - The Company does not have any SPVs sponsored (which are required to be consolidated as per Accounting Norms).

48.22 Penalties imposed by RBI

Penalty of INR Nil was imposed on Fedbank Financial Services Limited as on March 31, 2023.(March 31, 2022 -INR Nil)

48.23 Ownership Overseas Assets (for those with joint ventures and subsidiaries abroad)

There are no overseas assets owned by the Company.

48.24 Breach of Covenant

There are no instances of breach of covenant of loan availed or debt securities issued

48.25 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 (INR in Lakhs)

Nature of Transactions	For the year ended March 31, 2023	For the year ended March 31, 2022
No. of loan accounts	10,295	4,536
Principal Amount outstanding at the date of auction (INR in lakhs)	5,786	4,383
Interest Amount outstanding at the date of auction (INR in lakhs)	1,096	705
Total value fetched (INR in lakhs)	8,103	5,307

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.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48.26 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, 2016)

(INR in Lakhs)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
	Liabilities side		
1	Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:		
	(a) Debentures		
	-Secured	40,459	20,068
	-Unsecured	25,967	25,907
	(other than falling within the meaning of public deposits)		
	(b) Deferred Credits	Nil	Nil
	(c) Term Loans	595,536	410,935
	(d) Inter-corporate loans and borrowing	Nil	Nil
	(e) Commercial Paper	20,664	33,274
	(f) Other Loans (represents Working Capital Demand Loan, Cash credit, Bank Over draft and Liability component of Compound financial instrument)	30,957	11,500
	Asset side		
2	Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :		
	(a) Secured	699,240	487,597
	(b) Unsecured	111,034	88,497
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		
	(a) Finance Lease	Nil	Nil
	(b) Operating Lease	Nil	Nil
	(ii) Stock on hire including hire charges under sundry debtors:		
	(a) Assets on hire	Nil	Nil
	(b) Repossessed Assets	Nil	Nil
	(iii) Other loans counting towards AFC activities		
	(a) Loans where assets have been repossessed	Nil	Nil
	(b) Loans other than (a) above	Nil	Nil
4	Break-up of Investments		
	Short 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	2,000	10,309
	(iv) Government Securities	65,396	40,374
	(v) Others	Nil	Nil

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48.26 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, 2016) (contd.)

(INR in Lakhs)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
2	Unquoted		
	(i) Shares:		
	(a) Equity	Nil	Nil
	(b) Preference	Nil	Nil
	(ii) Debentures and bonds	666	750
	(iii) Units of mutual funds	Nil	Nil
	(iv) Government Securities	Nil	Nil
	(v) Others	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	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	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
	Other than related parties	810,274	576,094
	Total		
6	Other Information:		
(i)	Gross Non-Performing Assets		
	(a) Related parties	Nil	Nil
	(b) Other than related parties	16,450	12,858
(ii)	Net Non-Performing Assets		
	(a) Related parties	Nil	Nil
	(b) Other than related parties	12,798	10,020
(iii)	Assets acquired in satisfaction of debt	Nil	Nil

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

(A) Comparison between provisions required under Income Recognition, Asset Classification and Provisioning and impairment allowances made under Ind AS 109

Asset classification as per RBI Norms	Asset classification as per Ind AS 109	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	
		31-03-2023	31-03-2022	31-03-2023	31-03-2022	31-03-2023	31-03-2022	31-03-2023	31-03-2022	31-03-2023	31-03-2022
	(1)	(3)	(4)	(4)	(6)	(5) = (3) - (4)	(8) = (4) - (6)	(6)	(10)	(7) = (4) - (6)	(12) = (6) - (10)
Performing Assets											
	Standard	756,190	513,113	2,465	2,524	753,725	510,589	3,047	2,121	(582)	403
	Stage 2	30,547	37,646	4,176	6,162	26,371	31,484	1,478	2,414	2,698	3,747
Sub Total		786,737	550,759	6,640	8,686	780,096	542,073	4,525	4,535	2,116	4,151
Non Performing Assets (NPA)											
Sub Standard	Stage 3	11,588	11,341	1,882	2,562	9,706	8,779	1,181	1,103	701	1,459
	Stage 2*	7,088	12,477	14	90	7,074	12,387	709	1,166	(695)	(1,076)
		-	-	-	-	-	-	-	-	-	-
Doubtful (upto 1 year)	Stage 3	4,197	1,033	1,600	169	2,597	864	895	181	705	(12)
Doubtful (1 - 3 year)	Stage 3	615	440	118	64	497	376	180	102	(62)	(38)
Doubtful (more than 3 year)	Stage 3	0	0	0	0	0	(0)	0	-	(0)	0
Sub-total for Doubtful		4,812	1,473	1,718	234	3,094	1,240	1,075	283	643	(49)
Loss	Stage 3	49	44	49	42	(0)	2	49	44	-	(2)
Sub-total for NPA		23,537	25,335	3,664	2,927	19,874	22,408	3,014	2,596	649	331
Total	Stage 1	756,190	513,113	2,465	2,524	753,725	510,589	3,047	2,121	(582)	403
	Stage 2	37,635	50,122	4,190	6,251	33,445	43,871	2,187	3,580	2,003	2,671
	Stage 3	16,449	12,858	3,649	2,838	12,800	10,021	2,305	1,430	1,344	1,408
Total	Total	810,274	576,094	10,304	11,613	799,970	564,481	7,539	7,131	2,765	4,482

* These represent gold loan accounts which have been classified as Stage 2 based on the Credit Risk policy and assessment of the Company which lays down the definition of 'default', the Company considers for its staging analysis. Further, the Company has also considered Loan to Value (LTV) margin, empirical evidence of realization from the liquidation of collateral and other information. These accounts are classifiable as Sub-standard under the extant regulatory provisions.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48.27 Disclosure in term of notification no. RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 (contd.)

(B) Disclosure in term of RBI notification no. RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020 relating to classification of gold loan accounts that are past due beyond 90 days but not treated/ classified as impaired (Stage 3) assets by virtue of the following:

- Gold loans are originated basis value of under-lying collateral rather than financial background of the borrower.
- The underlying collateral are highly liquid and as a consequence the credit impairment risk is primarily on account of insufficiency of margin/Loan to Value (LTV) if any.
- At the time of re-pledge/rollover of the gold loan facility, there is no concession granted/offered to the borrower by the Company and process followed is similar to that which would have been followed for any new borrower as there is a fresh-assessment of collateral (including additional margin/collateral brought-in by borrowers) and it is ensured that the collateral value is within the RBI prescribed LTV norms at origination.
- Past empirical evidence of realisation/recoveries from the liquidation of collateral i.e. immaterial/insignificant Loss Given Default (LGD) rates for the gold loan portfolio.

(INR in Lakhs)

Particulars	Number of Accounts as at March 31, 2023	Total amount Outstanding as at March 31, 2023 (in Lakhs)	Total amount Overdue as at March 31, 2023 (in Lakhs)	Number of Accounts as at March 31, 2022	Total amount Outstanding as at March 31, 2022 (in Lakhs)	Total amount Overdue as at March 31, 2022 (in Lakhs)
Accounts where 90 days rebuttal is done	2,653	3,289	3,289	5,198	6,281	6,281
Accounts linked to above	3,369	3,799	3,799	5,310	6,196	650
Total	6,022	7,088	7,088	10,508	12,477	6,931

48.28 Public Disclosures as mandated by LRM framework for NBFCs issued by the RBI on 4th November 2019.

a) Funding Concentration based on significant counterparty

Sr. No.	Significant counterparty*	As at 31 March 2023	
		Amount	% of total liabilities
1	Bank of Baroda Ltd	75,793	9.82%
2	Canara Bank Ltd	69,875	9.06%
3	Indian Bank(Including Erst. Allahabad Bank)	68,898	8.93%
4	Federal Bank Ltd	57,684	7.48%
5	SIDBI Ltd	54,662	7.08%
6	HDFC Bank Ltd	39,738	5.15%
7	Axis Bank Ltd	38,418	4.98%
8	ICICI BANK Ltd	29,888	3.87%
9	State Bank of India Ltd	29,117	3.77%
10	IDBI Ltd	28,723	3.72%
11	Karnataka Bank Ltd	28,591	3.71%
12	Union bank of India Ltd	25,736	3.34%
13	Bank of Maharashtra Ltd	24,914	3.23%
14	Bajaj Finance Ltd	22,122	2.87%
15	Central Bank of India Ltd	15,719	2.04%
16	CITI Bank Ltd	15,004	1.94%
17	Indian Overseas Bank Ltd	14,423	1.87%
18	Bank of India Ltd	13,940	1.81%
19	DC (Corporate)	11,344	1.47%
20	Other Retailers	10,629	1.38%
21	KVB Bank Ltd	10,201	1.32%
22	DCB Bank Ltd	10,061	1.30%

*Significant counterparty has been defined as exposure greater than 1%

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48.28 Public Disclosures as mandated by LRM framework for NBFCs issued by the RBI on 4th November 2019. (contd.)

b) Top 10 borrowings

Sr. No.	Significant counterparty*	As at 31 March 2023	
		Amount	% of total liabilities
1	Bank of Baroda Ltd	75,793	10.62%
2	Canara Bank Ltd	69,875	9.79%
3	Indian Bank(Including Erst. Allahabad Bank)	68,898	9.66%
4	Federal Bank Ltd	57,684	8.08%
5	SIDBI Ltd	54,662	7.66%
6	HDFC Bank Ltd	39,738	5.57%
7	Axis Bank Ltd	38,418	5.38%
8	ICICI BANK Ltd	29,888	4.19%
9	State Bank of India Ltd	29,117	4.08%
10	IDBI Ltd	28,723	4.03%

c) Funding Concentration based on significant instrument/product

Sr. No.	Significant counterparty*	As at 31 March 2023	
		Amount	% of total liabilities
1	Short Term working Capital	15,953	2.07%
2	Term Loan- Secured	608,038	78.81%
3	Term Loan- Unsecured	2,501	0.32%
4	Commercial paper	20,664	2.68%
5	NCD - Secured	40,459	5.24%
6	NCD - Unsecured	25,967	3.37%

d) Stock Ratio

Sr. No.	Particulars	As at 31 March 2023
		%
1	Commercial Paper as % of Total Liabilities	2.68%
2	Commercial Paper as % of Total Assets	2.28%
3	Other Short Term Liabilities as % of Total Liabilities	7.84%
4	Other Short Term Liabilities as % of Total Asset	6.67%

a) Funding Concentration based on significant counterparty

Sr. No.	Significant counterparty*	As at 31 March 2022	
		Amount	% of total liabilities
1	Federal Bank Ltd	81,340	15.06%
2	Bank of Baroda	51,948	9.62%
3	Indian Bank	43,269	8.01%
4	ICICI BANK	40,935	7.58%
5	SIDBI	33,211	6.15%
6	HDFC Bank Ltd	26,062	4.82%
7	Axis Bank	21,490	3.98%
8		24,314	4.50%
9	Bank of Maharashtra	19,981	3.70%
10	Central Bank of India	19,706	3.65%

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

48.28 Public Disclosures as mandated by LRM framework for NBFCs issued by the RBI on 4th November 2019. (contd.)

a) Funding Concentration based on significant counterparty

Sr. No.	Significant counterparty*	As at 31 March 2022	
		Amount	% of total liabilities
11	Indian Overseas Bank	18,846	3.49%
12	Bank of India	17,929	3.32%
13	Karnataka Bank	14,604	2.70%
14	State Bank of India	11,961	2.21%
15	IDBI Bank	10,736	1.99%
16	DCB Bank	10,634	1.97%
17	HDFC Mutual Fund	10,000	1.85%
18	DSP Mutual Fund	10,000	1.85%
19	Bajaj Finance	5,616	1.04%

*Significant counterparty has been defined as exposure greater than 1%

b) Top 10 borrowings

Sr. No.	Significant counterparty*	As at 31 March 2022	
		Amount	% of total liabilities
1	Federal Bank Ltd	81,340	16.21%
2	Bank of Baroda	51,948	10.35%
3	Indian Bank	43,269	8.62%
4	ICICI BANK	40,935	8.16%
5	SIDBI	33,211	6.62%
6	HDFC Bank Ltd	26,062	5.19%
7	Axis Bank	21,490	4.28%
8	Canara Bank	24,314	4.85%
9	Bank of Maharashtra	19,981	3.98%
10	Central Bank of India	19,706	3.93%

c) Funding Concentration based on significant instrument/product

Sr. No.	Significant counterparty*	As at 31 March 2022	
		Amount	% of total liabilities
1	Short Term working Capital	11,500	2.13%
2	Term Loan- Secured	403,416	74.68%
3	Term Loan- Unsecured	7,520	1.39%
4	Commercial paper	33,274	6.16%
5	NCD - Secured	20,068	3.71%
6	NCD - Unsecured	25,906	4.80%

d) Stock Ratio

Sr. No.	Particulars	As at 31 March 2022
		%
1	Commercial Paper as % of Total Liabilities	6.16%
2	Commercial Paper as % of Total Assets	5.08%
3	Other Short Term Liabilities as % of Total Liabilities	10.05%
4	Other Short Term Liabilities as % of Total Asset	8.29%

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

Sr. No.	Type of restructuring Assets classification Details	Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
		Stand-ard	Sub-stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-stand-ard	Doubt-ful	Loss	Total
1	Restructured Accounts as on April 1, 2022 of the FY (opening figures)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of FY and hence need not be shown as restructured standard advances at the beginning of the next FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31, 2023 (closing figures)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note:

- Reduction in opening restructured POS has been shown in restructured standard advances which cease to attract higher provision, as no specific row was available to disclose this movement. Similarly provision has also been shown under higher provision/additional risk.
- The figures disclosed above are for loans restructured under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 which excludes cases restructured loans under OTR 1.0 and 2.0

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

49.01 Disclosure in compliance with RBI circular 2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21

RBI vide its circular 2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 and vide circular DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021 has allowed a one-time restructuring of existing loans to MSMEs classified as 'standard' without any downgrade in the asset classification, subject to prescribed conditions

(INR in Lakhs)

As at	No. of accounts restructured	Amount outstanding
March 2023	71	3,026
March 2022	234	8,127

49.02 Disclosure in compliance with RBI circular 2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21

(INR in Lakhs)

Format-B

As at March 2023

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans	13516	-	128	311	13,077
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	-	-	-	-	-
Total	-	-	-	-	-

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

(INR in Lakhs)

Format-B

As at March 2022

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans	14584	79	276	9	14,220
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	-	-	-	-	-
Total	-	-	-	-	-

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

During the year ended March 31, 2022, the Company has implemented resolution plan in accordance with the Resolution Framework for COVID-19 related stress announced by the RBI in 9042 loan account with a total outstanding INR 2023.8 millions as on March 31, 2022. Of these, total loan which were restructured during the year, for 3836 cases having an outstanding amount of INR 235.2 millions (as at March 31, 2022) basis their credit assessment and the terms of restructuring, the Company has classified such restructured borrower accounts as non impaired (under Ind AS 109, Financial Instruments) at March 31, 2022. The Company has evaluated the same basis repayment behaviour of borrowers and other qualitative factors which have been approved by Audit Committee of the Company

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

50 During the year ended March 31, 2023, based on assessment and approval of the Board, the Company has written off the loans and advances amounting to INR 5,813 Lakhs. (March 2022 - INR 3,950 Lakhs.)

51 LCR Disclosure

(INR in Lakhs)

Particulars	As at 31 March 2023		As at 31 March 2022	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Asset				
1 Total High Quality Liquid Assets (HQLA)	27,258	27,258	46,888	46,888
Cash Outflows				
2 Deposits (for deposit taking companies)	-	-	-	-
3 Unsecured wholesale funding	-	-	-	-
4 Secured wholesale funding	36,830	42,355	12,338	14,189
5 Additional requirements, of which	-	-	-	-
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-
(iii) Credit and liquidity facilities	7,911	9,098	4,874	5,605
6 Other contractual funding obligations	34,951	40,194	14,618	16,811
7 Any other contractual outflows	8,307	9,553	4,605	5,296
8 TOTAL CASH OUTFLOWS	87,999	101,200	36,435	41,901
8B 75% of (Weighted Cash Outflow)		75,900		31,425
Cash Inflows				
9 Secured lending	21,730	16,298	14,017	10,513
10 Inflows from fully performing exposures		-	-	-
11 Other cash inflows	130,073	97,555	47,235	35,426
12 TOTAL CASH INFLOWS	151,803	113,853	61,252	45,939
13 TOTAL HQLA		27,258		46,888
14 TOTAL NET CASH OUTFLOWS		25,300		10,475
15 LIQUIDITY COVERAGE RATIO (%)		108%		448%

Note: The above ratio is computed in line with RBI Guideline.

52 On 12 November 2021, the Reserve Bank of India (RBI) had issued circular no. RBI/2021-2022/125 DOR.STR. REC.68/21.04.048/2021-22, requiring changes to and clarifying certain aspects of Income Recognition, Asset Classification and Provisioning norms (IRACP norms) pertaining to Advances. The Company has implemented the requirements pertaining to day-end-processing and allied matters as mentioned in the RBI circular dated November 12, 2021.

The RBI has also clarified that this circular does not, in any way, interfere with the extant guidelines on implementation of Ind-AS by NBFCs. Accordingly, the financial results for the year ended 31 March 2023 and previous year ended 31 March 2022 have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended, as the Company continues to follow the extant model provisioning norms, as per the Board approved Expected Credit Loss (ECL) policy.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

53 Transfer of financial assets

The Company has transferred a pool of loans arising from financing activities through securitisation transaction. In this transaction, the Company has provided credit enhancements to the transferee. Because of the existence of credit enhancements in this transaction, the Company continues to have the obligation to pay to the transferee, limited to the extent of credit enhancement, even if it does not collect the equivalent amounts from the original asset and continues to retain substantially all risks and rewards associated with the receivables, and hence, such transfer does not meet the derecognition criteria resulting into the transfer not being recorded as sale. Consequently, the proceeds received from the transfer has been recorded as collateralized debt obligation.

The carrying amount of loans arising from financing activities along with the associated liabilities is as follows

Nature of Assets	As at 31 March 2023		As at 31 March 2022	
	Carrying amount of sold assets	Carrying amount of associated liabilities	Carrying amount of sold assets	Carrying amount of associated liabilities
Loans	-	-	-	-

54 Contingent Liabilities (to the extent not provided for)

(INR in Lakhs)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
1	Disputed Income Taxes (1)	46	-
2	Other Sums contingently liable for (2)	23	23
	Total	69	23

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 32.18 lakhs , INR 5.02 lakhs and INR 9.29 lakhs for AY 2011-12 , AY 2013-14 and AY 2017-18 respectively, this has been challenged by the Company before the Commissioner of Income Tax (Appeals).
2. The Payment of Bonus Act, 1979 was amended with retrospective effect during financial year 2020-21, the estimated probable additional cost to the Company on account of this to the extent it pertains to the earlier financial years has not been considered a liability by placing reliance on Kerala High Court judgement which has stayed this matter and accordingly this is disclosed as contingent liability.
3. In Line with industry practice, the Company auctions gold kept as security by 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.

55 Capital and Other Commitments

(INR in Lakhs)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
1	Estimated amount of contracts remaining to be executed on capital accounts not provided for (Net of advances)	205	569
2	Other Commitments towards partly disbursed loans	6,467	4,874

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

56

Sr. No.	Ratios	As at Mar 31, 2023			As at Mar 31, 2022	Variance	Reason for Variance (if above 25%)
		Numerator	Denominator	Ratio	Ratio		
1	Capital to risk weighted asset ratio (CRAR)	146,031	814,016	17.94%	23.04%	(5%)	-
2	Tier I CRAR	122,793	814,016	15.09%	18.38%	(3%)	-
3	Tier II CRAR	23,238	814,016	2.85%	4.65%	(2%)	-
4	Liquidity Coverage Ratio	27,258	25,300	108%	448%	(340%)	Significant decrease in HQLA on account of sale of government securities.

As at Mar 31, 2022

Sr. No.	Ratios	Numerator	Denominator	Ratio
1	Capital to risk weighted asset ratio (CRAR)	136,209	591,298	23.04%
2	Tier I CRAR	108,687	591,298	18.38%
3	Tier II CRAR	27,522	591,298	4.65%
4	Liquidity Coverage Ratio	46,888	10,475	448%

Notes:

- Capital Adequacy Ratio has been computed as per relevant RBI Guidelines. (CRAR = [Tier I Capital + Tier II capital]/ Total Risk weighted Assets)
- Liquidity Coverage Ratio has been computed as per relevant RBI Guidelines. (LCR = Total High Quality Liquid Assets/ Total Net Cash Outflows)

57 Disclosure as required under Rule 11(e) and Rule 11(f) of the Companies (Audit and Auditors) Rules, 2014

- No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in a party identified by or on behalf of the Company (Ultimate Beneficiaries).
- The Company has not received any fund from any party(s) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- There is no dividend declared or paid during the year by the Company.

58 INR 0 Lakhs indicates values are lower than INR 0.5 Lakhs, where applicable

59 Between May-July 2022, the Company experienced an information security incident involving a ransomware and consequent isolation of impacted IT services. In response to this, the Management initiated comprehensive containment efforts to address the incident. Restoration of all impacted applications has been done and business is continuing as usual. The Company appointed an expert to investigate the nature, event and causes of data breach and remediation efforts recommended are in progress of being implemented. The Company believes that data integrity is maintained and not compromised. There has been no litigations and claims relating to this cyber security incident till date.

Notes Forming Part of the Financial Statements for the year ended March 31, 2023

60 During the previous year, the Company had filed the Draft Red Herring Prospectus dated 18 February, 2022, with SEBI, for the purpose of raising equity capital. However, due to various internal and external considerations the plan to issue equity shares to public has been currently put on hold. Accordingly, the Company has expensed the following in the Statement of Profit and Loss.

(INR in Lakhs)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
1	Legal and professional fees	1,065	-
2	Auditors' remuneration (Refer note 33.1)	213	-
3	Rates and taxes	223	-
4	Insurance	14	-
5	Miscellaneous Expenses	22	-
	Total	1,537	-

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
FRN: 101248W/W-100022

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

C. V. Ganesh
Chief Financial Officer

S. Rajaraman
Company Secretary
M.No.F3514

Ashwin Suvarna
Partner
Membership No. 109503

Anil Kothuri
MD & CEO
DIN:00177945

Balakrishnan Krishnamurthy
Non Executive Chairman
DIN:00034031

Gauri Rushabh Shah
Independent Director
DIN:06625227

Place: Mumbai
Date: May 26, 2023

Place: Mumbai
Date: May 26, 2023

