

# Responsive & Responsible.

*Progressing with Trust and Confidence*





**Reinforcing  
our stature**

One of the  
**Largest**  
Microfinance Institutions  
(MFIs) in India

Well diversified  
**pan-India**  
presence

More than  
**2 decades**  
of experience in the industry

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# Corporate Information

## Company Name

**Spandana Sphoorty Financial Limited**

## Corporate Identity Number

L65929TG2003PLC040648

## RBI Registration Number

N-09.00414 (Non-Banking Finance Company registration number issued by RBI; and in NBFC-MFI category)

## Website

[www.spandanasphoorty.com](http://www.spandanasphoorty.com)

## Registered and Corporate Office

Plot No: 31 & 32, Ramky Selenium Towers, Tower A, Ground Floor, Financial District, Nanakramguda, Hyderabad - 500 032, Telangana, India  
Ph: +9140-45474750

## Chief Financial Officer

**Mr. Ashish Kumar Damani**

(Appointed w.e.f. March 19, 2022)

**Mr. Satish Kottakota**

(Resigned w.e.f. October 1, 2021)

## Company Secretary and Chief Compliance Officer

**Mr. Ramesh Periasamy**

E-mail: [secretarial@spandanasphoorty.com](mailto:secretarial@spandanasphoorty.com)

## Statutory Auditors

**Walker Chandiok & Co. LLP**

Chartered Accountants  
(ICAI FRN: 001076N/N500013)  
(Appointed as a Statutory Auditor w.e.f. January 29, 2022)

**S R Batliboi & Co. LLP**

(Firm Registration No. 301003E/E300005)  
(Resigned w.e.f. January 28, 2022)

## Registrars and Transfer Agents

**KFin Technologies Limited**

(Earlier known as KFin Technologies Private Limited)

Selenium Tower B, Plot 31 & 32, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad - 500 032, Telangana  
Ph: +91 40 6716 2222

## Investor grievance

E-mail: [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com)

Website: [www.kfintech.com](http://www.kfintech.com)

Ph:18003094001

## Board of Directors

**Ms. Abanti Mitra**

Chairperson and Independent Director  
DIN: 02305893

(Appointed as the Chairperson w.e.f. November 22, 2021)

**Mr. Bharat Dhirajal Shah**

Independent Director  
DIN: 00136969

**Mr. Deepak Calian Vaidya**

Independent Director  
DIN: 00337276

(Stepped down from the position of Chairperson w.e.f. November 22, 2021)

**Mr. Jagdish Capoor**

Independent Director  
DIN: 00002516

**Mrs. Padmaja Gangireddy**

Non-Executive Director  
DIN: 00004842

(Resigned from the position of Managing Director w.e.f. November 02, 2021)

**Mr. Amit Sobti**

Non-Executive Nominee Director\*  
DIN: 07795874

**Mr. Kartikeya Dhruv Kaji**

Non-Executive Director\*  
DIN: 07641723

**Mr. Ramachandra K. Kamath**

Non-Executive Director\*  
DIN: 01715073

**Mr. Sunish Sharma**

Non-Executive Director\*  
DIN: 00274432

**Mr. Shalabh Saxena**

Managing Director and Chief Executive Officer  
DIN: 08908237

(Appointed as the Managing Director and Chief Executive Officer w.e.f. March 19, 2022)

\* Nominee of Kedaara Capital I Limited

## Lenders

- Aditya Birla Finance Limited
- Arka Fincap Limited
- Bandhan Bank Limited
- Bank of Baroda
- Edelweiss Financial Services Limited
- Equitas Small Finance Bank Limited
- Federal Bank Limited
- Fincare Small Finance Bank Limited
- Hero FinCorp Limited
- Hinduja Finance Limited
- Hongkong and Shanghai Banking Corporation Limited
- IDFC First Bank Limited

- IIFL Finance Limited
- Incred Capital Financial Services Private Limited
- InCred Capital Inclusion Advisory Services Private Limited
- Indian Bank
- Indusind Bank Limited
- Jana Small Finance Bank limited
- JM Financial Products Limited
- Kotak Mahindra Bank Limited
- Maanaveeya Development & Finance Private Limited
- MAS Financial Services Limited
- Nabkisan Finance Limited
- National Bank for Agriculture and Rural Development
- Northern Arc Capital Limited
- PHL Fininvest Private Limited
- Piramal Capital and Housing Finance Limited
- ResponsAbility India
- Standard Chartered Bank
- State Bank of India
- State Bank of Mauritius Limited
- Sundaram Finance Limited
- The Catholic Syrian Bank Limited
- Utkarsh Small Finance Bank Limited
- Unifi Capital Private Limited
- Vivriti Asset Management Private Limited
- Vivriti Capital Private Limited
- Woori Bank
- Yes Bank Limited

## Debenture Trustees

**Catalyst Trusteeship Limited**

GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune - 411038, India  
Tel: +91 (020) 25280081  
Fax: 91 (020) 25280275  
dt@ctltrustee.com  
Website: [www.catalysttrustee.com](http://www.catalysttrustee.com)

**IDBI Trusteeship Services Limited**

Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 001, India  
Tel: +91 (22) 40807068  
naresh.sachwani@idbitrustee.com  
Website: [www.idbitrustee.com](http://www.idbitrustee.com)

## Investor Information

**Market Capitalisation as at**

**March 31, 2022: ₹21,377 million**

**BSE Code** : 542759

**NSE Symbol** : SPANDANA

**AGM Date** : Wednesday,

September 21, 2022

**AGM Time** : 03:00 PM (IST)

**AGM Mode** : Video Conferencing (VC) and Other Audio Visual Means (OAVM)



# Responsive & Responsible.

*Progressing with Trust and Confidence.*

**What is the common thread that binds together a rural tailor of Madhya Pradesh, a flower shop owner in Andhra Pradesh or perhaps an owner of a small parlour in West Bengal?**

**Numerous such examples of grassroots entrepreneurship can be cited, but the engine of empowerment remains the same.**

**Spandana Sphoorty Financial Limited (Spandana).**

*At Spandana, we empower and handhold aspirations and let them fly higher with proper access to capital. We respond with speed through our country-wide customer touchpoints, so that those who languish outside the periphery of formal channels of financing can be brought into the economic mainstream.*

*As a trusted partner in progress, our teams listen to the requirements of potential customers and offer them relevant financial solutions to help them realise their true potential.*

*We have adopted a pragmatic and calibrated approach to grow our capabilities and create a high-performance enterprise. Our internal culture has been revamped to enhance process-and-collection efficiencies, customer centricity, technology architecture and team strength.*

*The microfinance sector in India has an immense potential to grow, and we are proud to partner millions of people in their journey towards financial empowerment and a life of dignity.*

## Highlights of the Year

# Delivering a robust performance

### Financial scorecard

**₹14,800 million**

Total income

**₹9,399.35 million**

Net interest income

**11.5%**

Cost of borrowings

**12.5%**

Net interest margin

**₹5,774.42 million**

Pre-provision operating profit (PPOP)

### Operational scorecard

**₹65,810.65 million**

Asset under management (AUM)

**₹33,725.75 million**

Disbursements

**₹59 million**

AUM/Branch

**2,097**

Active Borrowers/Branch

### Social scorecard

**₹38.97 million**

CSR expenditure during FY22

**₹7.5 million**

AUM/Employee

## Corporate Identity

# Trust fuels our journey forward

*Spandana is a Reserve Bank of India (RBI) registered Non-Banking Financial Company-Micro finance Institution (NBFC-MFI). We began our journey in 1998 and today we are one of India's largest MFIs. We are a leading, rural focused NBFC-MFI with a geographically diversified presence in India. We offer income generation loans under the joint liability group model, predominantly to women from low-income households in rural areas.*

At Spandana, we have developed an in-depth understanding of the borrowing requirements of the low-income client segment. Our business model involves regular client interactions through our empowered field force, who engage with clients regularly across all districts where we have presence.

Through our loan products and client-centric approach, we endeavour to strengthen the socio-economic well-being of low-income households by providing financing on a sustainable basis in order to improve livelihoods, establish identity and enhance self-esteem.

It is the invaluable trust of our customers, which inspires us to grow the scale and scope of our business and create value for all stakeholders.

### Our vision

**We want to be the largest microfinance institution by 2025 serving the financial needs of the low income and lifestyle segment of the country.**

### Our mission

**We want to be the leading Micro Finance Company by offering a range of financial products and services to low-income households and individuals to improve their quality of life. We constantly endeavour to deliver quality services to our clients and remunerative returns to our stakeholders by maintaining highest levels of transparency and integrity. We strive to be the most preferred employer for our staff and preferred financial solutions provider for our borrowers.**

### Our objectives

- **Continue to maintain high corporate governance standards**
- **Preserve organisational values, work ethics and build a culture that ensures high job satisfaction to employees**
- **Set new benchmarks of efficiency and productivity for the industry and continue to maintain operational excellence**
- **Have world class technology that can support the delivery of the varied range of products that we deliver**

## Key facts

# 1,120

Branches in 316 districts  
across 18 states

# 5

Products

# 23+

Robust experience in the  
evolving NBFC-MFI sector

# 23.5 lakh

Borrowers

# 6,521

Loan officers

# 8,763

Employees

Above data is on consolidated basis

## Our core values

Our core values are exemplified by TRICS:

- **Transparency:** Maintaining simplicity and clarity in all activities and operations so that high standards of fairness can be established in all the dealings.
- **Integrity:** Maintaining high standards of conduct, truthfulness, and honesty in all dealings, to honour the commitment made to our clients and organisation.
- **Spirit:** Working together to create a synergy amongst the teams which results in robust growth
- **Responsiveness:** Constantly working to identify the changing needs of clients and potential clients and developing suitable products and services to address these needs.
- **Commitment:** Performing all activities and tasks with professionalism and enthusiasm to give the highest level of client satisfaction and optimal efficiency.

## Corporate Identity

### Our products



#### Abhilasha/ Chethana (JLG loans)

Unique loan is designed, especially for low-income households who aspire to improve their financial well-being

**Loan size:** Up to ₹80,000

**Tenure:** 1 to 2 years

**Mix:** 96.89%



#### Interim Loans

Loans to assist borrowers to meet short-term liquidity requirements

**Loan size:** Up to ₹20,000

**Tenure:** 1 to 2 years

**Mix:** 0.53%



#### Loan Against Property (LAP)

Loans given against the mortgage of residential properties/ commercial shops (excluding open plots on agriculture land).

**Loan size:** Up to ₹20 million

**Tenure:** 1 to 8 years

**Mix:** 1.59%



#### Personal Loans

Loans exclusively for business development, purchase of livestock, house construction/ renovation or any other emergency needs.

**Loan size:** Up to ₹0.2 million

**Tenure:** 1 to 3 years

**Mix:** 0.20%



#### Blue Lemon Loans

Loan given towards purchase of household appliances on an affordable EMI basis.

**Loan size:** Up to ₹20,000

**Tenure:** 1 to 2 years

**Mix:** 0.79%

### Our borrowing profile

Our funding sources are varied, as we believe that a diversified debt profile ensures that we are not overly dependent on any one type or source for funding. We have a diversified lender base and access diverse sources of liquidity, such as term loans, cash credit and subordinated debt from banks, financial institutions and non-banking financial companies, proceeds from loan assets securitised, and proceeds from the issuance of NCDs to meet our funding requirements.

Type	SSFL	Percentage	CFL	Percentage	Total	Percentage
Term Loan	1,894	47.44%	121	84.71%	2,014	48.72%
Securitisation/ Direct Assignment	511	12.80%	4	2.64%	515	12.45%
NCD/MLD	1,587	39.76%	18	12.65%	1,605	38.83%
<b>Total</b>	<b>3,993</b>	<b>100.00%</b>	<b>142</b>	<b>100.00%</b>	<b>4,135</b>	<b>100.00%</b>

\*As on March 31, 2022



## Our credit ratings

Instruments	Rating Agency	Rated Amount (₹ in million)	Rating Action*
Bank Facilities	CRISIL Limited	35,000.00	CRISIL A/Watch Developing (Continues on 'Rating Watch with Developing Implications')
	India Rating and Research Private Limited	5,000.00	IND A / Rating Watch Negative
	ICRA Limited	35,000.00	[ICRA]A- placed under watch with developing implications
Market-linked Debentures	India Rating and Research Private Limited	13,750.00	IND PP-MLD Aemr / Rating Watch Negative
	ICRA Limited	4,000.00	PP-MLD[ICRA]A- placed under watch with developing implications
Non-convertible Debentures	India Rating and Research Private Limited	3,400.00	IND A / Rating Watch Negative
	ICRA Limited	8,594.60	[ICRA]A- placed under watch with developing implications
Pass Through Certificates (PTCs)	ICRA Limited	11,216.90	[ICRA]A+(SO); Reaffirmed

\*As on March 31, 2022



## Presence

# Responding to opportunities, reaching far and wide

*Our operations are well diversified at the branch, district and state levels. Our presence across India enables us to further penetrate into locations where we are already present and also reach out to more congruent geographies.*

To address geographic concentration risk, we have specified exposure caps at the state, district and branch levels.

**Presence in  
18 states across  
1,049 branches**

**Top 3 States  
constitute less than  
47.52% of AUM**

**In FY22, 985  
branches out of a  
total of 1,049 have  
less than 0.15%  
exposure of the  
total AUM**

## Well diversified portfolio across states

State-wise branches, districts covered and AUM

States	Number of branches	Number of districts covered	AUM concentration
Madhya Pradesh	161	47	18.57%
Orissa	158	30	16.82%
Karnataka	134	30	12.13%
Maharashtra	124	31	10.84%
Andhra Pradesh	72	12	8.09%
Chhattisgarh	73	19	7.08%
Bihar	52	21	6.08%
Jharkhand	48	19	4.97%
Rajasthan	60	15	4.57%
Gujarat	56	20	3.79%
Kerala	43	11	2.56%
Uttar Pradesh	25	16	2.02%
Telangana	10	4	0.96%
West Bengal	15	6	0.58%
Haryana	10	7	0.43%
Goa	4	2	0.26%
Tamil Nadu	3	3	0.13%
Pondicherry	1	1	0.12%
<b>Total</b>	<b>1,049</b>	<b>294</b>	<b>100%</b>

Above data is on standalone basis

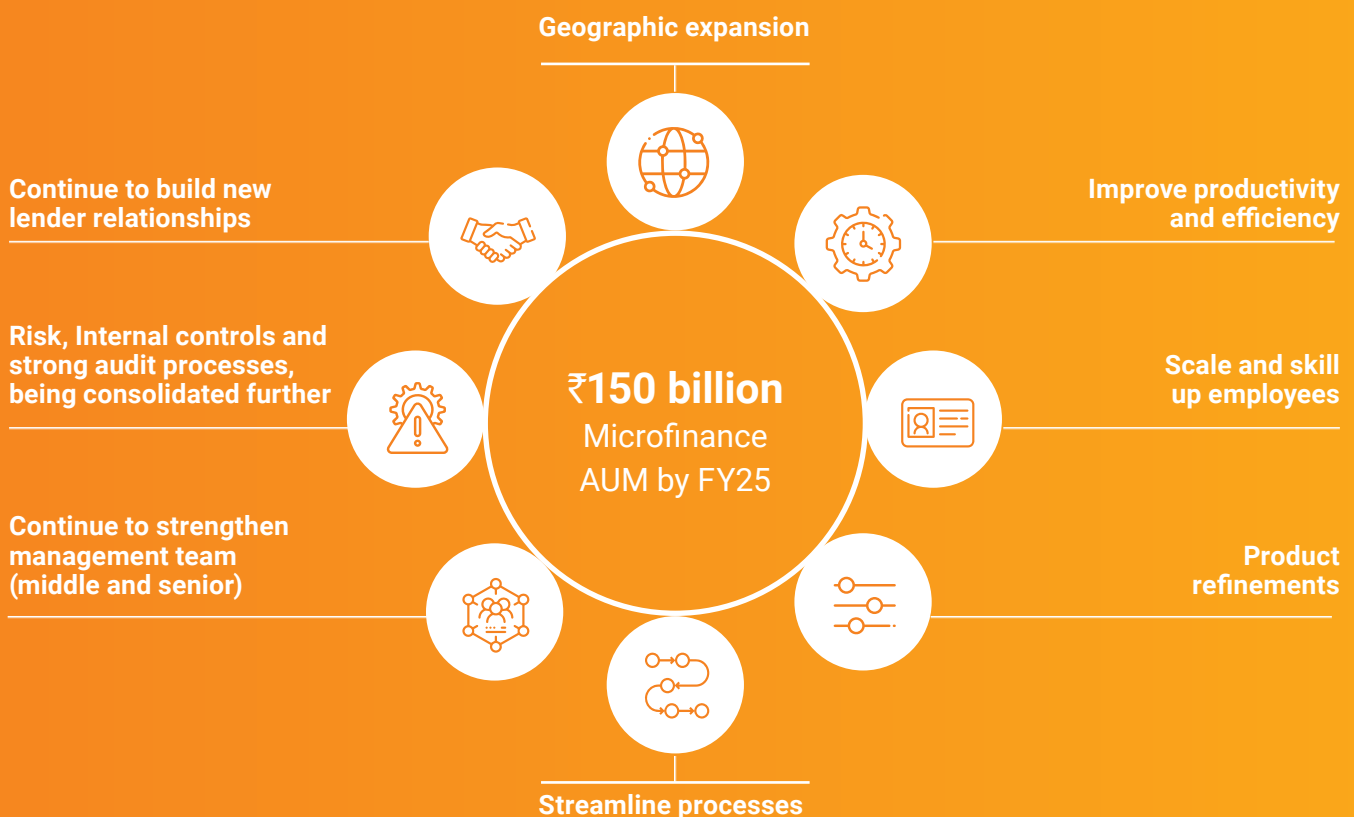


## Vision 2025

# It takes a powerful vision to grow responsibly

We have articulated our Vision 2025 to chart our way forward. As part of the mammoth action plan, we are planning to scale up our business to an AUM of ₹150 billion levels (2.5x from the present) in the next 3 years. The entire organisation is taking incremental steps each day to converge on achieving the articulated objectives defined in our Vision 2025.

Capitalising on emerging opportunities, we are focusing on growing our microfinance book to deliver an AUM of ₹150 billion by FY25.



Technology will drive efficiency and productivity

## *New MFI regulation has opened a world of opportunities for Spandana*

### *₹0.3 million Household Income Cap*

- Increased coverage to a wider customer base in rural areas
- Provides NBFC MFIs with a level-playing field
- Better customer assessment helped by reliable information from Credit Agencies

### *Maximum fixed obligations to income ratio (FOIR) of 50%*

- Aid in assessing borrower repayment capacity
- Lower delinquency levels expected as indebtedness levels will be known
- Promotes cashflow based lending model across industry

### *Removal of pricing cap*

- Dynamic risk-based pricing models can be implemented
- Entities to price loans based on own borrowing cost rather than a cap

### *75% qualifying assets - Wider product suite can be offered*

- Helps meet the evolving needs of vintage customers
- Helps improve customer retention

## *Our immediate priorities*

*Strengthen governance, risk and control with added focus on refining processes*

*Focus on customer acquisition led business growth, while ensuring the retention of existing customers*

*Customer-led initiatives with emphasis on products, services and meeting their life cycle needs*

*Technology scale-up to deliver an end-to-end paperless customer experience*

*Reinforce the middle and senior management team*

## Management Message

# Continuing to support aspirations of the bottom of the pyramid segment of India

“

*We ensured a successful transition of management, reported a reasonably resilient performance and undertook various efforts to strengthen the fundamentals of our business. Moreover, we made significant progress in augmenting the bandwidth of our senior leadership and the middle management in our pursuit to strengthen the organisation.”*



**Shalabh Saxena**  
Managing Director and  
Chief Executive Officer

## Dear Members,

Even after more than seven decades of Independence, India's unbanked/underserved population especially in rural areas, is significantly high. Ever since inception, our endeavour has been to cater to the aspirations of this majority population and help correct the socio-economic imbalance by extending a potential helping hand to people at the bottom of the social pyramid. India with a population of over 1.3 billion people is one of the largest and most diverse credit markets in the world. It is encouraging to note that the demand for retail credit in our country is growing significantly, which augurs well for the industry.

Despite macro headwinds, the microfinance industry has been able to achieve commendable progress during FY22, building its momentum mainly during the second half of the fiscal. The gross loan portfolio (GLP) of the microfinance sector in India rose by 10% to ₹2.85 trillion as on March 31, 2022 from ₹2.59 trillion in previous fiscal. The loan portfolio of the non-banking finance companies working as MFIs (NBFC-MFIs) expanded by 19.4% to ₹965.61 billion as on March 31, 2022 from ₹809.06 billion as on March 31, 2021. The harmonised regulations for microfinance, near normalisation of collections efficiency and the continued robust demand are big tailwinds driving the MFI sector.

### Our performance

As the newly appointed Managing Director and CEO of the Company, I consider it my privilege to share our performance in FY22, the current developments as well as growth aspirations for future. FY22 was a watershed year for Spandana Sphoorty and the Company successfully managed the various disruptions during the period.

We ensured a successful transition of management, reported a reasonably resilient performance and undertook various efforts to strengthen the fundamentals of our business. Moreover, we made significant progress in augmenting the bandwidth of our senior leadership and the middle management in our pursuit to strengthen the organisation.

Despite the pandemic-induced operational challenges and the difficulties related to navigating our internal

***“Despite the pandemic-induced operational challenges and the difficulties related to navigating our internal management transition, we have accomplished a consolidated total income of ₹14,800 million, with a profit after tax of ₹698.27 million. Our total disbursement for FY22 was ₹33,725.75 million with Q4FY22 contributing ₹13,850 million. We ended Q4FY22 strongly with ₹8,637 million of disbursement in the month of March – reflecting return to pre-Covid levels.”***

management transition, we have accomplished a consolidated total income of ₹14,800 million, with a profit after tax of ₹698.27 million. Our total disbursement for FY22 was ₹33,725.75 million with Q4FY22 contributing ₹13,850 million. We ended Q4FY22 strongly with ₹8,637 million of disbursement in the month of March – reflecting return to pre-Covid levels. Moreover, scalability of the new Loan Management System and Loan Origination System were successfully demonstrated during the quarter.

## Management Message

***“Our objective is not just to identify the opportunity at the grassroots level, but to act on it with a pragmatic and calibrated approach. Our efforts have largely been concentrated on reaching the consumers efficiently improving operating efficiencies, resulting in cost reduction and productivity improvement as well as managing the arrear portfolio through enhanced customer engagements.”***

Our consolidated assets under management (AUM) as on March 31, 2022 stood at ₹65,810.65 million, of which ~44% (₹28,780 million) of the book is new disbursement during FY22 which has a gross collection efficiency of 107% in Q4FY22, reflecting our focus on acquiring high-quality borrowers.

Around 15% of AUM was restructured. The collection efficiency of the book was 64% for Q4FY22 and 74% for the month of March, 2022. Non-restructured portfolio collection efficiency (including arrears) was 100.3% for Q4FY22 and 107% for FY22. We had a total provision of ₹6,479.32 million on our balance sheet sufficient to cover any risk in the portfolio as of March 31, 2022. We have a Capital Adequacy Ratio (CAR) of 50.74%+ and ~₹30,875.68 million net worth (consolidated) demonstrating one of the most robust balance sheets across the MFI industry.

During Q4FY22, we raised ₹2,899.99 million through Preferential issue of equity shares and fully convertible warrants to promoter and non-promoter entities and ₹3,080 million through debt. We continue to maintain an adequate level of liquidity with ~₹7,271.70 million cash and cash equivalents as at March 31, 2022 on a consolidated basis.

Our objective is not just to identify the opportunity at the grassroots level, but to act on it with a pragmatic and calibrated approach. Our efforts have largely been concentrated on reaching the consumers efficiently improving operating efficiencies, resulting in cost reduction and productivity improvement as well as managing the arrear portfolio through enhanced customer engagements.

We have built a strong foothold in key rural geographies and have a deep insight into customer behaviour in these geographies. Our rural focus presents a massive expansion opportunity through deeper penetration in existing and adjoining districts. We have followed an agile risk-management strategy and avoided over-leveraged states.

### **Vision 2025: Accelerating our growth ambitions**

We have rolled out our 'Vision 2025' to scale up our business to ₹150 billion AUM over the next three years. In order to achieve our vision, we have undertaken the following initiatives:

**Geographic expansion:** We have identified seven additional states (Gujarat, Rajasthan, Haryana, Uttar Pradesh, Bihar, Jharkhand and West Bengal) with favourable metrics for quick scale-up of our microfinance book. We will continue to grow organically in the existing states.

**New customer acquisition strategy:** We are focusing on customer acquisition through organic business operations. We intend to source customers from deep rural and semi-urban locations, thus strengthening our position in tier 3-5 geographies.

**Existing customer engagement:** We are exploring the possibility to graduate existing microfinance customers to higher ticket individual loan products. Our product suite will be refined to ensure that we meet the life cycle requirements of all our customers (including secured products). We are looking for cross-sell opportunities through partnerships that are a win-win-win for customers, partners and us.

**₹150 billion**  
**Assets under management (AUM) target for the next three years under 'Vision 2025'**



**Stronger technology platform:** We are steering progress through technology transformation. The transformation will be seen across core platforms and applications, digitisation & automation, data & governance, advanced analytics, stable & scalable infrastructure focused on data security & business continuity.

**New operating models:** We are exploring partnerships for co-lending and banking correspondent (BC) models. Co-lending enables quick scale-up of operations with some transfer of risk between lending partners. In banking correspondent model, we can earn BC fees from banking partners. Both these models allow synergy of resources, efficiencies and fastens distribution scale up.

**New products:** India has a large aspirational population waiting to be served. We are planning to foray into new products that meet aspirations of rural India. We are exploring product possibilities across nano enterprise loan (micro loan to retailers), affordable housing loan, home improvement loan & loan against property (lap), vehicle loan (2-wheeler), individual loans to existing borrowers (microfinance customers), gold loan and essential consumer product loans. We intend to build a 10-15% secured lending portfolio over the next 3 years of the overall book.

### **Our people**

The driving force behind our achievements is our people. On behalf of the leadership team, I would like to thank our workforce for their continued dedication and commitment to customers and growth of our business.

### **Way forward**

It has been an exciting and fulfilling journey so far for all of us with the great team and the rich distribution we have. I feel confident of charting a quality growth path for Spandana in the coming years. With the Indian economy gaining momentum and growth-oriented policies of the government being implemented with agility, I believe that our best performance is still to come.

I am grateful to all our stakeholders for their support and guidance.

**Warm regards,**

**Shalabh Saxena**

**Managing Director and  
Chief Executive Officer**

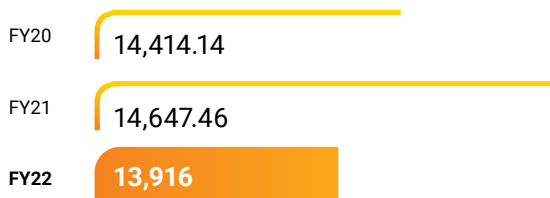
***“We have built a strong foothold in key rural geographies and have a deep insight into customer behaviour in these geographies. Our rural focus presents a massive expansion opportunity through deeper penetration in existing and adjoining districts. We have followed an agile risk-management strategy and avoided over-leveraged states”***

## Key Performance Indicators

# Performing with steady commitment

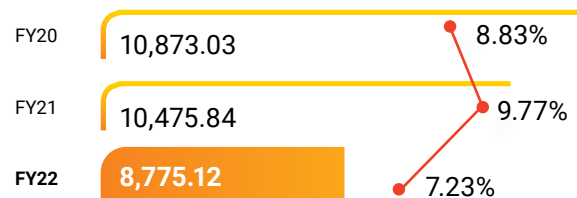
### Total Income

(₹ in million)



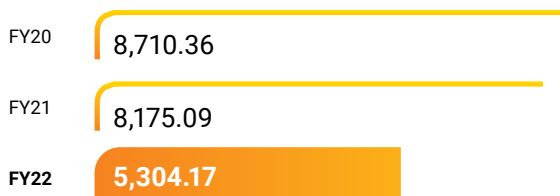
### Net Interest Income (NII) and Net Interest Margin (NIM)

(₹ in million)



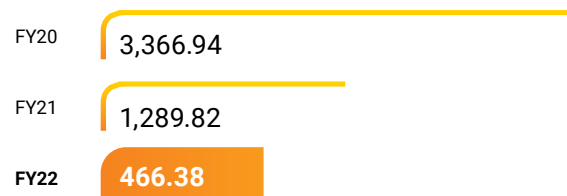
### Pre-provision operating profit (PPOP)

(₹ in million)



### Profit after tax

(₹ in million)



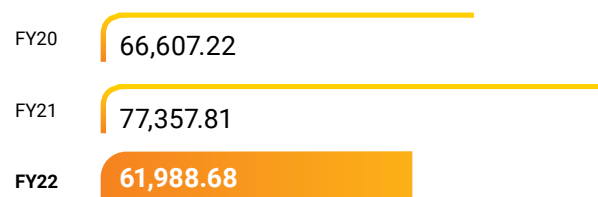
### Gross NPA

(%)



### Assets under management

(₹ in million)



All figures are on standalone basis except Return on Asset.

**Return on asset**

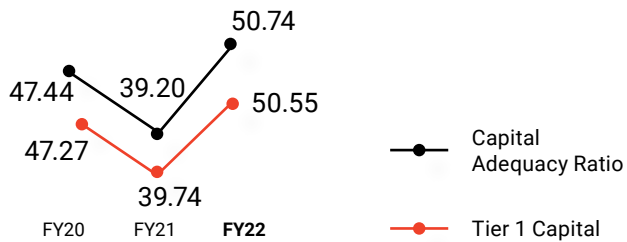
(%)

**Cost of borrowings**

(%)

**Capital Adequacy Ratio and Tier 1 Capital**

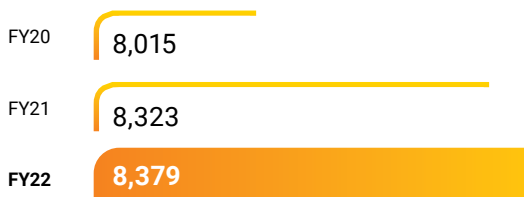
(%)

**Collection efficiency**

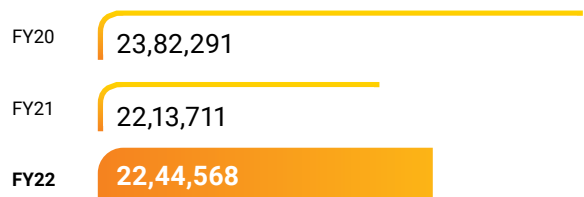
(%)

**Employees**

(No.)

**Borrowers**

(No.)



All figures are on standalone basis except Return on Asset.

## Information Technology

# A future-focused IT strategy facilitates agile response

We have laid the foundation of a reliable technology architecture to serve various customer segments with speed, precision and safety. Our technology strategy is to build a future-ready enterprise, offering convenient and cost-effective solutions to customers and automate a large part of the prevailing business processes.

### IT transformation approach

#### Transform technology landscape

Focus on modernising core business solutions, coupled with digitisation and automation.

#### Optimise cost

Leverage transformation solutions to drive cost and process efficiencies.

#### Increase revenue and profitability

Enable analytics to capitalise on growth opportunities minimise credit loss and increase profitability.

#### Enable data-driven decision-making

Leverage insights to upsell / cross sell products, manage risks effectively.

#### Construct stable and scalable infrastructure

Design and deliver a scalable infrastructure to address expansion.

#### Create a secured environment

Build a secured environment to ensure no data breaches. and comply with regulatory requirements

### IT transformation objective across stakeholder



#### Customer

- Electronic records of KYC details including details of income business and credit assessment
- Customer record of their income, business and credit history
- Loan disbursements, collections and payment data
- Generation of customer statements and audit trails – self service payments
- New product proposition and enhanced customer service



#### Employees/Field Force

- Payroll and employment records
- Track and generate automated insights on new customer acquisition
- Productivity and performance data
- Data driven one view of the customer
- Automated incentive calculation and reward management
- Record of expense and cost management
- Customer segmentation and profiling



#### Bank and Partners

- Support for data driven internal audit and analytics
- On-demand reports and data feeds to regulatory bodies/agencies
- Visibility to partner organisations on the business details
- Reduced cost of compliance
- Enable effective partner selection and onboarding



#### Other Stakeholders

- Data driven automated reports for profits and sales volume forecasting
- Forecasting capability at vintage level to compute and compare life time value
- MIS reports and overall statement

### IT transformation areas

We will be deploying scalable, future-ready technology platforms to support rapid growth.

Core platforms and applications

Digitisation and automation

Advanced analytics

Stable and scalable infrastructure

Data and governance

Data security and business continuity

## Key highlights of FY22

We have invested significantly in building our new-age technology ecosystem during FY22.

### Overall system architecture

We have rolled out a web-based technology with anytime and anywhere access. This system has a comprehensive audit trail with robust maker-checker system. It also offers tightly integrated system from Loan Origination to Loan Management and Service. The platform is on Cloud infrastructure and is scalable.

- **Authentication User Agency (ASA) AUA/ Key User Agency (KUA):** We have filed application with RBI/ UIDAI for e-KYC enrollment to reduce dependence on any third party for sourcing via digital e-KYC.
- **Loan Origination System:** We have implemented Financial Information Monitoring & Organiser (FIMO) and started disbursement from Q4FY22. Our loan origination system follows a workflow management and seamless integration with Credit Bureaus. The system follows tight integration with Compulsory Group Training (CGT) and Group Recognition Test (GRT). It has streamlined process for KYC document uploads and it has a fully automated sanction process with tight workflow from Credit Bureau investigation to sanction.
- **Loan Management System:** Our loan management system has features like regular advance and overdue collections via mobile entries and generates reports automatically from the system. Moreover, provisions for claims settlement, write-offs and other nuances have been built into the system with configurable product schemes and fee structures. The system enables MIS reports on portfolio with drill down facilities.
- **Human Resources Management System (HRMS):** We are implementing HRMS to streamline and automate all payroll processes. Moreover, attendance and leave management processes will be standardised and conducted completely via the system. We are implementing the biometric attendance for the field staff monitoring and GPS based travel allowance. We are rolling out automatic and dynamic route optimised work allocation to ensure efficiency of the field operations.

## Harnessing data and analytics

By using analytics, we will understand customer segments, requirements and sentiments for new product propositions and upsell / cross sell opportunities. We will leverage analytics to predict potential risks and plan for required mitigation. We will also leverage data and analytics to ensure that all audit and compliance requirements are adhered to.

## IT vision

### Enhanced user experience

#### Core transformation

- Enhanced and future ready core solutions
- Rationalised application stack
- Replacing obsolete applications
- Harness value from the existing applications

#### Digital and automation

- Reducing turnaround time – from lead generation to disbursement
- Digitally enabled systems (UPI/ QR code/wallets) for disbursement collections
- Frictionless and automated IT operations
- Optimise cost while improving customer and user experience

### Insights driven operations

#### Data driven culture

- Well established governance framework and processes
- Creating Data Lake to establish a unified data repository
- Leverage unstructured data
- Democratise data and achieve data as a service

#### Insights with advanced analytics

- Enhanced customer experience and relationships through informed and complete data
- Improve profitability while reducing NPA, minimising credit loss with better prediction models
- Seamless and effective financial and regulatory reporting

### Stable and secure platform

#### Stable infrastructure

- Agile response to market needs by rapid change, scale with a reliable and resilient IT infrastructure
- Remain digitally competitive and avert the risk of losing clients and market share

#### Secured operations

- Manage risk while accelerating to digital first landscape
- Achieve zero data breach and prevent reputational harm with robust proactive system monitoring
- Keep pace with rapidly changing cyber risks

## Human Resource

# Team spirit drives Spandana every day

*Our teams are our biggest brand ambassadors, and our most valuable asset. Our people management is underpinned by prudent talent on-boarding, consistent learning and development, empowerment, leadership development and continuous engagement.*

### Recruitment and onboarding



Recruitment and onboarding play a crucial key path in the Human Resources management processes of Spandana, which attracts and retains high caliber employees to contribute to their respective roles. The total manpower as of March 31, 2022 is **8,379**.

### Training and Development

Spandana identifies the competencies and growth of the employees during the employee tenure and conducts different types of training programs, orientation, and development sessions for the employees. Training and Development cover areas like processes and policies with a robust mechanism to measure effectiveness of programmes and development of the employees.



## Employee engagement

We ensure effective employee engagement as a key element for understanding our ability to create value for our customers. We empower our employees by imparting regular training and encouraging workplace enthusiasm which ultimately reflects positively on retention.

## Leadership development



Leadership Development is the key focus area for Spandana. We sourced talent for Key leadership positions who could successfully drive the structural changes initiated in the organisation. Equal emphasis was also given to developing Internal Leadership among every level of employees.

## Performance management and career progression roadmap

The performance management system (PMS) outcomes are used as one of the inputs in the career development system. It provides inputs for assessing an individual's readiness for higher responsibility and career advancement.

PMS input also help in decisions relating to job rotation and placements in special assignments commensurate with demonstrated performance. The detailed processes and systems relating to this are used in the promotion policy, career development, and job rotation respectively.



## Customer Testimonials

# Empowering through inclusion

### *Lending wings to aspiration*

Ashwini's husband was a driver earning meagre income primarily depended on income from rented auto to support a family of four including two children. Her family mainly depended on her husband's income, which was inconsistent making it difficult for the family to make ends meet. In 2017, she got to know about Spandana from her neighbour, on the collateral free loans offered by Spandana to millions of women for income generation activities. She took her first loan from Spandana to open a kirana store selling groceries from her home to support her family financially. She gained confidence with every passing day and was happy she could supplement her husband in meeting family needs. However, COVID-19 affected her family and husband's earning capacity was very low due to lock-down.

During the pandemic, she took another loan from Spandana and expanded her kirana shop to leased premises. Today, she is able to support her family and also helped her husband to buy his own Auto. "Spandana helped me at times when I was in dire need of funds to start my business and with Spandana's help today my husband is able to own an auto earning a profit of ₹500-600 per day" said Ashwini. She further added that with Spandana's assistance "I felt a deep sense of fulfillment when we started our Kirana Shop and purchased auto".





## Empowering success



A few years ago, Bajanthrila Chiluku's life was different, her husband was a carpenter and used to earn around ₹600 per day which was not sufficient for running a family of four. She used to support her family by selling fruits visiting house to house in (place). Initially, she used to buy fruits from local vendors and sold them around their locality. In 2019, she became a Member of Spandana and availed her first loan and set up a small fruit selling card. Gradually business picked-up, and she with the help of her younger daughter started buying fruits directly from whole-sellers and expanded her fruit shop in (place) for higher margins.

Ever since she started expanding her business, her earnings have doubled, said Chiluku. She added, "Working for yourself with family is better. We enjoy working together and supplementing our family's earnings. We hope to create better storage space and increase volumes in days to come. Our children should lead better lives." Chiluku has borrowed roughly ₹80,000 over the last few years from Spandana. There was no looking back for them, they have come a long way and are thankful to Spandana for their success.

Swapna lives in a small one room tenement in a very modest neighbourhood of LB Nagar in Hyderabad. She had a very tough time bringing up her only child as her husband was a daily labourer and his income was not sufficient enough for a family of three. Swapna's husband had major health issues during COVID and was not unemployed for nearly nine months. She joined Spandana and availed a loan to set-up a small shop. With her income she supported her husband's treatment and son's education.

Things improved since then and today, she is financially independent and supports her husband in enhancing their standard of living. "Spandana has been like a blessing in disguise for us throughout our struggles," said Swapna. "We live a life of dignity and have a social status within the village. Women often come to me seeking advice and I am happy to guide and help them out by educating them on the benefits of availing loans from Spandana and becoming financially independent."

## Turning adversity to opportunity



## Social Commitments

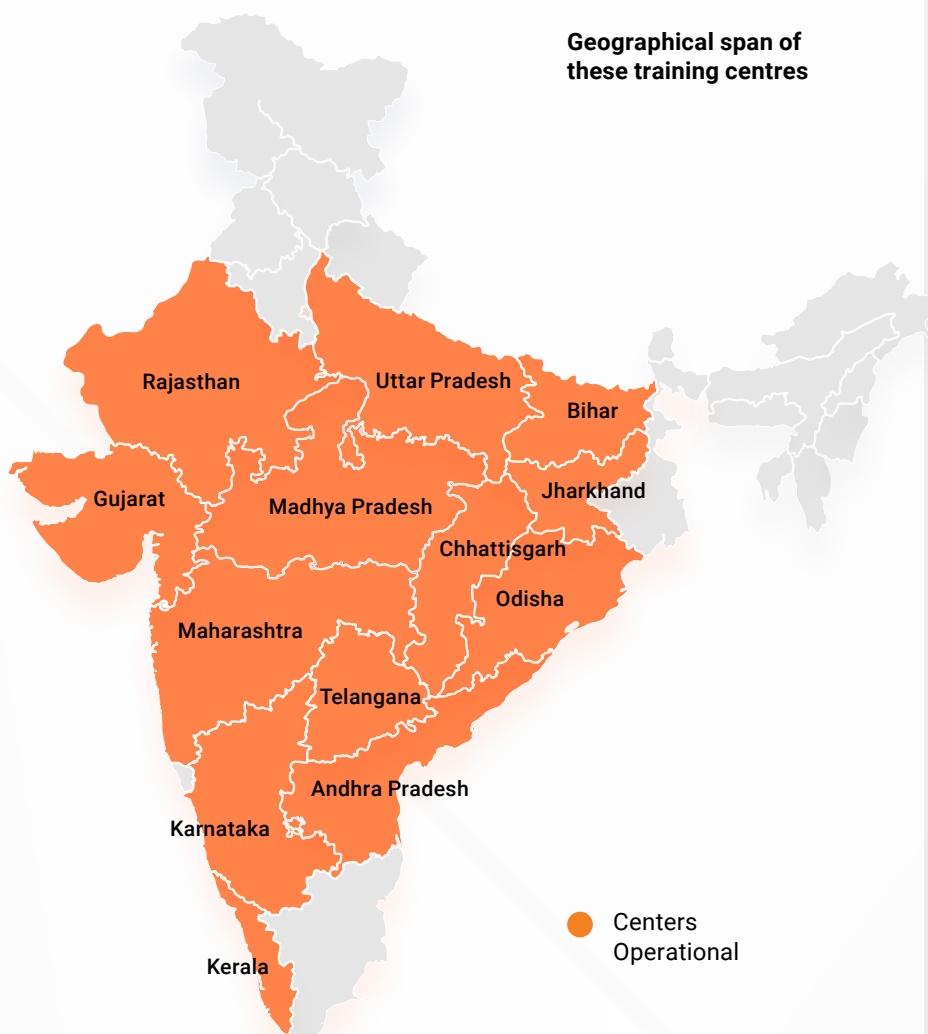
# Our responsibility extends to the community

*We believe that growth needs to be inclusive for it to be truly sustainable, benefiting all stakeholders. We invested in community development, focusing largely on skill development and disaster response during the year under review.*

### Skill building

Women's entrepreneurship in villages is a key for the economic and social empowerment of women. A strong and independent woman is necessary for any family to be healthy and to thrive. This is only possible when women are constantly economically and socially empowered and when we insist on equal rights and equal opportunities for women.

We are focused on imparting skill development (tailoring) to women of low-income segment. We have initiated tailoring training centres for rural women and girls. These training centres train the women and girls for a period of 6 months in stitching, cutting and tailoring. There are 66 training centres operational across 13 states in India. In each centre there is an average of 15 trainees taking training for 6 months. We, through this initiative are touching ~2,000 rural women and girls across India. The trainings are conducted by well qualified local trainers. We also distribute free sewing machines post completion of the course.



## Case story

## Enabling grassroots entrepreneurship responsibly

"I am **Ruby Devi**, married and have four children. My husband is a carpenter, who is the only earning member of my family. During COVID he lost his job, which hurled the entire family into financial insecurity and hardships. I was determined to help the family in this critical hour of need.

I came to know about Spandana Tailoring centre from one of my neighbourhood, I joined the training course and completed it last year in August 2021. Now I am an earning member of my family. I am earning around ₹300-400 daily and sometimes more than ₹500."

"I am thankful to Spandana Tailoring Initiative for making me economically empowered!!"



## Disaster response

The emergence of Covid-19, represents a seminal moment in the history of the modern world. We undertook Covid relief activities in Maharashtra, Madhya Pradesh, Odisha and Bihar. Food grocery kits were distributed to the needy covering 10,108 beneficiaries during the year under review.



## Way forward

We have formulated an integrated development approach for our community initiatives. Our approach is better linkage to business goals, community need and are in alignment with UN SDG and MCA Schedule VII. Our key focus areas will be:



Skill development & Livelihoods



Education



Water



Health



Disaster response



Promoting clean and affordable energy

## Governance

# Spearheading responsible progress

*Effective corporate governance is essential for long-term value creation. Our Board and leadership team strive to ensure an enterprise-wide culture of good governance aimed at ensuring that decisions are taken in a fair and transparent manner, within an ethical framework that promotes the responsible consideration of all stakeholders, while also holding decision-makers appropriately accountable.*

*In line with the philosophy that good corporate governance is an evolving domain, governance structures, practices and processes are actively monitored and revised from time to time to reflect best practice.*

## Our Board of Directors

We have a strong and active Board of Directors, who ensure the highest level of corporate governance with their experience and knowledge. Our Board of Directors comprise 10 board members, including 4 Independent Directors. Our Board is diverse in terms of skills and expertise in the fields of global business, strategy and planning, leadership, legal and regulatory matters, finance, environment, social and governance and risk management. The Board meets at least once a quarter to review our performance and provide their valuable insights.

### Key focus areas of the Board are:

- Set goals and targets for our Company's performance
- Supervise and control the performance
- Strategic guidance to our Company's management
- Review the Company's strategic and business plans
- Monitor responsibilities delegated to committees and/or individuals to ensure proper and effective governance and control

## Composition of the Board (Number)

**1**

**Chairperson and Independent Director**

**1**

**Executive Director**

**3**

**Independent Directors**

**5**

**Non-executive Directors**

**20%**

**Women Directors on the Board**

## Governance framework

We are expected to adapt in an agile manner to the changing market and regulatory expectations. This makes it imperative for us to have a strong yet flexible governance framework that can help us respond to these changes. Our board, executive management, and employees being the flagbearers of our purpose, take collective action to maintain the highest level of corporate governance and accountability while strengthening our relationship with our key stakeholders.



### Effective Board Committees

The Board committees play a crucial role in the organisation and are constituted to review and deal with specific concerns and impact areas. The Board supervises the execution of its responsibilities through the committees and is responsible for their actions. The Chairperson of the respective committees informs the Board about the summary of the discussions held in the committee meetings. The minutes of each such committee meeting is placed before the Board for review, at regular intervals. Currently, there 8 committees of the Board.

### Effective policies and codes

The policies and Codes are foundation of the organisation. We have various policies and codes in place which provides guiding principles. The various policies/Code include Code of Conduct of Board of Directors and Senior Management Personnel, Whistle-blower Policy, Risk Management Policy, Related Party Transactions Policy, Policy on Prevention of Sexual Harassment at Work Place.

The list of policies is available on our website at <https://spandanaspooerty.com>.

## Board of Directors

# Leading with new dynamism

*Our Board plays a key role in steering our decision-making regarding strategy, risk management, performance and sustainable development. Our Board members have significant domain knowledge and expertise to enable us to deliver sustainable value.*



### **Ms. Abanti Mitra**

Chairperson and Independent Director

Ms. Abanti Mitra holds a post-graduate diploma in rural management from Institute of Rural Management, Anand. She has previously worked as an executive with Astra Marine Private Limited for one year, a management executive at Micro-Credit Ratings International Limited for two years, and a manager with ICICI Bank Limited for approximately three years. She also serves as a director on the board of Development Equities Private Limited, Positron Consulting Services Private Limited, Positron Capital Services LLP, Criss Financial Limited and Vedant Fashions Limited. She has served as a Director on our Board previously from 2012 to 2016. She has been a Director on our Board since May 04, 2017.



### **Mr. Jagdish Capoor**

Independent Director

Mr. Jagdish Capoor holds a bachelors' degree in commerce and a masters' degree in commerce from Agra University. He has previously worked as the deputy governor of the Reserve Bank of India for more than four years. He also serves as a director on the board of directors of LIC Housing Finance Limited, LIC Pension Fund Limited, LICHL Trustee Company Private Limited, Fintech Products & Solutions (India) Private Limited and Finsec AA Solutions Private Limited. He has served as a director on the board of the directors of HDFC Bank Limited & BSE Limited. He has been a Director on our Board since June 06, 2018.



### **Mr. Deepak Calian Vaidya**

Independent Director

Mr. Deepak Calian Vaidya is a fellow of the Institute of Chartered Accountants in England and Wales since 1979. He serves as a director on the board of directors of Marudhar Hotels Private Limited, UTI Capital Private Limited, Strides Pharma Science Limited (Formerly known as Strides Shasun Limited), Indraprastha Medical Corporation Limited, Apollo Multispeciality Hospitals Limited (Formerly known as Apollo Gleneagles Hospital Limited), Criss Financial Limited, API Holdings Limited and Spiracca Ventures LLP. He has been a Director on our Board since June 06, 2018.



### **Mr. Bharat Dhirajlal Shah**

Independent Director

Mr. Bharat Dhirajlal Shah holds a Bachelor's Degree in Science from University of Mumbai and a Diploma in Applied Chemistry from Borough Polytechnic, London. He was the chairman of HDFC Securities Limited and a co-founder of HDFC Bank Limited. He joined HDFC Bank Limited as an executive director in 1994 and has held the positions of head – custody and depository, retail, human resources, private banking, infrastructure, and merchant services for 12 years. He also serves as a director on the board of directors of 3M India Limited, Exide Industries Limited, Salisbury Investments Private Limited and Strides Pharma Science Limited (erstwhile Strides Shasun Limited). He has been a Director on our Board since April 13, 2018.



### **Mrs. Padmaja Gangireddy**

Non-Executive Director

Mrs. Padmaja Gangireddy is a Promoter of the Company. She holds a bachelors' degree in science and a bachelors' degree in communication and journalism. She attended a course on credit and micro-enterprise development from Durham University, UK, a microfinance training program from Naropa University, USA, the HBS-Accion program on strategic leadership for microfinance from Harvard Business School and an executive education programme from Indian School of Business, Hyderabad. She worked at ASSIST (a non-governmental organization) for seven years and her last held title was deputy director. She has served as a Managing Director of our Company since April 09, 2003 till November 02, 2021. She also serves as a director on the board of Caspian Financial Services Limited, Criss Financial Limited, Abhiram Marketing Services Limited and Keertana Financial Limited. She has served on the board of MFIN-Microfinance Institutions Network. She has been a Director on our Board since April 19, 2003.



### **Mr. Ramachandra Kasargod Kamath**

Non-Executive  
Nominee Director

Mr. Ramachandra Kasargod Kamath holds a bachelors' degree in Commerce from University of Mysore. He is an honorary fellow of the Indian Institute of Banking & Finance since 2009. He was certified as an associate of the Indian Institute of Bankers in 1994. He has previously worked with Corporation Bank for 28 years, where his last held position was general manager. He has worked as chairman and managing director with Punjab National Bank for five years. He was an executive director at Bank of India for five years and also the chairman and Managing Director at Allahabad Bank for five years. He held the post of chairman of the Indian Banks Association for two years. He also serves as a director on the board of directors of Aavas Financiers Limited, Ashimara Housing Private Limited, Centrum Capital Limited, Manipal Technologies Limited, Conatus Finserve Private Limited and New Opportunity Consultancy Private Limited. He has been a Director on our Board since May 04, 2017.



### **Mr. Sunish Sharma**

Non-Executive  
Nominee Director

Mr. Sunish Sharma holds a bachelors' degree in Commerce (Hons.) from the University of Delhi and a master's in business administration from Indian Institute of Management, Calcutta, where he was awarded the Dr. Joginder Kumar Chowdhury Gold Medal. He has also passed the final examination at the Institute of Cost and Works Accountants of India (now known as Institute of Cost Accountants of India) and is a qualified cost accountant. He has previously worked with McKinsey & Co. for six years and at the time of leaving he held the position of engagement manager. He has also worked with General Atlantic for eight years where his last held position was managing director. He is the managing partner and co-founder of Kedaara Capital Advisors LLP. He has extensive private equity investment experience in business services and technology, healthcare, financial services, and consumer sectors. He is also a co-founder of the Ashoka University and the Young India Fellowship, an initiative that was launched in collaboration with the University of Pennsylvania's School of Engineering and Applied Sciences. He was one of the authors of the NASSCOM-McKinsey Report on "Strategies to achieve the Indian IT industry's aspiration". He was featured on the list of "Asia's 25 most influential people in private equity" by the Asian Investor magazine published in the year 2013, and also on the list of "Hottest Young Executives" in the Business Today magazine published in the year 2011. He also serves as a director on the board of directors of Vedant Fashions Private Limited and Care Health Insurance Limited. He has been a Director on our Board since March 31, 2017.

## Board of Directors



### Mr. Amit Sobti

Non-Executive  
Nominee Director

Mr. Amit Sobti holds a bachelor of arts degree (magna cum laude) in business economics and computer science from Brown University. He is currently a senior principal at Ontario Teachers' Pension Plan (Asia) Limited where he leads in advising on private capital investments in India. He has been in this role since 2016. He has over 15 years of experience in private equity, including over two years with Unitas Capital Private Limited, nine years with Warburg Pincus LLC, and two years with Rhone Group LLC. He has been a Director on our Board since May 29, 2017.



### Mr. Kartikeya Dhruv Kaji

Non-Executive  
Nominee Director

Mr. Kartikeya Dhruv Kaji holds a bachelors' degree in arts (economics) from the Dartmouth College, New Hampshire, and a master's degree in business administration (finance and entrepreneurial management) from the Wharton School of the University of Pennsylvania. Kartikeya Dhruv Kaji currently serves as a Principal at Kedaara Capital Advisors LLP. He has previously worked with Perella Weinberg Partners and Merrill Lynch in New York, and with Temasek Holdings Advisors India Private Limited. He also serves as a director on the board of directors of Aavas Financiers Limited, Criss Financial Limited, Caspian Financial Services Limited and Care Health Insurance Limited. He has been a Director on our Board since March 31, 2017.



### Mr. Shalabh Saxena

Managing Director  
and Chief Executive  
Officer

Mr. Shalabh Saxena has a strong retail financial experience of more than 25 years in Consumer Banking and Life Insurance industry. Throughout his career, he has run large profit centres and SBUs across various business lines in Life Insurance and Consumer Banking. Core competence and exposure revolves around distribution and handling sales in large business environments, Marketing, Strategy, Information Technology, Planning, Alliances and Acquisitions. He holds MBA in Marketing from B K School of Management, Ahmedabad. He has previously worked with Bharat Financial Inclusion Limited as MD & CEO, HSBC Life Insurance, ING Life Insurance & Standard Chartered Bank. He has been a Managing Director on the Board of the Company since March 19, 2022.



# Statutory Reports & Financial Statements

# Management Discussion and Analysis

## 1. INDUSTRY OVERVIEW

Microfinance Institutions (MFIs) in India plays a major role in the development of India. It aims at assisting communities of the economically excluded to achieve greater level of asset creation and income security at the household and community level. The utmost significance of microfinance in India is that it dispenses the access to capital to small entrepreneurs.

MFIs are playing a key role in bridging the huge demand-supply imbalance in the domestic microcredit industry. Microfinance has accelerated rural development, women empowerment, and wealth generation in India. These were accomplished by extending credit, insurance, and other financial services to low-income households with small-scale savings

The concept of microfinance focuses on granting income generating loans to women. It acts as a tool for empowerment of poor women as women are becoming independent and they are able to contribute directly to

the well beings of their families and are able to confront all the gender inequalities. The major beneficiaries are woman from no income households in rural areas.

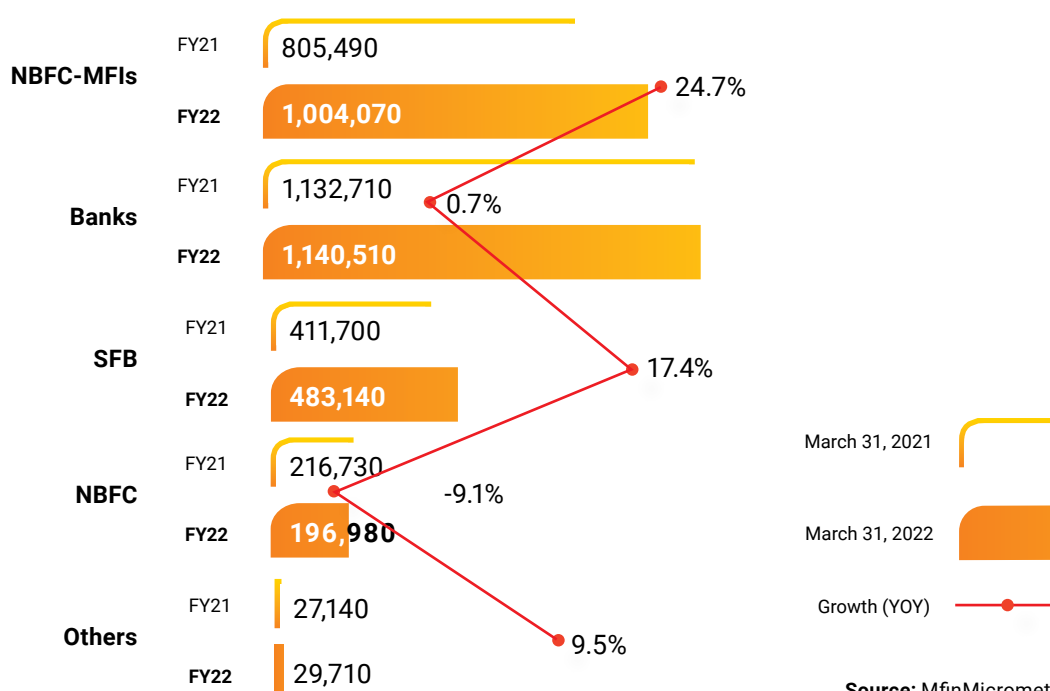
The MFI sector, in its various forms, has been in existence in India for several decades. During this period, the industry has grown manifold, driven by the most important driver – an inherent demand for credit at the bottom of the pyramid which remains largely underserved.

The microfinance industry recorded a y-o-y growth of 10% as of March 31, 2022, with total loan portfolio standing at ₹2,854,410 million. The non-banking financial company microfinance institutions (NBFC-MFIs) are second largest provider of micro-credit. As on March 31, 2022, the on-balance sheet portfolio of 84 NBFC-MFIs was ₹1,004,070 million, spread across 611 districts of 35 states and union territories. Reporting an increase in portfolio by 24.7% over the previous year. As on March 31, 2021, the industry serves 58 million unique borrowers through 113 million active loan accounts.

Entity	March 31, 2022			March 31, 2021		
	Unique Borrowers (million)	Active loan accounts (million)	Portfolio Outstanding (₹ million)	Unique Borrowers (million)	Active loan accounts (million)	Portfolio Outstanding (₹ million)
NBFC-MFIs	27	42	1,004,070	26	37	805,490
Banks	29	43	1,140,510	29	43	1,132,710
SFBs	14	18	483,140	15	18	411,700
NBFCs	7	8	196,980	8	9	216,730
Others	1	2	29,710	1	2	27,140
<b>Total</b>	<b>58</b>	<b>113</b>	<b>2,854,410</b>	<b>59</b>	<b>108</b>	<b>2,593,770</b>

Source: MfinMicrometer, Issue 41

Portfolio outstanding of the microfinance industry (₹ in million)

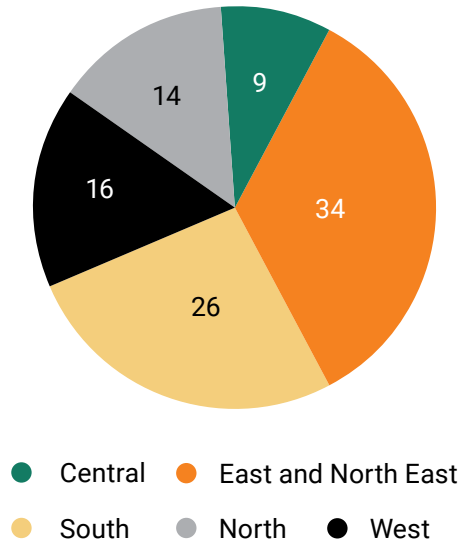


Source: MfinMicrometer, Issue 41

As on March 31, 2022, microfinance operations were in 28 states and 9 union territories (UTs). The top 10 states constitute 83.4% in terms of Gross Loan Portfolio (GLP). Tamil Nadu has become the largest state in terms of portfolio outstanding followed by Bihar and West Bengal.

### Regional distribution of unique borrowers as on March 31, 2022

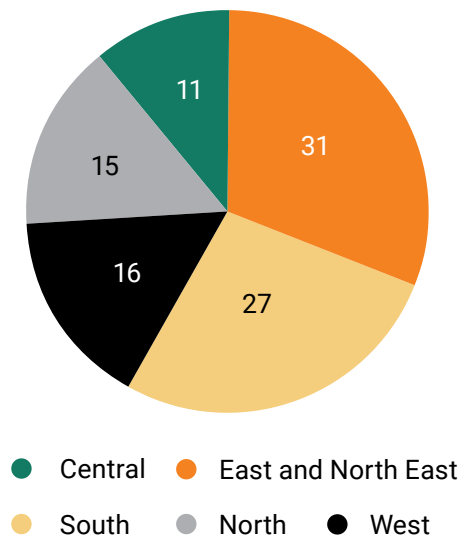
(%)



Source: MfinMicrometer, Issue 41

### Regional distribution of GLP as on March 31, 2022

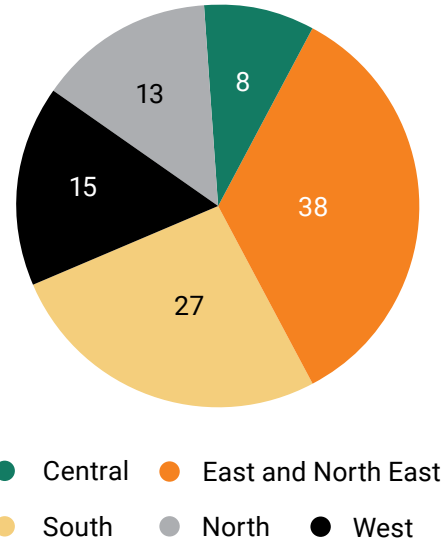
(%)



Source: MfinMicrometer, Issue 41

### Regional distribution of portfolio as on March 31, 2022

(%)



Source: MfinMicrometer, Issue 41

Going forward, MFI are poised to grow at a stable pace, supported by healthy demand in the industry, increasing level of economic activity and increasing vaccination in the country.

## 2. OPERATIONAL GROWTH

### Expanding to new geographies

In FY22, Spandana reinforced its presence with 1,049 branches across 18 states covering 294 districts. Our operations are well-diversified at the branch, district and state levels. Presence in widespread geographies in India offers us a potential growth opportunity to further grow the business penetration in same areas and also reach out to more congruent geographies. Our number of branches has increased by 6% during the year under review.

### Disbursement and collection

In FY22, we serve a total of 2.24 million borrowers. During FY22, we disbursed ₹30,657 million as compared to ₹60,290.85 million in FY21. Disbursements were primarily affected due to the COVID-19 pandemic lockdown and disruption of business across sectors. With the resumption of business activities, the demand for microfinancing is normalising.

### Disbursement trend (Quarter-wise)

(₹ in million)

Q1FY22 1,380

Q2FY22 11,502

Q3FY22 4,279

Q4FY22 13,496

All figures are on standalone basis unless otherwise stated

### Average Quarterly Disbursement (Consolidated)

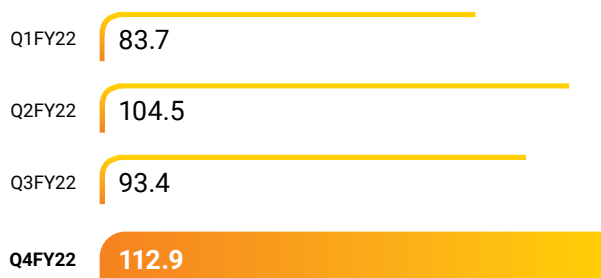
(₹ in million)



Collection efficiency including arrears and pre-closures increased from second quarter onwards and reached 112.9% in Q4FY22. We made continuous efforts to encourage customers to continue repayment in timely manner. Our sustained collection efficiency is a result of robust staff training, incentive structures designed to reward process adherence and asset quality along with regular client engagement activities.

### Collection efficiency including arrears (Quarter-wise)

(%)



### Collection efficiency including arrears (Year-wise)

(%)



### Expanding team strength

Our organisation is driven by the experience, expertise and enthusiasm of our people. We attract, retain and develop a talented team, to foster a diverse and inclusive culture that supports our organisation's progress. We have a total of 8,379 employees. We have been enhancing our field staff base to facilitate future expansion. The workforce expanded by 28% during the year under review.

## 3. PORTFOLIO MIX

Spandana has a good track record of a healthy portfolio mix. We are diversified across ticket sizes and loan cycles. Our strength as an organisation in the microfinance space is indicated by a higher share of portfolio in the advanced loan cycles. In addition to an optimum portfolio mix and diversified allocation, we have robust asset quality across loan cycles.

### Ticket size

As on FY22, our average ticket size for the loans disbursed during the year stood at ₹45,539, a change of 0.49% from previous year. Progressing with our simple and flexible microfinance solutions, we have been able to maintain a diverse mix of ticket sizes. Moreover, we have successfully been able to accommodate borrowers' demands, while staying within the lending limits.

### Average Ticket Size

(₹)

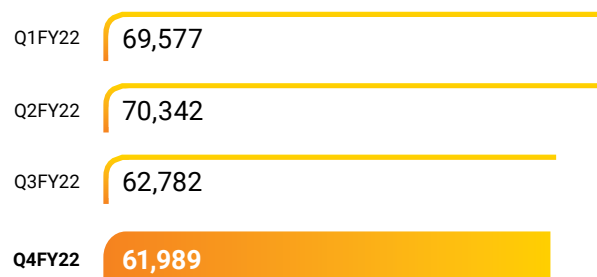


### Loan outstanding

The Assets Under Management (AUM) decreased by 20% to ₹61,989 million at the end of FY22 from ₹77,358 million at the end of FY21. Borrowers repaying their loans and availing fresh loans with every next loan cycle predominantly gave thrust to this growth. The average loan outstanding per borrower also decreased to ₹27,617 at the end of FY22 to ₹33,290 at the end of FY21.

### Growth in AUM (Quarter-wise)

(₹ in million)



All figures are on standalone basis unless otherwise stated

**Growth in AUM (Consolidated) (Year-wise)**

₹ in million)

**Average AUM per Borrower**

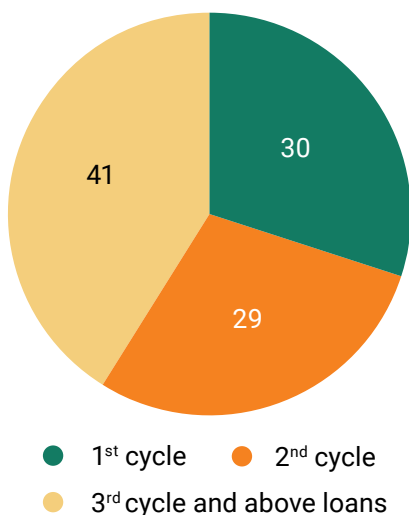
₹)

**Cycle-wise mix**

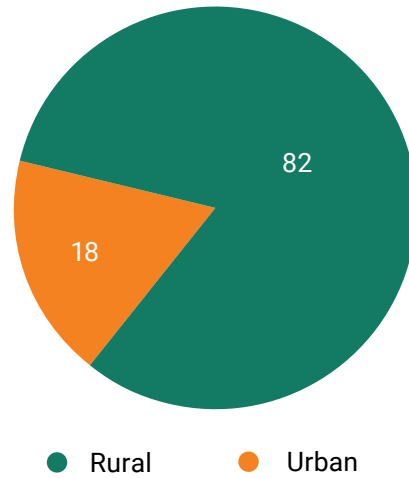
Our portfolio is well diversified across loan cycles. About 30% of our borrowers are in the first-cycle loans, which indicate our access to underserved section of the borrower profile. Furthermore, 41% of our loans are in the third cycle and above, which is a testimony of our long-term bond with our borrowers. An overall balanced mix across loan cycles shows active liability management and a seasoned loan portfolio. Our customer-centric business approach has led to sustainable relationship with our borrowers and has made the foundation more concrete for new borrower relationships.

**Cycle-wise mix**

(%)

**Region-wise mix**

(%)

**Rural focus**

The rural India offers immense potential for microfinance lending with the Government laying more emphasis on rural development. Rural-centric infrastructure projects and efforts to uplift the medium and small enterprises have shown great confidence to microfinance lending in these underserved sections. At Spandana, our loan exposure is 82% in rural and 18% in semi-urban areas, indicating our active focus in these regions, which provide us a distinctive advantage compared to our peers. In addition to having a competitive edge, the rural loan portfolio also exhibits a healthy asset quality with timely repayment.

**4. PRODUCT MIX**

At Spandana, our loan solutions are focussed on the uplift and financial well-being of women from the low-income groups in the rural areas: 'Abhilasha' loans - our flagship product - is an income-generation loan designed to help women attain financial stability and elevate their socio-economic status.

We also provide loans against property to salaried, self-employed individuals as well as to clients with business needs. 'Shree' loans are given to low/lower-middle income women, gold loans are given to individuals against mortgage of gold jewellery for agriculture, business, and short-term liquidity needs.

## 5. PORTFOLIO DIVERSIFICATION

We know the importance of diversification across regions and the benefits associated with a geographically diversified loan portfolio. To mitigate the risks associated with geographic concentration, we actively leverage our knowledge gained in the various territories, tweaking our portfolio to achieve an optimum mix. Our geographical diversification penetrates right from the state level to the branch level with major focus on increasing rural exposure.

### State level

We have successfully diversified our loan portfolio across 18 states. In FY22, our portfolio was further diversified, with none of the states having an exposure of more than 18.57% of AUM. We keep internal benchmarks and limits to monitor our portfolio and effectively minimise concentration risk. Besides this, we also have a cap on our concentration risk at the level of our total network. Disbursements by state are also within the 18% limit in FY22. Madhya Pradesh had the highest disbursement in FY22, accounting for 17% of total disbursements, followed by Orissa 16%, Andhra Pradesh 11% and Karnataka 10%.

### District Level

In addition to limits on state-level risk concentration, we have internal caps in place at the district level within states with no single district accounting for more than 1.5% of the total AUM. Individually, 94% of our districts generate less than 1% of the total AUM, indicating a lower risk of concentration. Our exposure to the top-10 districts is only 12% of the AUM, as compared to significant exposure by larger MFIs/SFBs.

Exposure of Districts	As of March 31, 2022	
% Contribution to Gross AUM	No. of Districts	% of Total Districts
< 0.5%	226	77%
0.5% - <1%	57	19%
1% - 2%	11	4%
>2%	Nil	
<b>Total</b>	<b>294</b>	

Exposure of Districts	FY22	
Proportion of Total Disbursements	No. of Districts	Proportion of Total Districts
< 0.5%	226	77%
0.5% - <1%	55	19%
1% - 2%	13	4%
>2%	Nil	
<b>Total</b>	<b>294</b>	

Exposure of Districts	As of March 31, 2022	
Buckets	AUM (₹ million)	Proportion of Total AUM
Top 5 Districts	4,059	7%
Top 10 Districts	7,359	12%
Top 50 Districts	27,040	44%
Remaining Districts	34,949	56%

### Branch Level:

The exposure risk limitation applies not just at the district level, but also at the branch level, with no branch exceeding 0.25% of the total AUM. We have always paid close attention to proactively managing our concentration risk, along with improving performance. Our dynamic and continuous risk-management approach stands witness to our diversified loan portfolio. In FY22, 985 branches out of a total of 1,049 have less than 0.15% exposure of the total AUM.

Exposure of Districts	FY22	
Proportion of Gross AUM	No. of Branches	Proportion of Total Branches
<0.15%	985	88%
0.15%-<0.25%	64	12%
0.25%-0.35%	-	-
>0.35%	-	-
<b>Total</b>	<b>1,049</b>	<b>100</b>

## 6. PRODUCTIVITY METRICS

Our AUM growth per branch results from our improved productivity even during COVID-19 pandemic disruptions. As of March 31, 2022, we have over 1,049 branches across India with AUM per branch of ₹59.1 million.

Opex over AUM ratio has increased to 4.6% in FY22 from 3.2% in FY21. This is mainly on account of exceptional expenses incurred during Q3 & Q4. We foresee potential for further improvement in opex levels going ahead with increasing AUM per branch and employee productivity.

## 7. CONSOLIDATED FINANCIAL PERFORMANCE (IND-AS)

During FY22, we reported total income of ₹14,800 million (₹15,056 million in FY21) with a Profit after Tax of ₹698 million (₹1,455 million in FY21). Our interest income stood at ₹13,365 million for the fiscal compared to ₹13,627 million in FY21. This is mainly due to reduction of Average AUM during the year.

In FY22, we raised debt of ₹18,148.56 million through a diversified lender base, including multiple new banks, NBFCs, other institutions and even retail investors. We on-boarded 4 new lenders even in a disruptive environment and ended the year with strong funding access and adequate liquidity surplus of ₹7,271.7 million.

Our cost of borrowing during the year was 11.5% in FY22 as compared to 11.4% in FY21.

We have focussed on efficient use of our existing infrastructure, which has been a fundamental contributor to our operational excellence. Our operating expense ratio (i.e., opex to AUM ratio) stood at 4.3% in FY22.

All figures are on standalone basis unless otherwise stated

## 8. Key Ratio

(Explanations where the change in the ratios is more than 25%)

- a) Asset Under Management (AUM): ₹65,811 million (Own: ₹60,201, PTC: ₹685, DA: ₹4,925)
- b) Net Interest Income: ₹9,399.35 million
- c) Net Profit Margin: 4.72%
- d) Cost to Income Ratio: 32.9%
- e) Opex to AUM Ratio: 4.3%
- f) Interest Coverage Ratio: 1.18 times
- g) Debt Equity Ratio: 1.22 times
- h) Pre - Provision Operating Profit (PPOP) Margin: 39%
- i) Pre - Provision Operating Profit (PPOP)/Average Total Assets: 7.38%
- j) Return on Equity (ROE): 2.4%

## 9. HUMAN RESOURCE MANAGEMENT

Our employees are the assets of our organisation. We take pride in the commitment, competence and dedication shown by our employees in all areas of operation. Our endeavors are to follow best HR practices across all areas.

We continuously strive to attract and retain the best talent. Apart from having a robust performance management system, we strive to create an inspiring and rewarding work environment. Our employees' skills are constantly upgraded through a variety of training programs and internal opportunities which increase work-based knowledge and efficiencies. The employee strength rose from 8,323 in the previous year to 8,379 as of March 31, 2022.

## 10. OPPORTUNITIES AND POTENTIAL FOR GROWTH

We have articulated a vision 2025 for Spandana where we are planning to scale up our business to an AUM of ₹150,000 million levels which is upwards of 2.5x from the present in the next three years. Our immediate five priorities to achieve this vision are:

First, we are strengthening our workforce across levels. We are moving towards reinforcing the middle and senior management team. We are creating a strong team with a good bench strength which will augur well for the company both in the present and going forward.

Second, we are consolidating our governance, risk and control with added focus on refining processes. We are implementing processes which are forward looking and aligned to the latest technology.

Three, our growth strategy will be new customer acquisition led, while we will continue and make all efforts to retain the existing customers.

Four, we are fortifying our technology framework to support our current and future reach. We are going to scale up to deliver an end-to-end paperless customer experience.

Five, we are driving customer led initiatives with emphasis on products, service and meeting the lifecycle needs. We want to be the financier of choice when it comes to rural India and that is where we intend to strengthen our dominance. We will continue to grow in those areas and will continue to strengthen our market share there.

The entire organisation is taking incremental steps each day to converge on achieving the articulated objectives defined in the vision 2025 for the company.

## 11. THREATS

- Rising inflation
- Increasing geopolitical crisis
- Long-term effects of COVID-19 pandemic and its uncertainties
- Competition from other MFIs & local financiers
- Increase in finance cost

## 12. RISK AND MITIGATION

Risk Management at Spandana is an integral part of the business model, focusing on mitigating the adverse impact of risks on the business objectives and enabling us to leverage market opportunities effectively. We leverage knowledge gathered over more than two decades to strengthen viability and allay shareholder apprehension about growth prospects. As a financial intermediary, we are exposed to risks that are particular to the lending that we do and the environment in which we operate. We continuously identify and implement comprehensive policies and procedures to assess, monitor and manage risk.

Our risk management process is continuously reviewed, improved and adapted in the context of changing risk scenarios. Our risk management process has three components: the assessment of business risks, operational controls assessment and compliance processes. The Risk Management Committee reviews our risk management policies periodically.

### Concentration risk

Risk arising from overdependence on a particular state, district, branch as well as lender.

### Mitigation

In order to mitigate the risk of concentration in any particular state, district or branch, the Company has put exposure and disbursement caps in place. Similarly, in order to reduce our borrowing dependency on any single lender, lender-level borrowing caps are also in place.

**Political risk**

Political disruptions in the regions we operate may hamper business growth.

**Mitigation**

We are progressing with responsible lending, consistently following the fundamentals of microfinance, maintaining uncompromising discipline and client engagement. We strategically focus on clients in Rural Areas in India, as the rural sector is an under-penetrated market for formal banking. We have a well-defined and fully automated Client Grievance Redressal Mechanism (CGR) mechanism (through toll-free numbers) for ensuring timely redressal. We have also established a dedicated follow-up team and quality team, which ensures timely closure and quality call monitoring.

We adhere to a KYC policy, mandatory credit bureau and automated systems to ensure a seamless implementation of regulations. We have designed and implemented collection practices in alignment with RBI and SRO guidelines and the relevant regulatory frameworks. We conduct client protection awareness programs for our employees in vernacular languages with focus on treating our clients with the utmost respect.

**Operational risk**

Any disruption in operations that may have impact on the profitability and reputation of the institution.

**Mitigation**

We adhere to strict client selection criteria. These criterias include lending to only one person per household to avoid multiplicity of loans to single client and risk of defaults. The number of loans that may be disbursed by a single branch is capped at 600 per month. This cap is to ensure quality appraisals, proper documentation and clear explanation of the product and policy and terms and conditions to the client.

Based on the internal control and process compliance levels coupled with collections record, on a case-by-case basis, after due assessments, branches are given a risk grading – platinum, gold, silver and bronze.

**Credit risk**

Inability of the borrower to repay the loan on time can amount to Credit risk for us.

**Mitigation**

We have put in place stringent Credit norms developed over several years of microfinance experience. We maintain the traditional practice of individually analysing each borrower before committing to a credit exposure. We have a prudent lending strategies and robust credit appraisal systems in place that help in minimising the probability of default. Further, we also have specific lending policies, credit approval committees and regular monitoring of exposures to mitigate risk.

**Liquidity risk**

Liquidity risk arises from the squeeze in liquidity due to asset-liability profile mismatch. This could translate to higher cost of funding as well as the inability to meet its short-term payment obligations.

**Mitigation**

We generate sufficient cash flows from operations and financing to pay our financial obligations as and when they become due. We have a liquidity risk framework to ensure that the Company can always fulfil our payment obligation and effectively manages funding risks. We have Asset-Liability Management (ALM) policy and ALM Committee in place to review and monitor the liquidity risk and ensure compliance with the prescribed regulatory requirements. We also extend limits on borrowing from a single lender to reduce dependency.

**Market risk**

Risk considering market conditions such as interest rates and credit liquidity can cause a financial instrument's fair value or future cash flows to fluctuate.

**Mitigation**

We have a market risk management framework that provides a comprehensive and dynamic structure for measuring, monitoring and managing market risk. Furthermore, our rigorous asset-liability management and well-diversified liability profile safeguards us from market volatility.

**Interest rate risk**

Interest rate risk affects us primarily because we lend to clients at fixed interest rates for periods that may differ from our funding sources as our borrowings are at both fixed and variable interest rates for various periods.

**Mitigation**

Most of our outstanding liability is in Indian Rupees and is less prone to interest rate fluctuations. We further hedge risk through derivative transactions. The Asset Liability Management Committee of the Company assesses asset-liability management (ALM) and ensures that any substantial mismatches are effectively managed. To maintain a healthy mix of sources, our resource mobilisation team fetches funds from a variety of places, including banks, financial institutions, and capital markets.

**13. OUTLOOK**

Driven by the economic progress in India, the microfinance industry is slated to grow on an estimated basis anywhere between 16% to 18% for the next six to eight years. With this, we are in one of the best positions to capitalise on the opportunity. Moreover, the Reserve Bank of India has come out with a revised guideline for MFIs which is a huge positive for the industry. The enablers on pricing, customer indebtedness and qualifying asset criteria, however put a lot of responsibility on financiers to act prudently. We intend to follow both in letter and spirit



the regulation and do believe that this is one of the good things that the industry has witnessed. At Spandana we are very positive on what the future holds for us and are readying ourselves for what lays ahead. With a successful transition of management followed by a reasonably good Q4 FY22 on key business parameters and various efforts undertaken to strengthen the fundamentals of business, we feel confident of charting a sustainable growth path for Spandana in the coming years.

#### 14. INTERNAL CONTROL SYSTEMS

Effective internal control is crucial for reducing the risk of financial loss. It helps ensure accuracy, completeness and reliability in financial statements. At Spandana, our internal control measures are designed to protect our assets, adhere to applicable laws and compliances and prevent fraud and malpractices. The Company takes a holistic approach to information security. It enables the Company to maintain the confidentiality, integrity, and availability of consumer data and Company's information assets.

The internal control system is supplemented by concurrent internal audits and regular reviews by the management. The internal audit department is responsible for authorising, documenting, monitoring as well as maintaining a process compliance check across all branches, while also identifying potential financial misappropriations. Further, with regard to financial statements and operations, the Company has effective internal controls in place.

Apart from general branch audits, other audits are meticulously carried out depending on internal triggers, which assist us in recognising any potential branch shortcomings.

#### Cautionary Statement

Statements in this report on Management Discussion and Analysis relating to the Company's objectives, projections, estimates, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. These statements are based on certain assumptions and expectations of future events. Actual results might differ materially from those expressed or implied depending upon factors such as climatic conditions, global and domestic demand supply conditions, raw materials cost, availability and prices of finished goods, foreign exchange market movements, changes in Government regulations, tax structure, economic and political developments within India and other factors such as litigation and industrial relations. The Company has obtained all market data and other information from sources believed to be reliable or its internal estimates, although its accuracy or completeness cannot be guaranteed. The Company assumes no responsibility in respect of forward-looking statements herein which may undergo changes in future based on subsequent developments, information or events.

## Director's Report

To  
The Members  
of **Spandana Sphoorty Financial Limited**

Your Director's have pleasure in presenting the 19<sup>th</sup> Annual Report on the business and operations of the Company along with the audited accounts for the financial year ended March 31, 2022.

### 1. FINANCIAL SUMMARY/ PERFORMANCE OF THE COMPANY:

The standalone and consolidated financial statements for the financial year ended March 31, 2022, forming part of this Annual Report, have been prepared in accordance with the Indian Accounting Standards (Ind AS) as notified by the Ministry of Corporate Affairs.

Key highlights of financial performance of your Company are summarized below:

Particulars	(₹ in million)			
	Standalone		Consolidated	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Income from Operations	13,763.38	14,429.05	14,627.92	14,826.26
Other Income	152.62	218.41	172.43	229.88
<b>Profit Before Depreciation, Interest and Tax (PBDIT)</b>	<b>5,872.20</b>	<b>6,022.81</b>	<b>6,461.49</b>	<b>6,312.39</b>
Depreciation	85.46	74.85	91.77	76.23
Financial charges	5,140.88	4,171.62	5,401.00	4,231.70
<b>Profit Before Tax</b>	<b>645.86</b>	<b>1,776.34</b>	<b>968.72</b>	<b>2,004.45</b>
Provision for Tax - Current year	179.48	486.52	270.45	549.85
<b>Profit/(Loss) After Tax</b>	<b>466.38</b>	<b>1,289.82</b>	<b>698.27</b>	<b>1,454.60</b>
Transfer to Statutory Reserves	93.28	257.96	139.56	291.88
<b>Balance carried to Balance sheet</b>	<b>373.10</b>	<b>1,031.86</b>	<b>558.71</b>	<b>1,162.72</b>

During the Financial Year under review, the Income from operations of the Company was ₹13,916 million. The Asset Under Management (AUM) of the Company in FY 2021-22 is ₹61,988.68 million as compared to ₹77,357.80 million in FY 2020-21 and the Profit before Tax in FY 2021-22 was ₹645.86 million as compared to ₹1,776.34 million in FY 2020-21 due to write offs and provisions.

During the Financial Year, disbursements reached highest of ₹13,850 million in Q4/FY 2021-22. RoA stood at 1% (normalized RoA at 6.90%) and RoE stood at 2.4% (normalized RoE at 16.5%) for FY 2021-22. Capital Adequacy ratio was at 50.74 % on a standalone basis. Your Company has generated pre-provision operating profit ("PPOP") of ₹5,774.42 million and Profit Before Tax ("PBT") of ₹968.72 million in FY 2021-22 on a consolidated basis.

Your Company has a strong distribution network of 1,049 branches spread across 294 Districts of 17 states and 1 union territory. On portfolio quality the Collection Efficiency of portfolio was 98.3% including arrears. Your Company has raised ₹17,614.74 million of debt during FY 2021-22 in a disruptive environment. With the diversified lender base, your Company has raised ₹6746.50 million through issue of debentures, ₹10,265 million through term loan and ₹603.24 million through

direct assignment. Your Company has a strong funding access with adequate liquidity surplus of ₹7,239.95 million as on March 31, 2022.

Your Company has AUM concentration norms at state, district & branch level which ensures low impact from region-specific issues. For eg State level exposure is restricted to 20%, District at 2%.

The Reserve Bank of India (RBI) notified Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 ("New Framework") on March 14, 2022 to provide a framework which is uniformly applicable to all regulated lenders in the microfinance space including scheduled commercial banks, small finance banks and NBFC-Investment and Credit Companies.

#### The highlights of the guideline are –

Annual household income has been increased to ₹3 Lakh. Interest rate ceiling has been removed which was earlier applicable for NBFC-MFIs. The number of NBFC-MFIs that could grant microfinance loans to a borrower is removed. Further monthly loan repayment obligations of a household as a percentage of monthly household income has been capped at 50%.

All figures are on standalone basis unless otherwise stated

Your Company has put in place all the policies and systems as required and has started sanctioning loans under the new framework with effect from July, 2022. Your Directors believes that the new framework is a welcome step in the overall development of your company which will help scaling up the business and the profitability.

## 2. DIVIDENDS:

Considering your Company's growth, future strategy and business plans your Directors consider it prudent to conserve resources and hence did not recommend any dividend on equity shares for the financial year under review.

## 3. OPERATIONAL HIGHLIGHTS AND FUNDRAISE:

The operational highlights of your company are as follows:

Details	March 2020	March 2021	March 2022
No. of States	18	18	18
No. of Branches	979	982	1,049
No. of Districts	280	282	294
No. of Employees	8,015	8,323	8,379
No. of Borrowers (in million)	2.51	2.37	2.27
Gross Disbursements (₹ in million)	77,221.70	60,990.00	30,656.47
Loan Portfolio (₹ in million) on Balance Sheet	50,703.60	70,280.20	58,956.54
Asset Under Management- AUM (₹ in million)	66,607.20	77,357.80	61,988.68

- During FY 2021-22, the Company continued its operations in 18 states (viz. Andhra Pradesh, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, West Bengal and Pondicherry).
- During FY 2021-22, the number of borrowers were 2.24 million. The number of branches grew from 1,052 to 1,120 across the states on a consolidated basis.
- Total disbursements was ₹33,732.86 million for FY 2021-22 on a consolidated basis. Disbursements were paused in November 2022 & December 2022 on account of disruption in the IT systems and due to resignation of erstwhile Managing Director in Q3 of FY 2021-22.
- During Q4/FY 2021-22, on a consolidated basis total disbursements reached of ₹13,850 million. The new Loan Management System (LMS) and Loan Origination System (LOS) were up and running Q3/FY 2021-22 onwards of last year. Operations were stabilized and systems were put in place to drive accelerated growth.

### 3.1 Securitization:

Your Company has used securitization to improve its asset and liability mix in line with extant guidelines of RBI on securitization. During the year under review, Direct Assignment (DA) was aggregating to ₹603.24 million. As of March 31, 2022, out of total AUM, securitized portfolio was ₹5,583.26 million (including DA of ₹4,898.50 million).

### 3.2 Public Deposits:

Your Company is registered with Reserve Bank of India (RBI), as a non-deposit accepting NBFC under section

45-1A of the RBI Act, 1934, and reclassified as NBFC-MFI, effective from April 13, 2015. Your Directors hereby report that the Company has not accepted any public deposits during the year under review and it continues to be a non-deposit taking non-banking financial company in conformity with the guidelines of the RBI.

### 3.3 RBI Guidelines:

As on March 31, 2022, your Company is in compliance with the regulatory requirement of net owned funds ('NOF') and Capital to Risk Assets Ratio ('CRAR'), as defined under section 45-1A of the RBI Act, 1934, to carry on the business of a non-banking financial institution ('NBFI'). Your Company's Capital Adequacy Ratio is as follows:

Capital Adequacy Ratio	FY 2021-22	FY 2020-21
i) CAR – Tier I Capital (%)	50.55	39.74
ii) CAR – Tier II Capital (%)	0.19	(0.54)
Capital Adequacy Ratio (CAR)	50.74	39.20

### 3.4 Auction of gold jewellery for recovery of overdue loans against them:

There was no Gold Loan portfolio during the FY 2021-22 in the books of the Company.

### 3.5 Statutory Reserve Fund:

As per section 451C of RBI Act, 1934, the Company has transferred ₹93.28 million in Statutory Reserve Fund i.e. aggregating to 20 % of its standalone net profit.

### 3.6 COVID-19 Pandemic:

FY 2021-22 was dominated by the COVID-19 pandemic as new waves of infection swept across countries. COVID-19 second wave again led to many states announcing lockdowns. Your company took measures

to ensure employees and borrowers were reasonably secured. RBI also extended the support by announcing resolution plan 2.0 for COVID impacted businesses by way of restructuring, additional credit lines, deferred payment etc.

Despite Covid-19 pandemic, your Company had a strong funding access with adequate liquidity surplus of ₹11,307.83 million as on March 31, 2021, ₹16,907.96 million as on June 30, 2021, ₹14,618.26 million as on September 30, 2021, ₹9,112.95 million as on December 31, 2021 and ₹7,239.95 million as on March 31, 2022 which comfortably covered the fixed obligations during the FY 2021-22. Your Company continued to secure confidence from its lenders for providing funds for its business operations. Your Company has been maintaining a higher liquidity surplus with positive ALM. There was negative mismatch under few buckets; however, there were no cumulative mismatches in any granular bucket as on March 31, 2022. Your Company is in compliance with the RBI Circular on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies dated November 04, 2019.

#### 4. SHARE CAPITAL/DEBENTURES:

The Issued and paid-up Equity Share Capital of the Company as on March 31, 2022, stood at ₹69,09,45,300 (Rupees Sixty-nine crore nine lakh forty-five thousand and three hundred) consisting of 6,90,94,530 (Six crores ninety lakh ninety-four thousand five hundred thirty) Equity Shares of ₹10/- each.

During the financial year under review, the paid-up Equity Share Capital of the Company increased from ₹64,31,54,830 (Rupees Sixty-four crore thirty-one lakh fifty-four thousand eight hundred and thirty) consisting of 6,43,15,483 (Six crore forty-three lakh fifteen thousand four hundred and eighty-three) Equity shares having the face value of ₹10/- each to ₹69,09,45,300 (Rupees Sixty-nine crore nine lakh forty-five thousand and three hundred) consisting of 6,90,94,530 (Six crore nine lakh ninety-four thousand five hundred and thirty) Equity shares having the face value of ₹10/- each.

##### Allotment of shares under Employee Stock Options

Pursuant to the exercise of Employee Stock Options (ESOP's) by the eligible employees under the Spandana Employees Stock Option Plan 2018 (ESOP Plan 2018) and Spandana Employees Stock Option Scheme 2018 (ESOP Scheme 2018), the Company has allotted 92,705 (Ninety-two thousand seven hundred and five) Equity Shares of the face value of ₹10/- each on August 13, 2021.

##### Preferential issue of shares and warrants

Pursuant to the special resolution passed through Postal Ballot on March 16, 2022, the Members approved the proposal for Preferential Issue of Equity Shares and Warrants.

The Company made a Preferential Allotment of 46,86,342 (Forty-six lakh eighty-six thousand three hundred and forty-two) Equity shares of the Company of face value of

₹10.00 each, at a price of ₹458.78 (Rupees Four hundred and fifty-eight and seventy-eight paise) per Equity Share, which includes a premium of ₹448.78 (Rupees Four hundred and forty-eight and seventy-eight paise) per Equity Share, aggregating up to ₹2,14,99,99,982.76 (Two hundred and fourteen crore ninety-nine lakh ninety-nine thousand nine hundred eighty-two and seventy-six paise) to Valiant Mauritius Partners Limited, Valiant India Opportunities Limited, Valiant Mauritius Partners Offshore Limited and Kedaara Capital Fund III LLP, on March 17, 2022.

Also, the Company has made a Preferential issue of 18,52,739 (Eighteen lakh Fifty-two thousand Seven hundred and thirty-nine) fully convertible warrants ("Warrants") entitling the warrant holder to apply for and get allotted one (1) Equity Share of the face value of ₹10/- each, fully paid-up against every Warrant held, at a price of ₹458.78 per warrant, aggregating up to ₹84,99,99,598.42 (Eighty-four Crore ninety-nine lakh ninety-nine thousand five hundred ninety-eight and forty-two paise) to Kedaara Capital Fund III LLP, being a promoter group entity, on March 17, 2022.

The Company received the upfront money of ₹75,00,00,000/- (Seventy-five crores) upon issuance of such 18,52,739 convertible warrants on March 17, 2022, towards the Warrant subscription price. Upon receipt of balance amount of ₹9,99,99,598.42 (Rupees nine crore ninety-nine lakh ninety-nine thousand five hundred and ninety-eight and forty-two paise), the Management Committee of the Board of Directors of the Company at its meeting held on May 21, 2022 approved the allotment of 18,52,739 (Eighteen lakh fifty-two thousand seven hundred and thirty-nine) Equity Shares pursuant to exercise of option attached to such convertible warrants.

The Preferential Issue enabled the Company to further strengthen the Company's capital base and balance sheet and augmenting the long-term resources for meeting funding requirements of its business activities, financing the future growth opportunities and for general corporate purposes.

##### Approval for Qualified Institutional Placement (QIP Issue)

Your Company took approval of Members by passing special resolution through postal ballot on February 10, 2022 for issuing securities by way of qualified institutions placement permitted under applicable laws and regulations, of an aggregate amount not exceeding ₹300 crore (Rupees Three Hundred Crore) or an equivalent amount thereof.

The allotment of the Equity shares shall be completed within 365 days from the date of passing of the special resolution by the Members of the Company or such other time as may be allowed under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 from time to time.

During the year under review, the Company has not issued shares with differential voting rights nor granted

sweat equity. Further, the Company has also not provided any money for the purchase of its own shares by employees or for the benefit of employees.

#### Details of Secured Debt Securities as on March 31, 2022:

Sr.	ISIN	Date of Debenture Trust Deed	Facility@	Type of charge created	Sanctioned Amount (₹ in million)	Outstanding @ (₹ in million)
1	INE572J07307	20-Jan-21	NCD	Exclusive	400.00	200.00
2	INE572J07117	18-Jul-20	NCD	Exclusive	1,000.00	500.00
3	INE572J07232	18-Nov-20	NCD	Exclusive	1,500.00	350.00
4	INE572J07299	29-Dec-20	MLD	Exclusive	827.50	827.50
5	INE572J07257	24-Nov-20	MLD	Exclusive	1,000.00	1,000.00
6	INE572J07315	25-Feb-21	NCD	Exclusive	1,200.00	800.00
7	INE572J07273	16-Dec-20	MLD	Exclusive	636.00	636.00
8	INE572J07125	16-Dec-20	NCD	Exclusive	250.00	250.00
9	INE572J07265	15-Dec-20	NCD	Exclusive	500.00	500.00
10	INE572J07224	28-Oct-20	NCD	Exclusive	325.00	325.00
11	INE572J07190	25-Jan-21	MLD	Exclusive	174.00	174.00
12	INE572J07208	25-Jan-21	MLD	Exclusive	200.00	200.00
13	INE572J07133	13-Sep-17	NCD	Exclusive	1,000.00	850.00
14	INE572J07281	23-Dec-20	NCD	Exclusive	215.00	215.00
15	INE572J07323	09-Mar-21	NCD	Exclusive	350.00	350.00
16	INE572J07216	12-Nov-20	NCD	Exclusive	1,000.00	1,000.00
17	INE572J07174	12-Nov-20	MLD	Exclusive	80.00	80.00
18	INE572J07182	12-Nov-20	MLD	Exclusive	80.00	80.00
19	INE572J07158	29-Sep-20	NCD	Exclusive	250.00	62.50
20	INE572J07331	16-Mar-21, 14-Jul-21 (Re-issuance), 22-Jul-21 (Re-issuance)	MLD	Exclusive	2,050.00	2,050.00
21	INE572J07349	31-Mar-21	NCD	Exclusive	250.00	250.00
22	INE572J07356	31-Mar-21	NCD	Exclusive	200.00	200.00
23	INE572J07364	29-Apr-21	MLD	Exclusive	1,100.00	1,100.00
24	INE572J07372	16-Jun-21	MLD	Exclusive	3,375.00	3,375.00
25	INE572J07380	02-Aug-21	NCD	Exclusive	300.00	150.00
26	INE572J07398	22-Mar-22	NCD	Exclusive	350.00	350.00

@NCD- "Non-convertible Debentures"; MLD - "Market Linked Debentures"

@ @Excludes interest accrued and Ind AS adjustments

#### 5. EMPLOYEE STOCK OPTION PLAN (ESOP PLAN) AND EMPLOYEE STOCK OPTION SCHEME (ESOP SCHEME):

The Company had instituted Spandana Employees Stock Option Scheme, 2018 ("the "ESOP Scheme 2018") and Spandana Employees Stock Option Scheme, 2021 ("the "ESOP Scheme 2021") under Spandana Employees Stock Option Plan, 2018 (the "ESOP Plan 2018"), and Spandana Employees Stock Option Scheme 2021- Series A" under Spandana Employees Stock Option Plan 2021- Series A ("ESOP 2021 – Series A") to attract, retain, motivate the personnel for positions of substantial responsibility and to provide additional incentive to the Management team, Directors and Employees of the Company and its Subsidiaries. The Members of the Company have passed the special resolution at their Meeting held on June 14, 2018, approved the ESOP Plan 2018 and ESOP Scheme 2018. ESOP Scheme 2021 was approved by the Members on March 26, 2021 by the special resolution passed through Postal Ballot. ESOP 2021 – Series A was approved by the Members at the 18<sup>th</sup> Annual General

Meeting ("AGM") of the Company held on September 28, 2021.

During the year under review, with the approval of Nomination and Remuneration Committee, the Company has granted 12,48,000 stock options to eligible employees of the Company under ESOP Plan 2018 and ESOP Scheme 2021 and 17,83,000 stock options to eligible employees of the Company under ESOP 2021- Series A.

The Nomination and Remuneration Committee monitors the ESOP Plans and Schemes in compliance with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ["SEBI (SBEB & SE) Regulations"] and other applicable laws. The Company shall place before the Members a certificate from Secretarial Auditor of the Company that the Scheme has been implemented in accordance with SEBI (SBEB & SE) Regulations and are as per the resolutions passed by the Members of the Company at the 19<sup>th</sup> Annual General Meeting ('AGM').

The disclosures as required under the SEBI (SBEB & SE) Regulations have been placed on the website of the Company at <https://spandanaspohorty.com/annual-reports/>.

## 6. AUDITORS:

### 6.1 Statutory Auditors:

As per Section 139 of the Act, read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company at the 15<sup>th</sup> AGM, held on August 03, 2018, re-appointed S R Batliboi & Co. LLP, (Firm Registration No. 301003E/E300005), Chartered Accountants, as the Statutory Auditors of the Company for a period of 5 years i.e., to hold office from the conclusion of the 15<sup>th</sup> AGM till the conclusion of the 20<sup>th</sup> AGM of the Company. Pursuant to amendments in Section 139 of the Act, the requirements to place the matter relating to such appointment for ratification by the Members at every annual general meeting have been omitted with effect from May 07, 2018.

Reserve Bank of India ("RBI") issued guidelines on appointment of statutory auditor(s) by Non-Banking Financial Company ("NBFC") vide Circular RBI/2021-22/25 Ref. No. DoS. CD.ARG/SEC.01/ 08.91.001/2021-22 dated April 27, 2021 ("**RBI Notification**"). Pursuant to RBI Notification, the Audit Firms completing tenure of three financial years in the NBFC were not eligible to continue to hold office as Statutory Auditors of the NBFC. Since the RBI Guidelines were being implemented for the first time for NBFCs from FY 2021-22 and in order to ensure that there is no disruption, the RBI had given flexibility to NBFCs to appoint new Statutory Auditors in the second half of the financial year ending March 31, 2022.

S. R. Batliboi & Co. LLP, ("S.R. Batliboi") audited the Company for a continuous period of 8 (eight) years, which exceeded the tenure of 3 (three) years prescribed by paragraph 8.1 and 8.2 of the RBI Notification. Also, S.R. Batliboi is already a statutory auditor for eight NBFCs which is the ceiling imposed by paragraph 8.3 of the RBI Notification. In accordance with the conditions prescribed under the RBI Notification, S.R. Batliboi was ineligible to continue as the statutory auditor of the Company.

In compliance with the aforesaid RBI Notification, S.R. Batliboi tendered their resignation with effect from January 28, 2022 after furnishing all requisite certifications, reports and any other required documents for the relevant period. The Audit Committee and the Board of Directors took note of the said resignation by way of resolution dated January 29, 2022 and also noted the fact that there were no other reasons specified by them for the resignation apart from the eligibility requirements as prescribed under the RBI Notification.

The Board of Directors of the Company, based on the recommendation of the Audit Committee, appointed Walker Chandiook & Co. LLP, Chartered Accountants (Firm Registration No. 001076N/N500013), to act as the Statutory Auditors of the Company with effect from January 29, 2022 until the conclusion of the Nineteenth

(19<sup>th</sup>) Annual General Meeting of the Company to be held in the calendar year 2022. The Members of the Company also approved the appointment of Walker Chandiook & Co. LLP, Chartered Accountants to act as the Statutory Auditors of the Company by passing ordinary resolution through Postal Ballot on March 08, 2022.

At the 19<sup>th</sup> Annual General Meeting approval of Members is proposed to be taken for reappointment of Walker Chandiook & Co. LLP to act as the Statutory Auditors of the Company for a period of two consecutive years to hold office from the conclusion of the 19<sup>th</sup> Annual General Meeting till the conclusion of the 21<sup>st</sup> Annual General Meeting of the Company to be held in the calendar year 2024.

The Reports were given by Walker Chandiook & Co. LLP, Chartered Accountants on the Annual Audited Consolidated and Standalone Financial Statements of the Company for the FY 2021-22 which are a part of the Annual Report. The Auditors' Reports read along with the Notes on the Annual Audited Consolidated and Standalone Financial Statements are self-explanatory and do not call for any further comments.

There has been no qualification, reservation or adverse remark or disclaimer except in the Auditor's Report on the Internal Financial Controls as mentioned below:

The Company did not have an appropriate internal control system with respect to certain specific controls around security management and implementation of the Company's Information Technology (IT) system, which could potentially result in unauthorised changes being made to the information technology system or programs. As detailed in note 52 to the standalone financial statements consequent to the events that occurred during the year, the management is in the process of further strengthening the robustness of the overall IT system.

In response to the above qualification made by the Auditors, your Company hereby submits that-

Erstwhile Managing Director resigned w.e.f. November 02, 2021 and immediately after the resignation of erstwhile Managing Director, there was attrition of the information technology team and certain disruption in relation to IT operations of the Company. Subsequently, the Company created a parallel IT environment and implemented the new IT application system along with the loan origination system with a fully automated workflow. The Company has implemented robust access control and security management for the IT infrastructure.

During the FY 2021-22, the Auditors had not reported any matter under Section 143(12) of the Act, therefore no detail is required to be disclosed under Section 134(3)(ca) of the Act.

### 6.2 Secretarial Auditors:

Pursuant to the requirements of Section 204(1) of the Act read with Rule 9 of Companies (Appointment and

Remuneration of Managerial Personnel) Rules, 2014 and Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI (LODR) Regulations"), M/s RPR & Associates, Company Secretaries, (CP No. 5360), were appointed as Secretarial Auditors of the Company for the financial year 2021-22. The Secretarial Audit Report for the financial year ended March 31, 2022, is annexed to this report as "**Annexure I**".

During the FY 2021-22, the Secretarial Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Act.

During the year under review, your Company has complied with the provision of applicable Acts, Rules, Regulations, Guidelines and applicable Secretarial Standards issued by the Institute of Company Secretaries of India etc. except in respect of following matters:

- Delay in submission of Q2/FY 2021-22 results with the stock exchanges.
- S. R. Batliboi & Co. LLP, Chartered Accountants, the Statutory Auditors of the Company, who resigned on January 28, 2022 had not issued Limited Review Report for the Q3/FY 2021-22.

In response to the above observations made by Secretarial Auditors, your Company hereby submits that-

- Erstwhile Managing Director, Mrs. Padmaja Gangireddy resigned w.e.f. November 02, 2021 and there was attrition of the information technology team, immediately after the resignation of erstwhile Managing Director. The Board had appointed Management Committee to takeover operational control of the affairs of the Company under the Chairmanship of Mr. Ramchandra Kasargod Kamath, Non-Executive Nominee Director of the Company. Due to flux in management and certain disruption in relation to IT operations, the Company was not able to conclude limited review for the quarter and half year ended September 30, 2021 within the stipulated time and there was delay in declaring the results. Your Company had paid the requisite penalty to the stock exchanges for delay in submission of Q2/FY 2021-22 results.
- On April 27, 2021, the RBI issued a notification no. DoS.CO.ARG/SEC.01/08.91.001/2021-22 laying down the guidelines for appointment of statutory auditors inter alia in NBFCs ("**RBI Notification**"). As per paragraph 8 of the RBI Notification, the tenure of a statutory auditor of an NBFC is limited to 3 (three) years and a statutory auditor cannot act as an auditor for more than 8 (eight) NBFCs at a time. The RBI Notification was applicable to NBFC's from October 01, 2021. Pursuant to RBI Notification, S.R. Batliboi & Co. LLP, Chartered Accountants, Statutory Auditors who had completed 8 years with the Company were not be eligible to continue as Statutory Auditors of the Company after Q2FY22, thus making them ineligible to continue as statutory

auditors of the Company after undertaking the limited review for the quarter and half year ended September 30, 2021.

On December 22, 2021, the Company received directions from the RBI on the application submitted by the Company seeking exemption from the RBI Notification. The RBI directed the following to the Company vide its email dated December 22, 2021 ("**RBI Directions**"):

1. The current Statutory Auditors of the Company, M/s S. R. Batliboi & Co. LLP, may issue a limited review/ audit report for the quarter ending September 30, 2021.
2. The limited review for December 2021 quarter and onwards shall be done by a new statutory auditor, in terms of the provisions of Circular dated April 27, 2021, on 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs).

In compliance with the aforesaid RBI Directions, S.R. Batliboi & Co. LLP has tendered their resignation with effect from January 28, 2022 after furnishing all requisite certifications, reports including limited review reports for the quarter and half year ended September 30, 2021.

The Board of Directors of the Company, based on the recommendation of the Audit Committee, to fill the casual vacancy arose due to the resignation of the erstwhile statutory auditors, appointed Walker Chandiook & Co. LLP, Chartered Accountants (Firm Registration No. 001076N/N500013), to act as the Statutory Auditors of the Company with effect from January 29, 2022 until the conclusion of the 19<sup>th</sup> Annual General Meeting.

### 6.3 Internal Auditors:

Your Company has its own internal audit team to conduct branch audits and also has a full-fledged audit team in respective states. Each state has a Regional Head Internal Audit, who has a team of Internal Auditors to manage the audit work of the state. The Internal Audit team follows the Annual Internal Audit plan and each branch is audited once in a quarter; however, branches with lower grade are audited once in 45 days.

The scope of Internal Audit includes Customer Acquisition, Loan Sanction, Disbursement, Collection, Branch Administration and Compliance.

In terms of Section 138 of the Act, and Companies (Accounts) Rules, 2014, the Board of Directors at its Meeting held on May 22, 2021, upon recommendation of Audit Committee, had appointed BDO India LLP, as Internal Auditors of the Company, for the FY 2021-22, for conducting the internal audit.

### 6.4 Cost Auditors:

The provisions of Section 148 of the Act read with the Companies (Cost Records and Audit) Rules, 2014 relating to Cost Audit and maintaining of cost audit records does not apply to the Company.

## 7. SUBSIDIARY COMPANIES:

The Company has the following subsidiaries as on March 31, 2022:

S. No.	Name of the Company	Particular	Date of becoming Subsidiary
1.	Caspian Financial Services Limited	Wholly owned Subsidiary Company	Since its Incorporation i.e., October 13, 2017
2.	Criss Financial Limited (Formerly known as "Criss Financial Holdings Limited")	Subsidiary Company	December 27, 2018

The statement required to be provided with respect to subsidiaries pursuant to the provisions of Section 129(3) of the Act and Rule 5 of the Companies (Accounts) Rules, 2014 in Form AOC – 1 is annexed herewith as "Annexure II".

The Audited Financial Statements, the Auditors Reports thereon and the Board's Reports for the year ended March 31, 2022, of the subsidiary companies, shall be available for inspection by the Members at its registered office, during business hours on all working days up to the date of the Annual General Meeting. A Member who is desirous of obtaining a copy of the accounts of the subsidiaries companies is requested to write to the Company.

During the financial year, none of the Company ceased to be the Company's subsidiaries, joint ventures, or associate companies.

Pursuant to Regulation 16(1)(c) of the SEBI (LODR) Regulations, defines "material subsidiary" as a subsidiary whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries at the end of the immediately preceding accounting year. Further, none of the subsidiaries mentioned hereinabove is a material subsidiary as per the thresholds laid down under the SEBI (LODR) Regulations.

Pursuant to the provisions of section 136 of the Act, the financial statements, consolidated financial statements of the Company and separate financial statements along with auditors reports thereon of each of the subsidiary is available on the website of the Company at <https://spandanasphoorty.com/miscellaneous/>.

## 8. CONSOLIDATED FINANCIAL STATEMENTS:

The Consolidated Financial Statements of the Company prepared in accordance with relevant Indian Accounting Standards (IND-AS) viz. (include the relevant standards) forms part of this Annual Report.

## 9. DIRECTORS AND KEY MANAGERIAL PERSONNEL:

Affairs of your Company are being managed by a professional Board comprising of eminent personalities

having experience and expertise suited to guide the Company in the right direction. Present Directors of your Company are:

NAME OF DIRECTOR	Designation
Ms. Abanti Mitra	Chairperson and Independent Director
Mr. Bharat Dhirajlal Shah	Independent Director
Mr. Deepak Calian Vaidya	Independent Director
Mr. Jagdish Capoor	Independent Director
Mrs. Padmaja Gangireddy	Non-Executive Director*
Mr. Ramachandra Kasargod Kamath	Non-Executive Nominee Director <sup>#</sup>
Mr. Kartikeya Dhruv Kaji	Non-Executive Nominee Director <sup>#</sup>
Mr. Sunish Sharma	Non-Executive Nominee Director <sup>#</sup>
Mr. Amit Sobti	Non-Executive Nominee Director <sup>#</sup>
Mr. Shalabh Saxena	Managing Director & Chief Executive Officer**

\* Resigned as Managing Director w.e.f. November 02, 2021.

\*\* Appointed as Managing Director and Chief Executive Officer w.e.f. March 19, 2022.

<sup>#</sup> Nominee of Kedaara Capital I Limited

### 9.1 Rotation of Directors:

In terms of the provisions of Section 152 of the Act, Mr. Amit Sobti (DIN: 07795874) and Mr. Sunish Sharma (DIN: 00274432), Nominee Directors of the Company, being longest in the office, shall retire at the 19<sup>th</sup> Annual General Meeting.

### 9.2 Declaration by Independent Directors:

The Company has received a declaration from all the Independent Directors of the Company, confirming that they meet with the criteria of independence as prescribed under subsection (6) of section 149 of the Act.

### 9.3 Change in the Board of Directors and Key Managerial Personnel / Senior Management Personnel of the Company:

During the year under review and till the date of this report, the following changes have taken place:

- Mr. Satish Kottakota has resigned as Chief Financial Officer (KMP) of the Company w.e.f. October 1, 2021.
- Mr. Abdul Feroz Khan has resigned as Chief Strategy Officer (KMP) of the Company w.e.f. November 02, 2021.
- Mrs. Padmaja Gangireddy (DIN: 00004842) has resigned as the Managing Director and redesignated as Non-Executive Director of the Company w.e.f. November 02, 2021
- Mr. Shalabh Saxena has been appointed as the Managing Director and Chief Executive Officer of the Company w.e.f. March 19, 2022.
- Mr. Ashish Kumar Damani has been appointed as President and Chief Financial Officer (KMP) of the Company w.e.f. March 19, 2022.
- Mrs. Sharmila S, has resigned as Chief Risk Officer (KMP) of the Company w.e.f. June 29, 2022.



**10. MEETINGS OF THE BOARD OF DIRECTORS:**

During the FY 2021-22, 13 (Thirteen) Board Meetings were convened out of which 12 (Twelve) Board Meetings were convened through Audio-Visual Electronic Communication Means (AVEC) and 1 (One) Board Meeting was convened Physically. The details related to Board Meetings are provided in Corporate Governance Report which is forming part of this Report.

The intervening gap between the Board Meetings was within the period prescribed under the Act and SEBI (LODR) Regulations. The notice and agenda including all material information and minimum information required to be made available to the Board under Regulation 17 read with Schedule II Part-A of the SEBI (LODR) Regulations, were circulated to all Directors before the Meeting or presented at the Meeting.

**11. BOARD EVALUATION:**

Pursuant to the provisions of the Companies Act, 2013, the Board of Directors carried out the annual evaluation of its own performance, its committees, and individual Directors including Independent Directors ("Performance Evaluation"). It covers the areas relevant to the functioning as Independent Directors or other directors, member of Board, or Committees of the Board. A structured questionnaire was prepared, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A formal performance evaluation was carried out at the meeting of the Nomination and Remuneration Committee held on May 23, 2022 where the Committee made an annual performance evaluation of Board as a whole, its committees and individual directors for the FY 2021-22.

The Board of Directors in their meeting held on July 11, 2022 reviewed and took note of the annual performance evaluation of Board of Directors, its committees and individual Directors for the FY 2021-22.

The Directors have expressed their satisfaction with the evaluation process.

**12. CODE OF CONDUCT FOR ITS DIRECTORS AND SENIOR MANAGEMENT:**

Pursuant to Regulation 17(5) of the SEBI (LODR) Regulations, the Company has a Code of Conduct for its Directors and Senior Management including Non-Executive and Independent Directors to the extent of their role and responsibilities in the Company. The said code is available at the website of the Company at <https://spandanaspohorty.com/code-of-conduct/>.

Further, in accordance with Schedule V (D) of the SEBI (LODR) Regulations, declaration from Managing Director of the Company has been received confirming that all the Directors and the Senior Management Personnel of the Company have complied to the Code of Conduct for the Financial Year ended March 31, 2022 as attached with this Report.

**13. FAMILIARIZATION PROGRAMME OF THE INDEPENDENT DIRECTORS:**

The Company follows a structured induction programme for Directors at the time of their joining to provide them with an opportunity to familiarise themselves with the Company, its management, its operations and the industry in which the Company operates. The Director is also explained in detail the compliance required from him/her under the Companies Act, 2013, the SEBI (LODR) Regulations and other relevant regulations and affirmation taken with respect to the same.

The induction programme includes:

- 1) For each Director, a one-to-one discussion with the Managing Director to familiarize the former with the Company's operations.
- 2) An opportunity to interact with other business heads and senior officials of the Company, who also make presentations to the Board members briefing them on the operations of the Company, strategy, risks, new initiatives, etc.
- 3) The Compliance Officer of the Company makes presentations to the Board periodically on the amendments to applicable laws, new enactments which are critical to the business operations of the Company and the compliance status of such laws.

The details of the familiarization policy may be accessed on the Company's corporate website at <https://spandanaspohorty.com/independent-directors/>.

**14. CORPORATE SOCIAL RESPONSIBILITY (CSR):**

In terms of section 135 and Schedule VII of the Act read with Rules made thereunder, the Board of Directors of your Company constituted a CSR Committee. The current composition of the Committee is as follows;

Sl. No.	Name	Designation & Category
1.	Mr. Ramachandra Kasargod Kamath	Chairperson, Non-Executive Nominee Director
2.	Mrs. Padmaja Gangireddy	Member, Non-Executive Director
3.	Ms. Abanti Mitra	Member, Independent Director
4.	Mr. Sunish Sharma	Member, Non-Executive Nominee Director
5.	Mr. Deepak Calian Vaidya	Member, Independent Director

The details of the Corporate Social Responsibility Policy adopted by the Company have been disclosed on the website of the Company at <https://spandanaspohorty.com/policies/>.

The Annual Report on CSR activities is annexed to this report as "Annexure III".

**15. DETAILS OF COMMITTEES OF BOARD OF DIRECTORS OF COMPANY:**

The details of Committees of the Board of Directors of Company are elaborated in the Report on Corporate Governance which forms a part of this Report.

## 16. CORPORATE GOVERNANCE:

In terms of Regulation 34(3) read with Schedule V of the SEBI (LODR) Regulations, the detailed Report on Corporate Governance along with a certificate on Corporate Governance compliance received from Mr. Y Ravi Prasada Reddy, Practicing Company Secretary, Hyderabad forms integral part of this report.

## 17. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

The Management Discussion and Analysis Report as required under Schedule V of the SEBI (LODR) Regulations forms integral part of this report.

## 18. BUSINESS RESPONSIBILITY REPORT:

In pursuance of Regulation 34 of the SEBI (LODR) Regulations, the Business Responsibility Report for the year under review is annexed to this report as "Annexure IV".

## 19. THE ANNUAL RETURN:

Pursuant to sub-section (3)(a) of Section 134 and sub-section (3) of Section 92 of the Act read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the copy of Annual Return as at March 31, 2022 is available on the website of the Company at the link: <https://spandanaspooorty.com/annual-reports/>.

## 20. DEBENTURE REDEMPTION RESERVE:

Pursuant to Rule 7(b)(ii) of the Companies (Share Capital and Debentures) Rules, 2014 ('Rules'), the Company is not required to create Debenture Redemption Reserve as the Debentures of the Company are privately placed.

## 21. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information required under Section 134(3)(m) of the Act read with Rule, 8 of the Companies (Accounts) Rules, 2014 for the financial year ended March 31, 2022, are as follows:

### 21.1 Conservation of Energy:

Our operations are not energy-intensive. However, significant measures are taken to reduce energy consumption by using energy-efficient computers and electrical equipment. Further, the Company believes in the optimum utilization of alternative resources available to reduce usage and conserve energy. We are also promoting the use of renewable energy sources among clients in their households.

### 21.2 Research and Development (R&D):

Social research and development of new products and methodologies continue to be an ongoing process for the Company. This helps us to enhance the quality of service and borrower satisfaction through continuous innovation. The Company has been adapting various lending models within the limited scope of MFI norms so as to ensure that the needs of the customers are taken care of in a manner which is convenient to them.

### 21.3 Technology absorption, adaptation, and innovation:

Technology is being used as a business enabler in your Company. We are improving our processes and controls with higher technology development and adoption to get better operational efficiencies keeping scalability into consideration. The Company has migrated to a browser-based Loan Origination System (LOS) and Loan Management System (LMS) application e-FIMO which has accounts, loans, insurance, and payroll modules integrated. e-FIMO has enabled us to have the entire data in a single database and has real-time data available without any time lag. The collection efficiency of each branch is tracked daily. The operations & field team are enabled with required MIS to track the loan lifecycle end to end to ensure customers are efficiently serviced.

Credit bureau verification is integrated and the bureau check happens seamlessly via API's. To avoid data errors at the branch level, applications login has been centralized. Loan applications are sourced from mobile as well as from web platform and they are logged into e-FIMO for processing of loans. A full-fledged back-office team is available for scrutinizing the applications, validating it at multiple levels and then processing the loan applications. System level dedupe checks at appropriate places are available.

The improvements are planned for the upcoming year with new digital initiatives like the biometric e-KYC (Aadhar based e-KYC), new LOS mobile application, geo tagging of borrower house, centres, branches which will ensure the a paperless process which will be efficient and a substantially lower TAT on processing of loans and service requests. The changes will bring in efficiency at every end point in the loan process and ensure more borrowers are served per Credit Assistant (CA) in a seamless digital way.

### 21.4 Foreign Exchange earnings and outgo:

There are no foreign exchange earnings and outgo during the financial year ended March 31, 2022.

## 22. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES:

The ratio of remuneration of each director to the median's employee's remuneration and other details in terms of Section 197(12) of the Act read with Rule 5(1) of the Companies (Companies Appointment and Remuneration of Managerial Personnel) Rules, 2014, has been annexed herewith as "Annexure V" to the Directors' Report.

The details of employee remuneration as required under provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5 (2) and 5 (3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and second proviso to Section 136 of the Act are available for electronic inspection without any fee, 21 days before and up to the date of the Annual General Meeting and shall be made available to any Member on request. Members seeking to inspect such documents can send an email to [secretarial@spandanaspooorty.com](mailto:secretarial@spandanaspooorty.com).

com. None of the employees referred above is a relative of any Director of the Company.

### 23. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE:

During the year under review, there were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future, therefore the disclosure under Rule 8 (5)(vii) of Companies (Accounts) Rules, 2014, is not applicable to the Company.

Due to delay in submission of Q2/FY 2021-22 results National Stock Exchange of India Limited has imposed a monetary penalty of ₹3,75,240/- on the Company for non-compliance with Regulation 33 and Regulations 52(4) and 54(2) of SEBI (LODR) Regulations, respectively and BSE Limited has imposed a monetary penalty of ₹3,75,240/- on the Company for non-compliance with Regulation 33 and Regulations 52(4) and 54(2) of SEBI (LODR) Regulations, respectively. The Company maintains that these are not significant or material in nature.

### 24. DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM FOR DIRECTORS AND EMPLOYEES:

Your Company has established a Vigil Mechanism to encourage employees to report suspected legal violations, fraudulent or irregular conduct of an employee or business associate of the Company. Such incidents, if not reported would breach trust and endanger the Company's reputation. Through this mechanism, the Company provides a channel to the employees and Directors to report to the management about unethical behaviour, actual or suspected fraud or violation of the Codes of Conduct or legal or regulatory requirements incorrect or misrepresentation of any financial statements and reports, etc.

The Company also has a Vigil Mechanism / Whistle-Blower Policy to deal with instances of fraud and mismanagement, if any. This Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern. The Whistle Blower Policy/Vigil Mechanism is uploaded on the Company's website: <https://spandanaspooorty.com/policies/>.

### 25. INVESTOR RELATION:

Your Company has set up an Investor Relations Program through which the Company on a regular basis keeps all its investors updated on the crucial information by disseminating the same on the Company's website. The Company also informs both the exchanges regarding earning calls, investor meets, press release on the

financial results of the Company and such other matters having direct/indirect bearing on the Share Price of the Company, in compliance with the SEBI (LODR) Regulations.

### 26. BORROWER GRIEVANCES:

Your Company has a dedicated Borrower Grievance Cell to receive and handle the day-to-day borrower grievances. Further the details of Company's Customer Support Service, Grievance Redressal Officer of MFIN (Microfinance Institution Network), Grievance Redressal Officer of Sa-adhan, Nodal Officer and RBI Internal Ombudsman are also mentioned on the website of the Company, and a toll-free number is also displayed at every branch for the borrowers to lodge their complaints (if any). The borrowers can also directly reach out for their grievance redressal. All the grievances of borrowers are dealt expeditiously, in a fair and transparent manner.

The Board of Directors have also appointed an Internal Ombudsman as per RBI notification CO.CEPD.PRS. NO.S874/13-01-008/2021-2022 dated November 15, 2021 at their meeting held on July 11, 2022.

### 27. CODE OF CONDUCT FOR INSIDER TRADING:

Your Company has duly formulated and adopted Code of Conduct for Prohibition of Insider Trading and Internal Procedure in accordance with SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended. The objective of this Code is to regulate, monitor and report trading by its Designated Persons and Immediate Relatives of Designated Persons towards achieving and protecting the interest of Stakeholders at large.

The Code of Conduct for Insider Trading is available on the Company's website at <https://spandanaspooorty.com/policies/>.

### 28. FAIR PRACTICE CODE:

Your Company has duly formulated and adopted Fair Practice Code (FPC) in compliance with the guidelines issued by RBI, to deliver quality services to borrowers by maintaining highest levels of transparency and integrity. It also aims to provide valuable information to Borrowers for making an informed decision. The Board of Directors has amended FPC in line with the RBI Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 dated March 14, 2022 at their meeting held on July 11, 2022.

The FPC is available on the Company's website at <https://spandanaspooorty.com/code-of-conduct/>.

### 29. RISK MANAGEMENT POLICY:

Risk management is ingrained in the Company's operational framework. Proper processes are in place for risk identification, measurement, reporting and management. The Company has duly approved and adopted Risk Management Policy wherein risk management practices have been integrated into

governance and operations thus developing a strong risk culture within the Organization. Further, the risk management process is continuously reviewed, improved and adapted in the context of changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuous basis.

The Board of Directors has constituted Risk Management Committee to identify, monitor and review all the elements of risk associated with the Company. The detail of Committee and its terms of reference are elaborated in the Report on Corporate Governance which forms a part of this Report.

### 30. DIVIDEND DISTRIBUTION POLICY:

Your Company has formulated Dividend Policy in accordance with SEBI (LODR) Regulations, for bringing transparency in the matter of declaration of dividend and to protect the interest of investors. The Dividend Policy is available on the website of the Company at <https://spandanasphoorty.com/policies/>.

### 31. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE ACT:

Pursuant to the provisions of Sec 186 (11) of the Act disclosure requirement of particulars of loans given, investments made or guarantee given or securities provided is not applicable to the Company.

### 32. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

Your Company has formulated a policy on related party transactions and is available on Company's website at <https://spandanasphoorty.com/policies/>.

This policy deals with the review and approval of related party transactions. The Board of Directors of the Company had approved the criteria for making the omnibus approval by the Audit Committee within the overall framework of the policy on related party transactions. Prior omnibus approval is obtained for related party transactions which are of repetitive nature and entered in the ordinary course of business and on an arm's length basis.

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business. There are no materially significant related party transactions made by the Company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the Company at large. All Related Party Transactions are placed before the Audit Committee for approval. The details of the related party transactions are disclosed as per Indian Accounting Standard (IND AS) – 24 and set out in note

33 to the Standalone financial statements forming part of this annual report.

Contracts / arrangements / transactions entered by the Company during the year under review with related parties under Section 188 of the Act were in ordinary course of business and on arm's length basis. During the year, the Company had not entered into any contract / arrangement / transaction with related parties which could be considered material in accordance with the provisions of Section 188 of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014, Regulation 23 of SEBI (LODR) Regulations and the Company's policy on related party transactions. Therefore, particulars of contracts/ arrangements with related parties under Section 188 of the Act in Form AOC-2 is not annexed with this report.

### 33. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

The Company has a sound Internal Control System, commensurate with the nature, size, scale and complexity of its operations which ensures that transactions are recorded, authorized and reported correctly. The Company has put in place policies and procedures for continuously monitoring and ensuring the orderly and efficient conduct of the business, including adherence to the Company's Policies, for safeguarding its assets, prevention and detection of frauds and errors, the accuracy and completeness of the accounting records. The Audit Committee periodically reviews and evaluates the effectiveness of internal financial control system.

### 34. DEBENTURE TRUSTEES:

To protect the interest of the Debenture Holders of the Company, your Company has appointed the Debenture Trustees named as: -

Catalyst Trusteeship Limited  
Registered Office: GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune-411038  
Tel: +91 (020) 25280081/Fax: 91 (020) 25280275  
dt@ctltrustee.com  
Website: www.catalysttrustee.com

IDBI Trusteeship Services Limited  
Asian Building, Ground Floor,  
17, R. Kamani Marg, Ballard Estate, Mumbai – 400001.  
Tel: +(91) (22) 40807068  
naresh.sachwani@idbitrustee.com  
Website: www.idbitrustee.com

### 35. INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013:

The Company has constituted an Internal Complaints Committee as required to be formed under Section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder which were notified on December 09, 2013.

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a policy on prevention, prohibition and Redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. During the FY 2021-22, there were no complaints received by the Committee. The policy on Prevention of Sexual Harassment at workplace is available on the website of the Company at <https://spandanaspooorty.com/policies/>.

### 36. DIRECTORS' RESPONSIBILITY STATEMENT:

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

- that in the preparation of the annual financial statements for the financial year ended March 31, 2022; the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that such accounting policies as mentioned in Note no. 1 of the Notes to the Financial Statements

have been selected and applied consistently and judgments and estimates have been made 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, 2022 and of the profit of the Company for the year ended on that date;

- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual financial statements for the financial year ended March 31, 2022 have been prepared on a going concern basis; and
- that the proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.
- that the Directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

### 37. CREDIT RATING:

During the year under review, your Company has obtained credit ratings for Bank facilities and debt instruments. The details as on March 31, 2022 are given below:

Instrument	Rating Agency	Rating Action	Rated Amount (₹ million)
Bank Facilities	CRISIL Limited	CRISIL A/Watch Developing (Continues on 'Rating Watch with Developing Implications')	4,000.00
	India Rating and Research Private Limited	IND A / Rating Watch Negative	7,176.20
	ICRA Limited	[ICRA]A- placed under watch with developing implications	35,000.00
Market-linked Debentures	India Rating and Research Private Limited	IND PP-MLD Aemr / Rating Watch Negative	13,750.00
	ICRA Limited	PP-MLD[ICRA]A- placed under watch with developing implications	3,400.00
Non-convertible Debentures	India Rating and Research Private Limited	IND A / Rating Watch Negative	5,000.00
	ICRA Limited	[ICRA]A- placed under watch with developing implications	
Pass Through Certificates (PTCs)	ICRA Limited	[ICRA]A+(SO); Reaffirmed	11,216.90

### 38. APPLICATION UNDER INSOLVENCY AND BANKRUPTCY CODE, 2016:

The Company has not made any application under the Insolvency and Bankruptcy Code, 2016 during the FY 2021-22.

### 39. DETAILS OF DIFFERENCE BETWEEN AMOUNT OF THE VALUATION DONE AT THE TIME OF ONE TIME SETTLEMENT AND THE VALUATION DONE WHILE TAKING LOAN FROM THE BANKS OR FINANCIAL INSTITUTIONS ALONG WITH THE REASONS THEREOF:

The Company has not made any such valuation during the FY 2021-22.

### 40. MATERIAL CHANGES AND COMMITMENTS:

There were no material changes and commitments affecting the financial position of the Company, which have occurred after March 31, 2022 till the date of this report.

- In terms of Regulation 33 and 52 of the SEBI (LODR) Regulations, your Company was required to submit annual audited financial results for the financial year ended on March 31, 2022 to the stock exchanges within 60 days from the closure of the aforesaid year, i.e. by May 30, 2022. However, the Company was nearing an in-principle settlement with its erstwhile Managing Director to amicably resolve all differences, which includes a reconciliation of all historical matters. This reconciliation was verified and validated as part of the full-year accounts

finalization procedures and could be done only after conclusion of the aforementioned settlement. Hence, the Company was not able to submit the annual audited financial results for the financial year ended on March 31, 2022 within the stipulated time.

Due to delay in submission of Q4/FY 2021-22 results and annual audited financial results for the financial year ended on March 31, 2022, National Stock Exchange of India Limited has imposed a monetary penalty of ₹2,97,360/- on the Company for non-compliance with Regulation 33 and Regulation 52(4) of SEBI (LODR) Regulations, respectively and BSE Limited has imposed a monetary penalty of ₹2,97,360/- on the Company for non-compliance with Regulation 33 and Regulation 52(4) of SEBI (LODR) Regulations, respectively. The Company has paid the aforesaid penalty.

- On June 21, 2022, your Company and Mrs. Padmaja Gangireddy, erstwhile Managing Director have resolved amicably all differences including reconciliation of all historical matters by way settlement agreement. Details pertaining to settlement terms are set out in the note 52 to the Standalone financial statements forming part of this annual report.

#### 41. OTHER DISCLOSURES:

The Company has not revised Financial Statements as mentioned under section 131 of the Act.

- During the year under review, the Company has complied with the provisions of the Foreign Exchange Management (Non-Debt Instrument) Rules, 2019, read with RBI Master Direction – Foreign Investment in India issued vide notification no. RBI/FED/2017-18/60 dated January 4, 2018 (the “FED Master Direction”), the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 and the Consolidated FDI Policy, as amended.
- As per paragraph 6(A) of the SEBI circular no. CIR/CFD/CMD1/114/29 (“SEBI Circular”) dated October 18, 2019 under the SEBI Act, 1992 and the SEBI (LODR) Regulations. If the auditor resigns within 45 days from the end of a quarter of a financial year, then the auditor shall, before such resignation, issue the limited review/ audit report for such quarter.(ii) If the auditor resigns after 45 days from the end of a quarter of a financial year, then the auditor

shall, before such resignation, issue the limited review/ audit report for such quarter as well as the next quarter. (iii) Notwithstanding the above, if the auditor has signed the limited review/ audit report for the first three quarters of a financial year, then the auditor shall, before such resignation, issue the limited review/ audit report for the last quarter of such financial year as well as the audit report for such financial year.

However, your Company was required to comply with the RBI notification no. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 laying down the guidelines for appointment of statutory auditors inter alia in NBFCs and the directions of RBI as detailed in point 6.2 of this report. While your Company complied with the aforesaid RBI notification and directions, the compliance of SEBI Circular No.CIR/CFD/CMD1/114/2019 dated October 18, 2019 was not met. Hence, your Company made settlement application with SEBI on February 3, 2022 under the SEBI Settlement Regulations, 2018 to amicably settle and resolve proceedings and the final order of SEBI is awaited as on the date of this report.

#### 42. GRATITUDE AND ACKNOWLEDGEMENT:

The Board expresses its deep sense of gratitude to the Government of India, Reserve Bank of India and other regulators for the valuable guidance and support the Company has received from them during the year. The Board would also like to express its sincere appreciation co-operation and assistance received from its stakeholders, Members, Bankers and other Business Constituents during the year under review. The Board places on record its appreciation of the dedicated services and contributions made by its staff for the overall performance of the Company.

For & on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

Sd/-  
**Abanti Mitra**  
Chairperson and  
Independent Director  
DIN: 02305893

Date: July 11, 2022  
Place: Mumbai

Sd/-  
**Shalabh Saxena**  
Managing Director and Chief  
Executive Officer  
DIN: 08908237

Date: July 11, 2022  
Place: Hyderabad

## Annexure I

**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**For the Financial Year ended March 31, 2022**

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

To  
The Members,  
**M/s. Spandana Sphoorty Financial Limited**  
Plot No: 31 & 32, Ramky Selenium Towers,  
Tower A, Ground Floor, Financial Dist,  
Nanakramguda, Hyderabad TG 500032

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. Spandana Sphoorty Financial Limited** (hereinafter referred as 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 on **March 31, 2022, (i.e. from April 01, 2021 to March 31, 2022)** 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, 2022 according to the provisions of:

- A. The Companies Act, 2013 (the "Act") and the rules made thereunder;
- B. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- C. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- D. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; (**Not applicable to the Company during the Audit Period**)
- E. The rules, regulations, and directions issued by the Reserve Bank of India, as are applicable to Systemically Important Non-Deposit taking Non-Banking Financial Companies with classification as 'Investment & Credit Company'- categorized as a Micro Finance Company which are specifically applicable to the Company.
- F. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and amendments from time to time;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and amendments from time to time;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;

- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and amendments from time to time;
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) (Amendment) Regulations, 2018 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2018; **(Not applicable to the Company during the Audit Period)**
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; **(Not applicable to the Company during the Audit Period)**

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

- (i) Revised Secretarial Standards issued by “The Institute of Company Secretaries of India”.
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”) and the Listing Agreements entered into by the Company with National Stock Exchange of India Limited and BSE Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above except in respect of matters as specified in of **Annexure-I** which forms part of this report.

We further report that, having regard to the compliance system prevailing in the Company and on examination of relevant documents and records in pursuance thereof, on test check basis and on the basis of the management representation that the Company has complied with all the industrial specific applicable laws. The compliances by the Company of applicable financial laws, like direct and indirect tax laws, have not been reviewed in this audit since the same is not within the scope of our audit.

**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 notices are given to all directors to schedule the board meetings, agenda and detailed notes on agenda were sent in advance as required, 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 of decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the respective meetings.

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

**We further report that** during the audit period, the Company has:

- a) granted following Employees Stock Options (ESOPs) to its eligible employees in terms of the Spandana Employee Stock Option Plan 2018 (the “ESOP Plan”) and Spandana Employee Stock Option Scheme 2021 and Spandana Employee Stock Option Scheme 2021-A (the “ESOP Schemes”):

S. No.	Date of the Grant	No. of Employees	No. of ESOPs granted
1.	May 05, 2021	1	20,000
2.	August 14, 2021	551	12,28,000
3.	November 02, 2021	18	1,23,000
4.	March 30, 2022	3	16,60,000

- b) passed a resolution pursuant to Section 42 of the Companies Act, 2013 in its Annual General Meeting held on September 28, 2021 for approving issue of non-convertible debentures up to an aggregate amount of ₹4000,00,00,000/- under private placement basis in one or more series or tranches.



- c) issued and allotted total 60,585 (Sixty Thousand Five Hundred and Eighty-Five) Non-Convertible Debentures aggregating to ₹6,67,50,00,000/- (Six Hundred Sixty-Seven Crores Fifty Lakhs) Only on private placement basis in multiple tranches. Details are as:

S. No	Details of Debentures	Date of Allotment	No of Securities	Face Value	Amount	Name of the stock exchange on which listed
1.	<b>ISIN: INE572J07364</b> 11,000 senior, secured, rated, listed, transferable, redeemable, taxable principal protected, market linked non-convertible debentures of ₹1,00,000/- (Rupees One Lakh only) each, aggregating up-to a value of ₹110,00,00,000/- (Rupees One Hundred and Ten Crores only)	April 29, 2021	11,000	1,00,000	1,10,00,00,000	BSE Limited
2.	<b>ISIN: INE572J07372</b> 33,750 senior, secured, rated, listed, transferable, redeemable, principal protected, market linked non-convertible debentures of ₹1,00,000/- (Rupees One Lakh only) each, aggregating up-to a value of ₹337,50,00,000/- (Rupees Three Hundred and Thirty Seven Crores and Fifty lakh only)	June 16, 2021	33,750	1,00,000	3,37,50,00,000	BSE Limited
3.	<b>ISIN: INE572J07331 (Further Issue)</b> 3,000 (Three Thousand Only) Senior, Rated, Listed, Secured, Redeemable, Principal Protected, Market Linked, Non-Convertible Debentures of ₹1,00,000/- (Rupees One Lakh only) each, aggregating up-to a value of ₹30,00,00,000/- (Rupees Thirty Crores only)	July 14, 2021	3,000	1,00,000	30,00,00,000	BSE Limited
4.	<b>ISIN: INE572J07331 (Further Issue)</b> 12,500 (Twelve Thousand Five Hundred Only) Senior, Rated, Listed, Secured, Redeemable, Principal Protected Market Linked, Non-Convertible Debentures of ₹1,00,000/- (Rupees One Lakh only) each, aggregating up-to a value of ₹125,00,00,000/- (Rupees One Hundred and Twenty Five Crores only)	July 22, 2021	12,500	1,00,000	1,25,00,00,000	BSE Limited
5.	<b>ISIN: INE572J07380</b> 300 (Three Hundred Only) Secured, Rated, Listed, Redeemable, Transferable, Nonconvertible Debentures of ₹10,00,000/- (Rupees Ten Lakh only) each, aggregating up-to a value of ₹30,00,00,000/- (Rupees Thirty Crores only)	August 03, 2021	300	10,00,000	30,00,00,000	National Stock Exchange of India Limited

S. No	Details of Debentures	Date of Allotment	No of Securities	Face Value	Amount	Name of the stock exchange on which listed
6.	<b>ISIN: INE572J07398</b> 350 (Three Hundred and Fifty Only) Secured, Rated, Listed, Redeemable, Transferable, Non- convertible Debentures of ₹10,00,000/- (Indian Rupees Ten Lakh only) each, aggregating up-to a value of ₹35,00,00,000/- (Indian Rupees Thirty-Five Crores only)	March 24, 2022	35	10,00,000	35,00,00,000	National Stock Exchange of India Limited
<b>Total</b>			<b>60,585</b>		<b>6,67,50,00,000</b>	

d) partially redeemed or amortized or fully redeemed following Non-Convertible Debentures:

S. No.	Details of Debentures	Date of amortization/ full redemption
1.	<b>ISIN: INE572J07109</b> 820 (Eight Hundred and Twenty) Secured, Rated, Listed, Redeemable, Transferable, Non-convertible Debentures of face value of ₹10,00,000/- (Rupees Ten Lakhs only) each, aggregating up to ₹82,00,00,000/- (Rupees Eighty Two crores only)	June 07, 2021 (Amortization)  December 07, 2021 (Full Redemption)
2.	<b>ISIN: INE572J07117</b> 1000 (One Thousand) Rated, Listed, Secured, Redeemable Non-Convertible Debentures of face value of 10,00,000/- (Rupees Ten Lakhs only) each, aggregating up to ₹100,00,00,000/- (One Hundred Crores only)	July 01, 2021 (Amortization)  January 01, 2022 (Amortization)
3.	<b>ISIN: INE572J07141</b> 400 (Four Hundred) Rated, Listed, Secured, Redeemable Transferable Non-Convertible debentures of face value of 10,00,000/- (Rupees Ten Lakhs only) each, aggregating up to ₹40,00,00,000/- (Forty Crores only)	October 24, 2021 (Full Redemption)
4.	<b>ISIN: INE572J07158</b> 250 (Two Hundred and Fifty) Rated, Listed, Secured, Redeemable, Transferable, Non-Convertible Debentures of face value of ₹10,00,000/- (Rupees Ten Lakh Only) each, aggregating up-to ₹25,00,00,000/- (Rupees Twenty Five Crores Only)	April 29, 2021 May 29, 2021 June 29, 2021 July 29, 2021 August 29, 2021 September 29, 2021 October 29, 2021 November 29, 2021 December, 2021 January 29 2022 February 28, 2022 March 29, 2022 (Amortizations)
5.	<b>ISIN: INE572J07166</b> 800 (Eight Hundred) Senior, Secured, Rated, Listed, Redeemable, Taxable Principal Protected Market Linked (PP-MLD) Non-Convertible Debentures having face value of ₹1,00,000/- (Rupees One Lakh Only) each, aggregating up-to ₹8,00,00,000/- (Rupees Eight Crores Only)	January 20, 2022 (Full Redemption)
6.	<b>ISIN: INE572J07232</b> 1,400 (One Thousand Four Hundred) Secured, Rated, Listed, Redeemable, Transferable, Non-convertible Debentures of face value of ₹10,00,000/- (Rupees Ten Lakhs only) each, aggregating up-to ₹140,00,00,000/- (Rupees One Hundred and Forty Crores only)	August 22, 2021 November 19, 2021 February 19, 2022 (Amortizations)
7.	<b>ISIN: INE572J07240</b> 7,500 (Seven Thousand and Five Hundred) Senior, Rated, Listed, Redeemable, Principal Protected, Market-Linked (PP-MLD) Non-Convertible Debentures of face value of ₹1,00,000/- (Rupees One Lakh Only) each, aggregating up-to ₹75,00,00,000/- (Seventy-Five Crores only)	February 16, 2022 (Full Redemption)
8.	<b>ISIN: INE572J07307</b> 2,500 (Two Thousand and Five Hundred) Rated, listed, secured, Redeemable Non-Convertible Debentures having face value of ₹1,00,000/- (Rupees One Lakhs only) each, for an amount of ₹25,00,00,000/- (Rupees Twenty-Five Crore) with a green shoe option of ₹25,00,00,000/- (Rupees Twenty-Five Crores) aggregating to ₹50,00,00,000/- (Rupees Fifty Crores only)	April 07, 2021 July 07, 2021 October 07, 2021 January 07, 2022 (Amortizations)

S. No.	Details of Debentures	Date of amortization/ full redemption
9.	<b>ISIN: INE572J07315</b> 12,000 (Twelve Thousand) Secured, Rated, Listed, Redeemable, Transferable, Non-Convertible Debentures of face value of ₹10,00,000/- (Rupees Ten Lakhs only) each, aggregating up-to ₹120,00,00,000/- (One Hundred and Twenty Crores only)	May 26, 2021 August 26, 2021 November 26, 2021 February 26, 2022 (Amortizations)
10.	<b>ISIN: INE572J07380</b> 300 (Three Hundred) Secured, Rated, Listed, Redeemable, Transferable, Non-convertible Debentures of face value of ₹10,00,000/- (Rupees Ten Lakhs only) each, aggregating up-to ₹30,00,00,000/- (Rupees Thirty Crores only)	November 30, 2021 January 31, 2022 (Amortizations)

- e) During the year Company has issued equity shares and convertible warrants on a preferential basis, details of allotment are as below mentioned:

**i. Issue of Equity Shares**

S. No.	Name of the Allottee	No. of Equity Shares	Issue price/ Equity Share (₹)	Aggregate Amount (₹)
1.	Valiant Mauritius Partners Limited	3,26,954	458.78	14,99,99,956.12
2.	Valiant India Opportunities Limited	4,35,939	458.78	20,00,00,094.42
3.	Valiant Mauritius Partners Offshore Limited	7,62,893	458.78	35,00,00,050.54
4.	Kedaara Capital Fund III LLP	31,60,556	458.78	1,44,99,99,881.68
<b>Total</b>		<b>46,86,342</b>		<b>2,14,99,99,982.76</b>

**ii. Issue of fully convertible Warrants \***

S. No.	Name of the Allottee	No. of Warrants	Issue price/ Warrant (₹)	Aggregate Amount (₹)
1.	Kedaara Capital Fund III LLP	18,52,739	458.78	84,99,99,598.42
		<b>18,52,739</b>		<b>84,99,99,598.42</b>

\* Warrants converted in to Equity Shares on May 21, 2022.

For **RPR & Associates**  
Company Secretaries

Sd/-  
**Y Ravi Prasada Reddy**  
Proprietor

FCS No.5783, C P No. 5360  
Peer Review Certificate No. 1425/2021

Place: Hyderabad  
Date: July 11, 2022  
UDIN: F005783D000600377

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

## Annexure I

S No.	Compliance Requirement (Regulations/ circulars / guidelines including specific clause)	Deviations	Observations/ Remarks of the Practicing Company Secretary
1	Regulation 33, 52, 54 of LODR	Delay in submission of Q2FY22 results with the stock exchanges	The Company paid the penalty to the stock exchanges for delay in submission of Q2FY22 results.
2	Para 6 of SEBI Circular No.CIR/CFD/ CMD1/114/2019 dated October 18, 2019	S. R. Batliboi & Co. LLP, Chartered Accountants, the Statutory Auditors of the Company, who resigned on January 28, 2022 had not issued Limited Review Report for the Q3FY22.	Pursuant to Reserve Bank of India circular Ref. No. DoS.CO.ARG/ SEC.01/08.91.0 01/2021-22 dated April 27, 2021, S.R. Batliboi & Co. LLP, Chartered Accountants, Statutory Auditors who have completed 8 years with the Company would not be eligible to continue as Statutory Auditors of the Company after Q2FY22. The Company has made an application with SEBI for relinquishment of the deviation

## Annexure II

To  
The Members,  
**M/s. Spandana Sphoorty Financial Limited**  
Plot No: 31 & 32, Ramky Selenium Towers,  
Tower A, Ground Floor, Financial Dist,  
Nanakramguda, Hyderabad TG 500032

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

1. Maintenance of Secretarial records is the responsibility of the 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 process 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 process and practices followed by us 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 representations 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, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure 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 **RPR & Associates**  
Company Secretaries

Sd/-  
**Y Ravi Prasada Reddy**  
Proprietor  
FCS No.5783, C P No. 5360

Place: Hyderabad  
Date: July 11, 2022

## Annexure II

### FORM AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

### PART "A": SUBSIDIARIES

		(₹ in million)	
Sl. No.	Particulars	Details	Details
1.	Name of the subsidiary	Caspian Financial Services Limited	Criss Financial Limited
2.	Financial Year ended on	March 31, 2022	March 31, 2022
3.	Reporting currency	₹	₹
4.	Share capital	20	76.71
5.	Reserves & surplus	2.9	1,455.84
6.	Total assets	23.5	4,205.33
7.	Total Liabilities	0.6	2,672.78
8.	Investments	23.4	-
9.	Turnover	0.8	1,011.95
10.	Profit before taxation	0.7	322.10
11.	Provision for taxation	0.2	90.80
12.	Profit after taxation	0.6	231.30
13.	Proposed Dividend	Nil	Nil
14.	% of shareholding	100%	98.45%

#### 1. NAMES OF SUBSIDIARIES WHICH ARE YET TO COMMENCE OPERATIONS:

Caspian Financial Services Limited is yet to commence its commercial operations.

#### 2. NAMES OF SUBSIDIARIES WHICH HAVE BEEN LIQUIDATED OR SOLD DURING THE YEAR:

No subsidiaries have been liquidated or sold during the year under review.

The Company does not have any associate company or joint venture company during the year under review. Hence, Part B of Form AOC-1 is not applicable.

For & on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

Sd/-  
**Abanti Mitra**  
Chairperson and Independent Director  
DIN: 02305893

Sd/-  
**Shalabh Saxena**  
Managing Director and Chief Executive Officer  
DIN: 08908237

Date: July 11, 2022  
Place: Mumbai

Date: July 11, 2022  
Place: Hyderabad

## Annexure III

### FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT FOR FINANCIAL YEAR APRIL 01, 2021 TO MARCH 31, 2022

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

In pursuit of our mission to be one of the most significant microfinance service providers in the country by offering a range of financial and non-financial products and services to low income households and individuals to improve their quality of life, we constantly endeavour to deliver quality services to our clients and remunerative returns to our Investors by maintaining highest levels of transparency and integrity. In the process we strive to be the most responsive corporate citizen in the community we serve. It is therefore a conscious strategy to design and implement various programmes making a lasting impact on the society. In accordance with the Companies Act, 2013, Company has committed 2% (Net Profit before Tax) annually towards CSR initiatives. The company focusses on the constituency of women supporting them through programs designed in the domain of vocational training and women empowerment.

#### 2. Composition of CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Ramachandra Kasargod Kamath	Chairperson, Non-Executive Nominee Director	3	3
2	Mrs. Padmaja Gangireddy	Member, Non-Executive Director	3	3
3	Ms. Abanti Mitra	Member, Independent Director	3	2
4	Mr. Sunish Sharma	Member, Non-Executive Nominee Director	3	3
5	Mr. Deepak Calian Vaidya	Member, Independent Director	3	3

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

CSR Committee Weblink: <https://spandanasphoorty.com/committee>

CSR Policy Weblink: <https://spandanasphoorty.com/policies>

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

The Company has appointed Sacit Research & Consulting to undertake impact assessment for the skill and vocational training activities undertaken by the Company under vocational training programme for the FY 2021-22.

India is rapidly making strides and prioritizing gender equality promoting inclusive development for women. There is a sense of commitment to accelerate programmes at community level that enable women to be part of and contribute to the mainstream economy.

Spandana Sphoorty, in alignment with the National mandates and with specific objective of empowering women from deprived communities conceptualized and implemented a vocational training programme to impart tailoring and stitching skills. 65 centres were established in 13 states and 1981 beneficiaries successfully completed the training.

For the financial year 2021-22, an independent agency - saçit research & consulting - conducted an impact assessment.

#### Modalities of the impact study:

A purposive sampling impact assessment measured the outcomes of the programme on a framework to showcase programme relevance, community engagement, beneficiary retention and competency assessment including overall contribution of the programme to the overarching objective of women empowerment.

#### Impact of the intervention:

The assessment index highlights that 6-months vocational tailoring and stitching programme resulted in holistic capacity building for programme beneficiaries with an observed impact on values, attitude, motivation, and competencies. Further, the study highlighted that impact assessment index of cutting and tailoring trainings was of sufficient level. The notable gains in knowledge after exposing to cutting and tailoring trainings was recorded for sub-components viz., designing, cutting, stitching, surface enrichment, machine care and operation, entrepreneurial education, and precautions. Respondents acquired high skills regarding care & repair of sewing machine, cutting and stitching of lower garments and children's garments, finishing of garments and also the use of various types of trimmings for designing of stitched garments

Further, the quantitative assessment highlights that skills imparted by the programme resulted in creation of self-

employment opportunities, supplement family incomes of the local women thus enabling women to actively contribute to additional resources for the family. This in turn resulted in an increase of net monthly household income of the families of beneficiaries thus creating a financial security net and breaking paved the way for the families to break the cycle of poverty.

Qualitative assessment conducted through in-depth interview technique revealed that the respondents succeeded in changing their attitude at post-exposure level in all the trainings. The intervention played a critical role to increase women's self-confidence, sense of empowerment and resulted in them believing to contribute more financially to their respective families. Further, the assessment also revealed that significant number of direct beneficiaries are keen to transform their journey from self-employment to a micro-entrepreneurship model to spur local employment opportunity for other women in the areas thus spurring a contribution to the local economy.

The Impact assessment Report is placed on the Company's website at <https://spandanaspohorty.com>.

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

**Not Applicable**

6. Average net profit of the company as per section 135(5).
7. a. Two percent of average net profit of the company as per section 135(5) - **₹83 million**
- b. Surplus arising out of the CSR projects, programmes, or activities of the previous financial years. – **Not Applicable**
- c. Amount required to be set off for the financial year, if any- **Not Applicable**
- d. Total CSR obligation for the financial year (7a+7b-7c)- **₹83 million**

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

Total Amount Spent for the Financial Year (₹ in million)	Amount Unspent (₹ in million)				
	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.
32.65	1) 53.97 2) 20.04	1) 30-03-2021 2) 31 -03-2022	NA	NA	NA

- (b) Details of CSR amount spent against ongoing projects for the financial year:

1	2	3	4	5	6	7	8	9	10	
S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project.	Project duration.	Amount allocated for the project (₹ in million)	Amount transferred to Unspent CSR Account for the project as per section 135(6) (₹ in million)	Amount transferred to Unspent CSR Account for the project as per section 135(6) (₹ in million)	Mode of Implementation – Director (Yes/No).	
				State	District			Name	CSR Registration number.	
1	Economic Empowerment of Rural Women and Girls: Promoting Gender Equality	Empowerment of Rural Women and Girls: Promoting Gender Equality	yes	Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Kerala, MP, Maharashtra, Odisha, Rajasthan, Telangana, UP	Ongoing	24.05	NA	NA	NA	
<b>Total</b>						<b>24.05</b>				

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

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

- (d) Amount spent in Administrative overheads - ₹0.02 million
- (e) Amount spent on Impact Assessment, if applicable - NIL
- (f) Total amount spent for the Financial Year (8b+8c+8d+8e) – ₹32.65 million

## (g) Excess amount for set off, if any NA

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

## 9. (a) Details of Unspent CSR amount for the preceding three financial years:

S. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (₹ in million)	Amount spent in the reporting Financial Year (₹ in million)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years (₹ in million)
				Name of the Fund	Amount (₹ in million)	Date of transfer.	
1	2018-19	NA	NA	NA	NA	NA	NA
2	2019-20	NA	0.12	-	-	-	0
3	2020-21	73.96	32.65	NA	NA	NA	41.31
<b>Total</b>		<b>73.96</b>	<b>33.88</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41.31</b>

## (b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (₹ in million)	Amount spent on the project in the reporting Financial Year (₹ in million)	Cumulative amount spent at the end of reporting Financial Year (₹ in million)	Status of the project Completed / Ongoing
1	001	Tailoring program for women	FY 21	Ongoing	24.20	24.20	24.20	Ongoing
<b>Total</b>					<b>24.20</b>	<b>24.20</b>	<b>24.20</b>	

## 10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year –

**Not Applicable**
**(Asset-wise details).**

- Date of creation or acquisition of the capital asset(s). Not Applicable
- Amount of CSR spent for creation or acquisition of capital asset. Not Applicable
- Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. Not Applicable
- Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). Not Applicable

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

Since the implementation of CSR programs are directly handled by the Company, COVID-19 pandemic prevented the employees to reach out to the beneficiaries directly on the CSR approved projects.

The Company is considering various proposals targeting the multiple focus areas for its CSR initiatives. These initiatives, when implemented, is expected to take care of the unspent amount of earlier years which was required to be incurred by the Company to fulfil its obligations as per Section 135 of the Companies Act, 2013 and also will go a long way in fulfilling the obligations of the Company towards CSR requirements.

For and on behalf of the Corporate Social Responsibility Committee of the Board of Directors

Sd/-  
**Ramachandra Kasargod Kamath**  
 Chairperson - CSR Committee  
 DIN: 01715073  
 Bengaluru

Sd/-  
**Sunish Sharma**  
 Member  
 DIN: 00274432  
 Mumbai



## Annexure IV

### BUSINESS RESPONSIBILITY REPORT

[Pursuant to Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015]

#### SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1	Corporate Identity Number (CIN) of the Company:	: L65929TG2003PLC040648
2	Name of the Company	: Spandana Sphoorty Financial Limited
3	Registered address	: Plot No: - 31 & 32, Ramky Selenium Towers, Tower A Ground Floor, Financial Dist, Nanakramguda, Hyderabad TG 500032 IN
4	Website	: www.spandanasphoorty.com
4	E-mail id	: secretarial@spandanasphoorty.com
6	Financial Year reported	: 2021-22
7	Sector(s) that the Company is engaged in (industrial activitycode-wise)	: Financial Services (Microfinance) (NIC Code 64990)
8.	List three key products/services that the Company manufactures/provides (as in balancesheet)	: Microfinance Services i.e., providing unsecured loans for income generation activities to borrowers from economically weaker sections
9.	Total number of locations where business activity is undertaken by the Company	: 17 States and 1 Union Territory
	(a) Number of International Locations (Provide details of major 5)	: Nil
	(b) Number of National Locations	: Registered Office: 1 Corporate Office: 1 Branches: 1,049
10.	Markets served by the Company - Local/ State/ National/ International	: National

#### SECTION B: FINANCIAL DETAILS OF THE COMPANY

1	Paid up Capital (₹ in million)	: 690.95
2	Total Turnover (₹ in million)	: 13,763.38
3	Total profit after taxes (₹ in million)	: 466.38
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	: 8.2% (Includes unspent amount of ₹0.12 (million) of FY 2020-21 constituting 1.2%)
5	List of activities in which expenditure in 4 above has been incurred	: Refer Report on CSR activities forming part of Board's Report

#### SECTION C: OTHER DETAILS

1	Does the Company have any Subsidiary Company/ Companies?	: Yes
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	: Yes the Company has 2 subsidiaries and both participate in the Business Responsibility initiatives undertaken by the Company
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	: No

**SECTION D: BR INFORMATION**
**1 Details of Director/Directors responsible for BR**
**a Details of the Director/Director responsible for implementation of the BR policy/policies**

DIN Number	:
Name	: Mr. Shalabh Saxena
Designation	: Managing Director and Chief Executive Officer

**b. Details of the BR head**

DIN Number	:	08908237
Name	:	Mr. Shalabh Saxena
Designation	:	Managing Director and Chief Executive Officer
Telephone number	:	040-45474750
e-mail id	:	secretarial@spandanasphoorty.com

**2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)**

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility. These briefly are as under:

- P1** Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
- P2** Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle.
- P3** Businesses should promote the wellbeing of all employees.
- P4** Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
- P5** Businesses should respect and promote human rights
- P6** Business should respect, protect, and make efforts to restore the environment.
- P7** Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
- P8** Businesses should support inclusive growth and equitable development
- P9** Businesses should engage with and provide value to their customers and consumers in a responsible manner.

S.No. Questions	Business Ethics	Product Responsibility	Wellbeing of employees	Stakeholders engagement	Human rights	Environment	Public Policy	CSR	Customer Relations
	P1	P2	P3	P4	P5	P6	P7	P8	P9
1. Do you have a policy/ policies for	Y	No (Refer Note 1)	Y	Y	Y	No (Refer Note 2)	No (Refer Note 3)	Y	Y
2. Has the policy being formulated in consultation with the relevant stakeholders?	Y	-	Y	Y	Y	-	-	Y	Y
3. Does the policy conform to any national / international standards? If yes, specify? (50 words)	Y*	-	Y*	Y*	Y*	-	-	Y*	Y*
4. Has the policy being approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y**	-	Y**	Y**	Y**	-	-	Y**	Y**
5. Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	-	Y	Y	Y	-	-	Y	Y
6. Indicate the link for the policy to be viewed online?	www.spandanasphoorty.com								
7. Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	-	Y	Y	Y	-	-	Y	Y
8. Does the Company have in-house structure to implement the policy/ policies.	Y	-	Y	Y	Y	-	-	Y	Y

S.No.	Questions	Business Ethics	Product Responsibility	Wellbeing of employees	Stakeholders engagement	Human rights	Environment	Public Policy	CSR	Customer Relations
		P1	P2	P3	P4	P5	P6	P7	P8	P9
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances?	Y	-	Y	Y	Y	-	-	Y	Y
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	-	Y	Y	Y	-	-	Y	Y

\* All policies have been formulated in accordance with the applicable laws and regulations and after considering the best practices adopted by the industry.

\*\* All policies approved by the Board and signed by the official who oversees the implementation of such policies.

Note 1: The core business area of the Company is to provide financial services and hence this principle has limited applicability.

The Company, however, complies with all applicable regulations in respect of its operations.

Note 2: Principle 6 is not particularly relevant to the Company given that it operates in the financial services sector. Still, the Company complies with applicable environmental regulations in respect of its premises. The Company along with its employees makes continuous efforts to ensure that there is an optimum utilization of the available resources (like paper, water, energy, etc.,) with minimal or no wastage.

Note 3: The Company is a member of Microfinance Institutions Network (MFIN) and Sa-Dhan and these associations advocate, on behalf of the entire microfinance industry, with the regulator and various other bodies.

Note 4: All policies and processes are subject to internal audit and internal reviews on a periodic basis.

#### Governance related to BR

- 1 Indicate the frequency with which the Board of Directors, : Annually  
Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.
- 2 Does the Company publish a BR or a Sustainability : The BR Report forms part of the Annual Report and is available Report? What is the hyperlink for viewing this report? on the website of the Company viz. [www.spandanaspooorty.com](http://www.spandanaspooorty.com)  
How frequently it is published?

#### SECTION E: PRINCIPLE-WISE PERFORMANCE

##### PRINCIPLE 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability:

- 1 Does the policy relating to ethics, bribery and : Yes. It extends to the subsidiary companies as well.  
corruption cover only the Company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/ Contractors/NGOs/ Others?
- 2 How many stakeholder complaints have been : Following are the details of the complaints received and resolved with 100% satisfactory from various stakeholders during the FY 2021-22:  
received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

Customer complaints	Complaints received during the FY	Complaints resolved during the FY	Complaints Pending as on March 31, 2022
Customer Complaints	1,905	1,599	306
Shareholder complaints	Nil	Nil	Nil
Complaints received under Whistler Blower Policy / Vigil mechanism	Nil	Nil	Nil

**Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle:**

1	List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/ or opportunities.	Microfinance Services i.e., providing unsecured loans for income generation activities to borrowers from economically weaker sections.
2	For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional): (a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain? (b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?	Not applicable
3	Does the company have procedures in place for sustainable sourcing (including transportation)? (a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.	Not applicable
4	Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? (a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?	Yes, wherever possible.
5	Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.	Yes, wherever possible.

**Principle 3: Businesses should promote the well-being of all employees:**

1	Please indicate the Total number of employees	: <b>8,379 as on March 31, 2022</b>	
2	Please indicate the Total number of employees hired on temporary/contractual/casual basis.	: NA	
3	Please indicate the Number of permanent women employees.	: 271	
4	Please indicate the Number of permanent employees with disabilities	: 2	
5	Do you have an employee association that is recognized by management	: <b>No</b>	
6	What percentage of your permanent employees is members of this recognized employee association?	: <b>Not applicable</b>	
7	Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.		
		<b>No. of complaints filed during the financial year</b>	<b>No of complaints pending as on end of the financial year</b>
	1 Child labour/forced labour/ involuntary labour	Nil	Nil
	2 Sexual harassment	Nil	Nil
	3 Discriminatory employment	Nil	Nil
8	What percentage of your under mentioned employees were given safety & skill up- gradation training in the last year?	Total No. of Trainees were trained in safety and skill up- gradation training (April 1, 2021 to March 31, 2022) : 8,379	
	a. Permanent Employees	: 8,379	
	b. Permanent Women Employees	: 271	
	c. Casual/Temporary/Contractual Employees	: NA	
	d. Employees with Disabilities	: 2	

**Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized:**

- |   |   |   |
|---|---|---|
| 1 | Has the Company mapped its internal and external stakeholders?  | : Yes   |
| 2 | Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders.   | : Yes   |
| 3 | Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so. | : The Company is engaged in providing financial services to low income households in rural India for their lifecycle needs. In addition, the Company conducts financial literacy programmes, skill development programmes and vocational training programmes for low-income households. |

**Principle 5: Businesses should respect and promote human rights:**

- |   |   |   |
|---|---|---|
| 1 | Does the policy of the Company on human rights cover only the Company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others? | : The Company's policy on Codes of Conduct applies to the Company, its subsidiaries, all Directors and all the employees. |
| 2 | How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?       | : During the FY 2021-22, no complaint regarding human rights violation was received.                                      |

**Principle 6: Business should respect, protect, and make efforts to restore the environment:**

- |   |  |                  |
|---|--|------------------|
| 1 | Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/others.   | : Not applicable |
| 2 | Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for web page etc                  | : Not applicable |
| 3 | Does the Company identify and assess potential environmental risks? Y/N  | : Not applicable |
| 4 | Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed? | : Not applicable |
| 5 | Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc Y/N. If yes, please give hyperlink for web page, etc.                                   | : Not applicable |
| 6 | Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year Being reported?   | : Not applicable |
| 7 | Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.   | : Not applicable |

**Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner:**

- |   |   |   |
|---|---|---|
| 1 | Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:   | : The Company is a member of the following associations:<br>1. Microfinance Institutions Network (MFIN)<br>2. Sa Dhan |
| 2 | Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No, if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others) | : Yes, MFIN and Sa Dhan do MFI industry advocacy and are part of policy making related to MFI Industry.               |

**Principle 8: Businesses should support inclusive growth and equitable development:**

1	Does the Company have specified programmes/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.	: The Company support low income households in rural areas to undertake economic activities through financial support. The Company provides employment opportunity to the freshers from rural areas and family members of our customers.  In addition, the Company conducts financial literacy programmes, skill development programmes and vocational training programmes for low income house- holds.
2	Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/ any other organization?	: The Company is directly involved in planning and executing its various CSR projects.
3	Have you done any impact assessment of your initiative?	: Yes, at periodic intervals, CSR Committee and the Board of Directors are apprised with the progress and updates of the CSR initiatives undertaken as per the guidelines of Schedule VII of the Act.
4	What is your company's direct contribution to community development projects amounting INR and the details of the projects undertaken.	: Please refer to Report on CSR Activities for details.
5	Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.	: Our initiatives have been undertaken after an assessment of community needs. We work with community resources, potential and aspirations, aiming to enhance their quality of lives over time. Our projects have set timelines, whereby we aim to ensure that changes are not just visible, but sustained over a time.

**Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner:**

1	What percentage of customer complaints/consumer cases are pending as on the end of financial year	: For the FY 2021-22, the Company has resolved all the complaints received except 306 complaints as mentioned in this report.
2	Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information)	: Yes. As per Fair Practices Code, the Company displays the interest rate being charged and other practices being adopted by the Company while lending loans to its Borrowers.
3	Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anticompetitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.	: None
4	Did your company carry out any consumer survey/ consumer satisfaction trends?	: Yes, this is done periodically

## Annexure V

### DISCLOSURES ON MANAGERIAL REMUNERATION

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

SN. Requirement	Disclosure
1. The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;	Ratio of remuneration of Mr. Shalabh Saxena for the FY 2021-22 is 1: 366.48# Ratio of remuneration of Mrs. Padmaja Gangireddy for the FY 2021-22 is 1: 320.67* Ratio of remuneration of Ms. Abanti Mitra, Mr. Ramachandra Kasargod Kamath, Mr. Deepak Calian Vaidya, Mr. Jagdish Capoor, and Mr. Bharat Dhirajlal Shah for the FY 2021-22 is 1:12.2
2. The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary, or Manager, if any, in the financial year 2021-22	<b>Director</b> Mrs. Padmaja Gangireddy- Managing Director*: 0% Mr. Shalabh Saxena- Managing Director & Chief Executive Officer#: 0% <b>KMP's other than Directors:</b> Mr. Ashish Kumar Damani- President & Chief Financial Officer\$: 0% Mr. Ramesh Periasamy- Company Secretary and Compliance Officer: 5% Mr. Satish Kottakota- Chief Financial Officer**: 0%
3. The Percentage Increase in the Median Remuneration of Employees in the Financial Year.	51.6%
4. The number of permanent employees on the rolls of the company (as of March 31, 2022)	8,379 as on March 31, 2022
5. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	The average percentile increase in the remuneration of all employees (other than managerial personnel) for the FY: 2021-22 stand at 54.2% whereas average percentile increase in the remuneration of managerial personnel stands at 13.40 %. Further, there were no exceptional circumstances for increase in the managerial remuneration during the FY 2021-22.
6. Affirmation that the remuneration is as per the remuneration policy of the company.	The Company affirms that the remuneration is as per the remuneration policy of the Company.

# Appointed as Managing Director and Chief Executive Officer on the Board w.e.f. March 19, 2022.

\* Resigned as Managing Director w.e.f. November 02, 2021.

\*\* Resigned as Chief Financial Officer w.e.f. October 1, 2021.

\$Appointment as President and Chief Financial Officer w.e.f. March 19, 2022.

For & on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

Sd/-

**Abanti Mitra**

Chairperson and Independent Director  
DIN: 02305893  
Place: Mumbai

Sd/-

**Shalabh Saxena**

Managing Director and Chief Executive Officer  
DIN: 08908237  
Place: Hyderabad

## Corporate Governance Report

(Pursuant to Section 134 of the Companies Act, 2013 and Part C of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

Corporate governance is about promoting fairness, transparency, accountability, disclosure, commitment to values, ethical business conduct and about considering all stakeholders' interest, trust and maximizing long term corporate value while conducting business.

This report outlines compliance with requirements of the Companies Act, 2013, as amended (the 'Act'), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto, (the 'SEBI Listing Regulations') and the Master Direction - Non-Banking Financial Companies – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('the RBI Master Directions'), as applicable to the Company.

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance refers to, but not limited to, a set of laws, regulations and good practices & systems that enable an organisation to perform efficiently and ethically to generate long term wealth and create value for all its stakeholders. Sound governance practices and responsible corporate behaviour contribute to superior long term performance of organisations. Corporate governance is the creation and enhancement of long-term sustainable value for our stakeholders through ethically driven business process. We, strongly believe in the practice of conducting the business activities in an ethical manner that ensures high level of accountability and trust for all our stakeholders.

Our principals of Corporate Governance is entrenched in our values and policies and also embedded in our day-to-day business practices, leading to value driven growth. We have adopted the best governance practices and disclosure standards leading to enhanced shareholders' value while protecting the interest of all the stakeholders.

We at Spandana are committed towards achieving highest standards of Corporate Governance through efficient conduct of our business and meeting the obligations towards our stakeholders. We strongly emphasize on transparency, fairness, professionalism, accountability and integrity.

### 2. BOARD OF DIRECTORS

The Board plays a pivotal role in ensuring good corporate governance. The Board of Directors is the apex body that governs the overall functioning of the Company. Keeping with the commitment to the principle of integrity and transparency in business operations for good corporate governance, the Company's policy is to have an

appropriate blend of independent and non-independent directors to maintain the independence of the Board and to separate the Board functions of governance and management.

All the Board of Directors are entrusted with the ultimate responsibility of the management, general affairs, direction and performance of the Company and has been vested with the requisite powers, authorities and duties.

#### a. Composition

The composition of the Board is in conformity with Regulations 17 of the SEBI Listing Regulations, which stipulates that the Board should have an optimum combination of Executive and Non-Executive directors with a woman director and that at least fifty percent (50%) of the Board should consist of Non-Executive directors. It further stipulates that if the chairperson of the Board is a Non-Executive and Non-promoter director then at least one-third of the board should comprise of Independent Directors.

As on March 31, 2022, the Company is managed and controlled by a professional Board of Directors, which comprise of Ten (10) Directors as mentioned in the table below. Of the Ten Directors, nine are Non-Executive Directors and out of which four are Independent Directors. The Chairperson of the Board is a Independent Director. The profiles of Directors are available at <https://spandanaspfoorty.com/board-of-directors/>.

#### b. Fit and Proper Criteria:

All the Directors of the Company have confirmed that they satisfy the fit and proper criteria of Directors at the time for their appointment/re-appointment and on a continuing basis as prescribed under the RBI Master Directions.

#### Board Meetings

The Board meets at regular intervals to discuss and decide on Company/business policy and strategy apart from other Board business. The Board/Committee Meetings are pre-scheduled and a tentative annual calendar of the Board and Committee Meetings is circulated to the Directors well in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. However, in case of a special and urgent business need, the Board's approval is taken by passing resolutions by circulation, as permitted under the Act, which are noted and confirmed in the subsequent Board/Committee Meeting.



During the Financial Year ended March 31, 2022, Thirteen (13) Board Meetings were held on May 22, 2021, August 14, 2021, October 08, 2021, October 09, 2021, October, 27, 2021, October 28, 2021, November 02, 2021, November 22, 2021, November 29, 2021, January 05, 2022, January

10, 2022, February 14, 2022 and March 18, 2022. The meetings were held at least once in quarter and The gap between two meetings has been less than one hundred and twenty days. The required quorum was present at all the above meetings. The details of attendance of the

Directors at the Board Meetings held during the Financial Year 2021-22 and the last Annual General Meeting is given herein below:

S. No.	Name of Directors	Category	No. of shares held by director	No. of Board meetings attended during FY2022 (Out of 13)	Whether attended the Annual General Meeting held on September 28, 2021
1.	Ms. Abanti Mitra*	Chairperson and Independent Director	4,247	12	Yes
2.	Mr. Bharat Dhirajlal Shah	Independent Director	Nil	13	Yes
3.	Mr. Deepak Calian Vaidya*	Independent Director	Nil	13	Yes
4.	Mr. Jagadish Capoor	Independent Director	Nil	13	No
5.	Mrs. Padmaja Gangireddy**	Non-Executive Director	10,300,953	8	Yes
6.	Mr. Ramachandra Kasargod Kamath	Non-Executive Nominee Director	Nil	12	Yes
7.	Mr. Kartikeya Dhruv Kaji	Non-Executive Nominee Director	Nil	13	Yes
8.	Mr. Sunish Sharma	Non-Executive Nominee Director	Nil	13	Yes
9.	Mr. Amit Sobti	Non-Executive Nominee Director	Nil	12	Yes
10.	Mr. Shalabh Saxena***	Managing Director & Chief Executive Officer	Nil	NA	NA

(Note: Leave of absence was granted to the Directors who could not attend the respective meetings, if any.)

\*\* Resigned from the position of Managing Director w.e.f. November 02, 2021

\*Ms. Abanti Mitra appointed as the Chairperson of the Board of Directors and Mr. Deepak Calian Vaidya stepped down from the position of chairperson w.e.f. November 22, 2021.

\*\*\*Appointed as a Managing Director and Chief Executive Officer w.e.f. March 19, 2022.

### Board Independence

Pursuant to Section 149(6) of the Act read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Regulation 16(1)(b) of the SEBI Listing Regulations, all the Independent Directors of the Company have provided the declaration to the Board confirming satisfaction of the conditions of their independence.

In the opinion of the Board, the Independent Directors fulfil the conditions as specified in Schedule V of the SEBI Listing Regulations and are independent of the management. None of the Independent Directors has resigned before the expiry of their respective tenures during the Financial Year 2021-22.

Further, none of the Directors of the Company are related to each other.

### Membership of other Boards

None of the Directors of the Company hold directorships in more than twenty companies including in more than Ten (10) public companies. Pursuant to Regulation 17A of the SEBI Listing Regulations, none of the Directors on the Company hold directorship in more than seven listed companies and independent directorship in more than Seven (7) listed companies. The Managing Director of the Company do not hold directorship as an Independent Director in any other listed company. Further, pursuant to Regulation 26 of the SEBI Listing Regulations, none of the Directors is serving as a member of more than Ten (10) committees or as the chairperson of more than Five (5) committees.

The information relating to the number and category of other directorships and committee chairpersonships/memberships held by the Directors in other Public Companies as on March 31, 2022 is given herein below:

Name of the Director	Designation	Number of Directorship in other public companies <sup>1</sup>			Number of committee positions held in other public companies <sup>2</sup>		
		Listed	Name of the Listed Company	Category of Directorship	Unlisted	Chairperson	Membership
Ms. Abanti Mitra	Chairperson and Independent Director	1	Vedant Fashions Limited	Non-Executive - Independent Director	1	3	-
Mr. Bharat Dhirajlal Shah	Independent Director	3	Strides Pharma Science Limited	Non-Executive - Independent Director	-	1	4
			3M India Limited	Non-Executive - Independent Director-Chairperson			
			Exide Industries Limited	Non-Executive - Independent Director-Chairperson			
Mr. Deepak Calian Vaidya	Independent Director	2	Strides Pharma Science Limited	Non-Executive - Non Independent Director	3	1	4
			Indraprastha Medical Corporation Limited	Non-Executive - Independent Director			
Mr. Jagadish Capoor	Independent Director	1	LIC Housing Finance Limited	Non-Executive - Independent Director	1	1	1
Mrs. Padmaja Gangireddy	Non-Executive Director	-	-	-	4	-	1
Mr. Ramachandra Kasargod Kamath	Non-Executive Nominee Director	2	Aavas Financiers Limited	Non-Executive Nominee Director	1	-	2
			Centrum Capital Limited	Non-Executive Non Independent Director			
Mr. Kartikeya Dhruv Kaji	Non-Executive Nominee Director	1	Aavas Financiers Limited	Non-Executive Nominee Director	3	-	3
Mr. Sunish Sharma	Non-Executive Nominee Director	1	Vedant Fashions Limited	Non-Executive Nominee Director	1	-	-
Mr. Amit Sobti	Non-Executive Nominee Director	-	-	-	-	-	-
Mr. Shalabh Saxena	Managing Director & Chief Executive Officer	-	-	-	-	-	-

**Note:**

1. Other directorships do not include directorships of private limited companies, foreign companies, companies under Section 8 of the Act and Partnership in limited liability Partnership firms.
2. The information pertaining to the chairperson/memberships of committees of the board held by the directors includes only Audit Committee and Stakeholders' Relationship Committee held in other public companies.

In compliance with Regulation 17(1A) of the SEBI Listing Regulations, the Members of the Company had approved the continuation of the directorship of Mr. Jagdish Capoor, Mr. Deepak Calian Vaidya and Mr. Bharat Dhirajlal Shah who had attained the age of seventy-five year, by passing a special resolution with requisite majority in the general meeting held on July 11, 2019, July 30, 2019 and September 28, 2021 respectively. The offices held by the directors are in compliance with the Act and the SEBI Listing Regulations.

The shorter notice of Board / Committee Meetings is given to all the Directors. Agenda of the Board / Committee Meetings is set by the Company Secretary in consultation with the Managing Director of the Company. The Agenda is circulated for the Meeting. The Agenda includes an Action Taken Report comprising of actions emanating from the Board/ Committee Meetings and status updates thereof. The Agenda for the Board and Committee Meetings cover items set out as per the Act, regulations under SEBI Listing Regulations and Directions issued by RBI to the extent it is relevant and applicable. The Agenda for the Board and Committee Meetings include detailed notes on the items to be discussed at the Meeting to enable the Directors to take an informed decision. The Company also provides an option to its Directors to participate at each of the Board/ Committee meetings through audio/video conference.

With reference to the matters, where it is not practicable to circulate any document or the agenda item is of confidential nature, the same is circulated separately or tabled at the meeting, as the case may be. In special and exceptional circumstances, consideration of additional agenda items is taken up with the permission of the Chairperson and with the consent of majority of Directors present at the meeting. Prior approval from the Board is obtained for circulating the agenda items with shorter notice for matters that form part of the Board and Committee Agenda and are considered to be in the nature of Unpublished Price Sensitive Information (UPSI).

At the Board meetings, presentations are made by senior management covering the plans, performance, operations, financial performance, risk management, compliance status and other issues and matters which the Board wants to be appraised of on a periodic basis. The Company Secretary is responsible for collation, review and distribution of all papers submitted to the Board and Committees thereof for consideration and convening of the Board and Committee Meetings. The Company Secretary attends all the Meetings of the Board and its Committees. He advises / assures the Board and its Committees on Compliance and Governance principles and ensures appropriate recording of minutes of the Meetings. With a view to leverage technology and reducing paper consumption, the Company circulates the agenda papers and all the relevant annexures via e-mail. The Company meets high standards of security and

integrity that are required for storage and transmission of Board /Committee Agenda in electronic form.

The draft minutes of the Board and Committee meetings are circulated amongst the Directors/Members for their perusal and comments in accordance with Secretarial Standard-1 (SS-1) issued by Institute of Company Secretaries of India. Suggestions, if any, received from the Directors/Members are suitably incorporated in the draft minutes, in consultation with the Chairperson of the Board/Committee.

#### **Separate Meeting of Independent Directors**

Separate meeting of the Independent Directors was held on May 22, 2021 without the presence of the Non-Executive Non-Independent Directors, Managing Director and the Management team of the Company. The matters considered and discussed thereat, inter-alia included those prescribed in Regulation 25 of the SEBI Listing Regulations and Schedule IV of the Act.

#### **Familiarization Programmes for the Independent Directors**

The Company has in place the familiarization program for the Independent Directors appointed from time to time. The program aims to familiarize the Independent Directors with various aspects of the Company including the nature of financial services industry, operations and performance of the Company and its subsidiaries, roles, rights and responsibilities of the Independent Directors; and other relevant information required by Independent Directors to discharge their functions. Periodic presentations are made at the Board and Committee meetings by the senior management of the Company.

The details of familiarization Programme imparted to the Independent Directors of the Company are available on the Company's website at <https://spandanashoorty.com/independent-directors/>.

#### **Code of Conduct**

The Company has in place a comprehensive Code of Conduct and Code applicable to the Directors and employees (collectively "the Codes"). The Codes give guidance and support needed for ethical conduct of business and compliance of law. The Codes reflect the core values of the Company viz. Customer Value, Ownership Mindset, Respect, Integrity, One Team and Excellence. A copy of the Code of Conduct and Our Code has been put up on the Company's website at <https://spandanashoorty.com/code-of-conduct/>.

The Codes have been circulated to Directors and Management Personnel, and its compliance is affirmed by them annually as per Regulation 26(3) of the SEBI Listing Regulations. A declaration signed by the Company's Managing Director to this effect forms part of the Annual Report on page no. 93.

### Board Diversity

The Company has in place a policy on Board Diversity. Diversity is ensured through consideration of a number of factors, including but not limited to skills, regional and industry experience, background and other qualities. The current composition of the Board represents an optimal mix of professionalism, knowledge and experience and enables the Board to discharge its responsibilities and provide effective leadership to the business.

The following Table give details of the skills/expertise/competence identified by the Board of Directors pursuant to Regulation 34(3) read with Schedule V Part (C) (2)(h)(ii) of Listing Regulations and currently available with the Board. However, the absence of mark against a member's name does not necessarily mean that the member does not possess the corresponding qualification or skill.

Directors	Financial Acumen	Legal and Compliance	Corporate Governance	ALM and Risk Management	Strategy and Strategic Planning	Information Technology and Digital	Active Contributor to the Board/ Committee	Understanding of Business/ Industry	Mentor
Ms. Abanti Mitra	✓	-	✓	✓	✓	✓	✓	✓	✓
Mr. Bharat Dhirajlal Shah	✓	-	✓	✓	✓	-	✓	✓	✓
Mr. Deepak Calian Vaidya	✓	✓	✓	-	-	-	✓	✓	✓
Mr. Jagdish Capoor	✓	-	✓	✓	-	-	✓	✓	✓
Mrs. Padmaja Gangireddy	✓	-	✓	✓	✓	-	✓	✓	-
Mr. Ramachandra Kasargod Kamath	✓	✓	✓	✓	✓	-	✓	✓	✓
Mr. Amit Sobti	✓	-	✓	-	✓	✓	✓	✓	-
Mr. Kartikeya Dhruv Kaji	✓	-	✓	✓	✓	✓	✓	✓	-
Mr. Sunish Sharma	✓	-	✓	✓	✓	-	✓	✓	✓
Mr. Shalabh Saxena	✓	✓	✓	✓	✓	✓	✓	✓	✓

The brief profiles of Directors are also available on the website of the Company <https://spandanaspohorty.com/board-of-directors> and forms part the annual report on page no. 28.

### 3. COMMITTEES OF THE BOARD

The Board Committees play a crucial role in the governance structure of the Company and have been constituted to deal with specific areas / activities as mandated by applicable regulation; which concern the Company and need a closer review. The Committees of the Board are set up under the formal approval of the Board to carry out clearly defined roles which are considered to be performed by Members of the Board, as a part of good governance practice. The Chairperson of the respective Committee informs the Board about the summary of the discussions held in the Committees Meetings. The minutes of the meetings of all Committees are placed before the Board for review. During the year, all recommendations of the Committees of the Board which were mandatorily required have been accepted by the Board.

The composition and functioning of these board committees is in compliance with the applicable provisions of the Act, SEBI Listing Regulations and the corporate governance directions issued by Reserve Bank of India, as applicable.

The Board has established the following statutory and non-statutory Committees:-

- Audit Committee
- Nomination and Remuneration Committee
- Stakeholders' Relationship Committee
- Risk Management Policy

- IT Strategy Committee
- Management Committee
- Asset-Liability Management Committee

#### A. Audit Committee

##### Composition

Pursuant to the Section 177 of the Act read with applicable rules thereto and in accordance with Regulation 18 read with Part D of Schedule II of SEBI Listing Regulations and RBI Master Directions, the Company has an Audit Committee, meeting the composition prescribed thereunder with a minimum of two-third of its members (including Chairperson) being independent directors. All members are non-executive directors, are financially literate and have accounting or related financial management expertise.

The members of the Audit Committee consist of five (5) Non-Executive Directors of which four (4) are Independent Directors. The Committee is chaired by Ms. Abanti Mitra- Non Executive Independent Director along with Mr. Kartikeya Dhruv Kaji- Non Executive Nominee Director, Mr. Bharat Dhirajlal Shah- Non Executive Independent Director, Mr. Deepak Calian Vaidya- Independent Director and Mr. Jagdish Capoor- Independent Director as members.

The composition of the Committee is in adherence to provisions of the Act, SEBI Listing Regulations and the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

All members of the Committee are financially literate and learned, experienced and well known in their respective fields. The Committee acts as a link between the Statutory Auditors, the Internal Auditors and the Board of Directors of the Company. The Company Secretary acts as the Secretary to the Committee. The Meetings of the Audit Committee are also attended by the Chief Financial Officer, Internal Auditors and the Statutory Auditors as invitees. The minutes of each Audit Committee meeting are circulated amongst the members for their approval.

RBI, vide its circular dated February 03, 2021, had introduced risk based internal audit for NBFCs. In terms of the said circulars, applicable NBFCs shall put forth a risk based internal audit framework by March 31, 2022. The Audit Committee, at their meeting held on January 05, 2022, has approved the implementation of such framework for the Company.

#### Terms of Reference

The terms of reference of the Audit Committee, inter alia, includes the following:

- a) Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- b) Recommending to the Board, the appointment, re-appointment, and replacement, remuneration, and terms of appointment of the statutory auditor, internal auditor and cost auditor;
- c) Reviewing and monitoring the auditor's independence and performance and the effectiveness of audit process;
- d) Approving payments to the statutory auditors, internal auditor and cost auditor, for any other services rendered by them;
- e) Reviewing with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
  - (i) Matters required to be stated in the Director's responsibility statement to be included in the Board's report in terms of Section 134(3)(c) of the Act;
  - (ii) Changes, if any, in accounting policies and practices and reasons for the same;
  - (iii) Major accounting entries involving estimates based on the exercise of judgment by management;
  - (iv) Significant adjustments made in the financial statements arising out of audit findings;
  - (v) Compliance with listing and other legal requirements relating to financial statements;
  - (vi) Disclosure of any related party transactions; and
  - (vii) Qualifications and modified opinions in the draft audit report.
- f) Reviewing with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
- g) Scrutiny of inter-corporate loans and investments;
- h) Valuation of undertakings or assets of the Company, wherever it is necessary;
- i) Evaluation of internal financial controls and risk management systems;
- j) Approval or any subsequent modification of transactions of the Company with related parties;  
Explanation: The term "related party transactions" shall have the same meaning as provided in Clause 2(zc) of the SEBI Listing Regulations and/or the applicable Accounting Standards and/or the Act.
- k) 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 utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- l) Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;
- m) Reviewing, with the management, the performance of statutory and internal auditors and adequacy of the internal control systems;
- n) 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;
- o) Discussion with internal auditors on any significant findings and follow up thereon;
- p) 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;
- q) Discussion with statutory auditors, internal auditors and cost auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- r) 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;
- s) Approval of appointment of the chief financial officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;

- t) Reviewing the functioning of the whistle blower mechanism, in case the same is existing;
- u) Carrying out any other functions as provided under the Act, the Listing Regulations and other applicable laws;
- v) To formulate, review and make recommendations to the Board to amend the Audit Committee charter from time to time;
- w) To review the financial statement with respect to its subsidiaries, if any, in particular investments made by the unlisted subsidiaries;
- x) To examine the efficacy of audit functions and systems and suggesting steps on a periodic basis (quarterly, half yearly) for its improvement.
- y) To facilitate smooth conduct of audits by external agencies, Statutory Auditors, RBI, lenders and any other external auditors as appointed by the Company or any other stakeholders (lenders, shareholders, regulators, government etc.)
- z) To report, on a quarterly basis, the key findings of the quarter, as well as the action taken report on the same for previous quarters, to the Board of Directors.
- aa) To review compliance of various inspections and audit reports of internal, concurrent and statutory auditors and commenting on the action taken report prepared by the management and ensuring submission to the Board of the Company from time to time.
- bb) To monitor and review all frauds that may have occurred in the Company involving an amount of ₹0.1 million and above or as decided from time to time.
- cc) To report such frauds and other flag-offs to the Board of Directors regulators and other stakeholders, as the case warrants, along with the extent of losses. This would include drafting a calendar of reporting frauds and the remedial measures taken, to the Board of the Company.
- dd) To conduct a root cause analysis and identify the systemic lacunae, if any, that may have facilitated perpetration of the fraud and put in place measures to rectify the same. Also, to ascertain reasons for delay in detection of such frauds, if any.
- ee) To ensure the staff accountability is examined at all levels in all the cases of frauds and actions, if required, is completed quickly without loss of time.
- ff) To review efficacy of remedial actions taken to prevent recurrence of frauds, such as strengthening internal controls and putting in place other measures as may be considered relevant to strengthen preventive mechanism.
- gg) Reviewing and recommending to the board of directors of the Company potential risks involved in any new business plans and processes; and

- hh) Framing, devising, monitoring, assessing and reviewing the risk management plan and policy of the Company from time to time and recommend for amendment or modification thereof;
- ii) Any other similar or other functions as may be laid down by Board from time to time and/or as may be required under applicable laws.”

The Chairperson of the Audit Committee apprises the Board of Directors about significant discussions and decisions taken at the Audit Committee meetings.

#### Meeting and Attendance

During the Financial Year 2021-22, five (5) Audit Committee Meetings were held on May 22, 2021, August 14, 2021, November 22, 2021, January 05, 2022 and February 14, 2022. The required quorum was present for all the Audit Committee meetings. The gap between two meetings did not exceed 120 days. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of the Member	Position	No. of Meetings held	No. of Meetings attended
Ms. Abanti Mitra	Chairperson	5	5
Mr. Kartikeya Dhruv Kaji	Member	5	5
Mr. Bharat Dhirajlal Shah	Member	5	5
Mr. Deepak Calian Vaidya	Member	5	5
Mr. Jagdish Capoor	Member	5	5

#### B. Nomination and Remuneration Committee

##### Composition

The Nomination and Remuneration Committee (the “NRC”) has been constituted by the Company in accordance with Section 178(1) of the Act and applicable ruled thereto and in accordance with Regulation 19 read with Part D of Schedule II of SEBI Listing Regulation. The members of the NRC consist of three (3) Non-Executive Directors of which two (2) are Independent Directors. The Committee is chaired by Mr. Bharat Dhirajlal Shah, Non- Executive Independent Director along with Ms. Abanti Mitra- Non- Executive Independent Director and Mr. Kartikeya Dhruv Kaji- Non- Executive Nominee Director as members.

The composition of the Committee is in adherence to provisions of the Act, SEBI Listing Regulations and the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

##### Terms of Reference

The terms of reference of the NRC, inter alia, includes the following:

- a) Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees in accordance with Section 178(4) of the Act;

- b) Formulation of criteria for the performance of evaluation of independent directors and the Board;
- c) Devising a policy on Board diversity;
- d) Identify persons who are qualified to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance. The Company shall disclose the remuneration policy and the evaluation criteria in its annual report;
- e) To determine key performance indicators of senior executives of the Company and specify deliverables for the executive in line with the business plan of the Company.  
 "Senior executive to include the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Whole Time Directors, the Head of Departments of various functions and other key managerial personnel as decided from time to time in consultation with the Board of the Company and other stakeholders."
- f) To objectively examine the annual manpower plan in relation to the business plan of the company and to examine management recommendations regarding manpower strategy and suggest corrective actions, if required.
- g) To finalise top tier organization structure including top field level functionaries and direct reportees on a periodical basis or as and when required.
- h) To evaluate and approve the compensation packages of above mentioned persons with particular reference to fixed and variable pay (including bonuses and Employees Stock Options).
- i) To recommend to the Board a policy, relating to remuneration for the Directors and Key Managerial Personnel
- j) Determining the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;
- k) Perform such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, including the following:
- (i) administering employee stock option schemes, employee stock purchase schemes, stock appreciation rights schemes, general employee benefits scheme and retirement benefit schemes (the "Schemes");
  - (ii) delegating the administration and superintendence of the Schemes to any trust set up with respect to the Schemes;
- (iii) formulating detailed terms and conditions for the Schemes including provisions specified by the Board of Directors of the Company in this regard;
  - (iv) determining the eligibility of employees to participate under the Schemes;
  - (v) granting options to eligible employees and determining the date of grant;
  - (vi) determining the number of options to be granted to an employee;
  - (vii) determining the exercise price under of the Schemes; and
  - (viii) Construing and interpreting the Plan and any agreements defining the rights and obligations of the Company and eligible employees under the Schemes, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the Schemes.
- l) Framing suitable policies and systems to ensure that there is no violation of securities laws by, the Company, its employees or trust set up with respect to the Schemes, if any, of any applicable laws in India or overseas, including:
- m) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; and
  - n) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended;
  - o) Determine whether to extend or continue the terms of appointment of the independent directors, on the basis of the report of performance evaluation of independent directors; and
  - p) Perform such other activities as may be delegated by the Board of Directors and/or are statutorily prescribed under any law to be attended to by such committee.
- The NRC also considers and approves the grant of Stock Options to the employees/directors of the Company and/or its subsidiaries in accordance with the Employee Stock Option Scheme formulated by the Company pursuant to the applicable provisions of the Act and the Regulations issued by Securities and Exchange Board of India (SEBI).

### Meetings and Attendance

During the Financial Year 2021-22, Seven (7) NRC Meetings were held on May 21, 2021, August 14, 2021, November 02, 2021, November 22, 2021, November 29, 2021, March 17, 2022 and March 30, 2022. The required quorum was present for all the NRC meetings. The

details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of the Member	Position	No. of Meetings held	No. of Meetings attended
Mr. Bharat Dhirajlal Shah	Chairperson	7	7
Ms. Abanti Mitra	Member	7	7
Mr. Kartikeya Dhruv Kaji	Member	7	7

#### Criteria for Performance Evaluation of Directors:

In compliance with provisions of SEBI Listing Regulations and pursuant to the provisions of Section 134, 178 of the Act read with Schedule IV (as per section 149) annexed to the Act and the Rules made there under, the Company has framed a Policy on Performance Evaluation of Directors which laid down the criteria of performance evaluation of Board, its Committees and Individual Directors.

An annual performance evaluation for the Financial Year 2021-22 was carried out in an independent and fair manner in accordance with the Policy, as stated above. The performance evaluation of the Directors and the Board and its committees are conducted through separate structured questionnaires, one each for Independent and Non-Executive Directors, Managing Director, Committees and the Board as a whole. The Evaluation process focused on various aspects of the functioning of the Board and Committees such as composition of the Board, improving Board effectiveness, performance of Board Committees, Board knowledge sessions and time allocation for strategic issues, etc. Separate exercise was carried out to evaluate the

performance of individual Directors on parameters such as attendance, contribution and independent judgment.

As an outcome of the above exercise, it was noted that the Board as a whole is functioning as a cohesive body which is well engaged with different perspectives. The Board Members from different backgrounds bring about different complementarities and deliberations in the Board and Committee and the meetings are enriched by such diversity and complementarities. It was also noted that the Committees are functioning well and besides the Committee's terms of reference as mandated by law, important issues are brought up and discussed in the Committees.

#### Policy on Nominations & Remuneration for Directors, Key Managerial Personnel, Senior Management and Other Employees

In terms of the provisions of the Act read with applicable rules and SEBI Listing Regulations, the Board of Directors adopted the 'Remuneration Policy' covering aspects relating to remuneration to be paid to Directors including criteria for making payment to Executive and Non-Executive Directors, senior management including key managerial personnel and other employees of the Company.

The Nomination and Remuneration Policy is adopted to inter-alia ensure that remuneration paid by the Company is in compliance with the requirements of the applicable law(s) and relationship of remuneration to performance is clear and meets appropriate performance benchmarks. The Remuneration Policy is available on the website of the Company at <https://spandanaspfoorty.com/policies/>.

#### Remuneration to Directors

##### (i) Details of remuneration paid / payable to the Directors for the year ended March 31, 2022:

Name of the Directors	Salary, Perquisite & Pension	Remuneration Fees	Commission	Stock Options	Total	Shareholding (Equity in No.)
Ms. Abanti Mitra	-	20,00,000	-	-	20,00,000	4,247
Mr. Bharat Dhirajlal Shah	-	20,00,000	-	-	20,00,000	-
Mr. Deepak Calian Vaidya	-	20,00,000	-	-	20,00,000	-
Mr. Jagdish Capoor	-	20,00,000	-	-	20,00,000	-
Mrs. Padmaja Gangireddy	2,82,03,526	-	-	-	-	1,03,00,953
Mr. Ramachandra Kasargod Kamath	-	20,00,000	-	-	20,00,000	-
Mr. Kartikeya Dhruv Kaji	-	-	-	-	-	-
Mr. Sunish Sharma	-	-	-	-	-	-
Mr. Amit Sobti	-	-	-	-	-	-
Mr. Shalabh Saxena	15,72,581	-	-	-	15,72,581	-

Sitting fees and commission are paid as per the details provided in the Form MGT-7 (annual return) which is hosted on the website of the Company and can be accessed at <https://spandanaspfoorty.com/annual-reports>.

##### (ii) Criteria of making payments to Non-Executive Directors:

The criteria for making payment to Non-Executive Directors including Independent Directors are prescribed in the Nomination and Remuneration Policy which is available on the website of the Company at <https://spandanaspfoorty.com/policies/>.

##### (iii) Details of fixed components and performance linked incentives along with the Performance Criteria:

The Board of Directors at its meeting held on March 18, 2022 had approved the following remuneration of Mr. Shalabh Saxena, Managing Director of the Company:



Particular	Mrs. Padmaja Gangireddy*	Mr. Shalabh Saxena
Fixed Salary	₹3,00,00,000 (Indian Rupees three Crore only) per annum	₹4,50,00,000/- (Rupees Four Crore Fifty Lakh only) per annum to be paid monthly on a pro-rated basis
Variable Salary	<p>i In the event that the Company's Profit before Tax is greater than ₹550 crore for FY 2019-20, ₹700 crore for FY 2020-21 and ₹875 crore for FY 2021-22, the Variable Salary shall be equivalent to 75% (seventy-five percent) of the Fixed Component.</p> <p>ii In the event that the Company's Profit before Tax is less than as mentioned in point (i) and greater than or equal to ₹510 crore for FY 2019-20, ₹580 crore for FY 2020-21 and ₹670 crore for FY 2021-22, the Variable Salary shall be equivalent to 37.5% (thirty seven point five percent) of the Fixed Component.</p>	a variable year-end performance-linked bonus of up to ₹1,50,00,000/- (Rupees One Crore Fifty Lakh Only) payable annually on a pro-rated basis
Stock-based compensation	NA	Entitled to a grant of 9,80,000 stock options, equivalent to approximately 1.50% of the shareholding of the Company.
Other Benefits	<p>i Entitlement of Leave and its encashment as per rules of the Company;</p> <p>ii Contribution to Provident Fund: As per rules of the Company;</p> <p>iii Gratuity: As per rules of the Company;</p> <p>iv Company (owned and maintained) car and telephone (both mobile and land lines), fax and internet at residence for official and personal use;</p> <p>v Provision of personal secretary;</p> <p>vi Reimbursement of Expenses: Expenses incurred for travelling, board and lodging during business trips and provision of car(s) for use on Company's business and communication expenses at residence shall be reimbursed on actual basis and not considered as perquisites.</p> <p>vii The Managing Director is not subject to retire by rotation.</p>	<p>i Entitlement of Leave and its encashment as per rules of the Company;</p> <p>ii Contribution to Provident Fund: As per rules of the Company;</p> <p>iii Gratuity: As per rules of the Company;</p> <p>iv Company (owned and maintained) car for official and personal use.</p>

\*Resigned from the position of Managing Director w.e.f. November 02, 2021.

#### (iv) Details of service contracts, notice period, severance fees

Mrs. Padmaja Gangireddy*	Mr. Shalabh Saxena#
Mrs. Padmaja Gangireddy is eligible for a severance fee of 12 month's pay upon termination of the Employment Agreement by the Board**. Service contract and the notice period are as per the terms of agreement entered into by her with the Company. The tenure of the Managing Director was valid till April 18, 2022, However, Mrs. Gangireddy tendered her resignation as the Managing Director of the Company w.e.f. November 02, 2021.	Mr. Shalabh Saxena is eligible for a severance of 3 months' notice or fee of 3 month's pay upon termination of the Employment Agreement by the Board. Service contract and the notice period are as per the terms of agreement entered into by her with the Company. The Current tenure of the Managing Director is valid till March 18, 2027. Mr. Saxena has been appointed as the Managing Director and Chief Executive Officer w.e.f. March 19, 2022.

\*Resigned from the position of Managing Director w.e.f. November 02, 2021

\*\*The details of severance fees paid to Mrs. Reddy forms part of the notes to accounts of audited standalone financials at note no.52

#Appointed as the Managing Director and Chief Executive Officer w.e.f. March 19, 2022

#### (v) Stock options, details, if any and whether issued at discount as well as the period over which accrued and over which exercisable

The Company has issued 9,80,000 stock options to Mr. Shalabh Saxena, Managing Director and Chief Executive Officer of the Company on March 30, 2022 governed under Spandana Employee Stock Option Plan, 2021 Series-A and Spandana Employee Stock Option Scheme, 2021 Series-A (ESOP 2021 Series-A).

#### (vi) Pecuniary relationship or transactions of the Non-Executive Directors with the Company:

During Financial Year 2021-22, there were no pecuniary relationship/transactions of any non-executive directors with the Company, apart from remuneration as directors and transactions in the ordinary course of business and on arm's length basis at par with any member of general public. During Financial Year 2021-22, the Company did not advance any loans to any of its directors.

### C. Corporate Social Responsibility Committee

#### Composition

The Corporate Social Responsibility ("the CSR") Committee is constituted in accordance with Section 135 of the Act and the members of the CSR consist of five (5) Non-executive Directors of which two (2) are Independent directors. The Committee is chaired by Mr. Ramachandra Kasargod Kamath, Non-Executive Nominee Director along with Ms. Abanti Mitra- Non Executive Independent Director, Mrs. Padmaja Gangireddy - Non Executive Director, Mr. Sunish Sharma- Non Executive Nominee Director and Mr. Deepak Vaidya- Non Executive Independent Director as members.

#### Terms of Reference

The broad terms of reference of the CSR, inter alia, includes the following:

- a. The Board shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.
- b. The company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.
- c. The following are regarded as activities relating to Corporate Social Responsibility:
  - (i) Eradicating extreme hunger and poverty;
  - (ii) Promotion of education;
  - (iii) Promoting gender equality and empowering women
  - (iv) Reducing child mortality and improving maternal health;
  - (v) Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
  - (vi) Ensuring environmental sustainability;
  - (vii) Employment enhancing vocational skills;
  - (viii) Social business projects;
  - (ix) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
  - (x) Slum Area Development.

#### Meetings and Attendance

During the Financial Year 2021-22, three (3) CSR Meetings were held on May 21, 2021, August 11, 2021 and March 30, 2022. The required quorum was present

for all the CSR meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of the Member	Position	No. of Meetings held	No. of Meetings attended
Mr. Ramachandra Kasargod Kamath	Chairperson	3	3
Ms. Abanti Mitra	Member	3	2
Mrs. Padmaja Gangireddy	Member	3	3
Mr. Sunish Sharma	Member	3	3
Mr. Deepak Vaidya	Member	3	3

### D. Stakeholders' Relationship Committee

#### Composition

The Stakeholders' Relationship Committee ("the SRC") Committee is constituted in accordance with Section 178 of the Act and the applicable rules thereto and in accordance with Regulation 20 of the SEBI Listing Regulations. The members of the SRC consist of five (5) Non-Executive Directors of which three (3) are Independent director. The Committee is chaired by Ms. Abanti Mitra, Independent Director along with Mr. Kartikeya Dhruv Kaji- Non Executive Nominee Director, Mr. Ramachandra Kasargod Kamath- Non Executive Nominee Director, Mr. Deepak Calian Vaidya- Non Executive Independent Director and Mr. Jagdish Capoor- Non Executive Independent Director as the members.

#### Terms of Reference

The terms of reference of the SRC, inter alia, includes the following:

- a. Various aspects of interest of shareholders, debenture holders and other security holders, including complaints related to the transfer of shares, including non-receipt of share certificates and review of cases for refusal of transfer/transmission of shares and debentures, non-receipt of balance sheet, non-receipt of annual reports, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings, or any other documents or information to be sent by the Company to its shareholders, etc. and assisting with quarterly reporting of such complaints;
- b. Allotment of shares, approval of transfer or transmission of shares, debentures or any other securities;
- c. Dematerialisation of shares and re-materialisation of shares, issue of duplicate certificates and new certificates on split/consolidation/renewal;
- d. Overseeing the performance of the registrars and transfer agents of our Company and to recommend measures for overall improvement in the quality of investor services;
- e. Review of measures taken for effective exercise of voting rights by shareholders.

- f. Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.
- g. Review of 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
- h. Carrying out any other function as prescribed under the Listing Regulations, Act and the rules and regulations made thereunder, each as amended or other applicable laws.

### Meetings and Attendance

During the Financial Year 2021-22, four (4) SRC Meetings were held May 21, 2021, August 11, 2021, January 05, 2022, and February 14, 2022. The required quorum was present for all the SRC meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of the Member	Position	No. of Meetings held	No. of Meetings attended
Ms. Abanti Mitra	Chairperson	4	2
Mr. Kartikeya Dhruv Kaji	Member	4	4
Mr. Ramachandra Kasargod Kamath	Member	4	4
Mr. Deepak Calian Vaidya	Member	4	4
Mr. Jagdish Capoor	Member	4	4

### Details of Investor Grievances:

Mr. Ramesh Periasamy, Company Secretary is the Compliance Officer for resolution of Shareholders' / Investors' grievances. During the Financial Year 2021-22, no complaints were received from investors/ shareholders of the Company, as on March 31, 2022.

## E. Risk Management Committee

### Composition

The Risk Management Committee (the "RMC") manages the integrated risk and intimates the Board about the progress made in the risk management system, risk management policy and strategy evaluation of the Policy. The Risk Management Committee of the Board has been constituted as per the requirements of the Act and as per the Regulation 21 of the SEBI Listing Regulations. The members of the RMC consist of four (4) Non-Executive Directors of which two (2) are Independent director. The Committee is chaired by Mr. Ramachandra Kasargod Kamath-Non Executive Nominee Director along with Mr. Kartikeya Dhruv Kaji- Non Executive Nominee Director, Mr. Bharat Dhirajlal Shah- Non Executive Independent Director and Mr. Jagdish Capoor- Non Executive Independent Director as members.

The composition of the Committee is in adherence to provisions of the Act, SEBI Listing Regulations and the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

The Company has a risk management framework duly approved by its Board. The Committee and the Board periodically review the Company's risk assessment and minimisation procedures to ensure that management identifies and controls risk through a properly defined framework.

RBI, vide its circular dated May 16, 2019, mandated NBFCs with asset size of more than ₹5,000 crore to appoint a chief risk officer (CRO). Pursuant to that, Mrs. Sharmila S. had been appointed as Chief Risk Officer of the Company. Mrs. Sharmila S. resigned from the position of Chief Risk Officer w.e.f. June 29, 2022. Subsequently, the Company had identified an incumbent as a replacement.

### Terms of Reference

The terms of reference of the RMC, inter alia, includes the following:

- a. To review company's risk management policies in relation to various risks (credit, market, liquidity, operational and reputation risk)
- b. To review the risk return profile of the Company, Capital adequacy based on risk profile of the MFI's balance sheet, business continuity plan and disaster recovery plan, key risk indicators and significant risk exposures and implementations of enterprise risk management.
- c. To hold such risk reviews to ensure adequate monitoring as may be felt necessary by the internal as well as external stakeholders and to apprise the Board of the Company on a periodic basis.

### Meetings and Attendance

During the Financial Year 2021-22, three (3) RMC Meetings were held on May 21, 2021, August 14, 2021 and March 30, 2022. The required quorum was present for all the RMC meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of the Member	Position	No. of Meetings held	No. of Meetings attended
Mr. Ramachandra Kasargod Kamath	Chairperson	3	3
Mr. Kartikeya Dhruv Kaji	Member	3	3
Mr. Bharat Dhirajlal Shah	Member	3	3
Mr. Jagdish Capoor	Member	3	3

## F. IT Strategy Committee

### Composition

The IT Strategy Committee has been constituted pursuant to RBI Master Direction - Information Technology Framework for the NBFC Sector. The Committee consists of three (3) Non-Executive Director of which one (1) is Independent Director. The Committee is chaired by Ms. Abanti Mitra, an Non Executive Independent Director along with Mr. Kartikeya Dhruv Kaji- Non Executive Nominee Director and Mr. Amit Sobti- Non Executive Nominee Director as members.

### Terms of Reference

The terms of reference of the IT Strategy Committee, inter alia, includes the following:

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls."

### Meetings and Attendance

During the Financial Year 2021-22, Two (2) IT Strategy Committee Meetings were held on August 11, 2021 and November 09, 2021. The required quorum was present in both the meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of the Member	Position	No. of Meetings held	No. of Meetings attended
Ms. Abanti Mitra	Chairperson	2	2
Mr. Kartikeya Dhruv Kaji	Member	2	2
Mr. Amit Sobti	Member	2	1

## G. Management Committee

### Composition

The Board of Directors has constituted the Management Committee (the "MC") consists of three (3) Non-Executive Director of which one (1) is Independent Director. The Committee is chaired by Mr. Ramachandra Kasargod Kamath, Non-Executive Nominee Director along with Mr. Kartikeya Dhruv Kaji- Non Executive Nominee Director, Mr. Sunish Sharma- Non Executive Nominee Director and Ms. Abanti Mitra- Non Executive Independent Director as member. During the Financial Year 2021-22, the MC was reconstituted w.e.f. November 02, 2021 along with revised terms of reference.

### Terms of Reference

The terms of reference of the Management Committee, inter alia, includes the following:

- to apply for loans and to provide security including hypothecation of book debts of the Company at such terms and conditions as may be decided by the Committee from time to time;
- to borrow moneys from time to time subject to an aggregate amount of ₹5,000 crores from the date of passing of this resolution;
- to determine the terms of the Issue(s) of Debentures, and finalise the terms and conditions of such

Issue(s) including the number of Debentures to be allotted in each Issue, Issue Price, Face Value, Rate of Interest, Redemption Period, the nature of security etc. for the purpose of raising funds in its absolute discretion deem fit and to do all such acts, deeds and things as may be required necessary in this regard;

- to sell loan portfolios of the Company upto a limit of ₹1,000 crores per sanction;
- to securitize the loan receivables arising from an identified pool of loans ("Receivables") provided to various persons from time to time standing in the books of the Company upto a limit of ₹1,000 crores per sanction;
- to purchase book debts of other micro-finance/ NBFC Companies upto a limit of ₹50 crores per sanction;
- to grant loans including inter corporate loans and advances on such terms and conditions as it may deem fit;
- to give guarantee or provide security for securing the loans or advances availed or to be availed by its subsidiaries and group companies;
- to authorize Company official/s for execution of agreements, deeds and documents on behalf of the Company, including any loan documents;
- to change and authorise any officials of the Company to operate the Bank Accounts of the Company;
- to invest funds of the Company in Fixed Deposits to the extent necessary to avail credit facilities/ loans from the Banks/ Financial Institutions etc. and to invest surplus funds in liquid funds (i.e. mutual funds etc.) for the benefit of the Company;
- to decide remuneration including basic salary, allowances, incentives, perquisites, travel allowance and any other welfare measures for the benefit of the employees of the Company other than Directors;
- to incur capital expenditure outside the annual business plan up to a limit of ₹10 lakh between two Board Meetings;
- to appoint /authorize Company official/s for execution of documents, agreement, deeds and papers as may be required from time to time in relation to day to day operations of the Company;
- to manage and take control the day to day affairs of the Company as required to be performed for smooth functioning of the Company including but not limited to appoint, remove/terminate, suspend, promote, transfer, align the nature of works of any of the employees of the Company;
- to make applications for obtaining licenses, registrations, connections, clearances, services etc. and to authorize/appoint directors/employees/officers for signing applications, returns, forms, bonds, agreements, documents, papers etc. and for representing Company before the authorities under various Laws including but not limited to

Corporate Laws, Industrial Laws, Tax Laws, Labour Laws and other Business Laws applicable to the Company in respect of all present and future offices of the Company, for compliance of all provisions, rules, clauses, regulations, directives and other related matters under the said Laws, which may be applicable to the Company;

- q. to approve new products as specified in the policy of the company or by the regulator and rolling out of business in new geographies in which products (new as well as existing) can be rolled out;
- r. to review lease, assign, sell, transfer or otherwise dispose of, any fixed assets or investments, whether by one transaction or by a series of transactions (whether related or not).

\* Term of reference of the MC changed in the Board Meeting held on November 02, 2021.

### Meetings and Attendance

During the Financial Year 2021-22, 29 MC Meetings were held on April 28, 2021, April 29, 2021, June 15, 2021, June 16, 2021, June 28, 2021, June 30, 2021, July 13, 2021, July 14, 2021, July 17, 2021, July 22, 2021, August 03, 2021, August 16, 2021, August 26, 2021, August 30, 2021, September 04, 2021, September 13, 2021, September 30, 2021, October 27, 2021, November 09, 2021, December 11, 2021, December 17, 2021, December 22, 2021, January 14, 2022, February 18, 2022, March 10, 2022, March 16, 2022, March 17, 2022, March 17, 2022 and March 31, 2022. The required quorum was present in all the above meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of the Member	Position	No. of Meetings held	No. of Meetings attended
Mr. Ramachandra Kasargod Kamath	Chairperson	29	9*
Mr. Kartikeya Dhruv Kaji	Member	29	25
Mr. Sunish Sharma	Member	29	14 <sup>^</sup>
Ms. Abanti Mitra	Member	29	28

\*Appointed as a Chairperson and member of Management Committee w.e.f. November 02, 2021.

<sup>^</sup>ceased to be a member of Management Committee w.e.f. November 02, 2021.

## H. Asset Liability Management Committee (ALM)

### Composition

Pursuant to of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ("Master Direction"), the ALM was constituted by the Board of Directors at its meeting held on October 31, 2019 by demerging the Management Committee. The Committee consists of three members, viz., Mr. Kartikeya Dhruv Kaji- Non Executive Nominee Director, Mr. Tarun Yarlagadda- Senior Manager, Treasury and Mr. Milind Naik- Vice President - Fund Raising and is functioning under the supervision of the Board of Directors. the ALM was reconstituted w.e.f. January 05, 2022 during the Financial Year 2021-22.

### Terms of Reference

The terms of reference of the ALM, inter alia, includes the following:

- To manage the Balance Sheet of the Company within the risk parameters laid down by the Board of Directors or a Committee thereof, with a view to manage the current income as well as to take steps for enhancing the same;
- To review the capital & profit planning and growth projections of the Company in line with the business plan and ensure that the same is reported to the Board of the Company;
- To put in place an effective liquidity management policy, including, inter alia, the funding strategies, liquidity planning under alternative crisis scenarios, prudential limits and to review the same periodically;
- To articulate the interest rate view of the Company and decide the pricing methodology for advances in line with extant regulatory guidelines;
- To oversee the implementation of the ALM system and review the functioning periodically and to ensure that the decisions taken on financial strategy are in line with the objectives of the Committee;
- To consider and recommend any other matter related to liquidity and market risk management to the Board of Directors of the Company for suitable action;
- To forecast and analyse the 'What if scenario' and preparation of contingency plan.

### Meetings and Attendance

During the Financial Year 2021-22, Three (3) ALM Meetings were held on May 21, 2021, August 26, 2021 and February 28, 2022. The required quorum was present in all the above meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of the Member	Position	No. of Meetings held	No. of Meetings attended
Mrs. Padmaja Gangireddy**	Member	2	2
Mr. Abdul Feroz Khan (Resigned w.e.f. November 15, 2021)	Member	2	2
Mr. Madhusudhan Kesiraju (Resigned w.e.f. June 09, 2021)	Member	2	2
Mr. Tarun Yarlagadda	Member	3	3
Mr. Satish Kottakota (Resigned w.e.f. October 01, 2021)	Member	2	1
Mr. Milind Naik <sup>^</sup>	Member	1	1
Mr. Kartikeya Dhruv kaji <sup>^</sup>	Member	1	1

\*\*Ceased to be a member of ALM w.e.f. January 05, 2022.

<sup>^</sup>Appointed as a member of ALM w.e.f. January 05, 2022.

#### 4. GENERAL MEETINGS/POSTAL BALLOT

##### (i) The details of Annual General Meeting ("AGM") held during the last 3 years and the special resolutions passed thereat are as under:

Meeting	Day/Date/Time	Location	Summary of Special Resolutions passed
16 <sup>th</sup> Annual General Meeting	Day: Thursday Date: July 11, 2019 Time: 10.00 A.M.	Plot No. 31 & 32, Ramky Selenium Towers, Tower A, Financial District, Nanakramguda, Hyderabad-500032	<ol style="list-style-type: none"> <li>Approval for issue of Non-Convertible Debentures (NCDs) on private placement basis</li> <li>Approval for granting loan(s)/advance(s) and guarantee to Abhiram Marketing Services Limited, a Group Company</li> <li>Amendment of the existing Articles of Association of the Company.</li> <li>Continuation of the directorship of Mr. Jagdish Capoor (DIN: 00002516) as an Independent Director for the remaining period of the term.</li> <li>Approval of the payment of Annual Fees to Non-Executive Directors (including the Independent Directors) of the Company.</li> </ol>
17 <sup>th</sup> Annual General Meeting	Day: Wednesday Date: September 30, 2020 Time: 03.00 P.M.	Through Video Conferencing (VC)/ Other Audio Visual Means(OAVM) facility	Nil
18 <sup>th</sup> Annual General Meeting	Day: Tuesday Date: September 28, 2021 Time: 11:30 A.M.	Through Video Conferencing (VC)/ Other Audio Visual Means(OAVM) facility	<ol style="list-style-type: none"> <li>Continuation of directorship of Mr. Bharat Dhirajlal Shah, as an Independent Director for the remaining period of the existing term.</li> <li>Approval of revision in overall borrowing power of the Company under Section 180(1) (c) of the Act.</li> <li>Approval of creation of charge / mortgage on the asset of the Company under Section 180(1)(a) of the Act.</li> <li>Approval of the issue of Non-Convertible Debentures (NCDs) on Private Placement Basis.</li> <li>Approve institution of Spandana Employee Stock Option Plan 2021 – Series A and Spandana Employee Stock Option Scheme 2021 – Series A.</li> <li>Approval of grant of Employee Stock Options to the employees of Subsidiary Companies of the Company under Spandana Employee Stock Option Plan 2021 – Series A and Spandana Employee Stock Option Scheme 2021 – Series A.</li> <li>Approval of grant of Employee Stock Options to the identified employees during any one year, equal to or exceeding one percent of the issued capital of the Company at the time of grant of option.</li> </ol>

##### (ii) The details of Business transacted through Postal Ballot during the Financial Year 2021-22:

During the Financial Year 2021-22, the Company has passed the following Special Businesses through Postal Ballot (including e-voting) on Thursday February 10, 2022, Tuesday March 08, 2022, Wednesday March 16, 2022 conducted in accordance with the provisions of Sections 108 and 110 and other applicable provisions of the Act read together with Rules 20 and 22 of the Companies (Management and Administration) Rules, 2014 (as amended), Secretarial Standard (SS-2) on General Meetings and the SEBI Listing Regulations:

##### Postal Ballot No 1: Thursday, February 10, 2022:

S. No.	Description of the Resolution	Type of the Resolution	Number of votes polled	Votes cast in favour		Votes cast against	
				No. of votes	%	No. of votes	%
1.	Issue of securities by means of Qualified Institutional Placements ("QIPs")	Special Resolution	47,368,749	47,313,431	99.88	55,318	0.12

**Postal Ballot No 2: Tuesday, March 08, 2022:**

S. No.	Description of the Resolution	Type of the Resolution	Number of votes polled	Votes cast in favour		Votes cast against	
				No. of votes	%	No. of votes	%
1.	Appointment of Walker Chandiook & Co. LLP, Chartered Accountants as the Statutory Auditors of the Company	Ordinary Resolution	48,790,144	37,918,746	77.72	10,871,398	22.28

**Postal Ballot No 3: Wednesday, March 16, 2022**

S. No.	Description of the Resolution	Type of the Resolution	Number of votes polled	Votes cast in favour		Votes cast against	
				No. of votes	%	No. of votes	%
1.	Issue of Warrants on a Preferential Basis to Kedaara Capital Fund III LLP	Special Resolution	57,522,193	46,646,774	81.09	10,875,419	18.91
2.	Issue of Equity Shares on a Preferential Allotment/Private Placement Basis to Kedaara Capital Fund III LLP	Special Resolution	57,522,193	46,646,775	81.09	10,875,418	18.91
3.	Issue of Equity Shares on a Preferential Allotment/Private Placement Basis to Valiant Mauritius Partners Limited, Valiant India Opportunities Limited and Valiant Mauritius Partners Offshore Limited	Special Resolution	57,522,193	46,646,857	81.09	10,875,336	18.91

The Company had provided the facility to its Members to cast their votes electronically through the e-voting platform of Kfin Technologies Limited. and NSDL, as an alternate to casting votes by physical ballot. The Company had appointed Mr. Y. Ravi Prasada Reddy, Company Secretary, Proprietor of M/s. RPR & Associates, Company Secretaries, Hyderabad, for Postal Ballot No-1, 2 and 3 to conduct the Postal Ballot process in a fair and transparent manner. The Company followed the procedure as prescribed under the Act, the Rules made thereunder, the Secretarial Standard on General Meetings (SS-2) and other applicable statutes, if any, for conducting the Postal Ballot.

The scrutiniser's report for the above postal ballot has been placed on the Company's website and can be accessed at <https://spandanasphoorty.com/corporate-announcement/>.

**5. Management Discussion and Analysis Report**

The Management Discussion and Analysis Report for the Financial Year 2021-22, prepared in accordance with the SEBI Listing Regulations, forms part of the Annual Report.

**6. Due Dates for Transfer of Unclaimed Dividend to Investor Education and Protection Fund**

In terms of Section 125 of the Act, unclaimed dividends are required to be transferred to the Investors Education and Protection Fund. There is no dividend which remained unclaimed pertaining to previous years and year under review and hence, there is no requirement of transferring the same to the Investors Education and Protection Fund for the year under the review.

**7. Means of Communication**

Effective communication of information is an essential component of Corporate Governance. It is the process of sharing information, ideas, thoughts, opinions and plans to all stakeholders which promotes relations between the management and shareholders. The Company regularly interacts with its stakeholders through multiple channels of communication.

**(i) Quarterly/Annual Financial Results**

The quarterly/annual financial results are regularly submitted to the Stock Exchanges in accordance with the SEBI Listing Regulations and published in Business Standard- English newspaper and in Nava Telangana- Telugu newspaper. The quarterly/annual results, press releases and the presentations made to the Institutional Investors/Analysts are also uploaded on the website at [www.spandanasphoorty.com](http://www.spandanasphoorty.com) (Prior to December 25, 2021, the website of the Company was hosted at [www.spandanaindia.com](http://www.spandanaindia.com)).

**(ii) Website**

The Company's website viz., [www.spandanasphoorty.com](http://www.spandanasphoorty.com) provides information about the businesses carried on by the Company. It is the primary source of information to all the stakeholders of the Company and to general public at large. It also contains a separate dedicated section on Investor Relations. Financial Results, Annual Reports, Shareholding Pattern, Quarterly Corporate Governance Report, various policies adopted by the Board and other general information about the Company and such other disclosures as

required under the Listing Regulations, are made available on the Company's website.

During the Financial Year 2021-22, the website of the Company was migrated from [www.spandanaindia.com](http://www.spandanaindia.com) to [www.spandanaspfoorty.com](http://www.spandanaspfoorty.com) for better outreach.

**(iii) Annual Report**

Annual Report containing, inter alia, the Standalone and Consolidated Financial Statements, Board's Report, Auditors' Report and other important information is circulated to the shareholders of the Company prior to the AGM. The Report on Management Discussion and Analysis forms part of this Annual Report. The Annual Report of the Company is also available on its website and also on the website of BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE").

**(iv) Price Sensitive Information**

All price sensitive information and such other matters which in the opinion of the Company are of importance to the shareholders/investors are promptly intimated to the Stock Exchanges in terms of the Company's Policy for Determination of Materiality of Events/Information and the Listing Regulations.

**(viii) Press releases/Investor Updates and Investor presentations:**

The Company uploads the investor presentation, press release, earning call details periodically on BSE and NSE and also on the website of the Company for the benefit of all the stakeholders.

**(v) Corporate Filings with Stock Exchanges:**

The Company is regular in filing of various reports, certificates, intimations etc. to the BSE and NSE. This includes filing of audited and unaudited results, shareholding patterns, Corporate Governance Report, intimation of Board Meeting/general meeting and its proceedings.

**(vi) Investor Service**

The Company has appointed Kfin Technologies Limited as Registrar and Transfer Agent and have been authorised to take care of investors' complaints. The secretarial department also assists in resolving various investor complaints. The Company has created a separate e-mail id [secretarial@spandanaspfoorty.com](mailto:secretarial@spandanaspfoorty.com) exclusively for the investors to communicate their grievances to the Company.

**(vii) SEBI Complaints Redress System (SCORES):**

The investor complaints are processed in a centralized web-based complaints redressal system through SCORES. The Action Taken Reports are uploaded online by the Company for any complaints received on SCORES platform, thereby making it convenient for the investors to view their status online.

## 8. General Shareholder Information

### a) 19<sup>th</sup> Annual General Meeting

Day and Date	Wednesday, September 21, 2022
Time	3.00 p.m. (IST)
Venue	The Company is conducting meeting through video conferencing (VC)/ other audio visual means (OAVM) pursuant to the MCA circular. For details please refer to the Notice of 19 <sup>th</sup> AGM.
Financial Year	2022-2023
Dividend Payment Date	NA
The name and address of each stock exchange(s) at which the listed entity's securities are listed and a confirmation about payment of annual listing fee to each of such stock exchange(s).	<p><b>BSE Limited</b> P J Towers, Dalal Street, Mumbai – 400 001. Tel: 91 22 2272 1233/4 Fax: 91 22 2272 1919 Website: <a href="http://www.bseindia.com">www.bseindia.com</a></p> <p><b>National Stock Exchange of India Limited</b> Exchange Plaza, 5<sup>th</sup> Floor, Plot no. C/1, G Block, Bandra- Kurla Complex, Bandra (East), Mumbai – 400 051. Tel: 91 22 26598100/14 Fax: 91 22 26598120 Website: <a href="http://www.nseindia.com">www.nseindia.com</a></p> <p>The Company has paid the annual listing and custodian fees for the Financial Year 2022-2023 to the Stock Exchanges and Depositories</p>
Stock Code:	
BSE Limited	542759
National Stock Exchange of India Limited	SPANDANA
Demat ISIN in NSDL & CDSL	INE572J01011



**b) Tentative Schedule for the Meetings for the financial year 2022-23:**

Particulars	Period
For consideration of Unaudited/Audited Financial Results	
First quarter ending June 30, 2022 (subject to Limited Review)	On or before August 14, 2022
Second quarter and half year ending September 30, 2022 (Unaudited)	On or before November 14, 2022
Third quarter and nine months ending December 31, 2022 (Unaudited)	On or before February 14, 2023
Fourth quarter and financial year ending March 31, 2023(Audited)	On or before May 30, 2023

**c) Book Closure Date:** The Register of Members of the Company shall not be closed as the Company has opted for the Cut Off date for determining the eligibility of e-Voting at the AGM in accordance with the provisions of the Act.

**d) Unpaid/Unclaimed Dividend:** The Company has not declared dividend in last 7 years and hence the provisions of section 124 of the Act is not applicable to the Company.

**e) Details of Securities Listed on Stock Exchanges:**

The Company's Equity Shares are listed on the following Stock Exchanges:

- BSE Limited
- National Stock Exchange of India Limited

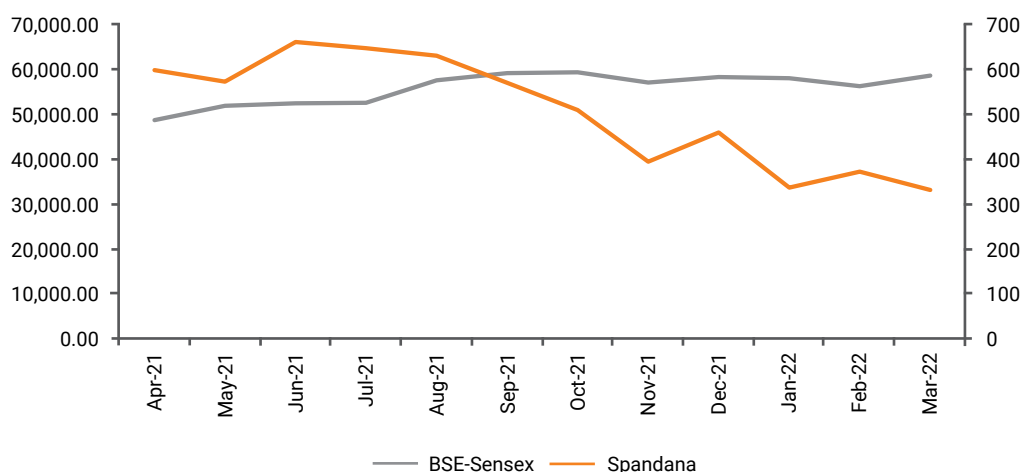
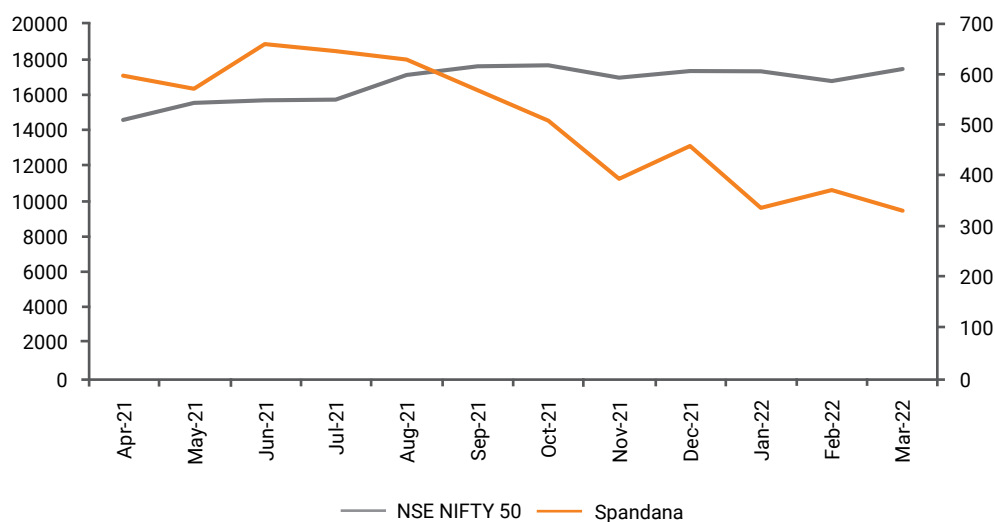
The Company's also has its various Non-Convertible Debentures which are listed on the following Stock Exchanges and ISIN details for these NCDs are as under:

S. No	ISIN	Stock Exchange	Payment of Annual Listing Fees (FY 2022-23)
1.	INE572J07117		
2.	INE572J07125		
3.	INE572J07133		
4.	INE572J07158		
5.	INE572J07174		
6.	INE572J07182		
7.	INE572J07190	BSE Limited	Yes
8.	INE572J07208		
9.	INE572J07224		
10.	INE572J07273		
11.	INE572J07299		
12.	INE572J07331		
13.	INE572J07364		
14.	INE572J07372		
15.	INE572J07216		
16.	INE572J07232		
17.	INE572J07257		
18.	INE572J07265		
19.	INE572J07281		
20.	INE572J07307		
21.	INE572J07315	National Stock Exchange of India Limited	Yes
22.	INE572J07323		
23.	INE572J07240		
24.	INE572J07299		
25.	INE572J07331		
26.	INE572J07349		
27.	INE572J07356		
28.	INE572J07380		
29.	INE572J07398		

**f) Market Price Data**

Details of monthly open, high, low and close prices and volume of equity shares of the Company traded on BSE and NSE from April 01, 2021 to March 31, 2022 are given herein below:

Month	BSE Limited		National Stock Exchange of India Limited	
	High Price (₹)	Low Price (₹)	High Price (₹)	Low Price (₹)
April-21	641.85	513.60	641.90	479.8
May-21	626.05	552.2	625.80	551.70
June-21	820.00	563.00	820.00	561.00
July-21	745.00	641.00	746.00	640.25
August-21	664.55	588.30	664.40	588.55
September-21	675.55	568.00	671.00	567.45
October-21	581.90	503.30	582.00	502.10
November-21	568.50	384.00	573.00	392.20
December-21	514.00	393.50	515.00	393.00
January-22	464.45	331.75	464.35	331.55
February-22	459.80	333.55	459.95	333.35
March-22	408.00	325.30	394.00	323.00

**Performance of Company's equity shares as compared with S&P BSE SENSEX during Financial Year ended March 31, 2022:**

**Performance of Company's equity shares as compared with NSE NIFTY 50 during Financial Year ended March 31, 2022:**


- g) **Registrar & Share Transfer Agent:** The Company has appointed KFin Technologies Limited (“KFinTech”) as its Registrar and Transfer Agent. All share transfers and related operations are conducted to KFinTech. **Kfin Technologies Limited.** (Formerly known as “Kfin Technologies Private Limited”) (Unit: Spandana Sphoorty Financial Limited)  
Selenium Tower B, Plot 31 & 32,  
Financial District, Nanakramguda, Serilingampally Mandal,  
Hyderabad - 500 032, Telangana.  
Phone No: 1- 800-309-4001  
Email: einward.ris@kfintech.com

- h) **Share transfer system:** SEBI vide Notification dated June 8, 2018 had restricted the transfer of shares in physical form with effect from December 5, 2018. As on March 31, 2022, all the shares of the Company are traded in dematerialized mode and are freely tradable. Further, pursuant to Regulation 40(9) and 61(4) of the SEBI Listing Regulations, a half-yearly certificate of compliance with the share/debt transfer formalities is obtained from the Company Secretary in Practice and a copy of the certificate is filed with BSE and NSE within the prescribed time.

- i) **Distribution of Shareholding as on March 31, 2022:**

Category	Shareholders		Equity Shares	
	Number	Percentage (%)	Number	Percentage (%)
1 - 5,000	28,480	95.03	1,855,184	2.68
5,001 - 10,000	747	2.49	565,939	0.82
10,001 - 20,000	343	1.14	503,894	0.73
20,001 - 30,000	124	0.41	319,192	0.46
30,001 - 40,000	56	0.19	201,399	0.29
40,001 - 50,000	38	0.13	176,379	0.26
50,001 - 100,000	77	0.26	543,179	0.79
100,001 & above	104	0.35	64,929,364	93.97
<b>Total</b>	<b>29,969</b>	<b>100.00</b>	<b>69,094,530</b>	<b>100.00</b>

- j) **Categories of Shareholders as on March 31, 2022**

Category	No. of shareholders	No. of Equity Shares	Holding in Equity Share Capital (%)
Promoter and Promoter Group	4	4,32,64,641	62.62
Mutual Fund	2	1,301	0.00
Alternative Investment Funds	3	26,35,901	3.81
Foreign Portfolio Investor	52	84,20,621	12.19
Financial Institution/Banks	2	2,83,631	0.41
Individuals	28,537	45,48,073	6.58
NBFC	0	0	0.00
Trust	2	8,04,345	1.16
Non-Resident Indians	511	2,26,153	0.33
Clearing Members	57	1,35,091	0.20
Overseas corporate Bodies	2	45,01,127	6.51
Non Resident Indian Non Repatriable	128	40,532	0.06
Qualified Institutional Buyer	1	30,54,560	4.42
Bodies Corporate	163	12,19,086	1.76
<b>Total</b>	<b>29,336</b>	<b>6,90,94,530</b>	<b>100.00</b>

- k) **List of Top Ten Public Shareholders as on March 31, 2022**

S. No.	Name of the Shareholder	No. of shares	Percentage (%)
1.	Kangchenjunga Limited	2,93,03,172	42.41
2.	Mrs. Padmaja Gangireddy	1,03,00,953	14.91
3.	Valiant Mauritius Partners FDI Limited	38,48,823	5.57
4.	Kedaara Capital Fund III LLP	31,60,556	4.57
5.	ICICI Prudential Life Insurance Company Limited	30,54,560	4.42
6.	Valiant Mauritius Partners Offshore Limited	25,30,344	3.66
7.	Valiant India Opportunities Ltd	16,97,082	2.46
8.	JM Financial India Trust II-JM Financial India Fund	16,12,313	2.33
9.	Goldman Sachs Funds - Goldman Sachs India Equity P	13,09,991	1.90
10.	Valiant Mauritius Partners Limited	11,02,211	1.60

l) **Plant Locations:** Being a financial services company, Spandana Sphoorty Financial Limited has no plant locations.

m) **Address for correspondence:** Shareholders/ Investors may write to the Company Secretary at the following address:

**Registered office address:**

Spandana Sphoorty Financial Limited  
Plot No. 31 & 32, Ramky Selenium Towers, Tower A,  
Financial District, Nanakramguda,  
Hyderabad- 500032  
Email: secretarial@spandanaspooorty.com  
Phone no: 040-48126666

**Correspondence address:**

Purva Summit, 6<sup>th</sup> Floor, White Field Road,  
White fields, HITEC City, Hyderabad,  
Telangana 500081.  
Email: secretarial@spandanaspooorty.com  
Phone no: 040-48126666

n) **Website:** [www.spandanaspooorty.com](http://www.spandanaspooorty.com)

o) **Dematerialisation of Shares and Liquidity:** All shares of the Company are held in Dematerialised form. The entire Promoter's holdings are in electronic form and the same is in line with the directions issued by SEBI. Further, Equity shares of the Company are available for trading in the dematerialised form under both the Depositories i.e., NSDL and CDSL. The International Securities Identification Number (ISIN) allotted to the Company's equity shares under the Depository System is INE572J01011. The Company's equity shares are regularly traded on BSE and NSE.

Number of Shares held in dematerialised and physical form as on March 31, 2022 is as under:

Particulars	No. of shareholders	No. of shares	Holding in Equity Share capital (%)
Held in dematerialised form with NSDL	9,684	55,927,397	80.94
Held in dematerialised form with CDSL	20,317	84,80,791	12.28
Physical	4	46,86,342	6.78
<b>Total</b>	<b>29,969</b>	<b>6,90,94,530</b>	<b>100.00</b>

o) **Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion and Likely Impact on Equity Capital:** The Company approved the issue of 1,852,739 (Eighteen Lakh Fifty-Two Thousand Seven Hundred and Thirty Nine) fully convertible warrants carrying a right to apply for, get issued and allotted, one (1) Equity Share of face value of ₹10.00 (Rupee Ten only) at a price of ₹458.78 (Rupees Four Hundred and Fifty-Eight and Seventy Eight Paise only) per Equity Share of the Company, which includes a premium of ₹448.78 (Indian Rupees Four Hundred and Forty Eight and Seventy Eight Paise only) per Equity Share, to Kedaara Capital Fund III LLP, being a promoter group entity. The warrants were outstanding as of March 31, 2022.

Subsequently, such warrants were converted into equivalent number of shares upon exercising of rights to convert the warrants attached to it upon payment of the consideration on May 21, 2022.

p) **Credit Rating of the Company:** The Company has ratings assigned from ICRA Limited, India Ratings and Research Private Limited and CRISIL Rating Limited during the Financial Year 2021-22, the details of the same are as follows:

Rating Agency	ICRA Limited	India Ratings and Research Private Limited	CRISIL Rating Limited
Term Loan	[ICRA]A-&, rating under watch with developing implications*	IND A / Rating Watch Negative*	CRISIL A/Watch Developing (Continues on 'Rating Watch with Developing Implications')*
Market-linked Debenture	PP-MLD[ICRA]A-&, rating under watch with developing implications*	IND PP-MLD Aemr / Rating Watch Negative*	-
Non-Convertible Debenture	[ICRA]A-&, rating under watch with developing implications*	IND A / Rating Watch Negative*	-

\*The credit ratings of the Company were placed under watch by ICRA Limited on November 10, 2021, CRISIL Rating Limited on November 15, 2021 and by India Ratings and Research Private Limited on December 15, 2021.

### i. Other Disclosures:

- a) **Policies Determining Material Subsidiaries and Related Party Transactions:** Pursuant to requirements of Regulation 16 and Regulation 23 of the SEBI Listing Regulations, the Board of Directors of the Company has adopted the policies for determining material subsidiaries and on related party transactions and the said policies is available on the Company's website at <https://spandanaspooarty.com/policies/>
- b) **Disclosure on Material Related Party Transactions:** There were no material related party transactions entered by the Company during Financial Year 2021-22 which may have potential conflict with the interest of the Company. The related party transactions constitute contracts or arrangements, made by the Company from time to time, with Companies in which Directors are interested. The Audit Committee reviews periodically the significant related party transactions and the Committee provided omnibus approval for related party transactions which are in ordinary course of business (repetitive in nature) and are on Arm's Length basis. All transactions covered under the related party transactions are regularly ratified and / or approved by the Board.

Related party transactions as per requirements of Indian Accounting Standard (IND-AS 24) "Related Party Disclosures" are disclosed in the Notes to the Financial Statements of the Company for the Financial Year ended March 31, 2022.

- c) **Penalty or Strictures:** Penalty was imposed by National Stock Exchange of India Limited and BSE Limited for non-compliance of following Regulation of SEBI Listing Regulations due to delay in publishing financial results of the Company for the quarter ended September 30, 2021 and march 31, 2022 within the stipulated time as defined in SEBI Listing Regulations:

#### National Stock Exchange of India Limited

Regulation	Due date of Compliance	Date of Compliance	Days of non – compliance	Fine per day	Fine amount	(Amount in ₹)	
						GST @18%	Total Amount Payable
33 of SEBI Listing Regulations	November 14, 2021	January 05, 2022	52	5,000	2,60,000	46800	3,06,800.00
52(4) of SEBI Listing Regulations	November 14, 2021	January 05, 2022	52	1,000	52,000	9360	61,360.00
54(2) of SEBI Listing Regulations	November 14, 2021	November 20, 2022	6	1,000	6,000	1080	7,080.00
33 of SEBI Listing Regulations	May 30, 2022	July 11, 2022	42	5,000	2,10,000	37800	2,47,800.00
52(4) of SEBI Listing Regulations	May 30, 2022	July 11, 2022	42	1,000	42,000	7560	49,560.00

#### BSE Limited

Regulation	Due date of Compliance	Date of Compliance	Days of non – compliance	Fine per day	Fine amount	(Amount in ₹)	
						GST @18%	Total Amount Payable
33 of SEBI Listing Regulations	November 14, 2021	January 05, 2022	52	5,000	2,60,000	46800	3,06,800.00
52(4) of SEBI Listing Regulations	November 14, 2021	January 05, 2022	52	1,000	52,000	9360	61,360.00
54(2) of SEBI Listing Regulations	November 14, 2021	November 20, 2022	6	1,000	6,000	1080	7,080.00
33 of SEBI Listing Regulations	May 30, 2022	July 11, 2022	42	5,000	2,10,000	37800	2,47,800.00
52(4) of SEBI Listing Regulations	May 30, 2022	July 11, 2022	42	1,000	42,000	7560	49,560.00

**d) Vigil Mechanism/Whistle Blower Policy:**

The Company established Vigil Mechanism/Whistle Blower Policy for the directors and employees to report their genuine concerns about any unethical behaviour, financial irregularities including fraud or suspected fraud, which is against the interest of the Company. Further, the mechanism adopted by the Company encourages the employees to report genuine concerns or grievances and provides for adequate safeguards against victimization of employees who avail such a mechanism, and also provides for direct access to the Chairperson of the Audit Committee, in exceptional cases. Furthermore, no employee has been denied access to the Chairperson of the Audit Committee.

The Policy provides that no adverse action shall be taken or recommended against a director or an employee in retaliation to his/her disclosure in good faith of any unethical and improper practices or alleged wrongful conduct. This mechanism protects such directors and employees from any unfair or prejudicial treatment by anyone within the Company.

**e) Commodity Price Risk or Foreign Exchange Risk and Hedging Activities:**

This is not applicable since the Company does not have any derivatives or liabilities denominated in foreign currency.

**f) Company Secretary in Practice Certification:**

In accordance with the Listing Regulations, the Company has obtained the certificate from a practicing company secretary confirming that as on March 31, 2022, none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as directors by Securities and Exchange Board of India/Ministry of Corporate Affairs or any such authority and the same is appended to this Report.

**g) Total Fees Paid to Statutory Auditors:**

The total amount of fees paid to the Statutory Auditors of the Company and its subsidiaries during the Financial Year 2021-22 is stated in Notes to financial statements, which forms part of this Annual Report. Details pertaining to fees paid to Statutory Audits of the Company is covered under note no. 29 of the notes to accounts of consolidated financials statements forming part of the Annual Report.

**h) Disclosures related to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:**

The Company has in place a Policy on Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace and an Internal Complaint Committee in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder for reporting and conducting inquiry into the complaints made by the victim on the harassments at the workplace. The Company has not received any complaints relating to sexual harassment of women during the Financial Year 2021-22. The Company had also conducted several awareness programs for the employees during the Financial Year 2021-22.

**i) Code of Conduct for Prevention of Insider Trading:**

The Board of Directors of the Company has adopted the code of conduct for prevention of insider trading with a view to regulate trading in securities by the Directors and employees of the Company. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of the Company's shares by the Directors and employees while in possession of unpublished price sensitive information in relation to the Company or its securities.

The Company has appointed the Company Secretary as the Compliance Officer to ensure compliance of the said Code by all the Directors and employees likely to have access to unpublished price sensitive information.

**j) Compliance with Mandatory/Non-Mandatory Requirements:**

The Company has complied with all the mandatory requirements of corporate governance specified in SEBI Listing Regulations. The Board has taken cognizance of the discretionary requirements as specified in Part E of Schedule II to the SEBI Listing Regulations and are being reviewed from time to time.

For & on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

Sd/-  
**Abanti Mitra**  
Chairperson and  
Independent Director  
DIN: 02305893

Sd/-  
**Shalabh Saxena**  
Managing Director and Chief  
Executive Officer  
DIN: 08908237

Date: July 11, 2022  
Place: Mumbai

Date: July 11, 2022  
Place: Hyderabad

## COMPLIANCE CERTIFICATE BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER FOR THE FINANCIAL YEAR 2021-22

(Pursuant to Regulation 17(8) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part-B of Schedule –II)

We hereby certify that:

- A. We have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:
- i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- C. We accept our responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the auditors and the Audit committee:
- a. significant changes in internal control over financial reporting during the year;
  - b. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - c. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For **Spandana Sphoorty Financial Limited**

Sd/-

**Shalabh Saxena**

Managing Director and Chief Executive Officer

For **Spandana Sphoorty Financial Limited**

Sd/-

**Ashish Damani**

President and Chief Financial Officer

Date: July 11, 2022

### Annexure

## DECLARATION ON COMPLIANCE WITH THE COMPANY'S CODE OF CONDUCT FOR BOARD AND SENIOR MANAGEMENT PERSONNEL

I, hereby declare that all the Board Members and Senior Managerial Personnel of the Company have affirmed compliance with the Code of Conduct for Board and Senior Management Personnel for the Financial Year 2021-22.

For **Spandana Sphoorty Financial Limited**

Sd/-

**Shalabh Saxena**

Managing Director and Chief Executive Officer

Date: July 11, 2022

## CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members,  
**M/s. Spandana Sphoorty Financial Limited**  
Plot No: 31 & 32, Ramky Selenium Towers,  
Tower A, Ground Floor, Financial Dist,  
Nanakramguda, Hyderabad TG 500032

We have examined the compliance of conditions of Corporate Governance of **Spandana Sphoorty Financial Limited** ("the Company") for the year ended on March 31, 2022 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and Part C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 collectively referred as ("SEBI Listing Regulations").

### Managements' Responsibility

The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in SEBI Listing Regulations.

### Auditors' Responsibility

1. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
2. We have examined the relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
3. We conducted our examination in accordance with the Guidance Note on Corporate Governance Certificate and the Guidance Manual on Quality of Audit & Attestation Services issued by the Institute of Company Secretaries of India

### Opinion

1. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned SEBI Listing Regulations except in respect of matters specified in our secretarial audit report dated July 11, 2022 for the financial year ended March 31, 2022.
2. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **RPR & Associates**  
**Company Secretaries**

Sd/-

**Y Ravi Prasada Reddy**

Proprietor

FCS: 5783, CP. No.: 5360

Peer Review Certificate No. 1425/2021

UDIN: F005783D000600511

Place: Hyderabad  
Date: July 11, 2022



## CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Part C Clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To,  
The Members,  
**M/s. Spandana Sphoorty Financial Limited**  
Plot No: 31 & 32, Ramky Selenium Towers,  
Tower A, Ground Floor, Financial Dist,  
Nanakramguda, Hyderabad TG 500032

We have examined all the relevant registers, records, forms, returns and disclosures received from the Directors of **Spandana Sphoorty Financial Limited** having **CIN: L65929TG2003PLC040648** (hereinafter referred to as “the Company”), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Part C Clause (10) Sub Clause (i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as further amended.

In our opinion and to the best of our information and according to the verification (including Director Identification Number (DIN) status on the portal of MCA ([www.mca.gov.in](http://www.mca.gov.in)) as considered necessary and explanations furnished to us by the Company and its officials, We certify that none of the Directors on the Board of the Company as stated below in Table A for the financial year ended on March 31, 2022, have been debarred or disqualified, from being appointed or continuing as Directors of Companies, by the Securities and Exchange Board of India, Ministry of Corporate Affairs and Reserve Bank of India or any other Statutory Authority:

**Table A**

S No.	Name of the Directorsw	Director Identification Number	Date of appointment in Company
1	Ms. Abanti Mitra	02305893	04/05/2017
2	Mr. Amit Sobti	07795874	29/05/2017
3	Mr. Bharat Dhirajlal Shah	00136969	13/04/2018
4	Mr. Deepak Calian Vaidya	00337276	06/06/2018
5	Mr. Jagdish Capoor	00002516	06/06/2018
6	Mr. Kartikeya Dhruv Kaji	07641723	31/03/2017
7	Mrs. Padmaja Gangireddy	00004842	19/04/2003
8	Mr. Ramchandra Kasargod Kamath	01715073	04/05/2017
9	Mr. Sunish Sharma	00274432	31/03/2017
10	Mr. Shalabh Saxena	08908237	19/03/2022

For **RPR & Associates**  
**Company Secretaries**

Sd/-

**Y Ravi Prasada Reddy**

Proprietor

FCS: 5783, CP. No.: 5360

Peer Review Certificate No. 1425/2021

UDIN: F005783D000600586

Place: Hyderabad  
Date: July 11, 2022

## SECRETARIAL COMPLIANCE REPORT OF SPANDANA SPHOORTY FINANCIAL LIMITED FOR THE FINANCIAL YEAR ENDED MARCH 31, 2022

[Pursuant to Regulation 24A of the SEBI (LODR) Regulations, 2015 read with SEBI Circular CIR/CFD/CMD1/27/2019 dated 08<sup>th</sup> February, 2019]

I. Y. Ravi Prasada Reddy, Company Secretary in whole-time practice, having CP No. 5360 and Proprietor of RPR & Associates, Company Secretaries, Hyderabad, have examined:

- all the documents and records made available to us and explanation provided by **Spandana Sphoorty Financial Limited** ("**the listed entity**");
- the filings/submissions made by the listed entity to BSE Limited and National Stock Exchange of India Limited ("**the stock exchanges**");
- website of the listed entity;
- any other document/filing, as may be relevant, which has been relied upon to make this certification, for the year ended March 31, 2022 ("**Review Period**") in respect of compliance with the provisions of:
  - the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**") and the Regulations, circulars, guidelines issued thereunder; and
  - the Securities Contracts (Regulation) Act, 1956 ("**SCRA**"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("**SEBI**");

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

- Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR**");
- Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;#
- Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
- Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013;#
- Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and amendments from time to time;

and circulars/ guidelines issued thereunder including the provisions of SEBI Circular CIR/CFD/CMD1/114/2019 dated October 18, 2019, in terms of Para 6(A) and 6(B) of the said circular and has suitably modified the terms of appointment of its Statutory Auditors.

# The Regulations or Guidelines, as the case may be were not applicable to the Company for the period under review.

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

- The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder, except in respect of matters specified below:

S No.	Compliance Requirement (Regulations/ circulars / guidelines including specific clause)	Deviations	Observations/ Remarks of the Practicing Company Secretary
1	Regulation 33, 52, 54 of LODR	Delay in submission of Q2FY22 results with the stock exchanges.	The Company paid the penalty to the stock exchanges for delay in submission of Q2FY22 results.
2	Para 6 of SEBI Circular No.CIR /CFD/CMD 1 /114/2019 dated October 18, 2019	S. R. Batliboi & Co. LLP, Chartered Accountants, the Statutory Auditors of the Company, who resigned on January 28, 2022 had not issued Limited Review Report for the Q3FY22.	Pursuant to Reserve Bank of India circular Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, S.R. Batliboi & Co. LLP, Chartered Accountants, Statutory Auditors who have completed 8 years with the Company would not be eligible to continue as Statutory Auditors of the Company after Q2FY22.  The Company has made an application with SEBI for relinquishment of the deviation.

- b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/ guidelines issued thereunder insofar as it appears from my/our examination of those records.
- c) The following are the details of action taken against the listed entity/ its promoters/ directors/ material subsidiaries either by SEBI or by Stock Exchanges (*including under the Standard Operating Procedures issued by SEBI through various circulars*) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder:

S No.	Action taken by	Details of Violation	Details of action taken E.g. fines, warning letter, debarment, etc.	Observations/ Remarks of the Practicing Company Secretary
1	Stock Exchanges	Delay in submission of financial results for Q2FY22.	Levying of penalty for delay in submission of financial results for Q2FY22.	The Company paid the said penalty to the Stock Exchanges.

- d) The listed entity has taken the following actions to comply with the observations made in previous reports: Not applicable

For **RPR & Associates**  
**Company Secretaries**

Sd/-

**Y Ravi Prasada Reddy**

Proprietor

FCS No. 5783, CP No. 5360

UDIN: F005783D000378496

Peer Review Certificate No. 1425/2021

Place: Hyderabad  
Date: May 24, 2022

# Independent Auditor's Report

To the Members of  
**Spandana Sphoorty Financial Limited**

## REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

### Opinion

1. We have audited the accompanying standalone financial statements of Spandana Sphoorty Financial Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2022, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards ('Ind AS') specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2022, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current 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.
5. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>(a) Impairment losses on loan portfolio</b></p> <p>Refer note 3(e) for significant accounting policies, note 7 for impairment disclosures and note 41.1 for credit risk disclosures.</p> <p>The Company has gross loan assets of ₹58,956.54 million outstanding as at 31 March 2022, against which an impairment of ₹6,319.15 million has been recorded as at reporting date, which is measured in accordance with Ind AS 109, Financial Instruments, using 'Expected Credit Loss' (ECL) method.</p> <p>The ECL is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets in accordance with the accounting policy adopted by the Company.</p> <p>Significant management judgements are involved in measuring ECL with respect to:</p> <ul style="list-style-type: none"> <li>• determining the criteria for significant increase in credit risk and default risk i.e. staging of loans</li> <li>• factoring in forward-looking information (including macroeconomic factors on a portfolio level)</li> <li>• techniques used to determine probability of default, loss given default and exposure at default.</li> </ul>	<p>Our audit procedures were focused on assessing the appropriateness of management's judgment and estimates used in the impairment analysis that included, but were not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Examined the Board Policy approving methodology for computation of ECL that addresses policies and procedures for assessing and measuring credit risk on the lending exposures of the Company in accordance with the requirements of Ind AS 109. Also, obtained the policy on moratorium and restructuring of loans approved by the Board of Directors pursuant to the RBI circulars/guidelines and ensured such policy is in compliant with the requirements of the RBI circulars / guidelines.</li> <li>• Obtained an understanding of the modelling techniques adopted by the Company including the key inputs and assumptions. Since modelling assumptions and parameters are based on historical data, we assessed whether historical experience was representative of current circumstances and was relevant in view of the recent impairment losses incurred within the portfolios.</li> <li>• Assessed and tested the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions considered for calculation, recording and monitoring of the impairment loss recognized. Also, evaluated the controls over the modelling process, validation of data and related approvals</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p>These parameters are derived from the Company's internally developed statistical models, historical data, macro-economic factors and after considering the Reserve Bank of India ("RBI") circulars on "COVID 19 Regulatory Package- Asset Classification and Provisioning" dated 17 April 2020; "Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package" dated 07 April 2021; and Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses dated 5 May 2021 (collectively referred to as 'COVID-19 – Regulatory Package'). Any change in such models or assumptions could have a material impact on the accompanying financial statements.</p> <p>Considering the significance of the above matter to the financial statements, degree of estimation uncertainty and significant management judgment involved, this area required significant auditor attention to test such complex accounting estimates, and accordingly, this matter has been identified as a key audit matter for the current year audit.</p>	<ul style="list-style-type: none"> <li>• Evaluated the appropriateness of the Company's determination of significant increase in credit risk in accordance with the applicable accounting standard and the basis for classification of exposures into various stages. For a sample of exposures, we also tested the appropriateness of the Company's categorization across various stages by evaluating management's assessment of parameters such as probability of default (PD) or loss given default (LGD), including the adjustments made to such estimates on account of COVID-19 impact.</li> <li>• Ensured that the Company's approved policy in relation to restructuring is in accordance with the directions given by Reserve Bank of India ("RBI") and tested, on sample basis, the compliance with respect to asset classification and provisioning norms as per the COVID-19 – Regulatory Package.</li> <li>• Assessed the appropriateness and adequacy of the related presentation and disclosures in the accompanying standalone financial statements in accordance with the applicable accounting standards and related RBI Circulars.</li> </ul>
<p><b>(b) Information Technology system for the financial reporting process, including implementation of new IT system</b></p>	
<p>The Company is highly dependent on its Information Technology ("IT") systems for carrying on its operations which require large volume of transactions to be processed in numerous locations on a daily basis. Among other things, management also uses the information produced by the IT systems for accounting, preparation and presentation of the financial statements.</p> <p>The Company's accounting and financial reporting processes are dependent on automated controls enabled by IT systems which impacts key financial accounting and reporting items such as loans, interest income, impairment on loans, amongst others. The controls implemented by the Company in its IT environment determine the integrity, accuracy, completeness and validity of data that is processed by the applications and is ultimately used for financial reporting.</p> <p>Further, as detailed in Note 52 of the standalone financial statements, the Company has migrated to a new IT application (including new loan management system) w.e.f. from 1 October 2021. Data migration activity involves significant impact on the processes and controls related to the financial reporting. We have focused on the data migration controls designed and implemented during the migration activity due to the risk of error and the impact of such an error it could have on financial accounting and reporting process.</p> <p>Since our audit strategy included focus on key IT systems and controls due to pervasive impact on the financial statements, we have determined the same as a key audit matter for current year audit.</p>	<p>Our key audit procedures on the old and new IT Systems, with the involvement of our IT specialists included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the Company's IT related control environment and conducted risk assessment and identified IT applications, data bases and operating systems that are relevant to our audit.</li> <li>• Tested the design and operating effectiveness of the Company's IT controls over the IT applications as identified above.</li> <li>• On such in-scope IT systems, we have tested key IT general controls with respect to the following domains: <ul style="list-style-type: none"> <li>a) Program change management which includes controls on moving program changes to production environment as per defined procedures and relevant segregation of environments.</li> <li>b) User access management which includes user access provisioning, de-provisioning, access review, password management, sensitive access rights and segregation of duties;</li> <li>c) Other areas that were assessed under the IT control environment included user interfaces, configuration and other application controls</li> </ul> </li> <li>• Additionally, with respect to implementation of new IT Application and data migration: <ul style="list-style-type: none"> <li>a) Obtained understanding and tested the controls over data migration including proper authorization, completeness and accuracy; and</li> <li>b) Tested the migrated balances, for completeness and accuracy as of 1 October 2021, including review of reconciliations prepared by the management</li> </ul> </li> <li>• For the identified gaps in the internal control system with respect to certain specific controls around security management and implementation of the Company's new IT system, we altered our audit approach and performed additional procedures, as follows: <ul style="list-style-type: none"> <li>a) Identified compensating manual controls implemented by the management and tested that they operated effectively including the management's adoption of comprehensive process for manual review and reconciliation to ensure completeness and accuracy of data; and</li> <li>b) Performed additional substantive procedures for account balances such as loans, interest income (covering samples to test the origination, income accrual and collection) in order to mitigate the risk of identified material weakness.</li> </ul> </li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>(c) Data loss and subsequent settlement with erstwhile Managing Director (MD)</b></p> <p>As detailed in note 52 to the standalone financial statements, prior to the resignation of the erstwhile Managing Director (MD) during the year, the Company had transferred certain IT systems to a new IT vendor (IQ Technologies), which had led to loss of access to the historical data and books of accounts.</p> <p>Owing to this, the Company had created a parallel IT environment and implemented a new IT application along with the loan origination system with a fully automated workflow. The balances as of 30 September 2021, backed with relevant internal data back-up and necessary reconciliations, have been updated in the new IT application along with all the transactions for the period commencing from 1 October 2021.</p> <p>Subsequently in June 2022, the Company has settled differences with erstwhile MD, IQ Technologies and other entities by entering into Settlement agreement and other related agreements (collectively referred as "Agreements"), resulting in (a) receiving access to the old IT system and hardware from IQ Technologies; (b) accounting for all the related matters arising from the terms of the Agreements in accordance with Ind AS 10 "Events after the Reporting Period". Additionally, the Company has performed sufficient procedures to ensure completeness, accuracy and authenticity of the data received from IQ Technologies and has significantly reconciled the balances as on 30 September 2021 as per the old IT system with the opening balances as of 1 October 2021 considered in the new IT System.</p> <p>Considering the significance of the above matter in preparation and presentation of the standalone financial statements, and significant auditor attention required, we have identified this as a key audit matter for current year audit.</p> <p>Further, we have determined the above matters to be fundamental to the understanding of the users of the accompanying standalone financial statements.</p>	<p>Our key audit procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the management process to reconcile the balances as of and for the six months period ended 30 September 2021 with relevant internal data back-up available with the Company.</li> <li>• Held discussions with the members of the Board of Directors and Management and understood the Company's response and conclusions to the events identified post resignation of erstwhile MD, which had led to loss of access to the historical data and books of accounts. Corroborated the responses to the discussions documented in the meeting minutes of the Board of Directors, Audit Committee and periodical updates shared with the Reserve Bank of India.</li> <li>• Reviewed the reconciliation performed by the management to reconcile the balances as on 30 September 2021 as per the old IT system with the opening balances as of 1 October 2021 considered in the new IT System. Assessed the effect of unreconciled balances and its impact on the accompanying standalone financial statements.</li> <li>• Performed substantive procedures to reconcile and test the completeness and accuracy of balances as of and for the six months period ended 30 September 2021 migrated into new IT Application.</li> <li>• Performed substantive procedures to ensure completeness and accuracy of the transactions posted / accounted in the new IT Application for the period from 1 October 2021 till 31 March 2022.</li> <li>• For the opening balances as on 1 April 2021, amongst other procedures, we tested the accuracy of the balances from the old IT system to the audited financial statements for the year ended 31 March 2021; tested the reconciliations provided by the management and traced the account balances to underlying supporting documents on a samples basis.</li> <li>• For a sample of historical transactions (mainly for loans, operating expenses and related party transactions), by involving our specialist team, we have also tested the appropriateness of the transactions with the underlying documents. Where controls were not found to be operating effectively for such historical transactions, we altered our audit approach and performed alternate substantive procedures and increased the extent of planned audit procedures to mitigate the risk of identified deficiencies and assessed its impact on the standalone financial statements for the year ended 31 March 2022, including impact on the internal financial controls with reference to the financial statements:</li> <li>• Read the executed Agreements to gain an understanding of the significant terms and assessed whether the adjusting events after the reporting period and related disclosures in the accompanying standalone financial statements reflect the requirements of Ind AS 10.</li> </ul>

### Information other than the Financial Statements and Auditor's Report thereon

6. The Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the standalone financial statements and our auditor's report thereon.

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

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

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

7. The accompanying standalone financial statements have been approved by the Company's Board of Directors. The Company's Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS specified under section 133 of the Act and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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.
8. In preparing the financial statements, the 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 intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

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

10. 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 Standards on Auditing 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.
11. As part of an audit in accordance with Standards on Auditing, specified under section 143(10) of the Act 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 management;
  - Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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;
12. 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.
  13. 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.
  14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Other Matter

15. The standalone financial statements of the Company for the year ended 31 March 2021 were audited by the predecessor auditor, S. R. Batliboi & Co. LLP, who have expressed an unmodified opinion on those standalone financial statements vide their audit report dated 22 May 2021. Our opinion is not modified in respect of this matter.

#### Report on Other Legal and Regulatory Requirements

16. As required by section 197(16) of the Act based on our audit, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.
17. 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 I a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
18. Further to our comments in Annexure I, as required by section 143(3) of the Act based on our audit, we report, to the extent applicable, that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the accompanying standalone financial statements;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) The standalone financial statements dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under section 133 of the Act;
  - e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2022 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 as on 31 March 2022 and the operating effectiveness of such controls, refer to our separate Report in Annexure II wherein we have expressed a modified opinion; and
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
    - i. the Company, as detailed in note 34 to the standalone financial statements, has disclosed the impact of pending litigations on its financial position as at 31 March 2022;
    - ii. the Company, did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2022;
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2022;
    - iv. a) The management has represented that, to the best of its knowledge and belief, as disclosed in note 44(a) to the standalone financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources



- or kind of funds) by the Company to or in any persons or entities, including foreign entities ('the intermediaries'), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ('the Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf the Ultimate Beneficiaries;
- b) The management has represented that, to the best of its knowledge and belief, as disclosed in note 44(b) to the standalone financial statements, no funds have been received by the Company from any persons or entities, including foreign entities ('the Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
- c) Based on such audit procedures performed as considered reasonable and appropriate in the circumstances, nothing has come to our attention that causes us to believe that the management representations under sub-clauses (a) and (b) above contain any material misstatement.
- v. The Company has not declared or paid any dividend during the year ended 31 March 2022.

For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm's Registration No: 001076N/N500013

Sd/-  
**Manish Gujral**  
Partner

Place: Mumbai  
Date: 11 July 2022

Membership No: 105117  
UDIN: 22105117AMOXSH4944

## ANNEXURE I REFERRED TO IN PARAGRAPH 17 OF THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF SPANDANA SPHOORTY FINANCIAL LIMITED ON THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

In terms of the information and explanations sought by us and given by the Company and the books of account and records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment and right of use assets.
- (B) The Company has maintained proper records showing full particulars of intangible assets.
- (b) The property, plant and equipment and right of use assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification program adopted by the Company, is reasonable having regard to the size of the Company and the nature of its assets.
- (c) The title deeds of all the immovable properties held by the Company other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee are held in the name of the Company.
- (d) The Company has not revalued its property, plant and equipment and right of use assets or intangible assets during the year.
- (e) No proceedings have been initiated or are pending against the Company as it is not holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder. Accordingly, reporting under clause 3(i)(e) of the Order is not applicable to the Company.
- (ii) (a) The Company does not hold any inventory. Accordingly, reporting under clause 3(ii)(a) of the Order is not applicable to the Company.
- (b) The Company has not been sanctioned working capital limits in excess of five crore rupees by banks or financial institutions on the basis of security of current assets during any point of time of the year. Accordingly, reporting under clause 3(ii)(b) of the Order is not applicable to the Company.
- (iii) (a) The Company is a Non-Banking Finance Company and its principal business is to give loans. Accordingly, reporting under clause 3(iii)(a) of the Order is not applicable to the Company.
- (b) In our opinion, and according to the information and explanations given to us, the investments made, guarantees provided, security given and terms and conditions of the grant of all loans and advances in the nature of loans are, prima facie, not prejudicial to the interest of the Company.
- (c) The Company is a Non-Banking Finance Company ('NBFC'), registered under section 45-IA of the Reserve Bank of India Act, 1934 and rules made thereunder and is regulated by various regulations, circulars and norms issued by the Reserve Bank of India including Master Circular – Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances. In respect of loans and advances in the nature of loans granted by the Company, we report that the schedule of repayment of principal and payment of interest has been stipulated and the repayments/receipts of principal and interest are regular except for certain instances as below:

Particulars – Days past due	Amount due as on 31 March 2022 (₹ in millions)	No of cases
1-29 Days	370.71	204,898
30-59 Days	343.39	88,239
60-89 Days	391.54	66,280
90 or more days	3,669.96	325,160

- (d) The total amount which is overdue for more than 90 days as at 31 March 2022 in respect of loans or advances in the nature of loans granted to such companies, firms, LLPs or other parties aggregates to ₹3,669.96 million as at 31 March 2022 in respect of 325,160 number of loans. Further reasonable steps have been taken by the Company for recovery of such principal and interest amounts overdue.
- (e) The Company is a Non-Banking Finance Company and its principal business is to give loans. Accordingly, reporting under clause 3(iii)(e) of the Order is not applicable to the Company.

- (f) The Company has granted loans which are repayable on demand, as per details below:

Particulars	(₹ in millions)		
	All Parties	Promoters	Related Parties
Aggregate of loans/advances in nature of loan			
- Repayable on demand (A)	1,194.81	-	1,194.81
- Agreement does not specify any terms or period of repayment (B)	-	-	-
<b>Total (A+B)</b>	<b>1,194.81</b>		<b>1,194.81</b>
Percentage of loans/advances in nature of loan to the total loans	2.03%		2.03%

- (iv) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of section 186 of the Act in respect of investments, as applicable. Further, the Company has not entered into any transaction covered under section 185 and section 186 of the Act in respect of loans, guarantees and security.
- (v) The provisions of the sections 73 to 76 and any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended), are not applicable to the Company being a non-banking financial company registered with the Reserve Bank of India ("the RBI"), and also the Company has not accepted any deposits from public or there is no amount which has been considered as deemed deposit within the meaning of sections 73 to 76 of the Act. Accordingly, reporting under clause 3(v) of the Order is not applicable to the Company.
- (vi) The Central Government has not specified maintenance of cost records under sub-section (1) of section 148 of the Act, in respect of Company's products/business activity. Accordingly, reporting under clause 3(vi) of the Order is not applicable.
- (vii) (a) In our opinion, and according to the information and explanations given to us, undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax and other material statutory dues, as applicable, have not been regularly deposited with the appropriate authorities and there have been significant delays in a large number of cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no statutory dues referred in sub-clause (a) which have not been deposited with the appropriate authorities on account of any dispute except for the following:

(₹ in millions)					
Name of the statute	Nature of dues	Gross Amount (₹)	Amount paid under Protest (₹)	Period to which the amount relates	Forum where dispute is pending
Chapter V of the Finance Act, 1994	Service tax	56.85 *	9.93	Financial year from 2006-07 to 2014-15	Customs, Excise & Service Tax Appellate Tribunal
Income Tax Act, 1961	Income tax	8.72	-	Financial year 2010-11	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income tax	475.38 *	69.22	Financial year 2016-17	Commissioner of Income Tax (Appeals)

\* Excluding interest and penalty, as applicable

- (viii) According to the information and explanations given to us, no transactions were surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961) which have not been recorded in the books of accounts.
- (ix) (a) According to the information and explanations given to us, the Company has not defaulted in repayment of its loans or borrowings or in the payment of interest thereon to any lender except for the below:

(₹ in millions)				
Nature of borrowing, including debt securities	Name of lender	Amount not paid on due date	Whether principal or interest	No. of days delay
Indian rupee loan from banks	Standard Chartered Bank	200.00	Principal	2 Days
Indian rupee loan from banks	Federal Bank	20.83	Principal	3 Days

- (b) According to the information and explanations given to us and representation received from the management of the Company, and on the basis of our audit procedures, we report that the Company has not been declared a willful defaulter by any bank or financial institution or other lender.
- (c) In our opinion and according to the information and explanations given to us, money raised by way of term loans were applied for the purposes for which these were obtained, though idle funds which were not required for immediate utilisation have been invested in readily realisable liquid investments.

- (d) In our opinion and according to the information and explanations given to us, the Company has not raised any funds on short term basis during the year or in any previous year. Accordingly, reporting under clause 3(ix)(d) of the Order is not applicable to the Company.
- (e) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries.
- (f) According to the information and explanations given to us, the Company has not raised any loans during the year on the pledge of securities held in its subsidiaries.
- (x) (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments), during the year. Accordingly, reporting under clause 3(x)(a) of the Order is not applicable to the Company.
- (b) During the year, the Company has made preferential allotment of shares. In our opinion and according to the information and explanations given to us, the Company has complied with the requirements of section 42 and section 62 of the Act and the Rules framed thereunder with respect to the same. Further, the amounts so raised have been utilized by the Company for the purposes for which these funds were raised. Further the Company has not made preferential allotment or private placement of fully or partially or optionally convertible debentures.
- (xi) (a) To the best of our knowledge 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 period covered by our audit, except for in some cases as identified by the management relating to cash embezzlement amounting to ₹52.72 million as stated under Note 47(F) to the accompanying standalone financial statements. The Company has ensured recovery of these amounts to the extent possible. The unrecovered amount of ₹28.62 million has been provided for during the current year.
- (b) No report under section 143(12) of the Act has been filed with the Central Government for the period covered by our audit.
- (c) According to the information and explanations given to us including the representation made to us by the management of the Company, there are no whistle-blower complaints received by the Company during the year.
- (xii) The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, reporting under clause 3(xii) of the Order is not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us, all transactions entered into by the Company with the related parties are in compliance with sections 177 and 188 of the Act, where applicable. Further, the details of such related party transactions have been disclosed in the standalone financial statements, as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified in Companies (Indian Accounting Standards) Rules 2015 as prescribed under section 133 of the Act.
- (xiv) (a) In our opinion and according to the information and explanations given to us, the Company has an internal audit system as required under section 138 of the Act which is commensurate with the size and nature of its business.
- (b) We have considered the reports issued by the Internal Auditors of the Company till date for the period under audit.
- (xv) According to the information and explanation given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with them and accordingly, provisions of section 192 of the Act are not applicable to the Company.
- (xvi) (a) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and such registration has been obtained by the Company.
- (b) According to the information and explanations given to us, the Company has conducted Non-Banking Financial Companies activities during the year under a valid Certificate of Registration (CoR) from the Reserve Bank of India ("RBI") as per the Reserve Bank of India Act, 1934.
- (c) According to the information and explanations given to us, the Company is not a Core Investment Company (CIC) as defined in the regulations made by the RBI. Accordingly, reporting under clause 3(xvi)(c) of the Order is not applicable to the Company.
- (d) Based on the information and explanations given to us and as represented by the management of the Company, the Group (as defined in Core Investment Companies (Reserve Bank) Directions, 2016) does not have any CIC.

- (xvii) The Company has not incurred any cash loss in the current as well as the immediately preceding financial year.
- (xviii) There has been resignation of the statutory auditors during the year and based on the information and explanations given to us by the management and the response to our communication with the outgoing auditors, there have been no issues, objections or concerns raised by the outgoing auditors.
- (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, other information accompanying the standalone financial statements, our knowledge of the plans of the Board of Directors and management 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 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.
- (xx) According to the information and explanations given to us, the Company has transferred unspent amount in respect of other than ongoing projects to a Fund specified in Schedule VII to the Act within a period of six months of the expiry of the financial year in compliance with second proviso to sub-section (5) of section 135 of the said Act.
- (xxi) The reporting under clause 3(xxii) of the Order is not applicable in respect of audit of standalone financial statements of the Company. Accordingly, no comment has been included in respect of said clause under this report.

For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

Sd/-  
**Manish Gujral**  
Partner

Membership No.: 105117  
UDIN: 22105117AMOXSH4944

Place: Mumbai  
Date: 11 July 2022

## Annexure II

### Independent Auditor's Report on the internal financial controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the standalone financial statements of Spandana Sphoorty Financial Limited ('the Company') as at and for the year ended 31 March 2022, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

#### Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

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

#### Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements

3. 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 Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.
4. 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 includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment

of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

#### Meaning of Internal Financial Controls with Reference to Financial Statements

6. 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

7. 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.

#### Qualified opinion

8. According to the information and explanations given to us and based on our audit, the following material weakness has been identified as at 31 March 2022:

The Company did not have an appropriate internal control system with respect to certain specific controls around security management and implementation of the Company's Information Technology (IT) system, which could potentially result in unauthorised changes being made to the information technology system or

programs. As detailed in note 52 to the standalone financial statements consequent to the events that occurred during the year, the management is in the process of further strengthening the robustness of the overall IT system.

9. A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial controls with reference to financial statements, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.
10. In our opinion, except for the possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2022, 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 issued by the ICAI.

11. We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company as at and for the year ended 31 March 2022, and the material weakness do not affect our opinion on the standalone financial statements of the Company.

For **Walker Chandiook & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

Sd/-  
**Manish Gujral**  
Partner  
Place: Mumbai  
Date: 11 July 2022  
Membership No.: 105117  
UDIN: 22105117AMOXSH4944

# Standalone Balance Sheet

As at March 31, 2022

Particulars	Notes	(₹ in million unless otherwise stated)	
		As at March 31, 2022	As at March 31, 2021
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	4	7,239.95	11,307.83
Bank balances other than cash and cash equivalents	5	4,750.72	2,453.27
Derivative financial instruments		0.46	0.45
Trade receivables	6	200.86	121.06
Loans	7	52,637.39	66,163.14
Investments	9	1,146.24	1,146.24
Other financial assets	8	322.98	742.67
<b>Subtotal - Financial assets</b>		<b>66,298.60</b>	<b>81,934.66</b>
<b>Non-financial assets</b>			
Current tax assets (net)	10	149.38	149.38
Deferred tax assets (net)	11	1,812.28	1,045.42
Property, plant and equipment	12	64.24	196.92
Other intangible assets	12A	70.96	7.74
Other non-financial assets	13	241.46	126.51
<b>Subtotal - Non-financial assets</b>		<b>2,338.32</b>	<b>1,525.97</b>
<b>Total assets</b>		<b>68,636.92</b>	<b>83,460.63</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Financial liabilities</b>			
Debt securities	14	17,584.36	20,347.14
Borrowings (other than debt securities)	14	18,528.31	31,425.34
Subordinated liabilities	14	201.87	201.83
Other financial liabilities	15	1,285.64	2,561.99
<b>Subtotal - Financial liabilities</b>		<b>37,600.18</b>	<b>54,536.30</b>
<b>Non-financial liabilities</b>			
Current tax liabilities (net)	16	177.53	1,338.85
Provisions	17	39.47	16.08
Other non-financial liabilities	18	504.42	410.35
<b>Subtotal - Non-financial liabilities</b>		<b>721.42</b>	<b>1,765.28</b>
<b>EQUITY</b>			
Equity share capital	19	690.95	643.15
Other equity	20	29,624.37	26,515.90
<b>Subtotal - Equity</b>		<b>30,315.32</b>	<b>27,159.05</b>
<b>Total liabilities and equity</b>		<b>68,636.92</b>	<b>83,460.63</b>

The accompanying notes are an integral part of these standalone financial statements.

As per our report of even date

For **Walker Chandiook & Co LLP**

Chartered Accountants

ICAI Firm registration number: 001076N/N500013

**Manish Gujral**

Partner

Membership No.: 105117

Place: Mumbai

Date: July 11, 2022

For and on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

**Abanti Mitra**

Chairperson

DIN: 02305893

Place: Mumbai

Date: July 11, 2022

**Ashish Kumar Damani**

President and Chief  
Finance Officer

Place: Hyderabad

Date: July 11, 2022

**Shalabh Saxena**

Managing Director &

Chief Executive Officer

DIN: 08908237

Place: Hyderabad

Date: July 11, 2022

**Ramesh Periasamy**

Company Secretary and

Compliance Officer

Membership No.: A26247

Place: Hyderabad

Date: July 11, 2022



# Statement of Profit And Loss

For the year ended March 31, 2022

Particulars	Notes	(₹ in million unless otherwise stated)	
		For year ended March 31, 2022	For year ended March 31, 2021
<b>Revenue from operations</b>			
Interest income	21	12,509.45	13,258.78
Commission and incentive income		64.68	89.12
Net gain on fair value changes	22	781.33	751.14
Others	23	407.92	330.01
<b>Total revenue from operations</b>		<b>13,763.38</b>	<b>14,429.05</b>
Other income	24	152.62	218.41
<b>Total income</b>		<b>13,916.00</b>	<b>14,647.46</b>
<b>Expenses</b>			
Finance cost	25	5,140.88	4,171.62
Net loss on fair value changes	26	-	27.44
Impairment on financial instruments and other provisions	27	4,658.31	6,398.75
Employee benefits expense	28	2,168.80	1,663.57
Depreciation and amortization expense		85.46	74.85
Other expenses	29	1,216.69	534.89
<b>Total expenses</b>		<b>13,270.14</b>	<b>12,871.12</b>
<b>Profit before tax</b>		<b>645.86</b>	<b>1,776.34</b>
<b>Tax expense:</b>			
Current tax	30	812.71	1,362.16
Taxes of prior period		17.05	-
Deferred tax		(650.28)	(875.64)
<b>Income tax expense</b>		<b>179.48</b>	<b>486.52</b>
<b>Profit for the year</b>		<b>466.38</b>	<b>1,289.82</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Re-measurement gains/(losses) on defined benefit plans		(14.37)	20.06
Income tax effect		3.62	(5.05)
<b>Items that will be reclassified subsequently to profit or loss</b>			
Fair value loss on loans		(448.77)	(420.38)
Income tax effect		112.95	105.80
<b>Other comprehensive income / (loss)</b>		<b>(346.57)</b>	<b>(299.57)</b>
<b>Total comprehensive income for the year</b>		<b>119.81</b>	<b>990.25</b>
<b>Earnings per equity share</b>	31		
Basic (₹)		7.22	20.05
Diluted (₹)		7.20	19.98
Nominal value per equity share (₹)		10.00	10.00

The accompanying notes are an integral part of these standalone financial statements.

As per our report of even date

For **Walker Chandio & Co LLP**

Chartered Accountants

ICAI Firm registration number: 001076N/N500013

**Manish Gujral**

Partner

Membership No.: 105117

Place: Mumbai

Date: July 11, 2022

For and on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

**Abanti Mitra**

Chairperson

DIN: 02305893

Place: Mumbai

Date: July 11, 2022

**Ashish Kumar Damani**

President and Chief

Finance Officer

Place: Hyderabad

Date: July 11, 2022

**Shalabh Saxena**

Managing Director &

Chief Executive Officer

DIN: 08908237

Place: Hyderabad

Date: July 11, 2022

**Ramesh Periasamy**

Company Secretary and

Compliance Officer

Membership No.: A26247

Place: Hyderabad

Date: July 11, 2022

## Cash Flow Statement

For the year ended March 31, 2022

(₹ in million unless otherwise stated)

Particulars	For year ended March 31, 2022	For year ended March 31, 2021
<b>Cash flow from operating activities</b>		
Profit before tax	645.86	1,776.34
<b>Adjustments for:</b>		
Depreciation and amortization	85.46	74.85
Interest on income tax	69.59	157.59
Share based payment to employees	112.18	88.05
Provision for gratuity	18.82	8.56
Finance cost on lease liability	17.81	14.88
Gain on business transfer	-	(9.26)
Impairment on financial instruments and other provisions	4,658.31	6,398.75
Net gain on fair value changes	(479.06)	(85.84)
Net gain on adjustment on account of termination of leases	(52.44)	-
Net (gain)/loss on financial assets and liabilities designated at fair value through profit or loss	(43.01)	27.44
Other provisions and write offs	14.53	26.21
<b>Operating profit before working capital changes</b>	<b>5,048.05</b>	<b>8,477.57</b>
Movements in working capital :		
Changes in other financial liabilities	(1,123.69)	266.82
Changes in other non financial liabilities	94.07	115.96
Changes in bank balances other than cash and cash equivalents	(2,297.45)	(482.28)
Changes in provisions	(9.80)	-
Changes in trade receivables	(79.80)	102.62
Changes in loans	8,418.67	(24,823.17)
Changes in other financial assets	405.16	963.35
Changes in other non financial assets	(195.52)	(25.03)
<b>Cash used in operations</b>	<b>10,259.69</b>	<b>(15,404.16)</b>
Income taxes paid	(2,060.67)	(777.59)
<b>Net cash generated from (used in) operating activities (A)</b>	<b>8,199.02</b>	<b>(16,181.76)</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(44.61)	(152.44)
Purchase of intangible assets	(70.80)	(0.10)
Proceeds from derecognition of property, plant and equipment	4.44	38.24
Transfer of loan portfolio	80.57	822.21
Investment in Subsidiary	-	(500.00)
Purchase of investments	(1,08,624.01)	(42,843.00)
Sale of investments	1,09,103.07	47,779.53
<b>Net cash generated from investing activities (B)</b>	<b>448.66</b>	<b>5,144.44</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of equity shares (including securities premium)	2,924.27	-
Debt securities issued/(repaid)(net)	(2,719.78)	12,542.98
Principal payment of lease liability	(5.25)	9.69
Interest payment of lease liability	(17.81)	14.88
Borrowings (other than debt securities) (net)	(12,897.03)	9,241.28

## Cash Flow Statement

For the year ended March 31, 2022

(₹ in million unless otherwise stated)

Particulars	For year ended March 31, 2022	For year ended March 31, 2021
Subordinated liabilities (net)	0.04	0.14
<b>Net generated from (used in) financing activities (C)</b>	<b>(12,715.56)</b>	<b>21,808.97</b>
<b>Net increase / (decrease) in cash and cash equivalents (A + B + C)</b>	<b>(4,067.88)</b>	<b>10,771.64</b>
Cash and cash equivalents at the beginning of the year	11,307.83	536.19
<b>Cash and cash equivalents at the end of the year (refer note 4)</b>	<b>7,239.95</b>	<b>11,307.83</b>
<b>Components of cash and cash equivalents as at the end of year</b>		
Cash on hand	1.53	20.92
Balance with banks - on current account	7,037.89	8,765.92
Deposits with original maturity of less than or equal to 3 months	200.53	2,520.99
<b>Total cash and cash equivalents</b>	<b>7,239.95</b>	<b>11,307.83</b>

(₹ in millions unless otherwise stated)

Cash flow from operating activities	For year ended March 31, 2022	For year ended March 31, 2021
Interest received	12,200.66	12,786.00
Interest paid	(4,223.32)	(3,592.28)

The accompanying notes are an integral part of these standalone financial statements.

As per our report of even date

For **Walker Chandiook & Co LLP**

Chartered Accountants

ICAI Firm registration number: 001076N/N500013

**Manish Gujral**

Partner

Membership No.: 105117

Place: Mumbai

Date: July 11, 2022

For and on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

**Abanti Mitra**

Chairperson

DIN: 02305893

Place: Mumbai

Date: July 11, 2022

**Ashish Kumar Damani**

President and Chief  
Finance Officer

Place: Hyderabad

Date: July 11, 2022

**Shalabh Saxena**

Managing Director &  
Chief Executive Officer

DIN: 08908237

Place: Hyderabad

Date: July 11, 2022

**Ramesh Periasamy**

Company Secretary and  
Compliance Officer

Membership No.: A26247

Place: Hyderabad

Date: July 11, 2022

## Statement of Changes in Equity

For the year ended March 31, 2022

### A. EQUITY SHARES Equity Share of ₹ 10 each issued, subscribed and fully paid

Particulars	₹ in millions unless otherwise stated	
	No. of Shares	Amount
<b>As at April 1, 2020</b>	<b>6,43,15,483</b>	<b>643.15</b>
Issue of equity share capital during the year ended March 31, 2021 (refer note 19)	-	-
<b>As at March 31, 2021</b>	<b>6,43,15,483</b>	<b>643.15</b>
Issue of equity share capital during the year ended March 31, 2022 (refer note 19)	47,79,047	47.79
<b>As at March 31, 2022</b>	<b>6,90,94,530</b>	<b>690.95</b>

### B. OTHER EQUITY

Particulars	₹ in millions unless otherwise stated										
	Securities Premium	Retained Earnings	General Reserve	Statutory Reserve	Capital Redemption Reserve	Share options outstanding reserve	Balance	Other items of comprehensive income (fair valuation on loans)	Total	Money received against Share Warrants	Grand Total
<b>Balance as at April 01, 2020</b>	<b>19,199.86</b>	<b>927.27</b>	<b>23.28</b>	<b>3,239.55</b>	<b>1,526.92</b>	<b>64.17</b>	<b>2,498.05</b>	<b>457.17</b>	<b>25,438.22</b>	-	<b>25,438.22</b>
Profit for the year ended March 31, 2021	-	1,289.82	-	-	-	-	1,289.82	-	1,289.82	-	1,289.82
Impairment allowance on other provisions reclassified to profit and loss	-	-	-	-	-	-	-	(6,713.33)	(6,713.33)	-	(6,713.33)
Fair value change during the year	-	-	-	-	-	-	-	6,398.75	6,398.75	-	6,398.75
Remeasurement gain or loss on actuarial valuation	-	15.01	-	-	-	-	15.01	-	15.01	-	15.01
Transfer to Statutory Reserve	-	(257.96)	-	257.96	-	-	-	-	-	-	-
Share issue expenses	0.05	-	-	-	-	-	0.05	-	0.05	-	0.05
Add: Share based payment to employees	-	-	-	-	-	87.38	87.38	-	87.38	-	87.38
<b>Balance as at March 31, 2021</b>	<b>19,199.91</b>	<b>1,974.14</b>	<b>23.28</b>	<b>3,497.51</b>	<b>1,526.92</b>	<b>151.55</b>	<b>26,373.31</b>	<b>142.59</b>	<b>26,515.90</b>	-	<b>26,515.90</b>
Profit for the year ended March 31, 2022	-	466.38	-	-	-	-	466.38	-	466.38	-	466.38
Impairment allowance on other provisions reclassified to profit and loss	-	-	-	-	-	-	-	4,658.31	4,658.31	-	4,658.31
Fair value change during the year	-	-	-	-	-	-	-	(4,994.13)	(4,994.13)	-	(4,994.13)
Remeasurement gain or loss on actuarial valuation	-	(10.75)	-	-	-	-	(10.75)	-	(10.75)	-	(10.75)
Transfer to Statutory Reserve	-	(93.28)	-	93.28	-	-	-	-	-	-	-
Premium on issue of equity shares, net of issue expenses	2,139.38	-	-	-	-	-	2,139.38	-	2,139.38	-	2,139.38

# Statement of Changes in Equity

For the year ended March 31, 2022

(₹ in millions unless otherwise stated)

Particulars	Reserves & Surplus					Share options outstanding reserve	Balance	Other items of comprehensive income (fair valuation on loans)	Total	Money received against Share Warrants	Grand Total
	Securities Premium	Retained Earnings	General Reserve	Statutory Reserve	Capital Redemption Reserve						
Issue of Share Warrants	-	-	-	-	-	-	-	-	-	750.00	750.00
Add: Share based payment to employees	-	-	-	-	-	112.18	112.18	-	112.18	-	112.18
Less: Transfer on allotment / cancellation pursuant to ESOP scheme	-	-	49.96	-	-	(62.85)	(12.89)	-	(12.89)	-	(12.89)
<b>Balance as at March 31, 2022</b>	<b>21,339.29</b>	<b>2,336.49</b>	<b>73.24</b>	<b>3,590.79</b>	<b>1,526.92</b>	<b>200.88</b>	<b>29,067.61</b>	<b>(193.23)</b>	<b>28,874.38</b>	<b>750.00</b>	<b>29,624.38</b>

The accompanying notes are an integral part of these standalone financial statements.

As per our report of even date  
For **Walker Chandiook & Co LLP**  
Chartered Accountants

ICAI Firm registration number: 001076N/N500013

**Manish Gujral**  
Partner  
Membership No.: 105117

For and on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

**Abanti Mitra**  
Chairperson  
DIN: 02305893  
Place: Mumbai  
Date: July 11, 2022

**Shalabh Saxena**  
Managing Director &  
Chief Executive Officer  
DIN: 08908237  
Place: Hyderabad  
Date: July 11, 2022

**Ashish Kumar Damani**  
President and Chief  
Finance Officer  
Place: Hyderabad  
Date: July 11, 2022

**Ramesh Periasamy**  
Company Secretary and  
Compliance Officer  
Membership No.: A26247  
Place: Hyderabad  
Date: July 11, 2022

Place: Mumbai  
Date: July 11, 2022

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

## 1. CORPORATE INFORMATION

Spandana Sphoorty Financial Limited ('SSFL' or the 'Company') is a public company domiciled in India and incorporated under the provisions of erstwhile Companies Act, 1956 on March 10, 2003. The Company was registered as a non-deposit accepting non-banking financial company ('NBFC-ND') with the Reserve Bank of India ('RBI') and got classified as a non-banking financial company – micro finance institution (NBFC – MFI) effective April 13, 2015. The Company's shares are listed on BSE Limited ('BSE') and National Stock Exchange of India Ltd ('NSE'). The registered office of the Company is located at plot no 31 & 32, Ramky Selenium Towers, Ground floor, Nanakramguda Gachibowli, Telangana, India.

The Company is primarily engaged in the business of micro finance providing small value unsecured loans to low-income customers in semi-urban and rural areas. The tenure of these loans is generally spread over one to two years.

## 2. BASIS OF PREPARATION

### a) Statement of compliance in preparation of standalone financial statements

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

The standalone financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments, derivative financial instruments and other financial asset held for trading and all of which have been measured at fair value.

The functional currency of the Company is the Indian rupee. These standalone financial statements are presented in Indian rupees ("Rs." or "INR") and all values / amounts are rounded off to nearest millions, unless otherwise stated.

### b) Presentation of financial statements

The Company presents its balance sheet in order of liquidity. Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- a. The normal course of business
- b. The event of default
- c. The event of insolvency or bankruptcy of the Group and/or its counterparties

### c) Assessment of impact of Covid-19

During the financial year 2020-2021, the Covid-19 pandemic resulted in a nation-wide lockdown in April 2020 - May 2020 which substantially impacted economic activity. Regulatory measures like moratorium on payment of dues and stand still in asset classification were implemented to mitigate the economic consequences on borrowers. During financial year 2021-2022, the second wave of Covid-19 pandemic during April 2021 - May 2021 led to the re-imposition of localised / regional lock-down measures in various parts of the country. The Company had offered resolution plan to its customers pursuant to Reserve Bank of India's guidelines on 'Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses' dated May 5, 2021, as the lockdowns eased gradually from June 2021, resulting in improvement in economic activity.

While there has been significant progress in vaccination programme and the impact of the third wave of Covid-19 in India has been mild, the impact, including with respect to credit quality and provisions, of the Covid-19 pandemic on the Company's result will depend on the trajectory of the pandemic, effectiveness of the vaccinations, the effectiveness of current and future steps taken by the government and central bank to mitigate the economic impact.

The Company has recognized provisions as on March 31, 2022 towards its loan assets, based on the information available at this point of time, in accordance with the expected credit loss method. The Company believes that it has considered all the possible impact of the known events arising out of COVID-19 pandemic in the preparation of these audited financial results. However, the impact assessment of COVID-19 is a continuing process given its nature and duration. The Company will continue to monitor any material changes to future economic condition.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a) Use of estimates, judgments and assumptions

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

**i) Defined employee benefit assets and liabilities**

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are 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 rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**ii) Fair value measurement**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**iii) Impairment of loan portfolio**

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment allowance for loans and advances. In estimating these cash flows, the Company makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors such as credit quality, level of arrears etc. and actual results may differ, resulting in future changes to the impairment allowance.

**iv) Provisions other than impairment on loan portfolio**

Provisions are held in respect of a range of future obligations. Some of the provisions involve significant judgment about the likely outcome of various events and estimated future cash flows. The measurement of these provisions involves the exercise of management judgments about the ultimate outcomes of the transactions. Payments that are expected to be incurred after more than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

**v) Other estimates**

These include contingent liabilities, useful lives of tangible and intangible assets etc.

**b) Recognition of income and expense**

The Company earns revenue primarily from giving loans. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

**(i) Interest income and expense**

Interest revenue is recognized using the effective interest method (EIR). The effective interest method calculates the amortized cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

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 effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to arrangers and other expenses such as external legal costs, provided these are incremental costs that are directly related to the issue of a financial liability.

**(ii) Dividend income**

Dividend income is recognized when the Company's right to receive the payment is established, which is generally when the shareholders approve the dividend.

**(iii) Other income and expense**

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

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

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

**c) Property, plant and equipment(PPE) and intangible asset PPE**

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

**Intangible asset**

Intangible assets represent software expenditure which is stated at cost less accumulated amortization and any accumulated impairment losses.

**d) Depreciation and amortization**

**Depreciation**

- i. Depreciation on property, plant and equipment provided on a written down value method at the rates arrived based on useful life of the assets, prescribed under Schedule II of the Act, which also represents the estimate of the useful life of the assets by the management.
- ii. Property, plant and equipment costing up to ₹ 5,000 individually are fully depreciated in the year of purchase.

The Company has used the following useful lives to provide depreciation on its Property, plant and equipment:

Asset Category	Useful Life (in years)
Furniture & Fixtures	10
Computers & Printers	3
Office Equipment	5
Leasehold Improvements	3
Vehicles	8
Land & Buildings	60

**Amortization**

Intangible assets are amortized at a rate of 40% per annum on a "Written Down Value" method, from the date that they are available for use.

**e) Impairment**

**i) Overview of principles for measuring expected credit loss ('ECL') on financial assets.**

In accordance with Ind AS 109, the Company is required to measure expected credit losses on its financial instruments designated at amortized cost and fair value through other comprehensive income. Accordingly, the Company is required to determine lifetime losses on financial instruments where credit risk has increased significantly since its origination. For other instruments, the Company is required to recognize credit losses over next 12-month period. The Company has an option to determine such losses on individual basis or collectively depending upon the nature of underlying portfolio. The Company has a process to assess credit risk of all exposures at each year end as follows:

**Stage I**

These represent exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date. The Company has assessed that all standard exposures (i.e. exposures with no overdues) and exposure upto 30 day overdues fall under this category. In accordance with Ind AS 109, the Company measures ECL on such assets over next 12 months.

**Stage II**

Financial instruments that have had a significant increase in credit risk since initial recognition are classified under this stage. Based on empirical evidence, significant increase in credit risk is witnessed after the overdues on an exposure exceed for a period more than 30 days. Accordingly, the Company classifies all exposures with overdues exceeding 30 days at each reporting date under this Stage. The Company measures lifetime ECL on stage II loans.

**Stage III**

All exposures having overdue balances for a period exceeding 90 days are considered to be defaults and are classified under this stage. Accordingly, the Company measures lifetime losses on such exposure. Interest revenue on such contracts is calculated by applying the effective interest rate to the amortized cost (net of impairment allowance) instead of the gross carrying amount.

**Methodology for calculating ECL**

The Company determines ECL based on a probability weighted outcome of factors indicated below to measure the shortfalls in collecting contractual cash flows. The



# Notes to the Standalone Financial Statements

For year ended March 31, 2022

Company does not discount such shortfalls considering relatively shorter tenure of loan contracts.

Key factors applied to determine ECL are outlined as follows:

Probability of default (PD) - The probability of default is an estimate of the likelihood of default over a given time horizon (12-month or lifetime, depending upon the stage of the asset).

Exposure at default (EAD) – It represents an estimate of the exposure of the Company at a future date after considering repayments by the counterparty before the default event occurs.

Loss given default (LGD) – It represents an estimate of the loss expected to be incurred when the event of default occurs.

#### Forward looking information

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

#### Write-offs

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. 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. All such write-offs are charged to the Profit and Loss Statement. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

#### ii) Non financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money

and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

#### f) Revenue from Contracts with Customers

The Company recognises revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial Instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue from Contracts with Customers'. The Company identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognises revenue only on satisfactory completion of performance obligations. Revenue is measured at fair value of the consideration received or receivable.

- (a) Commission is earned by selling of services and products of other entities under distribution arrangements. The income so earned is recognised on successful sales on behalf of other entities subject to there being no significant uncertainty of its recovery.
- (b) The Company recognizes revenue from advertisement activities upon satisfaction of performance obligation by rendering of services underlying the contract with third party customers

#### g) Leases

##### Measurement of lease liability

At the time of initial recognition, the Company measures lease liability as present value of all lease payment discounted using the Company's incremental cost of borrowing rate. Subsequently, the lease liability is (a) increased by interest on lease liability; and (b) reduce by lease payment made.

##### Measurement of Right-of-Use asset

At the time of initial recognition, the Company measures 'Right-of-Use assets' as present value of all lease payment discounted using the Company's incremental cost of borrowing rate w.r.t said lease contract. Subsequently, 'Right-of-Use assets' is measured using cost model i.e. at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease liability specified in Ind AS 116 'Leases'.

Depreciation on 'Right-of-Use assets' is provided on straight line basis over the lease period

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

## Short-term leases:

Short term leases not covered under Ind AS 116 are classified as operating lease. Lease payments during the year are charged to statement of profit and loss.

## h) Retirement and employee benefits

The Company participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Company. The present value of the defined benefit obligations is calculated using the projected unit credit method.

The Company operates following employee benefit plans:

### i) Employee Provident Fund

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

### ii) Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Company provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Company. The Company's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation.

Net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these

assumptions. All assumptions are reviewed at each reporting date.

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

### iii) Leaves

The service rules of the Company do not provide for the carry forward of the accumulated leave balance and leaves to credit of employees are encashed periodically at average gross salary.

### iv) Employee Stock Option Plan

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments in form of employee stock options, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black Scholes valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in Stock Option Outstanding reserves in Other equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

### i) Income taxes

#### Current Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with The Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity).

## Deferred Taxes

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Current and deferred taxes are recognized as income tax benefits or expenses in the income statement except for tax related to the FVOCI instruments. The Company also recognizes the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Company only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Company's intention to settle on a net basis.

## j) Earnings per share (EPS)

The Company reports basic and diluted earnings per share in accordance with Ind AS33 on Earnings per

share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the diluted earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

## k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The increase in the provision due to un-winding of discount over passage of time is recognized within finance costs.

## l) Contingent liabilities and assets

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Company does not have any contingent assets in the financial statements.

## m) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

equity instrument of another entity. Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instruments.

**Financial Assets** - All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

### Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

- Loan Portfolio at amortized cost
- Loan Portfolio at fair value through other comprehensive income (FVOCI)
- Investment in equity instruments and mutual funds at fair value through profit or loss
- Other financial assets at amortized cost

### Loan Portfolio at amortized cost:

Loan Portfolio is measured at amortized cost where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

### Loan Portfolio at FVOCI:

Loan Portfolio is measured at FVOCI where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- the financial asset is held within a business model where objective is achieved by both collecting contractual cash flows and selling financial assets.

**Business model:** The business model reflects how the Company manages the assets in order to generate cash flows. That is, where the Company's objective is solely to collect the contractual cash flows from the assets, the same is measured at amortized cost or where the Company's objective is to collect both the contractual cash flows and cash flows arising from the sale of

assets, the same is measured at fair value through other comprehensive income (FVOCI). If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

**SPPI:** Where the business model is to hold assets to collect contractual cash flows (i.e. measured at amortized cost) or to collect contractual cash flows and sell (i.e. measured at fair value through other comprehensive income), the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The amortized cost, as mentioned above, is computed using the effective interest rate method.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the Statement of Profit and Loss.

The measurement of credit impairment is based on the three-stage expected credit loss model described in Note: Impairment of financial assets (refer note 3(e)).

**Effective interest method** - The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. The amortized cost of the financial asset is adjusted if the Company revises its estimates of payments or receipts. The adjusted amortized cost is calculated based on the original or latest re-estimated EIR and the change is recorded as 'Interest and similar income' for financial assets. Income is recognized on an

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

effective interest basis for loan portfolio other than those financial assets classified as at FVTPL

### Equity instruments and Mutual Funds

Equity instruments in other than subsidiaries, associates and joint ventures and mutual funds included within the FVTPL category are measured at fair value with all changes recognized in the Profit and Loss Statement.

### Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and joint venture, the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

### Financial liabilities

#### Initial Measurement

Financial liabilities are classified and measured at amortized cost. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

#### Subsequent Measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

#### De-recognition

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized from the balance sheet when the Company has discharged its obligation or the contract is cancelled or expires.

### n) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

### o) Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date using various valuation techniques.

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Company's accounting policies require, measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortized cost are required to be disclosed in the said financial statements.

The Company is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement).

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows:

- **Level 1 financial instruments** - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- **Level 2 financial instruments** - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life.
- **Level 3 financial instruments** - include one or more unobservable input where there is little market activity for the asset/liability at the measurement date that is significant to the measurement as a whole.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

**p) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

**q) Cash flow statements**

The standalone cash flow statement is prepared in accordance with the Indirect method. Standalone cash flow statement presents the cash flows by operating, financing and investing activities of the Company. Operating cash flows are arrived by adjusting profit or loss before tax for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

**r) Proposed dividend**

As per Ind AS -10, 'Events after the Reporting period', the Company disclose the dividend proposed by board of directors after the balance sheet date in the notes to these standalone financial statements. The liability to pay dividend is recognised when the declaration of dividend is approved by the shareholders.

**s) Standards and recent pronouncements issued but not yet effective**

MCA vide its notification dated 23 March 2022 has notified Companies (Indian Accounting Standards) Amendment

Rules, 2022 to further amend the Companies (Indian Accounting Standards) Rules, 2015, as below, which are effective from 1 April 2022.

**Ind AS 16 – Property Plant and equipment** - The amendment clarifies that an entity shall deduct from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use.

**Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets** – The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

**Ind AS 109 – Financial Instruments** - The amendment clarifies the nature of fees an entity should include when it applies the '10% test' in assessing whether to derecognize a financial liability. An entity shall include only fees paid or received between the entity and the lender, including the fees paid or received by either the entity or the lender on other's behalf.

The Company does not expect any of these amendments to have any material effect on the financial statements.

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

## 4: CASH AND CASH EQUIVALENTS

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Cash on hand	1.53	20.92
Balances with banks		
On current accounts*	7,037.89	8,765.92
Deposit with original maturity of less than three months	200.53	2,520.99
	<b>7,239.95</b>	<b>11,307.83</b>

## 5: BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Deposit with banks not considered as cash and cash equivalents	1,609.00	133.82
Restricted bank balance	234.95	-
Deposits held as margin money or security against the borrowings	2,906.77	2,319.45
	<b>4,750.72</b>	<b>2,453.27</b>

## 6: TRADE RECEIVABLES

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
<b>Unsecured</b>		
- Considered good	200.86	121.06
- Significant increase in credit risk	-	-
	<b>200.86</b>	<b>121.06</b>
Less: Allowance for receivables with significant increase in credit risk	-	-
	<b>200.86</b>	<b>121.06</b>

### Trade receivables ageing schedule:

(₹ in millions unless otherwise stated)

Particulars	Outstanding for following periods from due date of payment					TOTAL
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
<b>As at March 31, 2022</b>						
<b>Undisputed</b>						
Considered good	200.86	-	-	-	-	200.86
Credit impaired	-	-	-	-	-	-
<b>As at March 31, 2021</b>						
<b>Undisputed</b>						
Considered good	121.06	-	-	-	-	121.06
Credit impaired	-	-	-	-	-	-

There are no disputed receivables as at March 31, 2022 and March 31, 2021.

## 7: LOANS

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
<b>(a) Loans (at fair value through OCI)</b>	57,761.73	69,352.44
(b) Inter corporate advances to related parties (repayable on demand) (at amortized cost)	1,194.81	927.80
<b>Total - Gross</b>	<b>58,956.54</b>	<b>70,280.24</b>
Less: Impairment allowance	(6,319.15)	(3,319.97)
Less: Provision towards refund of excess interest collected (Refer note 48)	-	(797.13)
<b>Total - Net</b>	<b>52,637.39</b>	<b>66,163.14</b>

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

	(₹ in millions unless otherwise stated)	
	As at March 31, 2022	As at March 31, 2021
<b>Break-up of loans</b>		
(a) Secured by tangible assets [Property including land and building (March 31, 2021: Includes Gold)]	81.03	119.57
(b) Unsecured	58,875.51	70,160.67
<b>Total - Gross</b>	<b>58,956.54</b>	<b>70,280.24</b>
Less: Impairment and other provisions	(6,319.15)	(4,117.10)
<b>Total - Net</b>	<b>52,637.39</b>	<b>66,163.14</b>
(a) Public sector	-	-
(b) Others	58,956.54	70,280.24
<b>Total - Gross</b>	<b>58,956.54</b>	<b>70,280.24</b>
Less: Impairment and other provisions	(6,319.15)	(4,117.10)
<b>Total - Net</b>	<b>52,637.39</b>	<b>66,163.14</b>
(a) Within India	58,956.54	70,280.24
(b) Outside India	-	-
<b>Total - Gross</b>	<b>58,956.54</b>	<b>70,280.24</b>
Less: Impairment and other provisions	(6,319.15)	(4,117.10)
<b>Total - Net</b>	<b>52,637.39</b>	<b>66,163.14</b>

**Note 1:** The Company has not granted any loans or advances in the nature of loans to promoters, directors, KMPs and the related parties (as defined under the Act), either severally or jointly that are (a) repayable on demand or (b) without specifying any terms or period of repayment, except for the loans extended to related parties, which are repayable on demand as under:

	(₹ in millions unless otherwise stated)	
	As at March 31, 2022	As at March 31, 2021
Outstanding balance	1,194.81	927.80
Percentage to the total gross loan portfolio	2.03%	1.32%

**Note 2:** The table below discloses credit quality of the Company's exposures (net of impairment loss allowance) as at reporting date:

### Gross loan portfolio movement for the year ended March 31, 2022

	(₹ in millions unless otherwise stated)			
Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount as at April 1, 2021	58,847.13	6,455.42	4,049.89	69,352.44
New assets originated or purchased	30,629.87	-	-	30,629.87
Asset derecognised or repaid (excluding write offs) #	(35,872.95)	(4,116.56)	(67.61)	(40,057.12)
Assets written off during the year	-	-	(1,995.21)	(1,995.21)
Inter-stage movements				
Stage I	327.48	(313.81)	(13.67)	-
Stage II	(4,294.86)	4,301.78	(6.92)	-
Stage III	(8,337.33)	(835.23)	9,172.56	-
Fair Value on loans	(148.50)	(19.75)	-	(168.25)
<b>Gross carrying amount as at March 31, 2022</b>	<b>41,150.84</b>	<b>5,471.85</b>	<b>11,139.04</b>	<b>57,761.73</b>

# Represents balancing figure



## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### Gross loan portfolio movement for the year ended March 31, 2021

(₹ in millions unless otherwise stated)				
Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount as at April 1, 2020	48,211.14	106.57	179.36	48,497.07
New assets originated or purchased	60,290.85	-	-	60,290.85
Asset derecognised or repaid (excluding write offs) #	(44,491.29)	3,429.45	4,929.70	(36,132.14)
Assets written off during the year	(0.01)	(0.08)	(3,583.78)	(3,583.87)
Inter-stage movements				
Stage I	8.17	(6.49)	(1.68)	-
Stage II	(2,912.47)	2,913.28	(0.81)	-
Stage III	(2,512.06)	(15.04)	2,527.10	-
Fair Value on loans	252.80	27.73	-	280.53
<b>Gross carrying amount as at March 31, 2021</b>	<b>58,847.13</b>	<b>6,455.42</b>	<b>4,049.89</b>	<b>69,352.44</b>

# Represents balancing figure

### Movement of impairment allowance (ECL) during the year ended March 31, 2022

(₹ in millions unless otherwise stated)				
Particulars	Stage I	Stage II	Stage III	Total
Opening Balance	464.36	962.28	1,893.33	3,319.97
Provision made/ (reversed) during the year	417.00	275.35	4,302.04	4,994.39
Inter-stage movements				
Stage I	147.45	(112.75)	(34.70)	-
Stage II	(185.24)	191.06	(5.82)	-
Stage III	(509.44)	(259.12)	768.56	-
Write off	-	-	(1,995.21)	(1,995.21)
<b>Closing Balance</b>	<b>334.13</b>	<b>1,056.82</b>	<b>4,928.20</b>	<b>6,319.15</b>

### Movement of impairment allowance (ECL) during the year ended March 31, 2021

(₹ in millions unless otherwise stated)				
Particulars	Stage I	Stage II	Stage III	Total
Opening Balance	741.12	64.26	145.21	950.59
Provision made/ (reversed) during the year	1,306.54	408.77	4,237.93	5,953.25
Inter-stage movements				
Stage I	(33.74)	12.04	21.70	-
Stage II	(431.48)	430.72	0.76	-
Stage III	(1,118.08)	46.57	1,071.51	-
Write off	(0.01)	(0.08)	(3,583.78)	(3,583.87)
<b>Closing Balance</b>	<b>464.36</b>	<b>962.28</b>	<b>1,893.33</b>	<b>3,319.97</b>

**Note 3:** During the current and previous year, the Company has pre-closed loan accounts and provided fresh (top-up) loans to certain borrowers for restarting their businesses after a temporary suspension of economic activities due to COVID-19 pandemic. In determining whether this resulted in a significant increase in credit risk or impairment of these loans and potential future loss estimate, the Company takes into consideration the borrowers' vintage, past repayment behaviour and viability of their businesses, as a separate cohort.

Based on such assessment and in accordance with Ind AS 109 principles, including those relating to modified loans, and in terms of the ECL policy approved by the Board of Directors ("ECL Policy"), the Company has classified loans amounting to ₹ 800.31 million as stage 3 (March 31, 2021: ₹3,680 million as Stage 2 and ₹1,079 million as Stage 3), although these loans overdue was not more than 90 days as per the latest repayment schedule as at March 31, 2022. While the staging movement has been carried out taking cognizance of the overdues in previous loan, the Company has applied relatively lower probability of default (PD) and loss given default (LGD) factors as per its ECL Policy considering the borrowers' repayment behaviour in earlier loan cycles. Accordingly, the Company has recognised a total impairment allowance of ₹79.86 million (March 31, 2021: ₹848 million) on such loans.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

Further, as the loans are provided to borrowers having running businesses with steady cash flows and not as a concession to overcome financial difficulties faced by borrowers other than the temporary suspension due to lockdown, these cases are not considered as restructured accounts in terms of extant RBI Master Directions.

**Note 4:** The COVID-19 pandemic has continued to cause a significant disruption of the economic activities across the globe including India throughout the year, with second wave of the pandemic emerging towards the later part of the financial year in India. The Government of India announced a nation-wide lockdown to contain the spread of the virus which continued till May 31, 2020. Subsequently, various state governments and local statutory authorities imposed restrictions on economic activities in different parts of the country which continued to impact Company's operations including lending and collection activities. Further, pursuant to the Reserve Bank of India ('RBI') COVID-19 Regulatory package issued vide circulars dated March 27, 2020 and May 23, 2020 which allowed lending institutions to offer moratorium to borrowers on payment of instalments falling due between March 1, 2020 and August 31, 2020, the Company had offered a moratorium to its borrowers until May 31, 2020 which was further extended up to August 31, 2020 based on borrowers' requests.

In assessing the impairment allowance for loan portfolio, the Company has considered internal and external sources of information available including indicators of deterioration in the macro-economic factors. Further, the management has estimated the impact of the ongoing second wave of the pandemic on its loan portfolio, based on reasonable and supportable information available till date and considering performance after the first wave, and has noted that the existing provisioning levels are adequate to cover any further delinquencies. Given the unique nature and scale of this pandemic, its full extent of impact on the Company's operations and financial metrics, more specifically on the borrower's ability to service their obligations on a timely basis, will depend on the severity and duration of the pandemic as well as on highly uncertain future developments including governmental and regulatory measures and the Company's responses thereto. Accordingly, the management's estimate of impairment losses based on various variables and assumptions could result in actual credit loss being different than that being estimated.

**Note 5:** No impairment allowance has been recognized on the outstanding inter-corporate advances to related parties as at March 31, 2022 and March 31, 2021.

### 8: OTHER FINANCIAL ASSETS

(₹ in millions unless otherwise stated)		
	As at March 31, 2022	As at March 31, 2021
Security deposits	22.38	28.30
Amount receivable from banks and non banking financial companies	0.08	0.07
Term deposits placed with non banking financial companies #	-	13.02
Retained interest on asset assigned	300.47	620.66
Other assets	0.05	80.62
	<b>322.98</b>	<b>742.67</b>

# Represent margin money deposits placed to avail term loans from non-banking financial companies

### 9: INVESTMENTS

(₹ in millions unless otherwise stated)		
	As at March 31, 2022	As at March 31, 2021
<i>Measured at cost</i>		
<b>Investment in subsidiaries</b>		
2,000,000 (March 31, 2021: 2,000,000) equity shares of ₹10 each fully paid up in Caspian Financial Services Limited	20.00	20.00
7,552,210 (March 31, 2021: 7,552,210) equity shares of ₹10 each fully paid up in Criss Financial Limited	1,125.24	1,125.24

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
<i>Measured at fair value through profit &amp; loss</i>		
<b>Others</b>		
100,000 (March 31, 2021: 100,000) equity shares of ₹10 each fully paid up in Alpha Micro Finance Consultants Private Limited	1.00	1.00
	<b>1,146.24</b>	<b>1,146.24</b>
Less: Impairment loss allowance	-	-
	<b>1,146.24</b>	<b>1,146.24</b>

**Note:** All investments are held within India.

### 10: CURRENT TAX ASSETS (NET)

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Advance income tax (net of provision)	149.38	149.38
	<b>149.38</b>	<b>149.38</b>

### 11: DEFERRED TAX ASSETS (NET)

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
<b>Effects of deferred tax assets / (liabilities):</b>		
Impairment of financial instruments and other provisions	1,659.96	1,099.26
Provisions allowable on payment basis	52.31	50.78
Property, plant and equipment	36.09	38.37
Ind-AS 116 impact	-	5.89
Fair value gain on loans	42.34	(70.60)
Income from direct assignments	(75.62)	(156.88)
Others	97.21	78.60
<b>Net deferred tax assets</b>	<b>1,812.28</b>	<b>1,045.42</b>

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

#### 11.1: DEFERRED TAX ASSETS (NET)

**Movement in deferred tax balances for the year ended March 31, 2022**

(₹ in millions unless otherwise stated)

Particulars	Net Balance April 1, 2021	(Charge) / credit in profit & loss	Recognised in OCI	Net Balance March 31, 2022
<b>Deferred tax assets / (liabilities)</b>				
Property, plant and equipment	38.36	(2.27)	-	36.09
Provisions allowable on payment basis	50.78	(2.09)	3.62	52.31
Impairment of financial instruments and other provisions	1,099.26	560.70	-	1,659.96
Income from direct assignments	(156.87)	81.25	-	(75.62)
Other items	13.89	12.71	112.95	139.55
<b>Net Deferred tax assets / (liabilities)</b>	<b>1,045.42</b>	<b>650.29</b>	<b>116.57</b>	<b>1,812.28</b>

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### Movement in deferred tax balances for the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Particulars	Net Balance April 1, 2021	(Charge) / credit in profit & loss	Recognised in OCI	Net Balance March 31, 2022
<b>Deferred tax assets / (liabilities)</b>				
Property, plant and equipment	36.47	1.89	-	38.36
Provisions allowable on payment basis	76.59	(20.76)	(5.05)	50.78
Impairment of financial instruments and other provisions	449.91	649.35	-	1,099.26
Income from direct assignments	(359.01)	202.14	-	(156.87)
Other items	(134.94)	43.03	105.80	13.89
<b>Net Deferred tax assets / (liabilities)</b>	<b>69.02</b>	<b>875.64</b>	<b>100.75</b>	<b>1,045.42</b>

### 12: PROPERTY, PLANT AND EQUIPMENT

(₹ in millions unless otherwise stated)

	Land & Building *	Leasehold improvements	Furniture & Fixtures	Office Equipment	Vehicles	Computers	Right of use asset	Total
<b>Gross block</b>								
<b>At April 1, 2020</b>	2.01	95.40	79.73	32.33	15.17	179.71	114.27	518.62
Addition	-	-	11.44	6.37	19.41	13.38	101.84	152.44
Disposals	-	-	(0.59)	(0.24)	-	(0.51)	(36.90)	(38.24)
<b>At March 31, 2021</b>	<b>2.01</b>	<b>95.40</b>	<b>90.58</b>	<b>38.46</b>	<b>34.58</b>	<b>192.58</b>	<b>179.21</b>	<b>632.82</b>
Addition	-	-	9.40	17.71	9.07	8.43	-	44.61
Disposals	-	-	(1.90)	(3.58)	-	(25.79)	(179.21)	(210.48)
<b>At March 31, 2022</b>	<b>2.01</b>	<b>95.40</b>	<b>98.08</b>	<b>52.59</b>	<b>43.65</b>	<b>175.22</b>	<b>-</b>	<b>466.95</b>
<b>Depreciation</b>								
<b>At April 1, 2020</b>	0.24	93.77	64.75	23.09	6.20	152.46	26.69	367.20
Charge for the year	0.08	1.03	12.05	5.35	6.37	21.53	23.26	69.67
Disposals	-	-	(0.45)	(0.14)	-	(0.38)	-	(0.97)
<b>At March 31, 2021</b>	<b>0.32</b>	<b>94.80</b>	<b>76.35</b>	<b>28.30</b>	<b>12.57</b>	<b>173.61</b>	<b>49.95</b>	<b>435.90</b>
Charge for the year	0.08	0.38	8.95	10.83	8.70	14.65	34.30	77.89
Disposals	-	-	(1.52)	(0.02)	-	(25.31)	(84.25)	(111.10)
<b>At March 31, 2022</b>	<b>0.40</b>	<b>95.18</b>	<b>83.78</b>	<b>39.11</b>	<b>21.27</b>	<b>162.95</b>	<b>-</b>	<b>402.69</b>
<b>Net carrying amount</b>								
At March 31, 2021	1.69	0.60	14.23	10.16	22.01	18.97	129.26	196.92
<b>At March 31, 2022</b>	<b>1.61</b>	<b>0.22</b>	<b>14.30</b>	<b>13.48</b>	<b>22.38</b>	<b>12.27</b>	<b>-</b>	<b>64.24</b>

\* Mortgaged as security against non-convertible debentures.

### 12A: Other Intangible assets

(₹ in millions unless otherwise stated)

Particulars	Computer software	Total
<b>Gross block</b>		
At April 1, 2020	103.88	103.88
Addition	0.10	0.10
<b>At March 31, 2021</b>	<b>103.98</b>	<b>103.98</b>
Addition	70.80	70.80

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

Particulars	Computer software	Total
<b>At March 31, 2022</b>	<b>174.78</b>	<b>174.78</b>
<b>Amortization</b>		
At April 1, 2020	91.04	91.04
Charge for the year	5.19	5.19
<b>At March 31, 2021</b>	<b>96.23</b>	<b>96.23</b>
Charge for the year	7.58	7.58
<b>At March 31, 2022</b>	<b>103.81</b>	<b>103.81</b>
<b>Net carrying amount</b>		
At March 31, 2021	7.74	7.74
<b>At March 31, 2022</b>	<b>70.96</b>	<b>70.96</b>

### 13: OTHER NON-FINANCIAL ASSETS

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
<b>Unsecured, considered good</b>		
Prepaid expenses	21.15	12.39
Capital advances	13.61	3.85
Advance against sum assured	140.33	89.47
Other advances	66.37	20.80
	<b>241.46</b>	<b>126.51</b>
<b>Unsecured, considered doubtful</b>		
Amounts deposited with courts	6.24	6.24
Provision for doubtful debts - claims	22.72	16.68
Less: Provision for doubtful debts	(28.96)	(22.92)
	-	-
	<b>241.46</b>	<b>126.51</b>

### 14: (A) DEBT SECURITIES (AT AMORTISED COST)

(₹ in millions unless otherwise stated)

	No. of debentures outstanding		Face Value (₹ in millions)	As at March 31, 2022	As at March 31, 2021
	March 31, 2022	March 31, 2021			
<b>(i) Debentures (Secured)</b>					
13.12% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of thirty six months from the date of allotment i.e. December 7, 2018	-	410	1.00	-	426.58
13.25% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of thirteen months from the date of allotment i.e. September 24, 2020	-	400	1.00	-	423.42
12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of fifteen months from the date of allotment i.e. October 20, 2020	-	800	0.10	-	85.23
11% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of fifteen months from the date of allotment i.e. November 17, 2020	-	7,500	0.10	-	766.45
12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of eighteen months from the date of allotment i.e. October 20, 2020	800	800	0.10	94.52	84.70

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

	No. of debentures outstanding		Face Value (₹ in millions)	As at March 31, 2022	As at March 31, 2021
	March 31, 2022	March 31, 2021			
10.00% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of eighteen months from the date of allotment i.e. October 29, 2020	1,000	1,000	1.00	1,041.87	1,040.89
10.80% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of eighteen months from the date of allotment i.e. November 19, 2020	350	1,400	1.00	352.57	1,383.22
11.49% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of thirty six months from the date of allotment i.e. December 24, 2020 (subject to exercise of put option by the lender at the end of eighteen months from the date of allotment). Redeemable on maturity if option not exercised by the investor.	215	215	1.00	221.85	221.47
12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of twenty one months from the date of allotment i.e. October 20, 2020.	800	800	0.10	94.52	84.94
14.00% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of twenty four months from the date of allotment i.e. September 08, 2020 (subject to exercise of put option by the lender at the end of six months from the date of allotment). Redeemable on maturity if option not exercised by the investor.	250	250	1.00	251.81	251.02
14.8% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of twenty three months from the date of allotment i.e. October 28, 2020.	1,740	1,740	0.10	224.12	191.02
12.75% Secured, Redeemable, Non-convertible Debentures redeemable in twenty four equal monthly installments from the date of allotment i.e. September 29, 2020.	250	250	1.00	62.17	184.74
12.20% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of twenty four months from the date of allotment i.e. December 19, 2020.	500	500	1.00	502.54	498.78
11.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of Twenty Four months from the date of allotment i.e. December 16, 2020.	6,360	6,360	0.10	725.96	644.56
11.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of thirty six months from the date of allotment i.e. December 29, 2020 (subject to exercise of put option by the lender at the end of twenty four months from the date of allotment). Redeemable on maturity if option not exercised from the investor	8,275	8,275	0.10	929.43	818.94
11.50% Secured, Redeemable, Non-convertible Debentures redeemable at quarterly intervals.	2,000	4,000	0.10	204.14	405.12
12.75% Secured, Redeemable, Non-convertible Debentures redeemable at half-yearly intervals.	500	1,000	1.00	515.20	832.05
11.25% Secured, Senior, Redeemable, Transferable, Listed, Principal protected, Market Linked, Rated Non Convertible Debentures, redeemable at par at the end of twenty six months from the date of allotment i.e. March 16, 2021 (subject to exercise of put option by the lender at the end of eighteen months from the date of allotment). Redeemable on maturity if option not exercised from the investor	5,000	5,000	0.10	544.13	483.28

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

	No. of debentures outstanding		Face Value (₹ in millions)	As at March 31, 2022	As at March 31, 2021
	March 31, 2022	March 31, 2021			
13.15% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of seventy two months from the date of allotment i.e. October 31, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of thirty six months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	325	325	1.00	339.92	339.93
11.34% (net of with-holding tax), Secured, Redeemable, Non-convertible Debentures, 50% of which is redeemable at par at the end of sixth month from September 18, 2017 i.e. the date of allotment and balance 50% to be redeemable on maturity i.e. June 30, 2023 (subject to exercise of put option by the lender at March 18, 2022 i.e. at the end of fifty four months from date of allotment).	850	850	1.00	854.12	853.62
12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of thirty six months from the date of allotment i.e. November 24, 2020 (subject to exercise of put option by the lender at the end of twenty four months from the date of allotment). Redeemable on maturity if option not exercised by the investor	10,000	10,000	0.10	1,014.50	1,008.92
12.5% Secured, Redeemable, Non-convertible Debentures redeemable at quarterly intervals	800	1,200	1.00	795.94	1,190.45
12% Secured, Rated, Listed, Redeemable, Transferable, Non Convertible Debentures of face value of ₹1 million each	350	350	1.00	351.12	351.75
14.80% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of forty four months from the date of allotment i.e. October 28, 2020 (subject to exercise of put option by the lender at the end of Thirty months from the date of allotment). Redeemable on maturity if option not exercised by the investor.	2,000	2,000	0.10	244.99	225.80
12.5% Rated, unlisted, senior, secured, redeemable, taxable, non convertible Debentures of face value ₹ 0.1 million each	4,500	4,500	0.10	448.50	447.98
11.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures, redeemable at par at the end of twenty four months from the date of allotment i.e. April 29, 2021.	11,000	-	0.10	1,232.03	-
11% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures, redeemable at par at the end of thirty months from the date of allotment i.e. June 16, 2021.	33,750	-	0.10	3,592.43	-
10.75% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures each redeemable at par at the end of twenty two months from the date of allotment i.e. July 14, 2021.	3,000	-	0.10	330.09	-
10.75% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures, redeemable at par at the end of Thirty months from the date of allotment i.e. July 22, 2021.	12,500	-	0.10	1,374.04	-

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

	No. of debentures outstanding		Face Value (₹ in millions)	As at	As at
	March 31, 2022	March 31, 2021		March 31, 2022	March 31, 2021
10.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures, redeemable at par at the end of Thirteen months from the date of allotment i.e. August 03, 2021.	150	-	1.00	149.99	-
10.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures, redeemable at par at the end of Thirteen months from the date of allotment i.e. March 24, 2022.	350	-	1.00	350.70	-
<b>Sub - Total</b>				<b>16,843.20</b>	<b>13,244.86</b>
<b>(ii) Borrowing under securitisation arrangement (secured)</b>					
From Banks				741.16	6,225.00
From non-banking financial companies				-	877.28
<b>Sub - Total</b>				<b>741.16</b>	<b>7,102.28</b>
<b>Total Debt Securities</b>				<b>17,584.36</b>	<b>20,347.14</b>
<b>Nature of security</b>					
The above debt securities are secured by the way of first and exclusive charge over eligible specified book debts and mortgage of land.					
<b>Out of the above debt securities</b>					
Debt securities in India				17,584.36	20,347.14
Debt securities outside India				-	-
<b>Total</b>				<b>17,584.36</b>	<b>20,347.14</b>
<b>(b) Borrowings (Other than Debt Securities)</b>					
<b>Secured, measured at amortised cost</b>					
Indian rupee loan from banks				15,249.67	27,273.13
Indian rupee loan from non-banking financial companies				3,278.64	4,152.21
<b>Total</b>				<b>18,528.31</b>	<b>31,425.34</b>
<b>Out of the above</b>					
Borrowings in India				18,528.31	31,425.34
Borrowings outside India				-	-
<b>Total</b>				<b>18,528.31</b>	<b>31,425.34</b>
<b>Nature of security</b>					
Borrowings (other than debt securities) are secured by the way of hypothecation of book debts and margin money deposits.					
<i>Refer Note 14A for terms of principal repayment and the applicable interest rate on the borrowings (other than debt securities).</i>					
<b>(c) Subordinated Liabilities (at amortised cost)</b>					
<b>Unsecured term loan</b>					
Indian rupee loan from Bank				201.87	201.83
<b>Total Subordinated Liabilities</b>				<b>201.87</b>	<b>201.83</b>
<b>Out of the above</b>					
Borrowings in India				201.87	201.83
Borrowings outside India				-	-
<b>Total</b>				<b>201.87</b>	<b>201.83</b>

Subordinate debt is unsecured and carries an interest rate @ 15% per annum. The Subordinate debt is due for maturity on June 08, 2024.



## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### 14A. Terms of principal repayment of borrowings and applicable interest rate on borrowings (other than debt securities)

#### (i) As at March 31, 2022

(₹ in millions unless otherwise stated)

Original maturity of loan	Frequency of repayment	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Total
			No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
1-3 years	Monthly	8.50%-10.50%	167	5,095.79	63	2,008.55	15	458.33	7,562.67
		10.51%-12.00%	178	5,208.79	53	1,733.07	-	-	6,941.86
		12.01%-14.00%	67	985.72	9	79.15	-	-	1,064.87
	Quarterly	10.51%-12.00%	11	354.17	4	116.67	-	-	470.84
	Half yearly	7.00%-10.00%	1	500.00	-	-	-	-	500.00
	Annually	10.01%-11.00%	2	600.00	-	-	-	-	600.00
		7.00%-8.00%	1	300.00	-	-	-	-	300.00
Bullet payment	8.50%-10.50%	3	985.00	-	-	-	-	985.00	
<b>Total</b>			<b>14,029.47</b>		<b>3,937.44</b>		<b>458.33</b>	<b>18,425.24</b>	
Impact of EIR									1.36
Interest accrued on borrowings (other than debt securities)									101.71
<b>Grand Total</b>									<b>18,528.31</b>

#### (ii) As at March 31, 2021

(₹ in millions unless otherwise stated)

Original maturity of loan	Frequency of repayment	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Total
			No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
1-3 years	Monthly	8.50%-9.50%	29	1,150.41	24	1,090.91	12	545.45	2,786.77
		9.51%-10.00%	112	3,280.71	32	912.08	-	-	4,192.79
		10.01%-11.00%	140	4,501.03	102	3,708.37	9	250.00	8,459.39
		11.01%-12.00%	119	3,075.99	37	735.76	6	38.50	3,850.26
		12.01%-13.00%	109	1,520.73	49	746.12	1	12.50	2,279.34
	Quarterly	13.01%-14.00%	45	586.26	18	239.60	8	66.65	892.51
		9.51%-10.00%	17	1,437.07	-	-	-	-	1,437.07
		10.51%-11.00%	7	857.14	-	-	-	-	857.14
	Half yearly	11.01%-12.00%	14	820.24	11	354.17	4	116.67	1,291.08
		7.00%-10.00%	2	1,000.00	1	500.00	-	-	1,500.00
	Annually	10.01%-11.00%	2	1,200.00	2	600.00	-	-	1,800.00
		7.00%-8.00%	1	700.00	1	300.00	-	-	1,000.00
	Bullet payment	9.51%-10.00%	3	875.00	-	-	-	-	875.00
		10.51%-11.00%	1	125.00	-	-	-	-	125.00
	<b>Total</b>			<b>21,129.59</b>		<b>9,187.01</b>		<b>1,029.77</b>	<b>31,346.35</b>
Impact of EIR									(94.90)
Interest accrued on borrowings (other than debt securities)									173.89
<b>Grand Total</b>									<b>31,425.34</b>

### 14B. Compliance with the loan covenants

The resignation of the erstwhile Managing Director of the Company on November 2, 2021 with immediate effect, resulted in a change in the management of the Company. Such change in management and other factors such as increase in portfolio at risk (PAR) and NPA ratios due to higher delinquencies caused by COVID-19 pandemic have resulted in a breach of some of the covenants relating to borrowings such as portfolio at risk (PAR) ratios, NPA ratios, etc. The Company has been regularly servicing all its borrowings and has sought forbearance/ waiver from the lenders with respect to non-compliance with the covenants, wherever applicable.

Based on the discussions with the lenders, the Company has no reason to believe that any adverse action, such as levy of higher interest or a recall of the facility, will be invoked by the lenders on account of the above breaches; and as of the date of these financial statements, none of the lenders have intimated about any remedial action. Accordingly, no adjustment is required in these standalone financial statements.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### 15: OTHER FINANCIAL LIABILITIES

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Expenses payable	457.95	34.17
Lease liability	-	152.66
Employee benefits payable	151.75	204.68
Assignment and other payables	221.13	1,631.08
Provision towards refund of excess interest collected (Refer note 48)	454.81	539.40
	<b>1,285.64</b>	<b>2,561.99</b>

### 16: CURRENT TAX LIABILITIES (NET)

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Provision for tax (net of advance tax)	177.53	1,338.85
	<b>177.53</b>	<b>1,338.85</b>

### 17: PROVISIONS

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Gratuity (net of contribution)	39.47	16.08
	<b>39.47</b>	<b>16.08</b>

### 18: OTHER NON-FINANCIAL LIABILITIES

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Other payables	254.98	190.48
Unfructified service tax liability [net of amount paid under protest ₹9.93 million]	166.94	158.41
Statutory dues payable	82.50	61.46
	<b>504.42</b>	<b>410.35</b>

### 19: SHARE CAPITAL

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
<b>Authorized</b>		
900,000,000 (March 31, 2021: 900,000,000) equity shares of ₹10 each	9,000.00	9,000.00
1,250,000,000 (March 31, 2021: 1,250,000,000) preference shares of ₹10 each	12,500.00	12,500.00
	<b>21,500.00</b>	<b>21,500.00</b>
<b>Issued, subscribed and paid-up</b>		
69,094,530 (March 31, 2021: 64,315,483) equity shares of ₹10 each fully paid up	690.95	643.15
	<b>690.95</b>	<b>643.15</b>

#### (a) Terms / rights attached to equity shares

The Company has only one class of equity shares of par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividends in Indian rupees. During the current financial year no dividend has been proposed by the Company.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### (b) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year:

(₹ in millions unless otherwise stated)

Particulars	As at March 31, 2022		As at March 31, 2021	
	No. of shares	Amount	No. of shares	Amount
Outstanding at the beginning of the year	6,43,15,483	643.15	6,43,15,483	643.15
Issued during the year - Preferential Allotment	46,86,342	46.87	-	-
Issued during the year - ESOP	92,705	0.93	-	-
<b>Outstanding at the end of the year</b>	<b>6,90,94,530</b>	<b>690.95</b>	<b>6,43,15,483</b>	<b>643.15</b>

#### Note:

- (i) During the year, the Company has allotted 4,686,342 equity shares of ₹10 each at issue price of ₹458.78 per share including premium of ₹ 448.78 per share on preferential basis in terms of Regulation 169(4) of Chapter V of Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI Regulations") and the Companies Act, 2013, to the extent applicable.
- (ii) During the year, the Company has allotted 92,705 equity shares to eligible employees under Employee stock Option Plan at a price of ₹263.35 per equity share including premium of ₹253.35 per equity share.

### (c) Details of shareholders holding more than 5% in the Company:

As per the records of the Company, including register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the shareholding given below represents both legal and beneficial ownership of shares.

(₹ in millions unless otherwise stated)

Name of the shareholder	As at March 31, 2022		As at March 31, 2021	
	Number of shares	% of holding	Number of shares	% of holding
<b>Equity shares of ₹10 each</b>				
Kangchenjunga Limited	2,93,03,172	42.41%	2,93,03,172	45.56%
Padmaja Gangireddy	1,03,00,953	14.91%	1,03,00,953	16.02%
Valiant Mauritius Partners FDI Limited	38,48,823	5.57%	38,48,823	5.98%

### (d) Shareholding of Promoters as defined in the Companies Act, 2013 as below:

#### (i) As at March 31, 2022

(₹ in millions unless otherwise stated)

Promoter name	No. of Shares	% of total shares	% Change during the year
Padmaja Gangireddy	1,03,00,953	14.91%	-1.11%
Vijaya Sivarami Reddy Vendidand	4,99,960	0.72%	-0.08%
Kangchenjunga Limited	2,93,03,172	42.41%	-3.15%
Kedaara Capital Fund III LLP	31,60,556	4.57%	4.57%

#### (ii) As at March 31, 2021

(₹ in millions unless otherwise stated)

Promoter name	No. of Shares	% of total shares	% Change during the year
Padmaja Gangireddy	1,03,00,953	16.02%	0.08%
Vijaya Sivarami Reddy Vendidand	5,14,974	0.80%	-0.93%
Kangchenjunga Limited	2,93,03,172	45.56%	0.00%

(e) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company refer Note 43.

(f) Aggregate number and class of shares allotted as fully paid up pursuant to contract without payment being received in cash during the period of five years immediately preceding the reporting date:

(₹ in millions unless otherwise stated)

Nature of instrument / convertible security	Number of convertible securities	Number of equity shares issued upon conversion
Class B 0.001% Compulsory Convertible Preference Shares (CCPS) of ₹10 each	79,10,07,721	89,48,425

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

## 20: OTHER EQUITY

	(₹ in millions unless otherwise stated)	
	As at March 31, 2022	As at March 31, 2021
Securities premium	21,339.29	19,199.91
General reserve	73.24	23.28
Capital redemption reserve	1,526.92	1,526.92
Share options outstanding account	200.88	151.55
Statutory reserve [as required by Section 45-IC of Reserve Bank of India Act, 1934]	3,590.79	3,497.51
Money received against share warrants	750.00	-
Retained earnings	2,336.49	1,974.14
Fair valuation on loans through other comprehensive income	(193.23)	142.59
<b>Total other equity</b>	<b>29,624.37</b>	<b>26,515.90</b>

\*For detailed movement of reserves refer statement of changes in equity for the year ended March 31, 2022.

### Nature and purpose of other equity

#### Securities premium

Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

#### General reserve

Amounts set aside from retained profits as a reserve to be utilised for permissible general purpose as per Law.

#### Capital redemption reserve

In accordance with section 55 of the Companies Act, 2013, the Company had transferred an amount equivalent of the nominal value of OCCRPS redeemed during previous years, to the Capital Redemption Reserve. The reserve can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

#### Share options outstanding account

The share option outstanding account is used to recognise the grant date fair value of option issued to employees under employee stock option scheme.

#### Statutory reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)

Statutory reserve represents the accumulation of amount transferred from surplus year on year based on the fixed percentage of profit for the year, as per section 45-IC of Reserve Bank of India Act 1934.

#### Money received against share warrants

During the year, the Company has allotted 18,52,739 fully convertible warrants of ₹10 each at issue price of ₹458.78 per warrant including premium of ₹448.78 per warrant on preferential basis to Kedaara Capital Fund III LLP, against receipt of upfront money amounting to ₹750 million, in compliance with the SEBI Regulations and the Companies Act, 2013, to the extent applicable. Subsequently on May 21, 2022, these warrants have been exercised and are converted into 18,52,739 equity shares of ₹10 each at issue price of ₹458.78 per share including premium of ₹ 448.78 per share.

#### Retained earnings

Retained earnings are the profits that the Company has earned till date, less any transfers to statutory reserve, general reserve or any other such other appropriations to specific reserves.

#### Fair valuation on loans through other comprehensive income

The Company has elected to recognize changes in the fair value of loans in other comprehensive income. These changes are accumulated as reserve within equity. The Company transfers amount from this reserve to retained earnings when the relevant loans are derecognized.

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

## 21: INTEREST INCOME

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
<b>Measured at fair value through OCI</b>		
Interest on loans	12,220.50	12,783.34
<b>Measured at amortised cost</b>		
Interest on inter corporate advances	141.96	301.60
Interest on deposits with banks and financial institutions	146.99	173.84
	<b>12,509.45</b>	<b>13,258.78</b>

## 22: NET GAIN ON FAIR VALUE CHANGES

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
<b>(A) Net gain / (loss) on fair value instruments at fair value through profit or loss</b>		
(i) On trading portfolio		
– Investments	479.06	85.84
(ii) On market linked debentures	43.01	-
<b>(B) Others</b>		
(i) Gain on derecognition of loans designated at FVTOCI	259.26	665.30
	<b>781.33</b>	<b>751.14</b>

## 23: OTHERS

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
Recovery against loans written-off	407.92	330.01
	<b>407.92</b>	<b>330.01</b>

## 24: OTHER INCOME

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
Advertisement income	146.47	205.62
Gain on business transfer	-	9.26
Profit on sale of property, plant and equipment	1.96	-
Miscellaneous income	4.19	3.53
	<b>152.62</b>	<b>218.41</b>

## 25: FINANCE COST

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
<b>On financial liabilities measured at amortised cost</b>		
Interest on debt securities	2,382.55	1,125.28
Interest on borrowings (other than debt securities)	2,612.22	2,823.32
Interest on subordinated liabilities	29.99	15.22
Interest on lease liabilities	17.81	14.88
Interest on income tax	69.59	157.59
Other finance cost	28.72	35.33
	<b>5,140.88</b>	<b>4,171.62</b>

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### 26: NET LOSS ON FAIR VALUE CHANGES

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
Financial assets designated at fair value through Profit and loss	-	54.85
Financial liabilities designated at fair value through Profit and loss	-	(27.41)
	-	<b>27.44</b>

### 27: IMPAIRMENT ON FINANCIAL INSTRUMENTS AND OTHER PROVISIONS

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
<b>Measured at fair value through OCI</b>		
Impairment and other provisions	2,751.12	2,814.88
Loans written-off	1,907.19	3,583.87
	<b>4,658.31</b>	<b>6,398.75</b>

### 28: EMPLOYEE BENEFITS EXPENSE

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
Salaries, wages and bonus	1,901.27	1,447.39
Contribution to provident fund and other funds	107.60	94.33
Expenses on Employee Stock Option Plan	112.18	88.05
Staff welfare expenses	47.75	33.80
	<b>2,168.80</b>	<b>1,663.57</b>

### 29: OTHER EXPENSES

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
Rent	97.54	68.25
Rates and taxes	2.53	2.96
Bank charges	11.97	20.94
Office maintenance	46.28	41.52
Computers and network maintenance	32.52	7.11
Electricity charges	18.93	16.59
Field allowance	295.72	179.82
Communication expenses	11.21	6.96
Credit Bureau Expenses	8.12	7.91
Printing and stationery	15.56	10.32
Legal and professional charges	139.69	13.99
Directors sitting fees	10.45	10.90
Auditors remuneration	11.82	8.78
Recruitment and training	2.92	14.33
Subscription fees	7.64	8.84
Settlement expenses	376.05	-
Other provisions and write off	43.15	26.19
Security charges	1.59	1.34
CSR Expenses	83.00	88.14
	<b>1,216.69</b>	<b>534.89</b>

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
<b>Details of payments to auditors:</b>		
<b>As auditor:</b>		
Audit fee	11.39	8.50
Certification fee	-	0.06
Out of pocket expenses	0.43	0.93
	<b>11.82</b>	<b>9.49</b>

### 30: TAX EXPENSE

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
Current tax	812.71	1,362.16
Adjustment in respect of current income tax of prior years	17.05	-
Deferred tax credit	(650.28)	(875.64)
<b>Total tax charge</b>	<b>179.48</b>	<b>486.52</b>

### Reconciliation of tax expense and the accounting profit/(loss) multiplied by India's tax rate

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
Accounting profit before tax	645.86	1,776.34
Expected tax expense at the Indian tax rate 25.168% (March 31, 2021: 25.168%)	<b>162.55</b>	<b>447.07</b>
<i>Tax effect of amounts which are not deductible/taxable in calculating taxable income:</i>		
Effect of expenses not deductible under the IT Act, 1961	38.40	61.84
Effect of additional allowance deductible under the IT Act, 1961	(40.67)	(23.32)
Adjustment in respect of prior year tax expense	17.05	-
Others	2.15	0.93
<b>Income tax expense reported in the statement of profit and loss</b>	<b>179.48</b>	<b>486.52</b>

### 31: EARNING PER EQUITY SHARE

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
Net profit after tax as per statement of profit and loss	466.38	1,289.82
Net profit as above for calculation of basic EPS and diluted EPS	466.38	1,289.82
Weighted average number of equity shares in calculating basic EPS	6,46,24,714	6,43,15,483
Stock options granted under ESOP	1,60,706	2,50,850
Weighted average number of equity shares for diluted EPS	6,47,85,420	6,45,66,333
Basic earnings per share (In ₹)	7.22	20.05
Diluted earnings per share (In ₹)	7.20	19.98

### 32: SEGMENT REPORTING

The Company operates in a single business segment i.e. financing, as the nature of the loans are exposed to similar risk and return profiles hence they are collectively operating under a single segment as per Ind AS 108 on 'Operating Segments'. The Company operates in a single geographical segment i.e. domestic, and hence there is no external revenue or assets which require disclosure. No revenue from transactions with a single external customer aggregates to 10% or more of the Company's total revenue during the year ended March 31, 2022 or March 31, 2021.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### 33: RELATED PARTY DISCLOSURES

#### I. Subsidiary Company

- a) Caspian Financial Services Limited
- b) Criss Financial Limited (formerly Criss Financial Holdings Limited)

#### II. Entities in which Key Management Personnel and their relatives have significant influence

- a) Spandana Rural and Urban Development Organization (up to November 02, 2021)
- b) Abhiram Marketing Services Limited (up to November 02, 2021)
- c) Spandana Employee Welfare Trust

#### III. Key Management Personnel

- a) Mrs. Padmaja Gangireddy - Managing Director upto November 2, 2021 and Non-Executive Director w.e.f November 3, 2021
- b) Mr. Sudhesh Chandrasekar – Chief Financial Officer (upto June 5, 2020)
- c) Mr. Rakesh Jhinjharria – Company Secretary (upto June 5, 2020)
- d) Mr. Abdul Feroz Khan – Chief Strategy Officer (upto November 02, 2021)
- e) Mr. Bharat Shah (Independent Director)
- f) Mr. Deepak Vaidya (Independent Director)
- g) Mr. Jagdish Capoor (Independent Director)
- h) Ms. Abanti Mitra (Independent Director)
- i) Mr. Sunish Sharma (Nominee Director)
- j) Mr. Kartikeya Dhruv Kaji (Nominee Director)
- k) Mr. Darius Dinshaw Pandole (Nominee Director) (upto September 21, 2020)
- l) Mr. Amit Sobti (Nominee Director)
- m) Mr. Ramachandra Kasargod Kamath (Nominee Director)
- n) Mr. Satish Kottakota - Chief Financial Officer (upto October 01, 2021)
- o) Mr. Ramesh Periasamy - Company Secretary and Compliance Officer (w.e.f August 29, 2020)
- p) Mr. Ashish Kumar Damani - President and Chief Finance Officer (w.e.f. March 19, 2022)
- q) Mr. Shalabh Saxena - Managing Director & CEO (w.e.f. March 19, 2022)

#### IV. Relatives of Key Management Personnel

- a) Mr. Revan Saahith (upto November 02, 2021)
- b) Mr. Vijaya Sivarami Reddy Vendidandi (upto November 02, 2021)

#### V. Related parties in accordance with RBI Master directions

- a) Spandana Mutual Benefit Trust (upto November 02, 2021)
- b) Spandana Sphoorty Chit Funds Private Limited (upto November 02, 2021)



## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### Related party transactions during the year:

(₹ in millions unless otherwise stated)

S. NO	Related Party	Nature of transaction	Transactions during year ended March 31, 2022	Transactions during year ended March 31, 2021	(Payable) / receivable	
					March 31, 2022	March 31, 2021
1	Spandana Rural and Urban Development Organization	Rent expenses	28.47	11.99	(1.21)	-
		Lease liability payable	-	-	-	(102.05)
		Rent deposit paid / adjusted	8.96	3.83	-	6.92
		Expense reimbursement	0.04	0.06	0.01	-
		Sale of Fixed Assets	3.66	-	-	-
2	Criss Financial Limited	Expense reimbursement (net)	89.62	5.84	(0.06)	(0.72)
		Inter-corporate advances (net)	390.88	(305.00)	1,118.88	728.00
		Interest income	128.37	148.94	11.32	12.49
		Transfer of loan portfolio	-	902.77	-	80.57
		Subscription to equity shares	-	500.00	-	-
3	Abhiram Marketing Services Limited	Incentive Income	64.68	89.12	69.85	87.78
		Expenses reimbursement	0.30	11.63	-	0.12
		Inter-corporate advances (net)	(115.24)	(970.16)	64.60	179.84
		Loan collections & sales	278.03	2,265.01	(25.17)	(8.79)
		Purchase of loan Portfolio	-	388.43	-	-
		Interest income	12.94	152.65	-	7.47
		Purchase of fixed assets & goods	9.74	6.39	-	-
4	Spandana Mutual Benefit Trust	Sale of Fixed Assets	0.20	-	-	-
5	Mr. Sudhesh Chandrasekar	Remuneration#	-	1.82	-	-
6	Mr. Rakesh Jhinharia	Remuneration#	-	0.40	-	-
7	Mr. Bharat Shah	Sitting fee	2.18	2.00	-	(0.46)
8	Mr. Deepak Vaidya	Sitting fee	2.18	2.00	-	(0.46)
9	Mr. Jagdish Capoor	Sitting fee	2.18	2.00	-	(0.46)
10	Mr. K. R. Kamath	Sitting fee	2.18	2.00	-	(0.46)
11	Ms. Abanti Mitra	Sitting fee	2.18	2.00	-	(0.46)
12	Mr. Abdul Feroz Khan	Remuneration#	7.34	7.45	-	(2.60)
13	Mrs. Padmaja Gangireddy	Remuneration#	28.20	53.75	-	(25.00)
		Settlement fees	345.00	-	(407.10)	-
14	Mr. Revan Saahith	Remuneration#	1.92	3.10	-	(0.72)
15	Mr. Vijaya Sivarami Reddy Vendidandi	Rent expenses	12.95	1.48	(0.77)	-
		Lease liability payable	-	-	-	(50.61)
		Sale of fixed assets	1.35	-	-	-
		Rent deposit paid / adjusted	5.39	3.83	-	3.83
16	Mr. Ramesh Periasamy	Remuneration#	7.85	4.28	(3.49)	(1.54)
17	Mr. Satish Kottakota	Remuneration#	4.36	12.39	(5.48)	(3.82)

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

S. NO	Related Party	Nature of transaction	Transactions during year ended March 31, 2022	Transactions during year ended March 31, 2021	(Payable) / receivable	
					March 31, 2022	March 31, 2021
18	Mr. Shalabh Saxena	Remuneration#	1.57	-	(1.57)	-
19	Mr. Ashish Kumar Damani	Remuneration#	1.22	-	(1.22)	-

# As the provision for gratuity is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

Notes:

- Refer note 34(b) for guarantee given for the borrowings availed by Criss Financial Limited.
- All above transactions are in the ordinary course of business and on arms length basis. All outstanding balances are to be settled in cash and are unsecured.
- Transactions during the year are shown net of GST and inclusive of TDS.

### 34: CONTINGENT LIABILITIES

#### a. Claims against the Company not acknowledged as debt:

(₹ in millions unless otherwise stated)

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Service tax open assessments	48.66	48.66
Income tax open assessments	711.52	645.51
<b>Total</b>	<b>760.18</b>	<b>694.17</b>

- The Commissioner, Service Tax Commissionerate, Hyderabad ("CST"), through two orders dated August 7, 2012 and October 9, 2013, levied service tax, interest and penalty on pre-closure interest charged by the Company on loans pre-closed during FY 2006-07 to FY 2011-12. The CST also issued an order dated March 27, 2015, levying service tax, interest and penalty on a part of profit on portfolio sale during FY 2007-08 to FY 2010-11, deeming it to be consideration for collection and remittance of loan instalments. The Company filed an appeal against these orders before the Custom, Excise and Service Tax Appellate Tribunal (CESTAT) which is pending for hearing on March 31, 2022. The service tax and interest thereon in respect of these matters have been provided for in earlier years based on Company's assessment. However, given the facts of these cases, legal precedents, and general opinion, the penalty indicated in these orders aggregating ₹48.66 million is considered as a contingent liability as at March 31, 2022.
- The Company received an income tax assessment-cum-demand order for FY 2016-17, inter alia, raising a demand of ₹702.56 million (including accrued interest till March 31, 2022) under section 69A read with section 115BBE of the Income Tax Act, 1961 ("IT Act"). The Company has filed an appeal against this order before the Commissioner of Income Tax (Appeals) that will be heard in due course. However, based on the expert opinions obtained, the Company confident that the matter will be decided in its favour. Accordingly, the aforesaid amount has been considered as a contingent liability as at March 31, 2022. The Company has deposited ₹69.22 million against such demand.
- The Company received an income tax assessment-cum-demand order for FY 2017-18, disallowing deduction of ₹13.45 million claimed under section 80JJAA. While, the addition has not resulted in any additional tax demand (since during FY 2017-18), the Company had paid income tax under section 115JB of the IT Act. However, the assessing officer has levied a penalty of ₹8.96 million under section 270A of the IT Act. SSFL has filed an appeal before the CIT(A) against the levy of penalty.

Based on the internal assessment and / or legal opinion, the Management is confident that, for the aforesaid mentioned contingent liabilities under paragraph (i) to (iii) above, no further provision is required to be made as at March 31, 2022.

#### b. Guarantees excluding financial guarantees

(₹ in millions unless otherwise stated)

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Corporate Guarantee for the term loans availed by Criss Financial Limited	1,165.76	1,830.00
<b>Total</b>	<b>1,165.76</b>	<b>1,830.00</b>

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

## 35: FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques. This note describes the fair value measurement.

### Valuation framework

The Company will assess the fair values for assets qualifying for fair valuation. The Company's valuation framework includes:

1. Benchmarking prices against observable market prices or other independent sources;
2. Development and validation of fair valuation models using model logic, inputs, outputs and adjustments.

These valuation models are subject to a process of due diligence and validation before they become operational and are continuously calibrated. These models are subject to approvals by various functions.

### Valuation methodologies adopted

Fair values of financial assets, other than those which are subsequently measured at amortised cost, have been arrived at as under:

1. Fair values of investments held under FVTPL have been determined under level 1 using quoted Net Asset Value of the underlying instruments;
2. Fair value of loans held under a business model that is achieved by both collecting contractual cash flows and selling the loans are measured at FVOCI. The fair value of these loans has been determined under level 2.

## 36: Fair Value Hierarchy of assets and liabilities

### Fair value measurement

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data (either directly as prices or indirectly derived from prices) 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. The financial instruments included in Level 2 of fair value hierarchy have been valued using quotes available for similar assets and liabilities in the active market.

Level 3 - If one or more of the significant inputs is not based on observable market data (unobservable), the instrument is included in level 3.

### I. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy

(₹ in millions unless otherwise stated)

	Fair value measurement using		
	Level -1	Level -2	Level -3
<b>Assets measured at fair value as at March 31, 2022</b>			
Loans (measured at FVOCI)	-	51,442.58	-
Derivative financial instruments (measured at FVTPL)	-	0.46	-
Investments in equity shares (measured at FVTPL)	-	-	1.00
	-	<b>51,443.04</b>	<b>1.00</b>
<b>Assets measured at fair value as at March 31, 2021</b>			
Loans (measured at FVOCI)	-	65,235.34	-

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

	(₹ in millions unless otherwise stated)		
	Fair value measurement using		
	Level -1	Level -2	Level -3
Derivative financial instruments (measured at FVTPL)	-	0.45	-
Investments in equity shares (measured at FVTPL)	-	-	1.00
	-	<b>65,235.79</b>	<b>1.00</b>

### II. The following table shows an analysis of financial assets that are not carried at fair value

	Amortized cost	(₹ in millions unless otherwise stated)		
		Fair value measurement using		
		Level -1	Level -2	Level -3
<b>Assets measured at fair value as at March 31, 2022</b>				
Loans	1,194.81	-	1,194.81	-
Investments in equity shares	1,145.24	-	-	1,356.74
	<b>2,340.05</b>	-	<b>1,194.81</b>	<b>1,356.74</b>
<b>Assets measured at fair value as at March 31, 2021</b>				
Loans	927.80	-	927.80	-
Investments in equity shares	1,145.24	-	-	1,365.74
	<b>2,073.04</b>	-	<b>927.80</b>	<b>1,365.74</b>

### III. The following table shows an analysis of financial liabilities that are not carried at fair value

	Amortized cost	(₹ in millions unless otherwise stated)		
		Fair value measurement using		
		Level -1	Level -2	Level -3
<b>Assets measured at fair value as at March 31, 2022</b>				
Debt securities	17,584.36	-	17,850.47	-
Borrowings (other than debt securities)	18,528.31	-	18,726.07	-
Subordinated liabilities	201.87	-	224.88	-
	<b>36,314.54</b>	-	<b>36,801.42</b>	-
<b>Assets measured at fair value as at March 31, 2021</b>				
Debt securities	20,347.14	-	20,564.41	-
Borrowings (other than debt securities)	31,425.34	-	31,515.68	-
Subordinated liabilities	201.83	-	230.88	-
Lease liabilities	152.66	-	152.66	-
	<b>52,126.97</b>	-	<b>52,463.63</b>	-

#### Note:

The carrying amounts of cash and cash equivalents, bank balances other than cash and cash equivalents, other financial assets / liabilities and trade and other payables approximate the fair value because of their short-term nature.

#### Valuation technique used

##### For Loans

The scheduled future cash flows (including principal and interest) are discounted using the lending rate prevailing as at the balance sheet date. The discounting factor is applied assuming the cash flows will be evenly received in a month. Further the overdue cash flows upto 90 Days (upto stage 2) are discounted assuming they will be received in the third month. Fairvalue of cash flows for stage 3 loans are assumed as carrying value less provision for expected credit loss.

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

## For Derivative financial instruments

For derivative financial instruments, the Company has assessed the fair value under Monte Carlo Simulation model which involves input parameters like discount rate, volatility, expected tenure, risk-free rates, coupon payment date, time steps and iterations.

## For investment in equity instruments

For investments, the Company has assessed the fair value on the basis of using a market comparable book value multiple.

## Financial liabilities measured at amortised cost

### For Borrowings

The fair value of fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rate being charged for new borrowings. The fair value of floating rate borrowing is deemed to equal its carrying value.

There have been no transfer between Level 1, 2 and 3 during the year ended March 31, 2022 and March 31, 2021.

## 37: CAPITAL MANAGEMENT

The Company's objective for capital management is to maximize shareholders' value, safeguard business continuity, meet the regulatory requirement and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through borrowings, retained earnings and operating cash flows generated.

As an NBFC-MFI, the RBI requires us to maintain a minimum capital to risk weighted assets ratio ("CRAR") consisting of Tier I and Tier II capital of 15% of our aggregate risk weighted assets. Further, the total of our Tier II capital cannot exceed 100% of our Tier I capital at any point of time. The capital management process of the Company ensures to maintain a healthy CRAR at all the times.

The Company has a board approved policy on resource planning which states that the resource planning of the Company shall be based on its Asset Liability Management (ALM) requirement. The policy of the Company on resource planning will also cover the objectives of the regulatory requirement. The policy prescribes the sources of funds, threshold for mix from various sources, tenure, manner of raising the funds etc.

## Regulatory Capital

Particulars	₹ in millions unless otherwise stated	
	March 31, 2022	March 31, 2021
Teir I Capital	27,809.45	24,887.33
Teir II Capital	105.23	(335.45)
<b>Total Capital</b>	<b>27,914.68</b>	<b>24,551.88</b>
Risk weighted assets	55,009.87	62,624.58
Teir I CRAR	50.55%	39.74%
Teir II CRAR	0.19%	-0.54%
<b>Total CRAR</b>	<b>50.74%</b>	<b>39.20%</b>

## 38: Employee Benefit Plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity, on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of ₹2 million per The Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarized the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the gratuity plan.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### Movement in defined benefit obligations

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Defined benefit obligation as at the beginning of the year	40.74	50.07
Current service cost	8.08	6.99
Interest on defined benefit obligation	2.36	2.83
Remeasurements- Actuarial (gain) / loss	15.46	(14.21)
Benefits paid	(24.79)	(4.94)
<b>Defined benefit obligation as at the end of the year</b>	<b>41.85</b>	<b>40.74</b>

### Movement in plan assets

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Fair value of plan assets as at the beginning of the year	24.66	22.48
Actual return on plan assets	2.51	7.12
Actuarial gains	-	-
Employer contributions	-	-
Benefits paid	(24.79)	(4.94)
<b>Fair value of plan assets as at the end of the year</b>	<b>2.38</b>	<b>24.66</b>

The Company expects to contribute Nil (March 31, 2021 ₹ Nil) to gratuity in the next financial year.

### Reconciliation of net liability/ asset

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Net defined benefit liability as at the beginning of the year	16.08	27.58
Expense charged to statement of profit & loss	9.01	8.56
Amount recognised in other comprehensive income	14.37	(20.06)
Employer contributions	-	-
<b>Net defined benefit liability as at the end of the year</b>	<b>39.46</b>	<b>16.08</b>

### Expenses charged to the statement of profit and loss

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Current service cost	8.08	6.99
Interest cost	0.93	1.56
<b>Total</b>	<b>9.01</b>	<b>8.54</b>

### Remeasurement gains/(losses) in the other comprehensive income

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Actuarial Gain / (Loss) on Liabilities		
- due to change in financial assumptions	0.44	5.64
- due to experience variance	(15.89)	8.57
<b>Total -A</b>	<b>(15.45)</b>	<b>14.21</b>
Actuarial Gain / (Loss) on assets		
- Expected Interest Income	1.43	1.27
- Actual Income on Plan Asset	2.51	7.12
<b>Total -B</b>	<b>1.08</b>	<b>5.85</b>
<b>Amount recognised under OCI (A+B)</b>	<b>(14.37)</b>	<b>20.06</b>

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Category of Assets	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Fund managed by Insurer	100%	100%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Summary of Actuarial Assumptions

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Discount rate	6.19%	5.79%
Expected return on plan assets	5.79%	5.66%
Rate of Increase in compensation levels	5.00%	5.00%
Retirement age (years)	58	58

**Discount rate:** The discount rate is based on the 5 years government bond yields as at the balance sheet date for the estimated term of the obligations.

**Expected rate of return on plan assets:** This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

**Salary escalation rate:** The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

A quantitative sensitivity analysis for significant assumptions as at the balance sheet date are as shown below:

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Discount rate (+0.5%)	-0.53	-0.50
Discount rate (-0.5%)	0.54	0.52
Salary Inflation (+1%)	1.11	1.01
Salary Inflation (-1%)	-1.06	-0.97
Withdrawal Rate (+5%)	-1.80	-1.59
Withdrawal Rate (-5%)	1.95	1.74

### Projected plan cash flow

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Year 1	9.23	9.66
Year 2	8.40	7.98
Year 3	7.59	7.06
Year 4	6.31	6.15
Year 5	5.31	5.23
After year 5	13.18	11.82

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### 39: LEASES

#### Company as a lessee

The Company's significant leasing arrangements are in respect of operating leases of office premises (Head office and branch offices). The branch office premises are generally rented on cancellable term of eleven months with or without escalation clause, however none of the branch lease agreements carries non-cancellable lease periods. The head office premises have been obtained on a lease term of nine to eleven years with an escalation clause of fifteen percent at a three years interval, except for a short-term lease arrangement entered during the year. There are no sub-leases. Lease rentals of ₹ 97.54 million (March 31, 2021: ₹68.25 million) pertaining to short-term leases and low value assets has been directly debited to statement of profit and loss.

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Operating lease payments recognized in the Statement of Profit & Loss	97.54	68.25

#### Minimum lease obligations

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Not later than one year	41.59	32.06
Later than one year and not later than five years	0.84	1.17
Later than five years	-	-

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Particulars	(₹ in millions unless otherwise stated)	
	ROU assets	
<b>As at April 1, 2020</b>	<b>87.58</b>	
Addition	101.84	
Deletion	(36.90)	
Depreciation	(23.26)	
<b>As at March 31, 2021</b>	<b>129.26</b>	
Addition	-	
Deletion	(94.96)	
Depreciation	(34.30)	
<b>As at March 31, 2022</b>	<b>-</b>	

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

Particulars	(₹ in millions unless otherwise stated)	
	Amount	
<b>As at April 1, 2020</b>	<b>113.22</b>	
Addition	101.84	
Accretion of interest	14.88	
Deletion	(59.70)	
Payments	(17.58)	
<b>As at March 31, 2021</b>	<b>152.66</b>	
Addition	-	
Accretion of interest	17.81	
Deletion	(147.41)	
Payments	(23.06)	
<b>As at March 31, 2022</b>	<b>-</b>	



## Notes to the Standalone Financial Statements

For year ended March 31, 2022

The following are the amounts recognised in statement of profit or loss:

Particulars	₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Depreciation expense of right-of-use assets	34.30	23.26
Interest expense on lease liabilities	17.81	14.88
Expense relating to short-term leases *	97.54	68.25
Expense relating to leases of low-value assets	-	-
Variable lease payments	-	-
<b>Total amount recognised in profit or loss</b>	<b>149.65</b>	<b>106.40</b>

\* net of gain of ₹43.72 million (March 31, 2021: Nil), recognized on cancellation of lease agreements pursuant to the execution of Settlement Agreement.

The details of the contractual maturities of lease liabilities on an undiscounted basis is as follows:

Particulars	₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Less than one year	-	23.06
One to five years	-	103.11
More than five years	-	139.85
<b>Total</b>	<b>-</b>	<b>266.02</b>

#### 40: AMOUNT PAYABLE TO MICRO SMALL AND MEDIUM ENTERPRISES

As per information available with the Company, there are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises.

As at March 31, 2022 & March 31, 2021, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

#### 41: RISK MANAGEMENT AND FINANCIAL OBJECTIVES

Risk is an integral part of the Company's business and sound risk management is critical to the success. As a financial intermediary, the Company is exposed to risks that are particular to its lending and the environment within which it operates and primarily includes credit, liquidity and market risks. The Company has a risk management policy which covers risks associated with the financial assets and liabilities. The risk management policy is approved by the Board of Directors.

The Company has identified and implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the Company. The risk management process is continuously reviewed, improved and adapted in the context of changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis.

The Company has an elaborate process for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

##### 41.1 CREDIT RISK

Credit risk is the risk of loss that may occur from defaults by our Borrowers under our loan agreements. In order to address credit risk, we have stringent credit assessment policies for client selection. Measures such as verifying client details, online documentation and the usage of credit bureau data to get information on past credit behaviour also supplement the efforts for containing credit risk. We also follow a systematic methodology in the opening of new branches, which takes into account factors such as the demand for credit in the area; income and market potential; and socio-economic and law and order risks in the proposed area. Further, our client due diligence procedures encompass various layers of checks, designed to assess the quality of the proposed group and to confirm that they meet our criteria.

The Company is a rural focused NBFC-MFI with a geographically diversified presence in India and offer income generation loans under the joint liability group model, predominantly to women from low-income households in Rural Areas. Further, as we focus on providing micro-loans in Rural Areas, our results of operations are affected by the performance and the future growth potential of microfinance in rural India. Our clients typically have limited sources of income, savings and credit histories

## Notes to the Standalone Financial Statements

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and our loans are typically provided free of collateral. Such clients generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions and natural calamities. In addition, we rely on non-traditional guarantee mechanisms rather than tangible assets as collateral, which may not be effective in recovering the value of our loans.

In order to mitigate the impact of credit risk in the future profitability, the Company creates impairment loss allowance basis the expected credit loss (ECL) model for the outstanding loans as at balance sheet date.

The criteria of default, significant increase in credit risk and stage assessment is mentioned in note 3(e) of the significant accounting policies. The below discussion describes the Company's approach for assessing impairment.

### A) Probability of default (PD)

The Company determines PD on a collective basis by stratifying the entire portfolio into meaningful categories. The Company uses historical vintage information of its loan portfolio to estimate PD. Based on uncertainties and risks arising from its operations in different geographical states in the country, the Company bifurcates the entire portfolio into different states. Further the Company performs analysis of its defaults in various states over different observation period. In determining the PD's, an effort is made to eliminate outliers for a particular observation period which are not likely to happen in future. Accordingly, the Company determines PD for each stage depending upon the underlying classification of asset (i.e., Stage I or Stage II). The PD rates for Stage I and II have been further bifurcated based on the days-past-due (DPD) status of the loans (i.e., current, 1-30 DPD, 31-60 DPD and 61-90 DPD) to incorporate adequate granularity. PD rate for stage 3 is derived as 100% considering that the default occurs as soon as the loan becomes overdue for 90 days.

### B) Exposure at default (EAD)

Exposure at default (EAD) is the sum of outstanding principal and the interest amount accrued but not received on each loan as at reporting date.

### C) Loss given default

The Company determines its expectation of lifetime loss by estimating recoveries towards its loan through analysis of historical information. The Company determines its recovery rates by analysing the recovery trends over different periods of time after a loan has defaulted. LGD is the difference between the exposure at default and its recovery rate. Similar to PDs, the LGD rates have also been reassessed for COVID-19 affected portfolio by comparing past recovery experience from less frequent / non-recurring default events. Appropriate adjustments have also been made for recoveries observed during the post-pandemic period which are considered as an appropriate representation of expected post-default recoveries. The Company has estimated 50% as LGD across states.

### Analysis of concentration risk:

The Company's loan book consists of a large number of customers spread over diverse geographical area. The following tables show the geographical concentrations of loans:

(₹ in millions unless otherwise stated)		
States	March 31, 2022	March 31, 2021
Madhya Pradesh	18.58%	19.32%
Orissa	16.96%	17.68%
Maharashtra	10.43%	11.56%
Karnataka	12.01%	13.52%
Chhattisgarh	6.93%	7.66%
Kerala	1.86%	3.37%
Rajasthan	4.66%	3.59%
Bihar	6.39%	4.87%
Jharkhand	5.05%	4.69%
Others	4.61%	2.93%
Andhra Pradesh	8.53%	7.67%
Gujarat	3.99%	3.13%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

## Collateral and other credit enhancement

The Company's secured portfolio consists of loans against property (including land and building). Although collateral is an important mitigant credit risk, the Company's practice is to lend on the basis of its assessment of the customer's ability to repay rather than placing primary reliance on collateral. Based on the nature of the product and the Company's assessment of the customer's credit risk, a loan may be offered with suitable collateral.

**41.1.a** Inter-corporate advance given by the Company to related parties are repayable on demand and governed by Company's policy on demand loans approved by the board of directors. Such policy requires credit appraisal of the financial and operational performance of the counter parties, to be performed by the Company before renewing/rolling over of the advance.

## 41.2 LIQUIDITY RISK

Liquidity risk refers to the risk that the Company may not meet its financial obligations. Liquidity risk arises due to the unavailability of adequate funds at an appropriate cost or tenure. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company consistently generates sufficient cash flows from operating and financing activities to meet its financial obligations as and when they fall due. Our resource mobilization team sources funds from multiple sources, including from banks, financial institutions and capital markets to maintain a healthy mix of sources. The resource mobilization team is responsible for diversifying fundraising sources, managing interest rate risks and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies to ensure the liquidity risk is well addressed. In order to reduce dependence on a single lender, the Company has adopted a cap on borrowing from any single lender at 25%. The maturity schedule for all financial liabilities and assets are regularly reviewed and monitored. Company has a asset liability management (ALM) policy and ALM Committee to review and monitor the liquidity risk and ensure the compliance with the prescribed regulatory requirement. The ALM Policy prescribes the detailed guidelines for managing the liquidity risk.

### Maturity pattern of financial liabilities:

(₹ in millions unless otherwise stated)

Particulars	Borrowings *		Other financial liabilities	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Upto 1 month	4,837.73	3,616.25	406.98	2,409.74
1 to 2 months	2,038.91	2,729.09	-	0.41
2 to 3 months	1,804.57	3,000.21	423.85	0.41
3 to 6 months	5,734.49	8,429.67	-	1.26
6 months to 1 year	9,286.00	17,004.26	454.81	2.76
1 to 3 years	17,340.64	22,092.98	-	15.59
3 to 5 years	405.41	851.52	-	25.56
Over 5 years	391.54	-	-	106.26
<b>Total</b>	<b>41,839.29</b>	<b>57,723.98</b>	<b>1,285.64</b>	<b>2,561.99</b>

\*Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

### Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered and settled.

(₹ in millions unless otherwise stated)

	March 31, 2022			March 31, 2021		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
<b>ASSETS</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents	7,239.95	-	7,239.95	11,307.83	-	11,307.83
Bank balances other than cash and cash equivalents	3,340.89	1,409.83	4,750.72	1,022.68	1,430.59	2,453.27
Trade receivables	200.86	-	200.86	121.06	-	121.06

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

	(₹ in millions unless otherwise stated)					
	March 31, 2022			March 31, 2021		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Loans	35,406.36	17,231.03	52,637.39	39,945.39	26,217.75	66,163.14
Derivative financial instrument	0.46	-	0.46	0.45	-	0.45
Investments	-	1,146.24	1,146.24	-	1,146.24	1,146.24
Other Financial Assets	297.42	25.56	322.98	714.31	28.36	742.67
<b>Subtotal- Total Financial Assets</b>	<b>46,485.94</b>	<b>19,812.66</b>	<b>66,298.60</b>	<b>53,111.72</b>	<b>28,822.94</b>	<b>81,934.66</b>
<b>Non Financial Assets</b>						
current tax asset(net)	149.38	-	149.38	149.38	-	149.38
Deferred tax asset (net)	-	1,812.28	1,812.28	-	1,045.42	1,045.42
Property, Plant and equipment	-	64.24	64.24	-	196.92	196.92
Intangible assets	-	70.96	70.96	-	7.74	7.74
Other Non financial assets	241.46	-	241.46	126.51	-	126.51
<b>Subtotal-Total Non Financial Assets</b>	<b>390.84</b>	<b>1,947.48</b>	<b>2,338.32</b>	<b>275.89</b>	<b>1,250.08</b>	<b>1,525.97</b>
<b>Total Assets</b>	<b>46,876.78</b>	<b>21,760.14</b>	<b>68,636.92</b>	<b>53,387.61</b>	<b>30,073.02</b>	<b>83,460.63</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>Financial Liabilities</b>						
Debt securities	6,381.17	11,203.19	17,584.36	10,018.69	10,328.44	20,347.13
Borrowings (other than debt securities)	14,778.26	3,750.05	18,528.31	21,213.89	10,211.45	31,425.34
Subordinated liabilities	2.38	199.49	201.87	2.31	199.52	201.83
other financial liabilities	1,285.64	-	1,285.64	2,432.39	129.60	2,561.99
<b>Subtotal-Total financial Liabilities</b>	<b>22,447.45</b>	<b>15,152.73</b>	<b>37,600.18</b>	<b>33,667.28</b>	<b>20,869.01</b>	<b>54,536.30</b>
<b>Non Financial liabilities</b>						
Current tax liabilities(net)	177.53	-	177.53	1,338.85	-	1,338.85
Provisions	39.47	-	39.47	5.00	11.08	16.08
Other non financial liabilities	504.42	-	504.42	410.35	-	410.35
<b>Subtotal - Total non-financial liabilities</b>	<b>721.42</b>	<b>-</b>	<b>721.42</b>	<b>1,754.20</b>	<b>11.08</b>	<b>1,765.28</b>
<b>Total Liabilities</b>	<b>23,168.87</b>	<b>15,152.73</b>	<b>38,321.60</b>	<b>35,421.48</b>	<b>20,880.09</b>	<b>56,301.58</b>
<b>Net</b>	<b>23,707.91</b>	<b>6,607.41</b>	<b>30,315.32</b>	<b>17,966.13</b>	<b>9,192.93</b>	<b>27,159.05</b>

### 41.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Company is exposed to two types of market risks as follows:

#### 41.3a Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. We assess and manage our interest rate risk by managing our assets and liabilities. Our Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

The Company has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before tax is affected through the impact on floating rate borrowings, as follows:

	(₹ in millions unless otherwise stated)	
Finance Cost	March 31, 2022	March 31, 2021
0.50 % Increase	(89.86)	(44.94)
0.50 % Decrease	89.86	44.94

### 41.3b Price Risk

The Company's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surplus in the highly liquid debt funds for very short durations. The Company has a board approved policy of investing its surplus funds in highly rated debt mutual funds and other instruments having insignificant price risk, not being equity funds/ risk bearing instruments.

## 42: TRANSFER OF FINANCIAL ASSETS

### a. Securitisation Transaction:

The Company has entered into securitisation arrangement with various parties. Under such arrangement, the Company has transferred a pool of loans, which does not fulfil the derecognition criteria specified under Ind AS 109 as the Company has concluded that risk and rewards with respect to these assets are not substantially transferred. Following such transfer, the Company's involvement in these assets is as follows:

- As a servicer of the transferred assets
- To the extent of credit enhancements provided to such parties

### The value of Financial assets and liabilities as on :-

	(₹ in millions unless otherwise stated)	
Particulars	March 31, 2022	March 31, 2021
Carrying amount of assets	684.76	6,229.48
Carrying amount of associated liabilities	741.16	7,102.28
Fair value of assets	686.23	6,256.36
Fair value of associated liabilities	744.04	7,144.55

The excess of fair value of associated liabilities over fair value of assets is ₹ 57.82 millions ( PY: ₹ 888.19 millions)

### b. Assignment Transaction:

The Company has sold some loans and advances measured at FVOCI as per assignment deals, as a source of finance. As per the terms of deal, since the derecognition criteria as per Ind AS 109, including transfer of substantially all the risks and rewards relating to assets to the buyer being met, the assets have been derecognised.

The table below summarises the carrying amount of the derecognised financial assets measured at fair value and the gain/(loss) on derecognition :-

	(₹ in millions unless otherwise stated)	
Particulars	March 31, 2022	March 31, 2021
Carrying amount of derecognised financial assets as the reporting date	4,898.50	8774.47
Gain/(loss) from derecognition during the year	259.26	665.30

Since the Company transferred the above financial asset in a transfer that qualified for derecognition in its entirety, therefore the whole of the interest spread (over the expected life of the asset) is recognised on the date of derecognition itself as interest only strip receivable and correspondingly recognised as profit on derecognition of financial asset.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### 43: EMPLOYEE STOCK OPTION PLAN (ESOP)

The company has provided various equity settled share based payment schemes to its employees. The details are ESOP scheme are as follows.

(₹ in millions unless otherwise stated)

Particulars	Grant	Number of Options granted	Vesting period (in years)	Vesting Conditions
ESOP Scheme 2018	Grant I	3,38,854	5	20% vests every year subject to continuance of services
	Grant II	8,17,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant III	13,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant IV	90,500	5	20% vests every year subject to continuance of services
	Grant V	3,36,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant VI	36,500	5	20% vests every year subject to continuance of services
	Grant VII	1,25,000	5	20% vests every year subject to continuance of services
	Grant VIII	40,000	5	20% vests every year subject to continuance of services
	Grant IX	28,000	5	20% vests every year subject to continuance of services
	Grant X	1,35,000	5	20% vests every year subject to continuance of services
ESOP Scheme 2021	Grant XI	20,000	5	20% vests every year subject to continuance of services
	Grant XII Plan 2021 Series A	12,28,000	5	20% vests every year subject to continuance of services
	Grant I Plan 2021 Series A	1,23,000	5	20% vests every year subject to continuance of services
	Grant II Plan 2021 Series A	16,60,000	4	25% vests every year subject to continuance of services

Exercise period for all the above schemes is 9 years from the date of grant of the options.

The expense recognised for employee services received during the year is ₹112.18 million. (March 31, 2021: ₹ 87.38 millions)

#### a. The following table lists the input to the black scholes models used for the options granted during the year ended March 31, 2022

(₹ in millions unless otherwise stated)

Particulars	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Date of Grant	13-Aug-18	13-Aug-18	07-Feb-19	28-Jan-20	28-Jan-20	03-Mar-20	03-Jun-20
Date of Board / Compensation/ Committee Approval	13-Aug-18	13-Aug-18	07-Feb-19	28-Jan-20	28-Jan-20	03-Mar-20	03-Jun-20
Number of Options Granted	3,38,854	8,17,500	13,500	90,500	3,36,500	36,500	1,25,000
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded Vesting Period							
Day following the expiry of 12 months from grant	20%	30%	30%	20%	30%	20%	20%
Day following the expiry of 24 months from grant	20%	30%	30%	20%	30%	20%	20%
Day following the expiry of 36 months from grant	20%	20%	20%	20%	20%	20%	20%
Day following the expiry of 48 months from grant	20%	20%	20%	20%	20%	20%	20%
Day following the expiry of 60 months from grant	20%	NA	NA	20%	NA	20%	20%
Weighted average of remaining contractual Life in Years	5.37	5.37	5.85	6.83	6.83	6.92	7.18

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

Particulars	Grant VIII	Grant IX	Grant X	Grant XI	Grant XII Plan 2021 Series A	Grant I Plan 2021 Series A	Grant II Plan 2021 Series A
Date of Grant	16-Jun-20	31-Aug-20	12-Nov-20	21-May-21	14-Aug-21	02-Nov-21	30-Mar-22
Date of Board / Compensation/ Committee Approval	16-Jun-20	31-Aug-20	12-Nov-20	21-May-21	14-Aug-21	02-Nov-21	30-Mar-22
Number of Options Granted	40,000	28,000	1,35,000	20,000	12,28,000	1,23,000	16,60,000
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded Vesting Period							
Day following the expiry of 12 months from grant	20%	20%	20%	20%	20%	20%	25%
Day following the expiry of 24 months from grant	20%	20%	20%	20%	20%	20%	25%
Day following the expiry of 36 months from grant	20%	20%	20%	20%	20%	20%	25%
Day following the expiry of 48 months from grant	20%	20%	20%	20%	20%	20%	25%
Day following the expiry of 60 months from grant	20%	20%	20%	20%	20%	20%	-
Weighted average of remaining contractual Life in Years	7.21	7.42	7.62	8.14	8.37	8.59	9.00

**b. The details of activity under ESOP Scheme 2018 Plan with an exercise price for the year ended March 31, 2022 have been summarised as below:**

(₹ in millions unless otherwise stated)

Particulars	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Exercise Price per Share	263.35	263.35	263.35	1,077.37	1,077.37	1,091.58	860.85
Number of options outstanding at the beginning of the year	45,600	3,63,550	3,000	55,500	2,71,000	36,500	-
Number of options Granted during the year	-	-	-	-	-	-	-
Number of Options Exercised during the year	6,320	84,585	1,800	-	-	-	-
Number of Options Lapsed during the year	21,280	1,07,910	1,200	23,500	90,500	36,500	-
Outstanding at the end of the year *	<b>18,000</b>	<b>1,71,055</b>	-	<b>32,000</b>	<b>1,80,500</b>	-	-

(₹ in millions unless otherwise stated)

Particulars	Grant VIII	Grant IX	Grant X	Grant XI	Grant XII Plan 2021 Series A	Grant I Plan 2021 Series A	Grant II Plan 2021 Series A
Exercise Price per Share	809.85	608.74	565.72	584.56	636.46	532.35	371.07
Number of options Outstanding at the beginning of the year	-	28,000	1,25,000	-	-	-	-
Number of options Granted during the year	-	-	-	20,000	12,28,000	1,23,000	16,60,000
Number of Options Exercised during the year	-	-	-	-	-	-	-
Number of Options Lapsed during the year	-	-	70,000	-	2,03,500	12,000	-
Outstanding at the end of the year *	-	<b>28,000</b>	<b>55,000</b>	<b>20,000</b>	<b>10,24,500</b>	<b>1,11,000</b>	<b>16,60,000</b>

**c. Details of Stock Options granted during the year**

The weighted fair value of stock option granted during the year was ₹ 330.87 for Grant XI, ₹384.82 for Grant XII Plan 2021 Series A, ₹289.62 for Grant I Plan 2021 Series A, ₹191.52 for Grant II Plan 2021 Series A. The Black -Scholes Model has been used for computing the weighted average fair value considering the following:

(₹ in millions unless otherwise stated)

Grant -XI	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	569.55	569.55	569.55	569.55	569.55
Exercise Price	584.56	584.56	584.56	584.56	584.56
Expected Volatility(%)	55.27%	55.27%	55.27%	55.27%	55.27%
Life of the options granted in year	5.01	5.51	6.01	6.51	7.01
Risk Free Interest Rate(%)	5.65%	5.79%	5.91%	6.02%	6.12%
Expected dividend rate(%)	0%	0%	0%	0%	0%
Fair Value of the option	303.16	317.96	331.75	344.68	356.80

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For year ended March 31, 2022

(₹ in millions unless otherwise stated)

Grant XII Plan 2021 Series A	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	648.10	648.10	648.10	648.10	648.10
Exercise Price	636.46	636.46	636.46	636.46	636.46
Expected Volatility(%)	55.24%	55.24%	55.24%	55.24%	55.24%
Life of the options granted in year	5.01	5.51	6.01	6.51	7.01
Risk Free Interest Rate(%)	5.80%	5.95%	6.09%	6.21%	6.32%
Expected dividend rate(%)	0%	0%	0%	0%	0%
Fair Value of the option	353.64	370.27	385.85	400.37	413.99

(₹ in millions unless otherwise stated)

Grant I Plan 2021 Series A	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	512.15	512.15	512.15	512.15	512.15
Exercise Price	532.35	532.35	532.35	532.35	532.35
Expected Volatility(%)	53.05%	53.05%	53.05%	53.05%	53.05%
Life of the options granted in year	5.01	5.51	6.01	6.51	7.01
Risk Free Interest Rate(%)	5.76%	5.91%	6.04%	6.17%	6.28%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	264.34	277.79	290.36	302.26	313.37

(₹ in millions unless otherwise stated)

Grant II Plan 2021 Series A	Tranche I	Tranche II	Tranche III	Tranche IV
Share price on the date of Grant	338.90	338.90	338.90	338.90
Exercise Price	371.07	371.07	371.07	371.07
Expected Volatility(%)	55.83%	55.83%	55.83%	55.83%
Life of the options granted in year	5.01	5.51	6.01	6.51
Risk Free Interest Rate(%)	6.20%	6.34%	6.47%	6.58%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	178.30	187.51	196.12	204.15

#### 44: UTILISATION OF BORROWED FUNDS AND SHARE PREMIUM

- (a) The Company has not advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to 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 to or on behalf of the Ultimate Beneficiaries.
- (b) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) 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 Party (Ultimate Beneficiaries) or
  - provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.



# Notes to the Standalone Financial Statements

For year ended March 31, 2022

## 45. REVENUE FROM CONTRACTS WITH CUSTOMERS

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
Type of services		
Service fees for management of assigned portfolio of loans	0.19	0.71
Service and administration charges	-	-
Commission and other income	211.15	294.73
<b>Total</b>	<b>211.34</b>	<b>295.44</b>

### Geographical markets

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
India	211.34	295.44
Outside india	-	-
<b>Total</b>	<b>211.34</b>	<b>295.44</b>

### Timing of revenue recognition

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
Services transferred at a point in time	211.34	295.44
Services transferred over time	-	-
<b>Total</b>	<b>211.34</b>	<b>295.44</b>

### Receivables

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
Commission and other income	200.81	120.47

Impairment allowance recognised on receivables is Nil (March 31, 2021: Nil)

## 46. DETAILS OF CSR EXPENDITURE:

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
Gross amount required to be spent during the year	83.00	86.43
Amount spent during the year		
(i) Construction/ acquisition of asset	-	-
(ii) On purposes other than (i) above	38.21	14.18
Shortfall at the end of the year	44.79	72.25
Total of previous years shortfall	73.48	1.23
Reason for shortfall	<b>Note: 2</b>	
Nature of CSR activities	Skill development & disaster response	
Details of related party transactions	<b>Refer Note: 33</b>	
Provision made during the year (Refer Note: 1)	44.79	72.25

### Note: 1

In accordance with the provisions of Section 135(6) of the Act, the Company has transferred the unspent amount aggregating to ₹118.27 million to a separate bank account.

### Note: 2

Since the implementation of CSR programs are directly handled by the Company, COVID-19 pandemic prevented the employees to reach out to the beneficiaries directly on the CSR approved projects.



## Notes to the Standalone Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
	Amount outstanding	Amount outstanding
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (Certificate of Deposits and Commercial Paper)	-	-
<b>Long Term Investments:</b>		
<b>1. Quoted:</b>		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (please specify)	-	-
<b>2. Unquoted:</b>		
(i) Shares: (a) Equity	1,146.24	1,146.24
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (please specify)	-	-

### 5) Borrower group-wise classification of assets financed as in (2) and (3) above:

(₹ in millions unless otherwise stated)

Category	March 31, 2022			March 31, 2021		
	Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties						
(a) Subsidiaries	-	1,130.21	1,130.21	-	740.49	740.49
(b) Companies in the same group	-	-	-	-	-	-
(c) Other related parties	-	-	-	-	187.31	187.31
2. Other than related parties	79.58	51,427.60	51,507.18	117.42	65,117.92	65,235.34
<b>Total</b>	<b>79.58</b>	<b>52,557.81</b>	<b>52,637.39</b>	<b>117.42</b>	<b>66,045.72</b>	<b>66,163.14</b>

### 6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

(₹ in millions unless otherwise stated)

Category	March 31, 2022		March 31, 2021	
	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties				
(a) Subsidiaries	1,356.74	1,145.24	1,365.74	1,145.24
(b) Companies in the same group	-	-	-	-
(c) Other related parties	-	-	-	-
2. Other than related parties	1.00	1.00	1.00	1.00
<b>Total</b>	<b>1,357.74</b>	<b>1,146.24</b>	<b>1,366.74</b>	<b>1,146.24</b>

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### 7) Other Information

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
(i) Gross Non-Performing Assets		
(a) Related parties	-	-
(b) Other than related parties	11,139.04	4,049.89
(ii) Net Non-Performing Assets		
(a) Related parties	-	-
(b) Other than related parties	6,210.84	2,156.60
(iii) Assets acquired in satisfaction of debt	-	-

47: Additional information required by Master Direction- Non-Banking Financial Company-Systematically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time ('the Master Directions') issued by the RBI

#### A. Capital to risk assets ratio ('CRAR')

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
CRAR (%)	50.74%	39.20%
CRAR-Tier I Capital (%)	50.55%	39.74%
CRAR-Tier II Capital (%)	0.19%	-0.54%
Amount of subordinated debt raised as Tier-II capital	-	-
<b>Amount raised by issue of Perpetual Debt Instruments</b>	-	-

CRAR as at March 31, 2022 and March 31, 2021 has been determined in accordance with the RBI Master Directions read with RBI notification RBI/2019-20/170, DOR(NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020 on implementation of Indian Accounting Standards.

#### B. Exposure to real estate sector\*

Category	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
<b>A. Direct exposure</b>		
<b>I. Residential Mortgages</b>		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	81.03	90.10
<b>II. Commercial Real Estate</b>		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose Commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.	-	-
<b>III. Investments in Mortgage Backed Securities (MBS) and other securitised exposures -</b>		
Residential	-	-
Commercial Real Estate	-	-
<b>B. Indirect exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
<b>Total</b>	<b>81.03</b>	<b>90.10</b>

C. Outstanding of loans against security of gold as a percentage to total assets is Nil (March 31, 2021: 0.04%)

D. The Company has no exposure to capital market.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### E. Asset liability management

(₹ in millions unless otherwise stated)

Maturity pattern	March 31, 2022			March 31, 2021		
	Assets		Liabilities	Assets		Liabilities
	Advances	Investments	Borrowings	Advances	Investments	Borrowings
0-7 Days	3,453.30	-	525.70	-	-	1,217.77
8-14 Days	1,609.70	-	389.80	-	-	392.29
15-30/31 Days	51.80	-	3,344.50	3,800.40	-	1,779.19
Over 1 month to 2 months	3,063.05	-	1,832.54	3,166.22	-	2,382.04
Over 2 months upto 3 months	3,075.86	-	1,613.10	3,237.88	-	2,690.10
Over 3 months to 6 months	8,980.58	-	5,114.61	9,840.89	-	7,378.55
Over 6 months to 1 year	15,172.03	-	8,341.59	19,900.00	-	15,394.98
Over 1 year to 3 years	13,424.05	-	14,540.58	25,115.67	-	20,046.68
Over 3 years to 5 years	12.65	-	262.16	23.58	-	692.84
Over 5 years	3,794.38	1,146.24	349.99	1,078.51	1,146.24	-
<b>Total</b>	<b>52,637.40</b>	<b>1,146.24</b>	<b>36,314.56</b>	<b>66,163.14</b>	<b>1,146.24</b>	<b>51,974.45</b>

### F. Information on instances of fraud

Instances of fraud reported during the year ended March 31, 2022:

(₹ in millions unless otherwise stated)

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement - For the year ended March 31, 2022	1,385	52.72	24.10	28.62
Cash Embezzlement - For the year ended March 31, 2021	137	9.50	0.70	8.80

\*Includes recoveries in respect of frauds reported in earlier years

### G. Ratings assigned by credit rating agencies and migration of ratings during the year:

(₹ in millions unless otherwise stated)

Sr. No.	Instrument	Rating agency	As per final rating letter	Rating assigned	Valid up to	Borrowing limit
1	Long term Bank facilities	CRISIL	15-Nov-21	Crisil A/Watch developing (Placed on rating watch with developing implications)	Note 1	35,000.00
2	Non Convertible Debentures	India Rating	10-Mar-22	IND A/RWN	Note 1	3,400.00
3	Market Linked Debentures	India Rating	10-Mar-22	IND PP -MLD Aemr/RWN	Note 1	13,750.00
4	Long term Bank facilities	India Rating	15-Dec-22	IND A/RWN	Note 1	5,000.00
5	Long term Bank facilities	ICRA	10-Mar-22	ICRA A-, rating under watch with developing implications	Note 1	35,000.00
6	Non Convertible Debentures	ICRA	10-Mar-22	ICRA A-, rating under watch with developing implications	Note 1	7,176.20
7	Market Linked Debentures	ICRA	03-Mar-22	PP-MLD ICRA A-, rating under watch with developing implications	Note 1	4,000.00
8	Securitisation	ICRA	27-May-21	ICRA A+(SO); provisional rating confirmed as final	10-Nov-22	1,999.80
9	Securitisation	ICRA	27-May-21	ICRA A+(SO); provisional rating confirmed as final	20-Nov-22	474.20
10	Securitisation	ICRA	29-Nov-21	ICRA AA+(SO); upgraded from ICRA A+(SO)	17-Jul-22	499.30
11	Securitisation	ICRA	28-Jan-22	ICRA A+(SO); upgraded from ICRA A(SO)	17-Aug-22	719.20
12	Securitisation	ICRA	28-Jan-22	ICRA A+(SO); upgraded from ICRA A(SO)	17-Oct-22	548.00
13	Securitisation	ICRA	28-Jan-22	ICRA A+(SO); reaffirmed	17-Oct-22	499.50

**Note 1:** The rating is subject to annual surveillance till final repayment / redemption of rated facilities.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### Ratings assigned by credit rating agencies and migration of ratings during Previous year:

(₹ in millions unless otherwise stated)

Sr. No.	Instrument	Rating agency	As per final rating letter	Rating assigned	Valid up to	Borrowing limit
1	Long term bank facilities	ICRA	22-Jun-20	[ICRA]A-(Stable)	Jun-2020–Jun-2024	35,000.00
2	Long term bank facilities	India Ratings	31-Dec-20	[INDIA]A(Stable)	Note 1	5,000.00
3	Non convertible debentures	ICRA	02-Mar-21	[ICRA]A-(Stable)	Note 1	8,594.60
4	Non convertible debentures	India Ratings	08-Mar-21	[INDIA]A(Stable)	Note 1	2,500.00
5	Market Linked Debentures	ICRA	20-Nov-20	PP-MLD[ICRA]A-(Stable)	Note 1	4,000.00
6	Market Linked Debentures	India Ratings	08-Mar-21	IND PP-MLD Aemr/Stable	Note 1	3,750.00
7	Securitisation	ICRA	08-Jul-20	[ICRA]A(SO)	Oct-21	1,249.70
8	Securitisation	ICRA	16-Jul-20	[ICRA]A+(SO)	Apr-21	120.80
9	Securitisation	ICRA	16-Jul-20	[ICRA]A-(SO)	Apr-21	72.10
				[ICRA]A(SO)		8.80
10	Securitisation	ICRA	06-Aug-20	[ICRA]AA-(SO)	May-21	218.90
11	Securitisation	ICRA	06-Aug-20	[ICRA]AA-(SO)	Apr-21	222.00
12	Securitisation	ICRA	06-Aug-20	[ICRA]A(SO)	Dec-21	1,470.50
13	Securitisation	ICRA	20-Aug-20	[ICRA]A(SO)	May-21	312.00
14	Securitisation	ICRA	20-Aug-20	[ICRA]A(SO)	Jul-21	975.60
15	Securitisation	ICRA	20-Aug-20	[ICRA]A(SO)	Jul-21	457.40
16	Securitisation	ICRA	05-Oct-20	Provisional [ICRA]A+(SO)	Jul-22	499.30
17	Securitisation	ICRA	09-Oct-20	[ICRA]A(SO)	Jan-22	703.50
18	Securitisation	ICRA	09-Oct-20	[ICRA]A(SO)	Feb-22	956.90
19	Securitisation	ICRA	03-Nov-20	[ICRA]A+(SO)	Jul-22	499.30
20	Securitisation	ICRA	30-Nov-20	Provisional [ICRA]A(SO)	Aug-22	719.20
21	Securitisation	ICRA	22-Dec-20	Provisional [ICRA]A+(SO)	Oct-22	499.50
22	Securitisation	ICRA	22-Dec-20	Provisional [ICRA]A(SO)	Oct-22	548.00
23	Securitisation	ICRA	12-Jan-21	[ICRA]A(SO)	Aug-22	719.20
24	Securitisation	ICRA	28-Jan-21	[ICRA]A+(SO)	Oct-22	499.50
25	Securitisation	ICRA	28-Jan-21	[ICRA]A(SO)	Oct-22	548.00
26	Securitisation	ICRA	12-Mar-21	Provisional [ICRA]A+(SO)	Nov-22	474.20
27	Securitisation	ICRA	22-Mar-21	Provisional [ICRA]A+(SO)	Dec-22	1,999.80
28	Securitisation	Care Ratings	16-Feb-21	Provisional Care A+(SO)	Nov-22	2,938.60

Note 1: The rating is subject to annual surveillance till final repayment / redemption of rated facilities

H. The Company has no transactions / exposure in derivatives in the current and previous year.

### I. Disclosure of complaints

(₹ in millions unless otherwise stated)

Particulars	No. of complaints	
	March 31, 2022	March 31, 2021
No. of complaints pending at the beginning of the year	41	42
No. of complaints received during the year	1905	1107
No. of complaints redressed during the year	1640	1108
No. of complaints pending at the end of the year	306	41

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

## J. Concentration of Advances, Exposures and NPAs

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
	<b>Concentration of Advances*</b>	
Total advances to twenty largest borrowers	20.94	21.70
(%) of advances to twenty largest borrowers to total advances	0.04%	0.03%
<b>Concentration of Exposures*</b>		
Total exposure to twenty largest borrowers	20.94	21.70
(%) of exposure to twenty largest borrowers to total exposure	0.04%	0.03%
<b>Concentration of NPAs**</b>		
<b>Total exposure to top four NPA accounts</b>	<b>4.59</b>	<b>1.80</b>

\* Represents amount outstanding as per contract with customers

\*\* Represents stage III loans including interest

## K. Sector wise NPAs\*

(₹ in millions unless otherwise stated)

Sector	Percentage of NPAs to total advances in that sector	
	As at March 31, 2022	As at March 31, 2021
	Agriculture and allied activities	8.66%
MSME	4.25%	6.53%
Corporate borrowers	0.00%	0.00%
Services	2.23%	6.12%
Unsecured personal loans	0.00%	0.00%
Auto Loans	0.16%	4.64%
Other personal loans	0.38%	2.41%

\* Represents stage III loans.

\*\* The above sector wise classification is based on the Company's determination of the purpose/activity for which the loan was granted.

## L. Movement of NPAs\*

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
	Net NPAs to net advances (%)	11.80%
<b>Movement of NPAs (gross)</b>		
1. Opening balance	4,049.90	179.30
2. Additions during the year	9,151.97	7,492.40
3. Reductions/ write off during the year	-2,062.82	-3,621.80
4. Closing balance	11,139.05	4,049.90
<b>Movement of Net NPAs</b>		
1. Opening balance	2,156.57	34.10
2. Additions during the year	4,121.89	2,160.47
3. Reductions/ write off during the year	-67.61	-38.00
4. Closing balance	6,210.85	2,156.57
<b>Movement of provision for NPAs</b>		
1. Opening balance	1,893.33	145.20
2. Additions during the year	5,030.08	5,331.93
3. Reductions/ write off during the year	-1,995.21	-3,583.80
4. Closing balance	4,928.20	1,893.33

\* NPA loans and related provision considered in the above table represent loans classified as stage III in accordance with Ind AS 109 and the related ECL provision. Also refer note 7.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### M: Comparison between provisions required under Income Recognition and Asset Classification and Provision norms as per RBI master directions and impairment allowances made under Ind AS 109 for the year ended March 31, 2022

(₹ in millions unless otherwise stated)

Asset Classification as per RBI Norms	Asset Classification as per Ind AS 109	Gross carrying Amount as per Ind AS	Loss Allowances (Provisions) as required as per Ind AS 109	Net Carrying Amount	Provisions as per IRACP norms	Difference between Ind AS 109 Provisions and IRACP norms
1	2	3	4	5=3-4	6	7=4-6
<b>Performing Assets</b>						
Loans	Stage 1	41,150.84	334.13	40,816.71	172.12	162.01
	Stage 2	5,471.85	1,056.82	4,415.03	18.72	1,038.10
<b>Subtotal</b>		<b>46,622.69</b>	<b>1,390.95</b>	<b>45,231.74</b>	<b>190.84</b>	<b>1,200.11</b>
<b>Non Performing Assets (NPA)</b>						
	Stage 3	10,899.12	4,808.56	6,090.56	2,263.73	2,544.83
Doubtful - up to 1 year	Stage 3	224.41	111.85	112.56	187.87	-76.02
1 to 3 years	Stage 3	15.51	7.79	7.72	13.29	-5.50
More than 3 years	Stage 3	-	-	-	-	-
<b>Subtotal for Doubtful</b>		<b>239.92</b>	<b>119.64</b>	<b>120.28</b>	<b>201.16</b>	<b>-81.52</b>
Loss	Stage 3	-	-	-	-	-
<b>Subtotal for NPA</b>		<b>11,139.04</b>	<b>4,928.20</b>	<b>6,210.84</b>	<b>2,464.89</b>	<b>2,463.31</b>
Other provisions		-	-	-	-	-
Other items such as guarantees, loan commitments, etc which are in the scope of Ind AS 109 but not covered under current income Recognition - Asset Classification and Provisioning (IRACP) Norms	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
<b>Subtotal</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	Stage 1	41,150.84	334.13	40,816.71	172.12	162.01
	Stage 2	5,471.85	1,056.82	4,415.03	18.72	1,038.10
	Stage 3	11,139.04	4,928.20	6,210.84	2,464.89	2,463.31
<b>Total</b>		<b>57,761.73</b>	<b>6,319.15</b>	<b>51,442.58</b>	<b>2,655.73</b>	<b>3,663.42</b>

- Interest on NPA loans is required to be de-recognised under IRACP norms. However, interest on Stage III loans is required to be recognised on the credit impaired (net of ECL) loan balance. Such income de-recognition is not considered as a provision for the purpose of above comparison.



# Notes to the Standalone Financial Statements

For year ended March 31, 2022

## N: Liquidity Coverage Ratio

LCR disclosure (₹ in million)	Q1 FY 2021-22		Q2 FY 2021-22		Q3 FY 2021-22		Q4 FY 2021-22	
	Total unweighted value	Total weighted value (average)	Total unweighted value	Total weighted value (average)	Total unweighted value	Total weighted value (average)	Total unweighted value	Total weighted value (average)
High Quality Liquid Assets								
1 **Total High Quality Liquid Assets (HQLA)	6,150.63	6,150.63	5,788.91	5,788.91	10,103.82	10,103.82	7,828.88	7,828.88
Cash outflows	-	-	-	-	-	-	-	-
2 Deposits (for deposit taking companies)	-	-	-	-	-	-	-	-
3 Unsecured wholesale funding	-	-	-	-	-	-	-	-
4 Secured wholesale funding	-	-	-	-	-	-	-	-
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	3,506.24	4,032.17	3,406.87	3,917.90	3,782.47	4,349.84	3,261.54	3,750.78
6 Other contractual funding obligations	49.03	56.39	110.48	127.05	185.27	213.06	283.84	326.42
7 Other Contingent Funding Obligations	-	-	-	-	-	-	-	-
8 <b>Total cash outflows</b>	<b>3,555.27</b>	<b>4,088.56</b>	<b>3,517.35</b>	<b>4,044.95</b>	<b>3,967.73</b>	<b>4,562.89</b>	<b>3,545.39</b>	<b>4,077.19</b>
<b>Cash inflows</b>								
9 Secured lending	-	-	-	-	-	-	-	-
10 Inflows from fully performing exposures	4,142.44	3,106.83	4,975.53	3,731.65	4,459.23	3,344.42	4,801.87	3,601.40
11 Other cash inflows	408.24	306.18	376.59	282.44	455.47	341.60	507.49	380.62
12 <b>Total cash inflows</b>	<b>4,550.67</b>	<b>3,413.00</b>	<b>5,352.12</b>	<b>4,014.09</b>	<b>4,914.69</b>	<b>3,686.02</b>	<b>5,309.36</b>	<b>3,982.02</b>
13 <b>Total HQLA</b>	<b>6,150.63</b>	<b>6,150.63</b>	<b>5,788.91</b>	<b>5,788.91</b>	<b>10,103.82</b>	<b>10,103.82</b>	<b>7,828.88</b>	<b>7,828.88</b>
14 <b>Total net cash outflow</b>	<b>888.82</b>	<b>1,022.14</b>	<b>879.34</b>	<b>1,011.24</b>	<b>991.93</b>	<b>1,140.72</b>	<b>886.35</b>	<b>1,019.30</b>
15 <b>Liquidity coverage ratio (%)</b>	<b>692.00%</b>	<b>601.74%</b>	<b>658.33%</b>	<b>572.46%</b>	<b>1018.60%</b>	<b>885.74%</b>	<b>883.28%</b>	<b>768.07%</b>

High Quality Liquid Assets (HQLA)	Q1 FY 2021-22		Q2 FY 2021-22		Q3 FY 2021-22		Q4 FY 2021-22	
	Total Unweighted Value	Total Weighted Value (average)	Total Unweighted Value	Total Weighted Value (average)	Total Unweighted Value	Total Weighted Value (average)	Total Unweighted Value	Total Weighted Value (average)
1 Assets to be included as HQLA without any haircut	6,150.63	6,150.63	5,788.91	5,788.91	10,103.82	10,103.82	7,828.88	7,828.88
2 Assets to be considered for HQLA with a minimum haircut of 15%	-	-	1.00	0.85	-	-	-	-

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

	₹ in million unless otherwise stated)							
	Q1 FY 2021-22		Q2 FY 2021-22		Q3 FY 2021-22		Q4 FY 2021-22	
High Quality Liquid Assets (HQLA)	Total Unweighted Value	Total Weighted Value (average)	Total Unweighted Value	Total Weighted Value (average)	Total Unweighted Value	Total Weighted Value (average)	Total Unweighted Value	Total Weighted Value (average)
3 Assts to be considered for HQLA with a minimum haircut of 50%	-	-	-	-	-	-	-	-
4 Approved securities held as per the provisions of section 45 IB of RBI Act	-	-	-	-	-	-	-	-
<b>Total cash inflows</b>	<b>6,150.63</b>	<b>6,150.63</b>	<b>5,789.91</b>	<b>5,789.76</b>	<b>10,103.82</b>	<b>10,103.82</b>	<b>7,828.88</b>	<b>7,828.88</b>

The Liquidity Coverage Ratio (LCR) is one of the key parameters monitored by RBI for strengthening the asset-liability management in the financial sector. The objective of LCR is to promote an environment wherein balance sheet carries strong liquidity for short term cash flow requirements which is being done by ensuring that NBFCs have an adequate stock of unencumbered high quality liquid assets (HQLA) which can be easily converted into cash to meet liquidity needs, for at least 30 calendar days, calculated under a stressed scenario. The LCR is expected to improve the ability of financial sector to absorb the shocks arising from financial and/or economic stress, whatever the source, thus reducing the risk of spill over from financial sector to real economy.

The Liquidity Risk Management of the Company is performed by the Asset Liability Committee (ALCO) under the governance of Board approved Liquidity Risk Framework and Asset Liability Management policy. The LCR levels for the balance sheet date has been derived by arriving at the stressed expected cash inflow and outflow for the next 30-day period. To determine the stressed cash outflow, all expected and contracted cash outflows have been considered by applying a stress factor of 15%. Similarly, inflows for the Company have been arrived at by considering all expected and contracted inflows at a haircut of 25%.

In determining the outflows, the Company has taken into account all the contractual debt repayments and other expected or contracted cash outflows. Since the Company does not provide any committed credit facilities to its customers, no outflows have been considered in this regard. Inflows mainly comprise of expected receipts from all performing loans and liquid assets (such as short-term deposits maturing over next 30-days) which are unencumbered and not been considered as part of HQLA.

#### HQLA for the Company comprises of cash and bank balances.

The LCR is calculated by dividing the monthly average stock of HQLA by the monthly average of total net cash outflows over a 30-day stress period. The guidelines for LCR were effective from December 1, 2020 with a minimum requirement at 30% which would rise in annual steps to reach 100% by December 1, 2024. This graduated approach is designed to ensure that the LCR could be introduced without material disruption to the orderly strengthening of NBFCs. The present requirement, as on March 31, 2022 for NBFCs with assets size of ₹5,000 crore and above but less than ₹10,000 crore is 50%.

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

**O. There has been no drawdown from reserves during the current year and previous year.**

**P. Investments:**

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
1. Value of investments		
(i) Gross value of investments		
(a) In India	1,146.24	1,146.20
(b) Outside India	-	-
(ii) Provision for depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net value of investments		
(a) In India	1,146.24	1,146.20
(b) Outside India	-	-
2. Movement of provisions held towards depreciation		
Opening balance	-	-
Add: Provision made during the year	-	-
Less: Write off/ write back	-	-
Closing balance	-	-

**Q. Details relating to securitisation:**

Information on securitisation activities is as under:

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
1. No. of SPVs sponsored by the NBFC for securitisation transactions during the year	-	70
2. Total amount of securitised assets as per the books of the SPVs sponsored by the NBFC as on the date	1,564.20	7,668.43
3. Total amount of exposures retained to comply with minimum retention requirement ('MRR')		
a) Off balance sheet exposures		
- First loss	-	-
- Others	-	-
b) On balance sheet exposures		
- First loss (cash collateral and over collateral)	837.90	1,444.29
- Others	-	-
4. Amount of exposures to securitization transactions other than MRR:		
a) Off-balance sheet exposures		
i) Exposure to own securitisations		
- First loss	-	-
- Others	-	-
ii) Exposure to third party securitisations		
- First loss	-	-
- Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitisations		
- First loss	449.74	657.11
- Others	-	-
ii) Exposure to third party securitisations		
- First loss	-	-
- Others	-	-

**Note:** The above transactions do not fulfill the test of de-recognition under Ind AS-109 and are recorded back on the balance sheet.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### R. Details of assignment transactions undertaken

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
No. of accounts	12,626	98,168
Aggregate value of accounts sold	603.24	343.87
Aggregate consideration	603.24	343.87
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain / (loss) over net book value	-	-

S. The Company has not sold financial assets to Securitisation / Reconstruction companies for asset reconstruction in the current and previous year.

T. The Company has not purchased / sold non-performing financial assets in the current and previous year.

U. The Company does not have any parent company, hence disclosure relating to product financed by parent company is not applicable.

V. Unsecured Advances – Refer note 7

W. Registration obtained from other financial sector regulators:

The Company is registered with the 'Ministry of Corporate Affairs' (Financial regulators as described by Ministry of Finance)

X. No penalties imposed by RBI and other regulators during current and previous year.

Y. Provisions and contingencies (shown under expenditure in statement of profit and loss)

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Provision for income tax (net)	179.48	486.52
Provision for non-performing assets*	3,034.87	1,814.74
Provision for standard assets**	(283.75)	693.35
Provision for management overlay for COVID-19 and others	-	373.41
Provision for unfructified service tax liability	8.53	8.53
Provision for theft & fraud	28.62	10.46
Provision for gratuity	18.82	8.56
Provision for leave benefits	32.95	10.32
Provision for insurance claims	6.04	3.79
Provision for bonus	157.06	146.51
Provision for other assets	-	-

\* Represents impairment allowance on stage III loans

\*\* Represents impairment allowance on stage I and stage II loans excluding Covid-19 overlay

Z. The Company has no unhedged foreign currency exposure.

# Notes to the Standalone Financial Statements

For year ended March 31, 2022

## AA. Information on Net Interest Margin

Particulars	₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Average interest charged (A)	18.42%	20.65%
Average effective cost of borrowing (B)	11.19%	10.88%
Net Interest margin (A-B)	7.23%	9.77%

- Above computation is in accordance with the method accepted by RBI vide its letter no DNBS.PD.NO.4906/03.10.038/2012-13 dated April 4, 2013 to Micro-finance Institutions Network (the "MFIN format") read with the FAQs issued by RBI on October 14, 2016 and RBI circulated dated March 13, 2020 on implementation of Indian Accounting Standards.
- Average loan outstanding determined for the purpose of calculating NIM is based on carrying value of loans under Ind AS, excluding effect of following:
  - Fair value changes recognised through other comprehensive income;
  - Securitised loans qualifying for de-recognition as per RBI's "true sale" criteria and related interest income have not been considered for computation of "average interest charged" in accordance with the MFIN format. Accordingly, the purchase consideration received towards such securitisations and related finance costs have also not been considered for computation of "average effective cost of borrowings".
  - Impairment allowance adjusted from the carrying value of loans in accordance with Ind AS 109
- Interest income considered for computation of "average interest charged" excludes loan processing fee collected from customers in accordance with para 54 (vi) of the RBI Master Directions. As per Ind AS 109, such loan processing fee forms part of interest income in the Ind AS financial statements.

## AB. Public Disclosure on liquidity risk

- Funding concentration based on significant counterparty \*(both deposits and borrowings) - The Company does not accept any deposits

### As at March 31, 2022

Number of significant counterparties	₹ in millions unless otherwise stated)	
	Amount	% of Total Liabilities
22 (Twenty Two)	33,608.11	87.70%

### As at March 31, 2021

Number of significant counterparties	₹ in millions unless otherwise stated)	
	Amount	% of Total Liabilities
26 (Twenty six)	47,458.00	84.29%

## 2. Top 20 Large Deposits : Not Applicable

## 3. Top 10 borrowings

Particulars	₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Amount of top 10 borrowings Amount	22,906.06	32,380.00
% of Total Borrowings	63.08%	62.30%

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

### 4. Funding concentration based on significant instrument/product\*

As at March 31, 2022

(₹ in millions unless otherwise stated)

Name of Instrument/product	Amount	% of Total Liabilities
Term Loans	18,528.31	48.35%
Borrowings under securitization arrangement	741.16	1.93%
Non convertible Debentures	16,843.20	43.95%
<b>Total Liabilities*</b>	<b>38,321.60</b>	

As at March 31, 2021

(₹ in millions unless otherwise stated)

Name of Instrument/product	Amount	% of Total Liabilities
Term Loans	31,425.34	55.82%
Borrowings under securitization arrangement	7,102.28	12.61%
Non convertible Debentures	13,244.86	23.52%
<b>Total Liabilities*</b>	<b>56,301.58</b>	

### 5. Stock Ratios

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
	Commercial Papers to Total Public Funds*	Nil
Commercial Papers to Total Liabilities	Nil	Nil
Commercial Papers to Total Assets	Nil	Nil
NCDs (Original Maturity <1 yrs.) to Total Public Funds	Nil	Nil
NCDs (Original Maturity <1 yrs.) to Total Liabilities	Nil	Nil
NCDs (Original Maturity <1 yrs.) to Total Assets	Nil	Nil
Other Short Term Liabilities to Total Public Funds	63.80%	68.15%
Other Short Term Liabilities to Total Liabilities	60.46%	62.91%
Other Short Term Liabilities to Total Assets	33.76%	42.44%

### 6. Institutional set-up for liquidity risk management:

The Company has an Asset Liability Management Committee (ALCO), a management level committee to handle liquidity risk management. The ALCO meetings are held at periodic intervals. At the apex level, the Risk Committee (RC), a sub-committee of the Board of Directors of the Company, oversees the liquidity risk management. The RC subsequently updates the Board of Directors on the same.

#### \*Notes:

- Significant counterparty is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated November 4, 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies.
- Significant instrument/product is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated November 4, 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies.
- Total Liabilities has been computed as sum of all liabilities (Balance Sheet figure) less Equities and Reserves/Surplus.
- Short term liabilities includes all financial and non-financial liabilities expected to be paid within one year.
- Public funds is as defined in Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Direction, 2016.

**AC:** As per the policy on moratorium approved by the Board of Directors pursuant to RBI circular no. DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020, the Company has not granted moratorium to customers with overdues as at March 1, 2020. Accordingly, no disclosure as per para 10 of RBI circular no. DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020 is required.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

**48:** The Company in respect of the observation made by the RBI in its inspection report for the years ended March 31, 2018 and March 31, 2019 and subsequent correspondence with Reserve Bank of India ("RBI") with respect to the compliance with the pricing of credit guidelines prescribed under paragraph 56 of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, dated September 1, 2016, as amended had adequately recognised the impact of excess interest collected on loans disbursed during the period from Oct 2017 to Feb 2020, in the financial statements for the year ended March 31, 2021. During the current year, the Company has adjusted ₹877.10 million by way of credit to 2,561,538 active customers loan accounts and is in the process of issuing revised loan cards to such customers. Further, the Company has initiated the process of identifying the bank accounts of the closed loan accounts of customers for refunding the balance amount. Below is the summary of the excess interest:

(₹ in millions unless otherwise stated)

Summary	Amount
Provision in the books	1,336.53
Less: Amount adjusted to credit of borrowers *	877.10
Amount to be refunded to borrowers	454.81

\* Refund of ₹877.10 million is processed based on the available data prior to receiving access to the old IT Application. Upon receiving the access to the old system, the management is in the process of revalidating the accuracy of the amount refunded and any instances of short / excess payments will be adjusted.

**49:** During the year, to relieve COVID-19 pandemic related stress, the Company had invoked and implemented resolution plans for eligible borrowers based on the parameters laid down in accordance with the one-time restructuring policy approved by the Board of Directors of the Company and in accordance with the guidelines issued by the RBI vide its circular dated May 5, 2021 (Resolution Framework – 2.0).

(₹ in millions unless otherwise stated)

Type of borrower	A	B	C	D	E
	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year i.e. September 30, 2021 (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 i.e. March 31, 2022.
Personal Loans					
Corporate persons					
Of which, MSMEs					
Others *	13,000.75	5,122.85	296.78	2,759.28	4,821.84

\* Includes joint liability group loan (JLG) and individual Loan (IL)

@ Represents aggregate debt that slipped into NPA during the half-year excluding written-off portion of debt.

**Note 1:** Loans transferred by way of direct assignment, which have been de-recognised as per Ind AS 109, have not been considered in the above disclosure.

**Note 2:** The Company has not restructured any loan accounts under RBI's Resolution Framework 1.0 dated August 6, 2020.

## Notes to the Standalone Financial Statements

For year ended March 31, 2022

**50:** RBI vide its notification dated November 12, 2021, has issued circular on “Prudential norms on Income Recognition, Asset Classification and Provisioning (‘IRAC’) pertaining to Advances-Clarifications”, with a view to ensure uniformity in the implementation of IRACP norms across all lending institutions. On February 15, 2022, RBI has allowed deferment till September, 30 2022 of Para 10 of this circular pertaining to upgrade of non-performing accounts and the Company has opted for this deferment.

**51:** Pursuant to the Reserve Bank of India’s (“RBI”) Guidelines for Appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021 (the “RBI Guidelines”) and in line with the specific instructions received from the RBI, the predecessor auditor’s had resigned on January 28, 2022, after completion of limited review on the financial results of the Company for the quarter and half year ended September 30, 2021. Such resignation and subsequent appointment of new statutory auditors, being contrary to the provisions of para 6(A) of SEBI guidelines on “Resignation of statutory auditors from listed entities and their material subsidiaries” issued vide circular no. CIR/CFD/CMD1/114/2019 dated October 18, 2019, the Company has submitted application dated February 3, 2022 with SEBI, seeking settlement in this matter. Further, the Company vide letter dated June 3, 2022, voluntarily proposed to offer ₹ 2.5 million towards settlement terms and expects to receive the regulatory forbearance from SEBI in due course

**52:** The Company has undergone recent leadership changes whereby Mrs. Padmaja Gangireddy, Founder and erstwhile Managing Director (MD), resigned on November 2, 2021. The Board immediately re-constituted a Management Committee constituting of the longest serving Directors of the Company to provide strategic direction to the Company.

Prior to the resignation of the erstwhile MD, the Company had transferred certain IT systems to a new IT vendor (IQ Technologies) along with outsourcing of its maintenance. This caused certain disruptions in the IT operations of the Company and eventual loss of access to the historical data and books of accounts.

As a result, for the purpose of reconstructing the books of accounts as at September 30, 2021, the Company created a parallel IT environment and implemented the new IT application system along with the loan origination system with a fully automated workflow. The balances as of September 30, 2021, backed with relevant internal data back-up and necessary reconciliations, have been updated in the new IT application along with all the transactions for the period commencing from October 1, 2021. Further, during the period of loss of data to implementing new IT system, the management ensured complete track of disbursements and collections from the customers through the controls implemented at the branches.

The Company has onboarded a new Managing Director and Chief Executive Officer, President and Chief Financial Officer and Chief Technology Officer, and under their guidance the management has performed a comprehensive evaluation of the new IT application implemented, along with the IT review performed by the internal auditors of the Company. Further, the business teams have validated the outputs from the IT systems with actual physical loan-card balances of the borrowers. The process has been documented and independently reviewed by an independent third-party appointed by the Board of Directors. The management is in the process of further strengthening the robustness of the overall IT systems, including the loan management system and with respect to specific controls around security management and infrastructure maintenance, based on the inputs received from the comprehensive review and believes that the final validations, will not result in any material discrepancies, requiring any adjustment to these financial statements

Subsequently in June 2022, the Company has settled differences amicably in terms of a settlement agreement and other related agreements subject to terms and conditions stated therein with its erstwhile MD, IQ Technologies and other entities as under:

- (a) The Company has collected / paid all the pending dues receivable from / payable to Abhiram Marketing Services Limited (entity in which erstwhile MD has significant interest).
- (b) Without prejudice to the respective contentions of the parties, the Services Agreement dated August 16, 2021 entered with the IQ Technologies (IQ) stands terminated / cancelled and the Company has received access to the old IT system and hardware from IQ in accordance with the IQ Termination Agreement and is in control of the same. As part of the settlement agreement, the Company has paid ₹15.75 million to IQ, which has been provided for in the accompanying financial statements under ‘Other expenses’.
- (c) The lease agreements entered with the entities in which erstwhile MD has significant control has been terminated and the lock-in-period has been waived-off, as the Company agreed to forfeit the security deposit paid under the said lease agreements. Consequently, the Company has written off ‘Right of use’ assets and security deposit and written back lease liabilities resulting in a net gain of ₹ 43.72 million.



# Notes to the Standalone Financial Statements

For year ended March 31, 2022

(d) The erstwhile MD, IQ and other entities have executed requisite applications before the appropriate forum to withdraw all suits, applications, claims filed against the Company and its subsidiaries, including shareholders, employees and directors and similarly, the Company and its subsidiary has also filed necessary applications to withdraw all suits, applications, claims filed against the opposite party.

(e) In consideration of settlement terms, the Company has made a total payment of ₹407.10 million (inclusive of applicable taxes) to erstwhile MD, which has been provided for in the accompanying financial statements under 'Other expenses'.

The Company has performed sufficient procedures to ensure completeness, accuracy and authenticity of the data received from IQ and has significantly reconciled the historical balances and the balances as on September 30, 2021 as per the old IT system with the opening balances as of October 1, 2021 considered in the new IT System with the information available as explained above. The management does not believe that ongoing reconciliation process will have any significant impact on the accompanying financial statements.

## 53: Additional Regulatory Information

- (a) There is no such immovable property whose title deeds are not held in the name of the Company
- (b) There are no investment property as on March 31, 2022
- (c) The Company has not revalued its Property, Plant and Equipment (including Right-of Use Assets) and intangible assets based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.
- (d) No proceeding has been initiated or pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder
- (e) The Company has not taken borrowings from banks or financial institutions on the basis of security of current assets.
- (f) The Company has not been declared wilful defaulter by any bank or financial Institution or other lender.
- (g) No transactions were carried out during the year with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956.
- (h) No charges or satisfaction yet to be registered with ROC beyond the statutory period.
- (i) The Company has complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017
- (j) There are no such transaction or undisclosed income that need to be disclosed in accordance with this provision of Companies Act, 2013.
- (k) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.

## 54: Previous year figures have been regrouped/ reclassified wherever applicable.

As per our report of even date  
For **Walker Chandiook & Co LLP**  
Chartered Accountants

ICAI Firm registration number: 001076N/N500013

### Manish Gujral

Partner

Membership No.: 105117

Place: Mumbai

Date: July 11, 2022

For and on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

### Abanti Mitra

Chairperson

DIN: 02305893

Place: Mumbai

Date: July 11, 2022

### Ashish Kumar Damani

President and Chief  
Finance Officer

Place: Hyderabad

Date: July 11, 2022

### Shalabh Saxena

Managing Director &  
Chief Executive Officer

DIN: 08908237

Place: Hyderabad

Date: July 11, 2022

### Ramesh Periasamy

Company Secretary and  
Compliance Officer

Membership No.: A26247

Place: Hyderabad

Date: July 11, 2022

## Independent Auditor's Report

To the Members of  
**Spandana Sphoorty Financial Limited**

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

1. We have audited the accompanying consolidated financial statements of Spandana Sphoorty Financial Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), as listed in Annexure 1, which comprise the Consolidated Balance Sheet as at March 31, 2022, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, and other accounting principles generally accepted in India of the consolidated state of affairs of the Group, as at 31 March 2022, and their consolidated profit (including other comprehensive income), consolidated cash flows and the consolidated changes in equity for the year ended on that date.

#### Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained together with the audit evidence obtained by the other auditors in terms of their reports referred to

in paragraph 16 of the Other Matters section below, is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter – Recoveries from gold loan portfolio

4. We draw attention to Note 50 to the accompanying consolidated financial statements, pertaining to matter on which following emphasis of matter has been included in the audit report dated 7 July 2022 on the financial statements of Criss Financial Limited, a subsidiary of the Holding Company, issued by an independent firm of Chartered Accountants, which is relevant to our opinion on the consolidated financial statements of the Group, and reproduced by us as under:

"During the month of October 2021, w.r.t. all gold loan branches of the Company, there were certain differences between the company and Spandana Mutual Benefit Trust ("SMBT").

On 22.06.2022, company has entered into a gold loan agreement (part of settlement agreement). As per which it is understood that disputes between the Board of directors of the company and erstwhile director are settled and the board ratified the appointment of SMBT as collecting agent.

Based on the information and explanations given to us, SMBT has recovered substantial amount of gold loans during the months of November and December 2021. It has remitted an amount of ₹39.72 Crores to the company from November 2021 to March 2022 and balance amount of ₹41.42 Crores is shown as receivable under other financial assets as on 31.03.2022. During May and June 2022, company has realized balance amount of ₹41.42 Crores. The company has recognized an amount of 2.19 Crores as interest on gold loans for the aforesaid period, which has been received as part of settlement agreement".

Our opinion is not modified in respect of this matter.

#### Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
6. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>(a) Impairment losses on loan portfolio</b></p> <p>Refer note 3(e) for significant accounting policies, note 7 for impairment disclosures and note 41.1 for credit risk disclosures.</p> <p>The Holding Company has gross loan assets of ₹58,956.54 million outstanding as at 31 March 2022, against which an impairment of ₹6,319.15 million has been recorded as at reporting date, which is measured in accordance with Ind AS 109, Financial Instruments, using 'Expected Credit Loss' (ECL) method.</p> <p>The ECL is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets in accordance with the accounting policy adopted by the Company.</p> <p>Significant management judgement in measuring ECL is required with respect to:</p> <ul style="list-style-type: none"> <li>• determining the criteria for significant increase in credit risk and default risk i.e. staging of loans</li> <li>• factoring in forward-looking information (including macroeconomic factors on a portfolio level)</li> <li>• techniques used to determine probability of default, loss given default and exposure at default.</li> </ul> <p>These parameters are derived from the Holding Company's internally developed statistical models, historical data, macro-economic factors and after considering the Reserve Bank of India ("RBI") circulars on "COVID 19 Regulatory Package-Asset Classification and Provisioning" dated 17 April 2020; "Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package" dated 07 April 2021; and Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses dated 5 May 2021 (collectively referred to as 'COVID-19 – Regulatory Package'). Any change in such models or assumptions could have a material impact on the accompanying financial statements.</p> <p>Considering the significance of the above matter to the financial statements, degree of estimation uncertainty and significant management judgment involved, this area required significant auditor attention to test such complex accounting estimates, and accordingly, this matter has been identified as a key audit matter for the current year audit.</p>	<p>Our audit procedures were focused on assessing the appropriateness of management's judgment and estimates used in the impairment analysis that included, but were not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Examined the Board Policy approving methodology for computation of ECL that addresses policies and procedures for assessing and measuring credit risk on the lending exposures of the Holding Company in accordance with the requirements of Ind AS 109. Also, obtained the policy on moratorium and restructuring of loans approved by the Board of Directors pursuant to the RBI circulars/guidelines and ensured such policy is in compliant with the requirements of the RBI circulars / guidelines.</li> <li>• Obtained an understanding of the modelling techniques adopted by the Holding Company including the key inputs and assumptions. Since modelling assumptions and parameters are based on historical data, we assessed whether historical experience was representative of current circumstances and was relevant in view of the recent impairment losses incurred within the portfolios.</li> <li>• Assessed and tested the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions considered for calculation, recording and monitoring of the impairment loss recognized. Also, evaluated the controls over the modelling process, validation of data and related approvals.</li> <li>• Evaluated the appropriateness of the Holding Company's determination of significant increase in credit risk in accordance with the applicable accounting standard and the basis for classification of exposures into various stages. For a sample of exposures, we also tested the appropriateness of the Holding Company's categorization across various stages by evaluating management's assessment of parameters such as probability of default (PD) or loss given default (LGD), including the adjustments made to such estimates on account of COVID-19 impact.</li> <li>• Ensured that the Holding Company's approved policy in relation to restructuring is in accordance with the directions given by Reserve Bank of India ('RBI') and tested, on sample basis, the compliance with respect to asset classification and provisioning norms as per the COVID-19 – Regulatory Package.</li> <li>• Assessed the appropriateness and adequacy of the related presentation and disclosures in the accompanying consolidated financial statements in accordance with the applicable accounting standards.</li> </ul>
<p><b>(b) Information Technology system for the financial reporting process, including implementation of new IT system</b></p> <p>The Holding Company is highly dependent on its Information Technology ("IT") systems for carrying on its operations which require large volume of transactions to be processed in numerous locations on a daily basis. Among other things, management also uses the information produced by the IT systems for accounting, preparation and presentation of the financial statements.</p>	<p>Our key audit procedures on the old and new IT Systems, with the involvement of our IT specialists included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the Holding Company's IT related control environment and conducted risk assessment and identified IT applications, data bases and operating systems that are relevant to our audit.</li> <li>• Tested the design and operating effectiveness of the Holding Company's IT controls over the IT applications as identified above.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p>The Holding Company's accounting and financial reporting processes are dependent on automated controls enabled by IT systems which impacts key financial accounting and reporting items such as loans, interest income, impairment on loans, amongst others. The controls implemented by the Holding Company in its IT environment determine the integrity, accuracy, completeness and validity of data that is processed by the applications and is ultimately used for financial reporting.</p> <p>Further, as detailed in Note 50 of the consolidated financial statements, the Holding Company has migrated to a new IT application (including new loan management system) w.e.f. from 1 October 2021. Data migration activity involves significant impact on the processes and controls related to the financial reporting. We have focused on the data migration controls designed and implemented during the migration activity due to the risk of error and the impact of such an error it could have on financial accounting and reporting process. Since our audit strategy included focus on key IT systems and controls due to pervasive impact on the financial statements, we have determined the same as a key audit matter for current year audit.</p>	<ul style="list-style-type: none"> <li>• On such in-scope IT systems, we have tested key IT general controls with respect to the following domains:                             <ul style="list-style-type: none"> <li>a) Program change management which includes controls on moving program changes to production environment as per defined procedures and relevant segregation of environments;</li> <li>b) User access management which includes user access provisioning, de-provisioning, access review, password management, sensitive access rights and segregation of duties; and</li> <li>c) Other areas that were assessed under the IT control environment included user interfaces, configuration and other application controls</li> </ul> </li> <li>• Additionally, with respect to implementation of new IT Application and data migration:                             <ul style="list-style-type: none"> <li>a) Obtained understanding and tested the controls over data migration including proper authorization, completeness and accuracy; and</li> <li>b) Tested the migrated balances, for completeness and accuracy as of 1 October 2021, including review of reconciliations prepared by the management.</li> </ul> </li> <li>• For the identified gaps in the internal control system with respect to certain specific controls around security management and implementation of the Company's new IT system, we altered our audit approach and performed additional procedures, as follows:                             <ul style="list-style-type: none"> <li>a) Identified compensating manual controls implemented by the management and tested that they operated effectively including the management's adoption of comprehensive process for manual review and reconciliation to ensure completeness and accuracy of data; and</li> <li>b) Performed additional substantive procedures for account balances such as loans, interest income (covering samples to test the origination, income accrual and collection) in order to mitigate the risk of identified material weakness.</li> </ul> </li> </ul>
<p><b>c) Data loss and subsequent settlement with erstwhile Managing Director (MD)</b></p> <p>As detailed in note 50 to the consolidated financial statements, prior to the resignation of the erstwhile Managing Director (MD) during the year, the Holding Company had transferred certain IT systems to a new IT vendor (IQ Technologies), which had led to loss of access to the historical data and books of accounts.</p> <p>Owing to this, the Holding Company had created a parallel IT environment and implemented a new IT application along with the loan origination system with a fully automated workflow. The balances as of 30 September 2021, backed with relevant internal data back-up and necessary reconciliations, have been updated in the new IT application along with all the transactions for the period commencing from 1 October 2021.</p>	<p>Our key audit procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the management process to reconcile the balances as of and for the six months period ended 30 September 2021 with relevant internal data back-up available with the Holding Company;</li> <li>• Held discussions with the members of the Board of Directors and Management and understood the Holding Company's response and conclusions to the events identified post resignation of erstwhile MD, which had led to loss of access to the historical data and books of accounts. Corroborated the responses to the discussions documented in the meeting minutes of the Board of Directors, Audit Committee and periodical updates shared with the Reserve Bank of India;</li> </ul>

**Key audit matter**

Subsequently in June 2022, the Holding Company has settled differences with erstwhile MD, IQ Technologies and other entities by entering into Settlement agreement and other related agreements (collectively referred as "Agreements"), resulting in (a) receiving access to the old IT system and hardware from IQ Technologies; (b) accounting for all the related matters arising from the terms of the Agreements in accordance with Ind AS 10 "Events after the Reporting Period". Additionally, the Holding Company has performed sufficient procedures to ensure completeness, accuracy and authenticity of the data received from IQ Technologies and has significantly reconciled the balances as on 30 September 2021 as per the old IT system with the opening balances as of 1 October 2021 considered in the new IT System.

Considering the significance of the above matter in preparation and presentation of the consolidated financial statements, and significant auditor attention required, we have identified this as a key audit matter for current year audit.

Further, we have determined the above matters to be fundamental to the understanding of the users of the accompanying consolidated financial statements.

**How our audit addressed the key audit matter**

- Reviewed the reconciliation performed by the management to reconcile the balances as on 30 September 2021 as per the old IT system with the opening balances as of 1 October 2021 considered in the new IT System. Assessed the effect of unreconciled balances and its impact on the accompanying consolidated financial statements;
- Performed substantive procedures to reconcile and test the completeness and accuracy of balances as of and for the six months period ended 30 September 2021 migrated into new IT Application.
- Performed substantive procedures to ensure completeness and accuracy of the transactions posted / accounted in the new IT Application for the period from 1 October 2021 till 31 March 2022;
- For the opening balances as on 1 April 2021, amongst other procedures, we tested the accuracy of the balances from the old IT system to the audited financial statements for the year ended 31 March 2021; tested the reconciliations provided by the management and traced the account balances to underlying supporting documents on a samples basis;
- For a sample of historical transactions (mainly for loans, operating expenses and related party transactions), by involving our specialist team, we have also tested the appropriateness of the transactions with the underlying documents. Where controls were not found to be operating effectively for such historical transactions, we altered our audit approach and performed alternate substantive procedures and increased the extent of planned audit procedures to mitigate the risk of identified deficiencies and assessed its impact on the consolidated financial statements for the year ended 31 March 2022, including impact on the internal financial controls with reference to the financial statements; and
- Read the executed Agreements to gain an understanding of the significant terms and assessed whether the adjusting events after the reporting period and related disclosures in the accompanying consolidated financial statements reflect the requirements of Ind AS 10.

**Information other than the Consolidated Financial Statements and Auditor's Report thereon**

7. The Holding Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

8. The accompanying consolidated financial statements have been approved by the Holding Company's Board of Directors. The Holding Company's Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the Ind AS specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring 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, which have been used for the purpose of preparation of the consolidated financial statements by the Board of Directors of the Holding Company, as aforesaid.
9. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
10. Those respective Board of Directors are also responsible for overseeing the financial reporting process of the companies included in the Group.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards on Auditing will

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

12. As part of an audit in accordance with Standards on Auditing specified under section 143(10) of the Act we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
  - Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern; and
  - 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.

- Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial statements of such entities included in the financial statements, of which we are the independent auditors. For the other entities included in the financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

13. 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.
14. 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.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Other Matters

16. We did not audit the financial statements of two subsidiaries, whose financial statements reflects total assets of ₹4,228.86 million and net assets of ₹1,555.49 million as at 31 March 2022, total revenues of ₹1,012.71 million and net cash outflows amounting to ₹12.37 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-section (3) of section 143 of the Act in so far as it relates to the aforesaid subsidiaries, are based solely on the reports of the other auditors.

Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

17. The consolidated financial statements of the Group for the year ended 31 March 2021 were audited by the predecessor auditor, S. R. Batliboi & Co. LLP, who have expressed an unmodified opinion on those consolidated financial statements vide their audit report dated 22 May 2021. Our opinion on the consolidated financial statements is not modified in respect of this matter.

#### Report on Other Legal and Regulatory Requirements

18. As required by section 197(16) of the Act based on our audit and on the consideration of the reports of the other auditors, referred to in paragraph 16, on separate financial statements of the subsidiaries, we report that the Holding Company has paid remuneration to their directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act. Further, we report that 2 subsidiary companies incorporated in India whose financial statements have been audited under the Act have not paid or provided for any managerial remuneration during the year. Accordingly, reporting under section 197(16) of the Act is not applicable in respect of such subsidiary companies.
19. As required by clause (xxi) of paragraph 3 of Companies (Auditor's Report) Order, 2020 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act based on the consideration of the Order reports issued by us and by the respective other auditors as mentioned in paragraph 16 above, of companies included in the consolidated financial statements and covered under the Act we report that there are no qualifications or adverse remarks reported in the respective Order reports of such companies.
20. As required by section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries incorporated in India whose financial statements have been audited under the Act, we report, to the extent applicable, that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors,

- c) The consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- d) in our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015;
- e) On the basis of the written representations received from the directors of the Holding Company, its subsidiary companies and taken on record by the Board of Directors of the Holding Company and its subsidiary companies, respectively, and the reports of the statutory auditors of its subsidiary companies, covered under the Act, none of the directors of the Group companies, are disqualified as on 31 March 2022 from being appointed as a director in terms of section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, and its subsidiary companies covered under the Act, and the operating effectiveness of such controls, refer to our separate report in 'Annexure A' wherein we have expressed a modified opinion; and
- g) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements and other financial information of the subsidiaries incorporated in India whose financial statements have been audited under the Act:
- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group as detailed in Note 34 to the consolidated financial statements;
  - ii. The Holding Company, its subsidiary companies, did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2022;
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies covered under the Act, during the year ended 31 March 2022;
- iv. a. The respective managements of the Holding Company and its subsidiary companies, incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries respectively that, to the best of their knowledge and belief, as disclosed in note 44(a) to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Holding Company or its subsidiary companies, to or in any persons or entities, including foreign entities ('the intermediaries'), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company, or any such subsidiary companies, ('the Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf the Ultimate Beneficiaries;
- b. The respective managements of the Holding Company and its subsidiary companies, incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries respectively that, to the best of their knowledge and belief, as disclosed in the note 44(b) to the accompanying consolidated financial statements, no funds have been received by the Holding Company or its subsidiary companies, from any persons or entities, including foreign entities ('the Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Holding Company, or any such subsidiary companies shall, whether directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide



- any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
- c. Based on such audit procedures performed by us and that performed by the auditors of the subsidiaries, as considered reasonable and appropriate in the circumstances, nothing has come to our or other auditors' notice that has caused us or the other auditors to believe that the management representations under sub-clauses (a) and (b) above contain any material misstatement.
- v. The Holding Company, its subsidiary companies have not declared or paid any dividend during the year ended 31 March 2022.

For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

**Manish Gujral**  
Partner  
Membership No:105117  
UDIN: 22105117AMOYGG1401

Place: Mumbai  
Date: 11 July 2022

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## Annexure 1

### List of subsidiaries included in the Consolidated Financial Statements

1. Criss Financial Limited (formerly known as "Criss Financial Holdings Limited")
2. Caspian Financial Services Limited

## Annexure A

### Independent Auditor's Report on the internal financial controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the consolidated financial statements of Spandana Sphoorty Financial Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') as at and for the year ended 31 March 2022, we have audited the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies, which are companies covered under the Act, as at that date.
4. 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 includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

#### Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

2. The respective Board of Directors of the Holding Company and its subsidiary companies, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on 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 ('the Guidance Note') issued by the Institute of Chartered Accountants of India (the "ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements

3. Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.

5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies as aforesaid.

#### Meaning of Internal Financial Controls with Reference to Financial Statements

6. 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

7. 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.

#### Qualified Opinion

8. According to the information and explanations given to us and based on our audit, the following material weakness has been identified as- at 31 March 2022:

The Holding Company did not have an appropriate internal control system with respect to certain specific controls around security management and implementation of the Holding Company's Information Technology (IT) system, which could potentially result in unauthorised changes being made to the information technology system or programs. As detailed in note 50 to the consolidated financial statements consequent to the events that occurred during the year, the management is in the process of further strengthening the robustness of the overall IT system.

9. A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial controls with reference to financial statements, such that there is a reasonable possibility that a material misstatement of the Group's annual or interim financial statements will not be prevented or detected on a timely basis.

10. In our opinion and based on the consideration of the reports of the other auditors on internal financial controls with reference to financial statements of the subsidiary companies, except for the possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Group has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2022, 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 issued by the ICAI.

11. We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements of the Group as at and for the year ended 31 March 2022, and the material weakness do not affect our opinion on the consolidated financial statements of the Group.

#### Other Matter

12. We did not audit the financial statements of two subsidiaries, which are companies covered under the Act, whose financial statements reflects total assets of ₹4,228.86 million and net assets of ₹1,555.49 million as at 31 March 2022, total revenues of ₹1,012.71 million and net cash outflows amounting to ₹12.37 million for the year ended on that date, as considered in the consolidated financial statements. The internal financial controls with reference to financial statements in so far as it relates to such subsidiary companies have been audited by other auditors, whose reports have been furnished to us by the management and our report on the adequacy and operating effectiveness of the internal financial controls with reference to financial statements for the Holding Company and its subsidiary companies, as aforesaid, under Section 143(3)(i) of the Act in so far as it relates to such subsidiary companies is based solely on the reports of the auditors of such companies. Our opinion is not modified in respect of this matter with respect to our reliance on the work done by and on the reports of the other auditors.

For **Walker Chandiook & Co LLP**  
Chartered Accountants  
Firm Registration No.: 001076N/N500013

**Manish Gujral**  
Partner

Place: Mumbai  
Date: 11 July 2022

Membership No:105117  
UDIN: 22105117AM0YGG1401

# Consolidated Balance Sheet

As at MARCH 31, 2022

(₹ in million unless otherwise stated)

Particulars	Notes	As at March 31, 2022	As at March 31, 2021
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	4	7,271.70	11,351.95
Bank balances other than cash and cash equivalents	5	4,750.72	2,458.27
Derivative financial instrument		0.46	0.45
Trade receivables	6	200.92	120.61
Loans	7	55,183.83	69,330.42
Investments	8	24.44	23.25
Other financial assets	9	745.15	756.72
		<b>68,177.22</b>	<b>84,041.67</b>
<b>Non-financial assets</b>			
Current tax assets (net)	10	188.13	153.13
Deferred tax assets (net)	11	1,842.05	1,047.49
Property, plant and equipment	12	67.87	198.96
Other Intangible assets	12A	70.96	7.77
Goodwill		173.89	173.74
Other non-financial assets	13	243.25	146.53
		<b>2,586.15</b>	<b>1,727.62</b>
<b>Total assets</b>		<b>70,763.37</b>	<b>85,769.29</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Financial liabilities</b>			
Debt securities	14	17,782.40	20,347.14
Borrowings (other than debt securities)	14	19,736.80	33,183.69
Subordinated liabilities	14	201.87	201.83
Other financial liabilities	15	1,312.32	2,696.75
<b>Subtotal - Financial Liabilities</b>		<b>39,033.39</b>	<b>56,429.41</b>
<b>Non-financial liabilities</b>			
Current tax liabilities (net)	16	281.62	1,398.16
Provisions	17	40.15	16.50
Other non-financial liabilities	18	508.76	414.25
<b>Subtotal - Non-financial liabilities</b>		<b>830.53</b>	<b>1,828.91</b>
<b>EQUITY</b>			
Equity share capital	19	690.95	643.15
Other equity	20	30,184.73	26,847.64
Equity attributable to shareholders of the company		30,875.68	27,490.79
Non controlling interest	20	23.77	20.18
<b>Subtotal Equity</b>		<b>30,899.45</b>	<b>27,510.97</b>
<b>Total liabilities and equity</b>		<b>70,763.37</b>	<b>85,769.29</b>

The accompanying notes are an integral part of these consolidated financial statements.

As per our report of even date  
For **Walker Chandiook & Co LLP**  
Chartered Accountants

ICAI Firm registration number: 001076N/N500013

**Manish Gujral**

Partner

Membership No.: 105117

Place: Mumbai  
Date: July 11, 2022

For and on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

**Abanti Mitra**

Chairperson

DIN: 02305893

Place: Mumbai

Date: July 11, 2022

**Ashish Kumar Damani**

President and Chief  
Finance Officer

Place: Hyderabad  
Date: July 11, 2022

**Shalabh Saxena**

Managing Director &

Chief Executive Officer

DIN: 08908237

Place: Hyderabad

Date: July 11, 2022

**Ramesh Periasamy**

Company Secretary and  
Compliance Officer

Membership No.: A26247

Place: Hyderabad  
Date: July 11, 2022

# Consolidated Statement of Profit And Loss

For the year ended March 31, 2022

(₹ in million unless otherwise stated)

Particulars	Notes	For year ended March 31, 2022	For year ended March 31, 2021
<b>Revenue from operations</b>			
Interest income	21	13,365.36	13,627.10
Commission and Incentive Income		64.68	97.00
Net gain on fair value changes	22	782.09	760.51
Others	23	415.79	341.65
<b>Total revenue from operations</b>		<b>14,627.92</b>	<b>14,826.26</b>
Other income	24	172.43	229.88
<b>Total income</b>		<b>14,800.35</b>	<b>15,056.14</b>
<b>Expenses</b>			
Finance cost	25	5,401.00	4,231.70
Net loss on fair value changes	26	0.86	27.44
Impairment on financial instruments and other provisions	27	4,805.70	6,451.40
Employee benefit expense	28	2,283.97	1,715.36
Depreciation and amortization expense	12	91.77	76.23
Other expenses	29	1,248.33	549.56
		<b>13,831.63</b>	<b>13,051.69</b>
<b>Profit before tax</b>		<b>968.72</b>	<b>2,004.45</b>
<b>Tax expense:</b>	30		
Current Tax		930.65	1,425.98
Taxes for prior period		17.05	-
Deferred tax		(677.25)	(876.13)
<b>Income tax expense</b>		<b>270.45</b>	<b>549.85</b>
<b>Profit/loss for the year</b>		<b>698.27</b>	<b>1,454.60</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Re-measurement gains/(losses) on defined benefit plans		(14.23)	20.31
Income tax effect		3.59	(5.11)
<b>Items that will be reclassified subsequently to profit or loss</b>			
Fair Value gain on loan portfolio		(448.77)	(420.38)
Income tax effect		112.95	105.80
<b>Total comprehensive income for the year</b>		<b>351.81</b>	<b>1,155.22</b>
<b>Profit/loss for the year attributable to:</b>			
Owners of the company		694.68	1,450.43
Non-controlling interests		3.59	4.17
		<b>698.27</b>	<b>1,454.60</b>
<b>Total comprehensive income for the year attributable to :</b>			
Owners of the company		348.22	1,151.05
Non-controlling interests		3.59	4.17
		<b>351.81</b>	<b>1,155.22</b>
<b>Earnings per equity share</b>	31		
Basic (₹)		10.75	22.55
Diluted (₹)		10.72	22.47
Nominal value per equity share (₹)		10.00	10.00

The accompanying notes are an integral part of these consolidated financial statements.

As per our report of even date

For **Walker Chandiok & Co LLP**

Chartered Accountants

ICAI Firm registration number: 001076N/N500013

**Manish Gujral**

Partner

Membership No.: 105117

Place: Mumbai

Date: July 11, 2022

For and on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

**Abanti Mitra**

Chairperson

DIN: 02305893

Place: Mumbai

Date: July 11, 2022

**Ashish Kumar Damani**

President and Chief

Finance Officer

Place: Hyderabad

Date: July 11, 2022

**Shalabh Saxena**

Managing Director &

Chief Executive Officer

DIN: 08908237

Place: Hyderabad

Date: July 11, 2022

**Ramesh Periasamy**

Company Secretary and

Compliance Officer

Membership No.: A26247

Place: Hyderabad

Date: July 11, 2022

## Consolidated Cash Flow Statement

For the year ended March 31, 2022

(₹ in million unless otherwise stated)

Particulars	For year ended March 31, 2022	For year ended March 31, 2021
<b>Cash flow from operating activities</b>		
Profit before tax	968.72	2,004.43
<b>Adjustments for:</b>		
Interest on income tax	71.85	165.80
Depreciation and amortization	91.77	76.23
Share based payment to employees	112.18	87.85
Provision for gratuity	18.82	8.56
Finance cost on lease liability	17.81	14.88
Impairment on financial instruments and other provisions	4,805.70	6,451.40
Net gain on fair value changes	(479.82)	(86.46)
Net gain on adjustments on account of termination of leases	(52.44)	-
Net (gain)/loss on financial assets and liabilities designated at fair value through profit or loss	(42.15)	27.44
Other provisions and write offs	14.67	26.19
<b>Operating profit before working capital changes</b>	<b>5,527.11</b>	<b>8,776.32</b>
Movements in working capital :		
Changes in other financial liabilities	(1,231.77)	385.41
Changes in other non financial liabilities	94.51	112.80
Changes in provisions	(9.40)	0.25
Changes in bank balances other than cash and cash equivalents	(2,292.46)	(483.22)
Changes in trade receivables	(80.31)	103.07
Changes in other financial assets	(3.11)	878.94
Changes in loans	8,889.20	(26,439.33)
Changes in other non financial assets	(96.87)	(34.10)
<b>Cash generated from / (used in) operations</b>	<b>10,796.90</b>	<b>(16,699.86)</b>
Income taxes paid	(2,171.09)	(840.69)
<b>Net cash generated from / (used in) operating activities (A)</b>	<b>8,625.81</b>	<b>(17,540.55)</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(69.63)	(154.56)
Purchase of intangible assets	(70.80)	(0.10)
Proceeds from derecognition of property, plant and equipment	22.79	38.24
Purchase of investments	(1,08,622.06)	(42,843.36)
Proceeds from sale of investments	1,09,101.88	47,779.53
<b>Net cash generated from investing activities (B)</b>	<b>362.18</b>	<b>4,819.75</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of equity shares (including securities premium)	2,924.27	-
Debt securities issued/(repaid)(net)	(2,522.60)	12,542.98
Principal payment of lease liability	(5.25)	9.69
Interest payment of lease liability	(17.81)	14.88
Borrowings (other than debt securities) (net)	(13,446.89)	10,910.35

## Consolidated Cash Flow Statement

For the year ended March 31, 2022

(₹ in million unless otherwise stated)

Particulars	For year ended March 31, 2022	For year ended March 31, 2021
Subordinated liabilities (net)	0.04	(1.45)
<b>Net cash generated from / (used in) financing activities (C)</b>	<b>(13,068.24)</b>	<b>23,476.43</b>
<b>Net increase / (decrease) in cash and cash equivalents (A + B + C)</b>	<b>(4,080.25)</b>	<b>10,755.64</b>
Add: Cash and cash equivalents at the beginning of the year	11,351.95	596.31
<b>Cash and cash equivalents at the end of the year (refer note 4)</b>	<b>7,271.70</b>	<b>11,351.95</b>

(₹ in millions unless otherwise stated)

Cash flow from operating activities	For year ended March 31, 2022	For year ended March 31, 2021
Interest received	13,147.13	12,935.82
Interest paid	(4,443.61)	(3,636.95)

The accompanying notes are an integral part of these consolidated financial statements.

As per our report of even date

For **Walker Chandiook & Co LLP**

Chartered Accountants

ICAI Firm registration number: 001076N/N500013

**Manish Gujral**

Partner

Membership No.: 105117

Place: Mumbai

Date: July 11, 2022

For and on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

**Abanti Mitra**

Chairperson

DIN: 02305893

Place: Mumbai

Date: July 11, 2022

**Ashish Kumar Damani**

President and Chief  
Finance Officer

Place: Hyderabad

Date: July 11, 2022

**Shalabh Saxena**

Managing Director &

Chief Executive Officer

DIN: 08908237

Place: Hyderabad

Date: July 11, 2022

**Ramesh Periasamy**

Company Secretary and  
Compliance Officer

Membership No.: A26247

Place: Hyderabad

Date: July 11, 2022

# Consolidated Statement of Changes in Equity

For the year ended March 31, 2022

## A. EQUITY SHARES Equity Share of ₹ 10 each issued, subscribed and fully paid

Particulars	₹ in millions unless otherwise stated	
	No. of Shares	Amount
<b>As at April 1, 2020</b>	<b>6,43,15,483</b>	<b>643.15</b>
Issue of equity share capital during the year ended March 31, 2021 (refer note 19)	-	-
<b>As at March 31, 2021</b>	<b>6,43,15,483</b>	<b>643.15</b>
Issue of equity share capital during the year ended March 31, 2022 (refer note 19)	47,79,047	47.79
<b>As at March 31, 2022</b>	<b>6,90,94,530</b>	<b>690.95</b>

## B. OTHER EQUITY

Particulars	₹ in millions unless otherwise stated							Grand Total
	Securities premium	Retained earnings	General reserve	Statutory reserve	Capital redemption reserve	Share options outstanding reserve	Other items of comprehensive income (fair valuation on loans)	
<b>Balance as at April 01, 2020</b>	<b>19,199.86</b>	<b>1,105.43</b>	<b>23.28</b>	<b>3,239.55</b>	<b>1,526.93</b>	<b>64.17</b>	<b>457.17</b>	<b>25,616.39</b>
Profit for the year ended March 31, 2021	-	1,450.43	-	-	-	-	-	1,450.43
Impairment allowance on other provisions reclassified to profit and loss	-	-	-	-	-	-	6,451.40	6,451.40
Fair value change during the year	-	15.20	-	-	-	-	(6,765.98)	(6,765.98)
Remeasurement gain or loss on actuarial valuation	-	-	-	-	-	-	15.20	15.20
Transfer to Statutory Reserve	-	(291.88)	-	291.88	-	-	-	-
Share issue expenses	0.05	-	-	-	-	-	-	0.05
Share based payment to employees	-	-	-	-	-	87.38	-	87.38
Adjustment to carryig amount of NCI due to change in interest	-	(3.09)	-	-	-	-	-	(3.09)
Other adjustment	-	(4.14)	-	-	-	-	-	(4.14)
<b>Balance as at March 31, 2021</b>	<b>19,199.91</b>	<b>2,271.95</b>	<b>23.28</b>	<b>3,531.43</b>	<b>1,526.93</b>	<b>151.55</b>	<b>142.59</b>	<b>26,847.64</b>
Profit for the year ended March 31, 2022	-	694.68	-	-	-	-	-	694.68
Impairment allowance on other provisions reclassified to profit and loss	-	-	-	-	-	-	4,658.31	4,658.31
Fair value change during the year	-	-	-	-	-	-	(4,994.13)	(4,994.13)
								3.59
								20.18
								26,867.82
								698.27
								4,658.31
								(4,994.13)
								(4,994.13)



# Consolidated Statement of Changes in Equity

For the year ended March 31, 2022

Particulars	Reserves & Surplus						Share options outstanding reserve	Other items of comprehensive income (fair valuation on loans)	Money received against Share Warrants A/c	Other Equity	Non-Controlling Interests	Grand Total
	Securities premium	Retained earnings	General reserve	Statutory reserve	Capital redemption reserve	Share options outstanding reserve						
Remeasurement gain or loss on actuarial valuation	-	(10.42)	-	-	-	-	-	-	(10.42)	-	-	(10.42)
Transfer to Statutory Reserve	-	(139.56)	-	139.56	-	-	-	-	-	-	-	-
Premium on issue of equity shares, net of issue expenses	2,139.38	-	-	-	-	-	-	-	2,139.38	-	-	2,139.38
Issue of Share Warrants	-	-	-	-	-	-	-	750.00	750.00	-	-	750.00
Share based payment to employees	-	-	-	-	-	112.18	-	-	112.18	-	-	112.18
Less: Transfer on allotment / cancellation pursuant to ESOP scheme	-	-	49.94	-	-	(62.85)	-	-	(12.91)	-	-	(12.91)
<b>Balance as at March 31, 2022</b>	<b>21,339.29</b>	<b>2,816.65</b>	<b>73.22</b>	<b>3,670.99</b>	<b>1,526.93</b>	<b>200.88</b>	<b>(193.23)</b>	<b>750.00</b>	<b>30,184.73</b>	<b>23.77</b>	<b>30,208.50</b>	

The accompanying notes are an integral part of these consolidated financial statements.

As per our report of even date  
For **Walker Chandiook & Co LLP**  
Chartered Accountants  
ICAI Firm registration number: 001076N/N5000013

**Manish Gujral**  
Partner  
Membership No.: 105117

Place: Mumbai  
Date: July 11, 2022

For and on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

**Abanti Mitra**  
Chairperson  
DIN: 02305893  
Place: Mumbai  
Date: July 11, 2022

**Shalabh Saxena**  
Managing Director &  
Chief Executive Officer  
DIN: 08908237  
Place: Hyderabad  
Date: July 11, 2022

**Ashish Kumar Damani**  
President and Chief  
Finance Officer  
Place: Hyderabad  
Date: July 11, 2022

**Ramesh Periasamy**  
Company Secretary and  
Compliance Officer  
Membership No.: A26247  
Place: Hyderabad  
Date: July 11, 2022

# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

## 1. CORPORATE INFORMATION

Spandana Sphoorty Financial Limited ('the Company' or 'Holding Company' or 'Parent Company') is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on March 10, 2003. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and got classified as Non-Banking Financial Company – Micro Finance Institution (NBFC – MFI) effective April 13, 2015. The Holding Company's shares are listed on BSE Limited ('BSE') and National Stock Exchange of India Ltd ('NSE'). The registered office of the Holding Company is located at plot no 31 & 32, Ramky Selenium Towers, Ground floor, Nanakramguda, Gachibowli, Telangana, India.

The Holding Company together with its subsidiaries listed below hereinafter collectively referred to as the 'the Group'.

The Company is primarily engaged in the business of lending, providing small value unsecured loans to low-income customers in semi-urban and rural areas. The tenure of these loans is generally spread over one to two years.

Caspian Financial Services Limited ('CFSL') is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. CFSL is yet to commence commercial operations.

Criss Financial Limited (formerly Criss Financial Holdings Limited) ('CFL') is a public company limited by shares domiciled in India and incorporated under the provision of the Companies Act, 1956. The Company is registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI'). The Company is engaged in the business of finance by providing Individual Loans, Small Business Loans, Mortgage Loans and Gold Loans.

CFSL and CFL have been collectively referred to as "the Subsidiaries".

## 2. BASIS OF PREPARATION

### a) Statement of compliance in preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time). The consolidated financial statements have been prepared on a going concern basis.

These consolidated financial statements have been prepared on historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments, derivative financial instrument and other

financial assets held for trading all of which have been measured at fair value.

The functional currency of the Group is the Indian rupee. These Consolidated financial statements are presented in Indian rupees ("Rs." or "INR") and all values / amounts are rounded off to nearest millions, unless otherwise stated.

### b) Presentation of Financial Statements

The Group presents its balance sheet in order of liquidity. Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- a. The normal course of business
- b. The event of default
- c. The event of insolvency or bankruptcy of the Group and/or its counterparties

### c) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and all its subsidiaries (from the date control is gained), being the entities that it controls. Control is evidenced where the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is demonstrated through existing rights that give the ability to direct relevant activities, which significantly affect the entity returns. The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies in line with accounting policies of the Parent Company.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

The Consolidated financial statements include results of the subsidiaries of Spandana Sphoorty Financial Limited. (Holding Company), consolidated in accordance with Ind AS 110 'Consolidated Financial Statements'.

# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

Name of the Company	Country of Incorporation	Proportion of ownership as at		Consolidated as
		March 31, 2022	March 31, 2021	
Criss Financial Limited	India	98.45%	98.45%	Subsidiary
Caspian Financial Services Limited	India	100.00%	100.00%	Subsidiary

## Consolidation procedure:

- Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiary. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.
- Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.
- Eliminate in full intracompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Company (profits or losses resulting from intracompany transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intracompany losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intracompany transactions.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Company's accounting policies. All intracompany assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

## d) Assessment of impact of Covid-19

During the Financial Year 2020-2021, Covid-19 pandemic resulted in a nation-wide lockdown in April 2020 - May 2020 which substantially impacted economic activity. Regulatory measures like moratorium on payment of dues and stand still in asset classification were implemented to mitigate the economic consequences on borrowers. During the financial year 2021-2022, the second wave of Covid-19 pandemic during April 2021 - May 2021 led to the re-imposition of localised / regional lock-down

measures in various parts of the country. The Group had offered resolution plan to its customers pursuant to Reserve Bank of India's guidelines on 'Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses' dated May 5, 2021, as the lockdowns eased gradually from June 2021, resulting in improvement in economic activity.

While there has been significant progress in vaccination programme and the impact of the third wave of Covid-19 in India has been mild, the impact, including with respect to credit quality and provisions, of the Covid-19 pandemic on the Holding Company's result will depend on the trajectory of the pandemic, effectiveness of the vaccinations, the effectiveness of current and future steps taken by the government and central bank to mitigate the economic impact.

The Group has recognized provisions as on 31 March 2022 towards its loan assets, based on the information available at this point of time, in accordance with the expected credit loss method. The Group believes that it has considered all the possible impact of the known events arising out of COVID-19 pandemic in the preparation of these audited financial results. However, the impact assessment of COVID-19 is a continuing process given its nature and duration. The Group will continue to monitor any material changes to future economic condition.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a) Use of estimates, judgments and assumptions

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

on the amounts recognized in the financial statements is included in the following notes:

- i) Defined employee benefit assets and liabilities**  
 The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are 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 rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.
- ii) Fair value measurement**  
 When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.
- iii) Impairment of loan portfolio**  
 Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment allowance for loans and advances. In estimating these cash flows, the Group makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors such as credit quality, level of arrears etc. and actual results may differ, resulting in future changes to the impairment allowance.
- iv) Provisions other than impairment on loan portfolio**  
 Provisions are held in respect of a range of future obligations such as employee entitlements and litigation provisions. Some of the provisions involve significant judgment about the likely outcome of various events and estimated future cash flows. The measurement of these provisions involves the exercise of management judgments about the ultimate outcomes of the transactions. Payments that are expected to be incurred after more than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.
- v) Other estimates**  
 These include contingent liabilities, useful lives of tangible and intangible assets etc.
- b) Recognition of income and expense**  
 The Group earns revenue primarily from giving loans. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:
- (i) Interest income and expense**  
 Interest revenue is recognized using the effective interest method (EIR). The effective interest method calculates the amortized cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.
- The Group 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 Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.
- Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to arrangers and other expenses such as external legal costs, provided these are incremental costs that are directly related to the issue of a financial liability.
- (ii) Dividend income**  
 Dividend income is recognized when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.
- (iii) Other income and expense**  
 All Other income and expense are recognized in the period they occur.
- The Group 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

# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

## c) Property, plant and equipment(PPE) and intangible asset

### PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

### Intangible asset

Intangible assets represent software expenditure which is stated at cost less accumulated amortization and any accumulated impairment losses.

## d) Depreciation and amortization

### Depreciation

- i. Depreciation on property, plant and equipment provided on a written down value method at the rates arrived based on useful life of the assets, prescribed under Schedule II of the Act, which also represents the estimate of the useful life of the assets by the management.
- ii. Property, plant and equipment costing up to ₹ 5,000 individually are fully depreciated in the year of purchase.

The Group has used the following useful lives to provide depreciation on its Property, plant and equipment:

Asset Category	Useful Life (in years)
Furniture & Fixtures	10
Computers & Printers	3
Office Equipment	5
Leasehold Improvements	3
Vehicles	8
Land & Buildings	60

### Amortization

Intangible assets are amortized at a rate of 40% per annum on a "Written Down Value" method, from the date that they are available for use.

## e) Impairment

### i) Overview of principles for measuring expected credit loss ('ECL') on financial assets.

In accordance with Ind AS 109, the Group is required to measure expected credit losses on its financial instruments designated at amortized cost and fair value through other comprehensive income. Accordingly, the Group is required to determine lifetime losses on financial instruments where credit risk has increased significantly since its origination. For other instruments, the Group is required to recognize credit losses over next 12 month period. The Group has an option to determine such losses on individual basis or collectively depending upon the nature of underlying portfolio. The Group has a process to assess credit risk of all exposures at each year end as follows:

#### Stage I

These represent exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date. The Group has assessed that all standard exposures (i.e. exposures with no overdues) and exposure upto 30day overdues fall under this category. In accordance with Ind AS 109, the Group measures ECL on such assets over next 12 months.

#### Stage II

Financial instruments that have had a significant increase in credit risk since initial recognition are classified under this stage. Based on empirical evidence, significant increase in credit risk is witnessed after the overdues on an exposure exceed for a period more than 30 days. Accordingly, the Group classifies all exposures with overdues exceeding 30 days at each reporting date under this Stage. The Group measures lifetime ECL on stage II loans.

#### Stage III

All exposures having overdue balances for a period exceeding 90 days are considered to be defaults and are classified under this stage. Accordingly, the Group measures lifetime losses on such exposure. Interest revenue on such contracts is calculated by applying the effective interest rate to the amortized cost (net of impairment allowance) instead of the gross carrying amount.

#### Methodology for calculating ECL

The Group determines ECL based on a probability weighted outcome of factors indicated below to measure the shortfalls in collecting contractual cash flows. The

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

Group does not discount such shortfalls considering relatively shorter tenure of loan contracts.

Key factors applied to determine ECL are outlined as follows:

**Probability of default (PD)** - The probability of default is an estimate of the likelihood of default over a given time horizon (12-month or lifetime, depending upon the stage of the asset).

**Exposure at default (EAD)** - It represents an estimate of the exposure of the Group at a future date after considering repayments by the counter party before the default event occurs.

**Loss given default (LGD)** - It represents an estimate of the loss expected to be incurred when the event of default occurs.

### Forward looking information

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

### Write-offs

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group 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. All such write-offs are charged to the Profit and Loss Statement. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

### ii) Non-financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money

and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

### f) Business combination and Goodwill:

Goodwill is initially recognized at cost and is subsequently measured at cost plus any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that unit's value may be impaired. If the recoverable amount of the cash generating unit is less than the carrying value of the unit, the impairment loss is allocated first to reduce the carrying value of any goodwill allocated to the unit and then to the other assets of the unit in proportion to carrying value of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in subsequent period. On disposal of the subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

### g) Revenue from contracts with customers

The Group recognizes revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial Instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue from Contracts with Customers'. The Group identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognizes revenue only on satisfactory completion of performance obligations. Revenue is measured at fair value of the consideration received or receivable.

- (a) Commission and incentive 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.
- (b) Revenue from advertisement activity is recognised upon satisfaction of performance obligation by rendering of services underlying the contract with third party customers.

# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

## h) Leases

### Measurement of lease liability

At the time of initial recognition, the Group measures lease liability as present value of all lease payment discounted using the Group's incremental cost of borrowing rate. Subsequently, the lease liability is (a) increased by interest on lease liability; and (b) reduce by lease payment made.

### Measurement of Right-of-Use asset

At the time of initial recognition, the Group measures 'Right-of-Use assets' as present value of all lease payment discounted using the Group's incremental cost of borrowing rate w.r.t said lease contract. Subsequently, 'Right-of-Use assets' is measured using cost model i.e. at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease liability specified in Ind AS 116 'Leases'.

Depreciation on 'Right-of-Use assets' is provided on straight line basis over the lease period

### Short-term leases:

Short term leases not covered under Ind AS 116 are classified as operating lease. Lease payments during the year are charged to statement of profit and loss.

## i) Foreign currency transactions

### Functional and presentation currency

The consolidated financial statements are presented in Indian Rupees (INR), which are the functional currency of the Group and the currency of the primary economic environment in which the Group operates.

### Transaction and balance

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

## j) Retirement and Employee benefits

The Group participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under

a defined contribution plan, the Group's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Group's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Group. The present value of the defined benefit obligations is calculated using the projected unit credit method.

The Group operates following employee benefit plans:

### i) Employee Provident Fund

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

### ii) Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Group provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Group. The Group's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation.

Net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### iii) Leaves

The service rules of the Group do not provide for the carry forward of the accumulated leave balance and leaves to credit of employees are encashed periodically at average gross salary.

### iv) Employee Stock Option Plan

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments in form of employee stock options, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black Scholes valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in Stock Option Outstanding reserves in Other equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

### k) Income taxes

#### Current Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with The Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity).

#### Deferred Taxes

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Current and deferred taxes are recognized as income tax benefits or expenses in the income statement except for tax related to the FVOCI instruments. The Group also recognizes the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Group only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Group's intention to settle on a net basis.

### l) Earnings per equity share (EPS)

The Group reports basic and diluted earnings per share in accordance with Ind AS33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.



# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the diluted earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

## m) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The increase in the provision due to un-winding of discount over passage of time is recognized within finance costs.

## n) Contingent liabilities and assets

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Group does not have any contingent assets in the financial statements.

## o) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instruments.

**Financial Assets** - All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

### Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

- Loan Portfolio at amortized cost
- Loan Portfolio at fair value through other comprehensive income (FVOCI)
- Investment in equity instruments and mutual funds at fair value through profit or loss
- Other financial assets at amortized cost

### Loan Portfolio at amortized cost:

Loan Portfolio is measured at amortized cost where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

### Loan Portfolio at FVOCI:

Loan Portfolio is measured at FVOCI where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- the financial asset is held within a business model where objective is achieved by both collecting contractual cash flows and selling financial assets.

**Business model:** The business model reflects how the Group manages the assets in order to generate cash flows. That is, where the Group's objective is solely to collect the contractual cash flows from the assets, the same is measured at amortized cost or where the Group's objective is to collect both the contractual cash flows and cash flows arising from the sale of assets, the same is measured at fair value through other comprehensive income (FVOCI). If neither of these is applicable (e.g. financial assets are held for trading purposes), then the

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

financial assets are classified as part of 'other' business model and measured at FVTPL.

**SPPI:** Where the business model is to hold assets to collect contractual cash flows (i.e. measured at amortized cost) or to collect contractual cash flows and sell (i.e. measured at fair value through other comprehensive income), the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The amortized cost, as mentioned above, is computed using the effective interest rate method.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the Statement of Profit and Loss.

The measurement of credit impairment is based on the three-stage expected credit loss model described in Note: Impairment of financial assets (refer note 3(e)).

**Effective interest method** - The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. The amortized cost of the financial asset is adjusted if the Group revises its estimates of payments or receipts. The adjusted amortized cost is calculated based on the original or latest re-estimated EIR and the change is recorded as 'Interest and similar income' for financial assets. Income is recognized on an effective interest basis for loan portfolio other than those financial assets classified as at FVTPL

### Equity instruments and Mutual Funds

Equity instruments and mutual funds included within the FVTPL category are measured at fair value with all changes recognized in the Profit and Loss Statement.

### Financial liabilities

#### Initial Measurement

Financial liabilities are classified and measured at amortized cost. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

#### Subsequent Measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

#### De-recognition

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

A financial liability is derecognized from the balance sheet when the Group has discharged its obligation or the contract is cancelled or expires.

#### p) Derivative financial instrument

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

#### q) Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date using various valuation techniques.

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Group's accounting policies require, measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortized cost are required to be disclosed in the said financial statements.

# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

The Group is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement).

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows:

- **Level 1 financial instruments** - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- **Level 2 financial instruments** - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life.
- **Level 3 financial instruments** - include one or more unobservable input where there is little market activity for the asset/liability at the measurement date that is significant to the measurement as a whole.

r) **Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

s) **Cash flow statements**

The consolidated cash flow statement is prepared in accordance with the Indirect method. Consolidated cash flow statement presents the cash flows by operating,

financing and investing activities of the Group. Operating cash flows are arrived by adjusting profit or loss before tax for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

t) **Proposed dividend**

As per Ind AS -10, 'Events after the Reporting period', the Group disclose the dividend proposed by board of directors after the balance sheet date in the notes to these standalone financial statements. The liability to pay dividend is recognised when the declaration of dividend is approved by the shareholders.

u) **Standards and recent pronouncements issued but not yet effective**

MCA vide its notification dated 23 March 2022 has notified Companies (Indian Accounting Standards) Amendment Rules, 2022 to further amend the Companies (Indian Accounting Standards) Rules, 2015, as below, which are effective from 1 April 2022.

**Ind AS 16 – Property Plant and equipment** - The amendment clarifies that an entity shall deduct from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use.

**Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets** – The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

**Ind AS 109 – Financial Instruments** - The amendment clarifies the nature of fees an entity should include when it applies the '10% test' in assessing whether to derecognize a financial liability. An entity shall include only fees paid or received between the entity and the lender, including the fees paid or received by either the entity or the lender on other's behalf.

The Group does not expect any of these amendments to have any material effect on the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### 4: CASH AND CASH EQUIVALENTS

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Cash on hand	1.61	22.93
Balances with banks		
On current accounts	7,069.56	8,808.03
Deposit with original maturity of less than three months	200.53	2,520.99
	<b>7,271.70</b>	<b>11,351.95</b>

### 5: BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Deposit with banks not considered as cash and cash equivalents	1,609.00	133.83
Restricted bank balance	234.95	-
Deposits held as margin money or security against the borrowings	2,906.77	2,324.45
	<b>4,750.72</b>	<b>2,458.27</b>

### 6: TRADE RECEIVABLES

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
<b>Unsecured</b>		
- Considered good	200.92	120.61
- Significant increase in credit risk	-	-
	<b>200.92</b>	<b>120.61</b>
Less: Allowance for receivables with significant increase in credit risk	-	-
	<b>200.92</b>	<b>120.61</b>

#### Trade receivables ageing schedule:

(₹ in millions unless otherwise stated)

Particulars	Outstanding for following periods from due date of payment					TOTAL
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
<b>As at March 31, 2022</b>						
<b>Undisputed</b>						
Considered good	200.92	-	-	-	-	200.92
Credit impaired	-	-	-	-	-	-
<b>As at March 31, 2021</b>						
<b>Undisputed</b>						
Considered good	120.61	-	-	-	-	120.61
Credit impaired	-	-	-	-	-	-

There are no disputed receivables as at March 31, 2022 and March 31, 2021.

### 7: LOANS

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
(a) Term loans (measured at fair value through OCI)	57,761.73	69,352.43
(b) Term loans (measured at amortised cost)	3,836.82	3,932.39
(c) Inter-corporate advances to related parties [repayable on demand] (measured at amortised cost)	64.60	187.32
<b>Total - Gross</b>	<b>61,663.15</b>	<b>73,472.14</b>
Less: Impairment allowance	(6,479.32)	(3,344.59)
Less: Provision towards refund of excess interest collected (Refer note 48)	-	(797.13)
<b>Total - Net</b>	<b>55,183.83</b>	<b>69,330.42</b>

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
<b>Break-up of loans</b>		
(a) Secured by tangible assets [Property including land and building (March 31, 2021: includes Gold)]	1,032.53	1,138.66
(b) Unsecured	60,630.62	72,333.48
<b>Total - Gross</b>	<b>61,663.15</b>	<b>73,472.14</b>
Less: Impairment and other provisions	(6,479.32)	(4,141.72)
<b>Total - Net</b>	<b>55,183.83</b>	<b>69,330.42</b>
<b>(a) Public sector</b>		
(a) Public sector	-	-
(b) Others	61,663.15	73,472.14
<b>Total - Gross</b>	<b>61,663.15</b>	<b>73,472.14</b>
Less: Impairment and other provisions	(6,479.32)	(4,141.72)
<b>Total - Net</b>	<b>55,183.83</b>	<b>69,330.42</b>
<b>(a) Within India</b>		
(a) Within India	61,663.15	73,472.14
(b) Outside India	-	-
<b>Total - Gross</b>	<b>61,663.15</b>	<b>73,472.14</b>
Less: Impairment and other provisions	(6,479.32)	(4,141.72)
<b>Total - Net</b>	<b>55,183.83</b>	<b>69,330.42</b>

**Note 1:** The Group has not granted any loans or advances in the nature of loans to promoters, directors, KMPs and the related parties (as defined under the Act), either severally or jointly that are (a) repayable on demand or (b) without specifying any terms or period of repayment, except for the loans extended to related parties, which are repayable on demand as under:

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Outstanding balance	64.60	187.32
Percentage to the total gross loan portfolio	0.10%	0.25%

**Note 2:** The table below discloses the credit quality of Group exposures on loan portfolio (excluding inter-corporate advances) as at the reporting date:

### Gross loan portfolio movement for the year ended March 31, 2022

(₹ in millions unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount as at April 1, 2021	62,658.70	6,530.75	4,095.37	73,284.82
New assets originated or purchased	33,732.86	-	-	33,732.86
Asset derecognised or repaid (excluding write offs)#	(39,066.80)	(4,138.60)	(41.69)	(43,247.09)
Assets written off during the year	-	-	(2,003.79)	(2,003.79)
Inter-stage movements				
Stage I	327.75	(314.00)	(13.75)	-
Stage II	(4,529.40)	4,536.32	(6.92)	-
Stage III	(8,582.69)	(877.44)	9,460.13	-
Fair value adjustment	(148.50)	(19.75)	-	(168.25)
<b>Gross carrying amount as at March 31, 2022</b>	<b>44,391.92</b>	<b>5,717.28</b>	<b>11,489.35</b>	<b>61,598.55</b>

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### Gross loan portfolio movement for the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount as at April 1, 2020	49,891.93	111.14	179.84	50,182.91
New assets originated or purchased	63,395.00	-	-	63,395.00
Asset derecognised or repaid (excluding write offs)#	(45,373.11)	3,440.57	4,977.52	(36,955.02)
Assets written off during the year	0.28	0.03	(3,618.91)	(3,618.60)
Inter-stage movements				
Stage I	18.44	(16.18)	(2.26)	-
Stage II	(2,985.41)	2,986.58	(1.17)	-
Stage III	(2,541.23)	(19.12)	2,560.35	-
Fair value adjustment	252.80	27.73	-	280.53
<b>Gross carrying amount as at March 31, 2021</b>	<b>62,658.70</b>	<b>6,530.75</b>	<b>4,095.37</b>	<b>73,284.82</b>

# Represents balancing figure

### Movement of impairment allowance during the year ended March 31, 2022

(₹ in millions unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Opening Balance	469.29	973.73	1,901.57	3,344.59
Provision made/ (reversed) during the year	421.53	296.19	4,420.80	5,138.52
Inter-stage movements				
Stage I	148.27	(106.04)	(42.23)	-
Stage II	(185.68)	191.50	(5.82)	-
Stage III	(509.82)	(266.27)	776.09	-
Write off	-	-	(2,003.79)	(2,003.79)
<b>Closing Balance</b>	<b>343.59</b>	<b>1,089.11</b>	<b>5,046.62</b>	<b>6,479.32</b>

### Movement of impairment allowance during the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Opening Balance	747.84	64.27	145.24	957.35
Provision made/ (reversed) during the year	1,304.75	420.21	4,280.88	6,005.84
Inter-stage movements				
Stage I	(33.44)	11.72	21.72	-
Stage II	(442.72)	441.96	0.76	-
Stage III	(1,107.43)	35.54	1,071.89	-
Write off	0.28	0.03	(3,618.91)	(3,618.60)
<b>Closing Balance</b>	<b>469.28</b>	<b>973.73</b>	<b>1,901.58</b>	<b>3,344.59</b>

**Note 3:** During the current and previous year, the Holding Company has pre-closed loan accounts and provided fresh (top-up) loans to certain borrowers for restarting their businesses after a temporary suspension of economic activities due to COVID-19 pandemic. In determining whether this resulted in a significant increase in credit risk or impairment of these loans and potential future loss estimate, the Holding Company takes into consideration the borrowers' vintage, past repayment behaviour and viability of their businesses, as a separate cohort.

Based on such assessment and in accordance with Ind AS 109 principles, including those relating to modified loans, and in terms of the ECL policy approved by the Board of Directors ("ECL Policy"), the Holding Company has classified loans amounting to ₹800.31 million as stage 3 (March 31, 2021: ₹3,680 million as Stage 2 and ₹1,079 million as Stage 3), although these loans overdue was not more than 90 days as per the latest repayment schedule as at March 31, 2022. While the staging movement has been carried out taking cognizance of the overdues in previous loan, the Holding Company has applied relatively lower probability of default (PD) and loss given default (LGD) factors as per its ECL Policy considering the borrowers' repayment behaviour in earlier loan cycles. Accordingly, the Holding Company has recognised a total impairment allowance of ₹79.86 million (March 31, 2021: ₹848 million) on such loans.

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

Further, as the loans are provided to borrowers having running businesses with steady cash flows and not as a concession to overcome financial difficulties faced by borrowers other than the temporary suspension due to lockdown, these cases are not considered as restructured accounts in terms of extant RBI Master Directions.

**Note 4:** The COVID-19 pandemic has continued to cause a significant disruption of the economic activities across the globe including India throughout the year, with second wave of the pandemic emerging towards the later part of the financial year in India. The Government of India announced a nation-wide lockdown to contain the spread of the virus which continued till May 31, 2020. Subsequently, various state governments and local statutory authorities imposed restrictions on economic activities in different parts of the country which continued to impact Group's operations including lending and collection activities. Further, pursuant to the RBI's COVID-19 Regulatory package issued vide circulars dated March 27, 2020 and May 23, 2020 which allowed lending institutions to offer moratorium to borrowers on payment of instalments falling due between March 1, 2020 and August 31, 2020, the Group had offered a moratorium to its borrowers until May 31, 2020 which was further extended up to August 31, 2020 based on borrowers' requests.

In assessing the impairment allowance for loan portfolio, the Group has considered internal and external sources of information available including indicators of deterioration in the macro-economic factors. Further, the management has estimated the impact of the ongoing second wave of the pandemic on its loan portfolio, based on reasonable and supportable information available till date and considering performance after the first wave, and has noted that the existing provisioning levels are adequate to cover any further delinquencies. Given the unique nature and scale of this pandemic, its full extent of impact on the Group's operations and financial metrics, more specifically on the borrower's ability to service their obligations on a timely basis, will depend on the severity and duration of the pandemic as well as on highly uncertain future developments including governmental and regulatory measures and the Group's responses thereto. Accordingly, the management's estimate of impairment losses based on various variables and assumptions could result in actual credit loss being different than that being estimated.

**Note 5:** No impairment allowance has been recognized on the outstanding inter-corporate advances to related parties as at March 31, 2022 and March 31, 2021.

### 8: INVESTMENTS

(₹ in millions unless otherwise stated)		
	As at March 31, 2022	As at March 31, 2021
<i>Measured at fair value through profit &amp; loss</i>		
Investments in liquid / debt mutual funds	23.44	22.25
100,000 (March 31, 2021: 100,000) equity shares of ₹10 each fully paid up in Alpha Micro Finance Consultants Private Limited	1.00	1.00
	<b>24.44</b>	<b>23.25</b>
Less: Impairment loss allowance	-	-
	<b>24.44</b>	<b>23.25</b>

**Note:** All investments are held within India.

### 9: OTHER FINANCIAL ASSETS

(₹ in millions unless otherwise stated)		
	As at March 31, 2022	As at March 31, 2021
Security deposits	24.49	30.19
Amount receivable from banks and non banking financial companies	0.08	0.07
Term deposits placed with non banking financial companies #	5.29	18.02
Retained interest on asset assigned	301.00	620.66
Other assets	414.29	87.78
	<b>745.15</b>	<b>756.72</b>

# Represent margin money deposits placed to avail term loans from non banking financial companies.

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### 10: CURRENT TAX ASSETS (NET)

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Advance income tax (net of provision)	188.13	153.13
	<b>188.13</b>	<b>153.13</b>

### 11: DEFERRED TAX ASSETS (NET)

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
<b>Effects of deferred tax assets/ (liabilities):</b>		
Impairment of financial instruments and other provisions	1,687.34	1,100.46
Provisions allowable on payment basis	53.05	51.15
Property, plant and equipment	37.21	39.01
Ind-AS 116 impact	-	5.89
Fair value gain on Loans	42.34	(70.60)
Income from direct assignments	(75.62)	(156.88)
Others	97.73	78.46
	<b>1,842.05</b>	<b>1,047.49</b>

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

#### 11.1: DEFERRED TAX ASSETS (NET)

##### Movement in deferred tax balances for the year ended March 31, 2022

(₹ in millions unless otherwise stated)

Particulars	Net Balance April 1, 2021	(Charge) / Credit in Profit & Loss	Recognised in OCI	Net Balance March 31, 2022
<b>Deferred tax assets/ (liabilities)</b>				
Property, plant and equipment	39.01	(1.80)	-	37.21
Provisions allowable on payment basis	51.15	(1.69)	3.59	53.05
Impairment of financial instruments and other provisions	1,100.46	586.88	-	1,687.34
Income from direct assignments	(156.88)	81.26	-	(75.62)
Other items	13.75	13.37	112.95	140.07
<b>Net Deferred tax assets / (liabilities)</b>	<b>1,047.49</b>	<b>678.02</b>	<b>116.54</b>	<b>1,842.05</b>

##### Movement in deferred tax balances for the year ended March 31, 2021

(₹ in millions unless otherwise stated)

Particulars	Net Balance April 1, 2020	(Charge) / Credit in Profit & Loss	Recognised in OCI	Net Balance March 31, 2021
<b>Deferred tax assets/ (liabilities)</b>				
Property, plant and equipment	37.02	1.99	-	39.01
Provisions allowable on payment basis	56.49	(0.23)	(5.11)	51.15
Impairment of financial instruments and other provisions	451.62	648.84	-	1,100.46
Income from direct assignments	(359.02)	202.14	-	(156.88)
Others	(115.79)	23.74	105.80	13.75
<b>Net Deferred tax assets / (liabilities)</b>	<b>70.33</b>	<b>876.48</b>	<b>100.69</b>	<b>1,047.49</b>



# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

## 12: PROPERTY, PLANT & EQUIPMENT

(₹ in millions unless otherwise stated)

Particulars	Land & building #	Leasehold improvements	Furniture & Fixtures	Office Equipment	Vehicles	Computers	Right of use asset	Total
<b>Gross block</b>								
At April 1, 2020	2.01	95.40	81.95	32.81	15.17	181.99	114.27	523.60
Addition	-	-	11.97	6.60	19.41	14.73	101.84	154.55
Disposals	-	-	0.59	0.24	-	0.51	36.90	38.24
At March 31, 2021	2.01	95.40	93.33	39.17	34.58	196.21	179.21	639.91
Addition	-	-	18.39	30.89	9.07	10.15	2.37	70.87
Disposals	-	-	(9.88)	(13.99)	-	(27.64)	(179.21)	(230.72)
At March 31, 2022	2.01	95.40	101.84	56.07	43.65	178.72	2.37	480.06
<b>Depreciation</b>								
At April 1, 2020	0.24	93.77	66.73	23.50	6.20	154.23	26.69	371.36
Charge for the year	0.08	1.03	12.36	5.44	6.37	22.05	23.26	70.59
Disposals	-	-	0.47	0.14	-	0.39	-	1.00
At March 31, 2021	0.32	94.80	78.62	28.80	12.57	175.89	49.95	440.95
Charge for the year	0.08	0.38	10.52	12.74	8.70	15.79	35.98	84.19
Disposals	-	-	(2.14)	(0.90)	-	(25.66)	(84.25)	(112.95)
At March 31, 2022	0.40	95.18	87.00	40.64	21.27	166.02	1.68	412.19
<b>Net carrying amount</b>								
At March 31, 2021	1.69	0.60	14.71	10.37	22.01	20.32	129.26	198.96
At March 31, 2022	1.61	0.22	14.84	15.43	22.38	12.70	0.69	67.87

# Mortgaged as security against non-convertible debentures.

## 12A: Other Intangible assets

(₹ in millions unless otherwise stated)

Particulars	Computer software	Total
<b>Gross block</b>		
At April 1, 2020	105.33	105.33
Addition	0.10	0.10
At March 31, 2021	105.43	105.43
Addition	70.77	70.77
At March 31, 2022	176.20	176.20
<b>Amortization</b>		
At April 1, 2020	92.02	92.02
Charge for the year	5.64	5.64
At March 31, 2021	97.66	97.66
Charge for the year	7.58	7.58
At March 31, 2022	105.24	105.24
<b>Net carrying amount</b>		
At March 31, 2021	7.77	7.77
At March 31, 2022	70.96	70.96

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### 13: OTHER NON-FINANCIAL ASSETS

(₹ in millions unless otherwise stated)		
	As at March 31, 2022	As at March 31, 2021
<b>Unsecured, considered good</b>		
Prepaid expenses	21.27	12.39
Capital advances	13.61	3.85
Advance against sum assured	141.75	97.74
Other advances	66.62	32.55
	<b>243.25</b>	<b>146.53</b>
<b>Unsecured, considered doubtful</b>		
Amounts deposited with courts	6.24	6.24
Advance against sum assured	22.72	16.84
Others	0.29	-
Less: Provision for doubtful debts	(29.25)	(23.08)
	-	-
	<b>243.25</b>	<b>146.53</b>

### 14: (A) DEBT SECURITIES (AT AMORTISED COST)

(₹ in millions unless otherwise stated)					
	No. of debentures outstanding		Face Value (₹ in millions)	As at	As at
	March 31, 2022	March 31, 2021		March 31, 2022	March 31, 2021
<b>(i) Debentures (Secured)</b>					
13.12% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of thirty six months from the date of allotment i.e. December 7, 2018	-	410	1.00	-	426.58
13.25% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of thirteen months from the date of allotment i.e. September 24, 2020	-	400	1.00	-	423.42
12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of fifteen months from the date of allotment i.e. October 20, 2020	-	800	0.10	-	85.23
11% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of fifteen months from the date of allotment i.e. November 17, 2020	-	7,500	0.10	-	766.45
12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of eighteen months from the date of allotment i.e. October 20, 2020	800	800	0.10	94.52	84.70
10.00% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of eighteen months from the date of allotment i.e. October 29, 2020	1,000	1,000	1.00	1,041.87	1,040.89
10.80% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of eighteen months from the date of allotment i.e. November 19, 2020	350	1,400	1.00	352.57	1,383.22
11.49% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of thirty six months from the date of allotment i.e. December 24, 2020 (subject to exercise of put option by the lender at the end of eighteen months from the date of allotment). Redeemable on maturity if option not exercised by the investor.	215	215	1.00	221.85	221.47
12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of twenty one months from the date of allotment i.e. October 20, 2020.	800	800	0.10	94.52	84.94

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

	No. of debentures outstanding		Face Value (₹ in millions)	As at	As at
	March 31, 2022	March 31, 2021		March 31, 2022	March 31, 2021
14.00% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of twenty four months from the date of allotment i.e. September 08, 2020 (subject to exercise of put option by the lender at the end of six months from the date of allotment). Redeemable on maturity if option not exercised by the investor.	250	250	1.00	251.81	251.02
14.8% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of twenty three months from the date of allotment i.e. October 28, 2020.	1,740	1,740	0.10	224.12	191.02
12.75% Secured, Redeemable, Non-convertible Debentures redeemable in twenty four equal monthly installments from the date of allotment i.e. September 29, 2020.	250	250	1.00	62.17	184.74
12.20% Secured, Redeemable, Non-convertible Debentures redeemable at par at the end of twenty four months from the date of allotment i.e. December 19, 2020.	500	500	1.00	502.54	498.78
11.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of Twenty Four months from the date of allotment i.e. December 16, 2020.	6,360	6,360	0.10	725.96	644.56
11.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of thirty six months from the date of allotment i.e. December 29, 2020 (subject to exercise of put option by the lender at the end of twenty four months from the date of allotment). Redeemable on maturity if option not exercised from the investor	8,275	8,275	0.10	929.43	818.94
11.50% Secured, Redeemable, Non-convertible Debentures redeemable at quarterly intervals.	2,000	4,000	0.10	204.14	405.12
12.75% Secured, Redeemable, Non-convertible Debentures redeemable at half-yearly intervals.	500	1,000	1.00	515.20	832.05
11.25% Secured, Senior, Redeemable, Transferable, Listed, Principal protected, Market Linked, Rated Non Convertible Debentures, redeemable at par at the end of twenty six months from the date of allotment i.e. March 16, 2021 (subject to exercise of put option by the lender at the end of eighteen months from the date of allotment). Redeemable on maturity if option not exercised from the investor	5,000	5,000	0.10	544.13	483.28
13.15% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of seventy two months from the date of allotment i.e. October 31, 2017 (subject to exercise of put option by the lender or call option by the Group at the end of thirty six months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	325	325	1.00	339.92	339.93
11.34% (net of with-holding tax), Secured, Redeemable, Non-convertible Debentures, 50% of which is redeemable at par at the end of sixth month from September 18, 2017 i.e. the date of allotment and balance 50% to be redeemable on maturity i.e. June 30, 2023 (subject to exercise of put option by the lender at March 18, 2022 i.e. at the end of fifty four months from date of allotment).	850	850	1.00	854.12	853.62

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

	No. of debentures outstanding		Face Value (₹ in millions)	As at March 31, 2022	As at March 31, 2021
	March 31, 2022	March 31, 2021			
12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of thirty six months from the date of allotment i.e. November 24, 2020 (subject to exercise of put option by the lender at the end of twenty four months from the date of allotment). Redeemable on maturity if option not exercised by the investor	10,000	10,000	0.10	1,014.50	1,008.92
12.5% Secured, Redeemable, Non-convertible Debentures redeemable at quarterly intervals	800	1,200	1.00	795.94	1,190.45
12% Secured, Rated, Listed, Redeemable, Transferable, Non Convertible Debentures of face value of ₹1 million each	350	350	1.00	351.12	351.75
14.80% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures redeemable at par at the end of forty four months from the date of allotment i.e. October 28, 2020 (subject to exercise of put option by the lender at the end of Thirty months from the date of allotment). Redeemable on maturity if option not exercised by the investor.	2,000	2,000	0.10	244.99	225.80
12.5% Rated, unlisted, senior, secured, redeemable, taxable, non convertible Debentures of face value ₹ 0.1 million each	4,500	4,500	0.10	448.50	447.98
11.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures, redeemable at par at the end of twenty four months from the date of allotment i.e. April 29, 2021.	11,000	-	0.10	1,232.03	-
11% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures, redeemable at par at the end of thirty months from the date of allotment i.e. June 16, 2021.	33,750	-	0.10	3,592.43	-
10.75% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures each redeemable at par at the end of twenty two months from the date of allotment i.e. July 14, 2021.	3,000	-	0.10	330.09	-
10.75% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures, redeemable at par at the end of Thirty months from the date of allotment i.e. July 22, 2021.	12,500	-	0.10	1,374.04	-
10.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures, redeemable at par at the end of Thirteen months from the date of allotment i.e. August 03, 2021.	150	-	1.00	149.99	-
10.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures, redeemable at par at the end of Thirteen months from the date of allotment i.e. March 24, 2022.	350	-	1.00	350.70	-
12.65% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures, redeemable at par at the end of nineteen months from the date of allotment i.e. June 15, 2021.	600	-	0.10	66.07	-
12.75% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures, redeemable at par at the end of Twenty Five months from the date of allotment i.e. June 15, 2021.	1,200	-	0.10	131.98	-
<b>Sub - Total</b>				<b>17,041.24</b>	<b>13,244.86</b>

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

	No. of debentures outstanding		Face Value (₹ in millions)	As at	As at
	March 31, 2022	March 31, 2021		March 31, 2022	March 31, 2021
<b>(ii) Borrowing under securitisation arrangement (secured)</b>					
From Banks				741.16	6,225.00
From non-banking financial companies				-	877.28
<b>Sub - Total</b>				<b>741.16</b>	<b>7,102.28</b>
<b>Total Debt Securities</b>				<b>17,782.40</b>	<b>20,347.14</b>
<b>Nature of security</b>					
The above debt securities are secured by the way of first and exclusive charge over eligible specified book debts and mortgage of land.					
<b>Out of the above debt securities</b>					
Debt securities in India				17,782.40	20,347.14
Debt securities outside India				-	-
<b>Total</b>				<b>17,782.40</b>	<b>20,347.14</b>
<b>(b) Borrowings (Other than Debt Securities)</b>					
<b>Secured, measured at amortised cost</b>					
Indian rupee term loan from banks				16,458.16	27,593.01
Indian rupee term loan from non-banking financial companies				3,278.64	5,590.68
<b>Total</b>				<b>19,736.80</b>	<b>33,183.69</b>
<b>Out of the above</b>					
Borrowings in India				19,736.80	33,183.69
Borrowings outside India				-	-
<b>Total</b>				<b>19,736.80</b>	<b>33,183.69</b>
<b>Nature of security</b>					
Borrowings (other than debt securities) are secured by the way of hypothecation of book debts and margin money deposits.					
<i>Refer Note 14A for terms of principal repayment and the applicable interest rate on the borrowings (other than debt securities).</i>					
<b>(c) Subordinated Liabilities (at amortised cost)</b>					
<b>Unsecured term loan</b>					
Indian rupee loan from Bank				201.87	201.83
<b>Total Subordinated Liabilities</b>				<b>201.87</b>	<b>201.83</b>
<b>Out of the above</b>					
Borrowings in India				201.87	201.83
Borrowings outside India				-	-
<b>Total</b>				<b>201.87</b>	<b>201.83</b>

Subordinate debt is unsecured and carries interest rate @ 15% per annum. The Subordinate debt is due for maturity on June 08, 2024.

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### 14A. Terms of principal repayment of borrowings and applicable interest rate on borrowings (other than debt securities)

#### (i) As at March 31, 2022

(₹ in millions unless otherwise stated)

Original maturity of loan	Frequency of repayment	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Total
			No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
<b>Borrowings (Other than Debt Securities)</b>									
1-3 years	Monthly	8.50%-10.50%	167	5,095.79	63	2,008.55	15	458.33	7,562.67
		10.51%-12.00%	178	5,208.79	53	1,733.07	-	-	6,941.86
	Quarterly	12.01%-14.00%	251	1,759.80	39	142.71	-	-	1,902.51
		10.51%-12.00%	11	354.17	4	116.67	-	-	470.84
	Half Yearly	12%-12.99%	4	50.00	-	-	-	-	50.00
		7.00%-10.00%	1	500.00	-	-	-	-	500.00
	Annually	10.01%-11.00%	2	600.00	-	-	-	-	600.00
		12%-12.99%	4	83.33	2	234.42	-	-	317.75
	Bullet payment	7.00%-8.00%	1	300.00	-	-	-	-	300.00
			8.50%-10.50%	3	985.00	-	-	-	-
<b>Total</b>				<b>14,936.88</b>		<b>4,235.42</b>		<b>458.33</b>	<b>19,630.63</b>
Impact of EIR									4.70
Interest accrued on borrowings (other than debt securities)									101.47
<b>Grand Total</b>									<b>19,736.80</b>

#### (ii) As at March 31, 2021

(₹ in millions unless otherwise stated)

Original maturity of loan	Frequency of repayment	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Total
			No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
<b>Borrowings (Other than Debt Securities)</b>									
1-3 years	Monthly	8.50%-9.50%	29	1,150.41	24	1,090.91	12	545.45	2,786.77
		9.51%-10.00%	112	3,280.71	32	912.08	-	-	4,192.79
		10.01%-10.50%	60	1,708.33	51	1,520.83	9	250.00	3,479.16
		10.51%-11.00%	80	2,792.70	51	2,187.54	-	-	4,980.24
		11.01%-11.50%	48	1,403.21	6	214.29	-	-	1,617.50
		11.51%-12.00%	71	1,672.78	31	521.47	6	38.50	2,232.75
		12.01%-12.50%	62	964.51	34	583.75	1	12.50	1,560.76
		12.51%-13.00%	70	835.50	23	263.47	-	-	1,098.97
		13.01%-13.50%	29	281.24	12	100.01	8	66.65	447.90
		13.51%-14.00%	108	957.39	95	765.90	2	6.53	1,729.82
Quarterly	9.51%-10.00%	17	1,437.07	-	-	-	-	1,437.07	
	10.51%-11.00%	7	857.14	-	-	-	-	857.14	
	11.01%-12.00%	14	820.24	11	354.17	4	116.67	1,291.08	
	12.01%-13.00%	4	50.00	4	50.00	-	-	100.00	
	7.00%-10.00%	2	1,000.00	1	500.00	-	-	1,500.00	
	10.01%-11.00%	2	1,200.00	2	600.00	-	-	1,800.00	
Annually	7.00%-8.00%	1	700.00	1	300.00	-	-	1,000.00	
Bullet payment	9.51%-10.00%	3	875.00	-	-	-	-	875.00	
	10.51%-11.00%	1	125.00	-	-	-	-	125.00	
<b>Total</b>			<b>22,111.23</b>		<b>9,964.42</b>		<b>1,036.30</b>	<b>33,111.95</b>	
Impact of EIR									(102.15)
Interest accrued on borrowings (other than debt securities)									173.89
<b>Grand Total</b>									<b>33,183.69</b>

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### 14B. Compliance with the loan covenants

The resignation of the erstwhile Managing Director of the Holding Company on November 2, 2021 with immediate effect, resulted in a change in the management of the Group. Such change in management and other factors such as increase in portfolio at risk (PAR) and NPA ratios due to higher delinquencies caused by COVID-19 pandemic have resulted in a breach of some of the covenants relating to borrowings such as portfolio at risk (PAR) ratios, NPA ratios, etc. The Holding Company has been regularly servicing all its borrowings and has sought forbearance / waiver from the lenders with respect to non-compliance with the covenants, wherever applicable.

Based on the discussions with the lenders, the Holding Company has no reasons to believe that any adverse action, such as levy of higher interest or a recall of the facility, will be invoked by the lenders on account of the above breaches; and as of the date of these consolidated financial statements, none of the lenders have intimated about any remedial action. Accordingly, no adjustment is required in these consolidated financial statements.

### 14C. Changes in liabilities arising from financing activities

Particulars	(₹ in millions unless otherwise stated)			
	As at March 31, 2021	Cash flows	Others	As at March 31, 2022
Debt securities	20,347.14	-3,318.81	754.07	17,782.40
Borrowings (other than debt securities)	33,183.69	-13,481.32	34.43	19,736.80
Subordinated liabilities	201.83	-	0.04	201.87
	<b>53,732.66</b>	<b>-16,800.13</b>	<b>788.54</b>	<b>37,721.07</b>

Particulars	(₹ in millions unless otherwise stated)			
	As at March 31, 2020	Cash flows	Others	As at March 31, 2021
Debt securities	7,776.28	12,219.58	351.28	20,347.14
Borrowings (other than debt securities)	22,273.34	10,984.53	-74.18	33,183.69
Subordinated liabilities	203.28	-	-1.45	201.83
	<b>30,252.90</b>	<b>23,204.11</b>	<b>275.65</b>	<b>53,732.66</b>

### 15: OTHER FINANCIAL LIABILITIES

	(₹ in millions unless otherwise stated)	
	As at March 31, 2022	As at March 31, 2021
Expenses payable	470.37	37.73
Lease liability	1.48	152.66
Employee benefits payable	154.95	212.17
Creditors for capital goods	3.29	-
Assignment and other payables	227.42	1,754.79
Provision towards refund of excess interest collected (refer note 48)	454.81	539.40
	<b>1,312.32</b>	<b>2,696.75</b>

### 16: CURRENT TAX LIABILITIES (NET)

	(₹ in millions unless otherwise stated)	
	As at March 31, 2022	As at March 31, 2021
Provision for tax (net of advance tax)	281.62	1,398.16
	<b>281.62</b>	<b>1,398.16</b>

### 17: PROVISIONS

	(₹ in millions unless otherwise stated)	
	As at March 31, 2022	As at March 31, 2021
<b>Provision for employee benefits</b>		
Gratuity (net of contribution)	40.15	16.50
	<b>40.15</b>	<b>16.50</b>

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### 18: OTHER NON-FINANCIAL LIABILITIES

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Other payables	255.18	190.49
Unfructified service tax liability [net of amount paid under protest ₹9.93 million]	166.94	158.42
Statutory dues payable	86.64	65.34
	<b>508.76</b>	<b>414.25</b>

### 19: SHARE CAPITAL

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
<b>Authorized</b>		
900,000,000 (March 31, 2021: 900,000,000) equity shares of ₹10 each	9,000.00	9,000.00
1,250,000,000 (March 31, 2021: 1,250,000,000) preference shares of ₹10 each	12,500.00	12,500.00
	<b>21,500.00</b>	<b>21,500.00</b>
<b>Issued, subscribed and paid-up</b>		
69,094,530 (March 31, 2021: 64,315,483) equity shares of ₹10 each fully paid up	690.95	643.15
	<b>690.95</b>	<b>643.15</b>

#### (a) Terms / rights attached to equity shares

The Group has only one class of equity shares of par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Group declares and pays dividends in Indian rupees. During the current financial year no dividend has been proposed by the Holding Company. In the event of liquidation of the Group, the holders of equity shares will be entitled to receive remaining assets of the Group, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

#### (b) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year:

(₹ in millions unless otherwise stated)

Particulars	As at March 31, 2022		As at March 31, 2021	
	No. of shares	Amount	No. of shares	Amount
Outstanding at the beginning of the year	6,43,15,483	643.15	6,43,15,483	643.15
Issued during the year - Preferential Allotment	46,86,342	46.87	-	-
Issued during the year - ESOP	92,705	0.93	-	-
<b>Outstanding at the end of the year</b>	<b>6,90,94,530</b>	<b>690.95</b>	<b>6,43,15,483</b>	<b>643.15</b>

#### Note:

- During the year, the Holding Company has allotted 4,686,342 equity shares of ₹10 each at issue price of ₹458.78 per share including premium of ₹ 448.78 per share on preferential basis in terms of Regulation 169(4) of Chapter V of Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI Regulations") and the Companies Act, 2013, to the extent applicable.
- During the year, the Holding Company has allotted 92,705 equity shares to eligible employees under Employee stock Option Plan at a price of ₹263.35 per equity share including premium of ₹253.35 per equity share.

#### (c) Details of shareholders holding more than 5%:

As per the records maintained, including register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the shareholding given below represents both legal and beneficial ownership of shares.

(₹ in millions unless otherwise stated)

Name of the shareholder	As at March 31, 2022		As at March 31, 2021	
	Number of shares	% of holding	Number of shares	% of holding
<b>Equity shares of ₹10 each</b>				
Kangchenjunga Limited	2,93,03,172	42.41%	2,93,03,172	45.56%
Padmaja Gangireddy	1,03,00,953	14.91%	1,03,00,953	16.02%
Valiant Mauritius Partners FDI Limited	38,48,823	5.57%	38,48,823	5.98%



# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

## (d) Shareholding of Promoters as defined in the Companies Act, 2013 as below:

### (i) As at March 31, 2022

(₹ in millions unless otherwise stated)

Promoter name	No. of Shares	% of total shares	% Change during the year
Padmaja Gangireddy	1,03,00,953	14.91%	-1.11%
Vijaya Sivarami Reddy Vendidand	4,99,960	0.72%	-0.08%
Kangchenjunga Limited	2,93,03,172	42.41%	-3.15%
Kedaara Capital Fund III LLP	31,60,556	4.57%	4.57%

### (ii) As at March 31, 2021

(₹ in millions unless otherwise stated)

Promoter name	No. of Shares	% of total shares	% Change during the year
Padmaja Gangireddy	1,03,00,953	16.02%	0.08%
Vijaya Sivarami Reddy Vendidand	5,14,974	0.80%	-0.93%
Kangchenjunga Limited	2,93,03,172	45.56%	0.00%

(e) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Group refer Note 43.

## (f) Aggregate number and class of shares allotted as fully paid up pursuant to contract without payment being received in cash during the period of five years immediately preceding the reporting date:

(₹ in millions unless otherwise stated)

Nature of instrument / convertible security	Number of convertible securities	Number of equity shares issued upon conversion
Class B 0.001% Compulsory Convertible Preference Shares (CCPS) of ₹10 each	79,10,07,721	89,48,425

## 20: OTHER EQUITY

(₹ in millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Securities premium	21,339.29	19,199.91
General reserve	73.22	23.28
Share options outstanding reserve	200.88	151.55
Capital redemption reserve	1,526.93	1,526.93
Statutory reserve [as required by Section 45-IC of Reserve Bank of India Act, 1934]	3,670.99	3,531.43
Money received against Share Warrants A/c	750.00	-
Retained earnings	2,816.65	2,271.95
Fair valuation on loans through other comprehensive income	(193.23)	142.59
<b>Total other equity</b>	<b>30,184.73</b>	<b>26,847.64</b>

For detailed movement of reserves, refer consolidated statement of changes in equity for the year ended March 31, 2022

### Nature and purpose of other equity

#### Securities premium

Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

#### General reserve

Amounts set aside from retained profits as a reserve to be utilised for permissible general purpose as per Law.

#### Capital redemption reserve

In accordance with section 55 of the Companies Act, 2013, the Holding Company has transferred an amount equivalent of the nominal value of OCCRPS redeemed during previous years, to the Capital Redemption Reserve. The reserve can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

## Share options outstanding account

The share option outstanding account is used to recognise the grant date fair value of option issued to employees under employee stock option scheme.

## Statutory reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)

Statutory reserve represents the accumulation of amount transferred from surplus year on year based on the fixed percentage of profit for the year, as per section 45-IC of Reserve Bank of India Act 1934.

## Money received against share warrants

Durng the year, the Holding Company has allotted 18,52,739 fully convertible warrants of ₹10 each at issue price of ₹458.78 per warrant including premium of ₹448.78 per warrant on preferential basis to Kedaara Capital Fund III LLP, against receipt of upfront money amounting to ₹750 million, in compliance with the SEBI Regulations and the Companies Act, 2013, to the extent applicable. Subsequently on May 21, 2022, these warrants have been exercised and are converted into 18,52,739 equity shares of ₹10 each at issue price of ₹458.78 per share including premium of ₹ 448.78 per share.

## Retained earnings

Retained earnings are the profits that the Group has earned till date, less any transfers to statutory reserve, general reserve or any other such other appropriations to specific reserves.

## Fair valuation on loans through other comprehensive income

The Holding Company has elected to recognize changes in the fair value of loans in other comprehensive income. These changes are accumulated as reserve within equity. The Holding Company transfers amount from this reserve to retained earnings when the relevant loans are derecognized.

## 21: INTEREST INCOME

	(₹ in millions unless otherwise stated)	
	For year ended March 31, 2022	For year ended March 31, 2021
<b>Measured at fair value through OCI</b>		
Interest on loans	12,220.50	12,783.34
<b>Measured at amortised cost</b>		
Interest on loans	983.95	513.62
Interest on inter corporate advances	12.94	155.12
Interest on deposits with banks and financial institutions	147.97	175.02
	<b>13,365.36</b>	<b>13,627.10</b>

## 22: NET GAIN ON FAIR VALUE CHANGES

	(₹ in millions unless otherwise stated)	
	For year ended March 31, 2022	For year ended March 31, 2021
<b>(A) Net gain / (loss) on fair value instruments at fair value through profit or loss</b>		
(i) On trading portfolio		
- Investments	479.82	86.46
(ii) On market linked debentures	43.01	-
<b>(B) Others</b>		
(i) Gain on derecognition of loans designated at FVTOCI	259.26	674.05
	<b>782.09</b>	<b>760.51</b>

## 23: OTHERS

	(₹ in millions unless otherwise stated)	
	For year ended March 31, 2022	For year ended March 31, 2021
Recovery against loans written off	415.79	341.65
	<b>415.79</b>	<b>341.65</b>

# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

## 24: OTHER INCOME

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
Advertisement income	162.29	219.63
Profit on sale of property, plant and equipment	1.96	-
Miscellaneous income	8.18	10.25
	<b>172.43</b>	<b>229.88</b>

## 25: FINANCE COST

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
<i>On financial liabilities measured at amortised cost</i>		
Interest on Debt Securities	2,400.34	1,125.28
Interest on Borrowings (Other than Debt Securities)	2,851.97	2,875.02
Interest on subordinated liabilities	29.99	15.22
Interest on lease liabilities	17.81	14.88
Interest on income tax	71.85	165.80
Other finance cost	29.04	35.50
	<b>5,401.00</b>	<b>4,231.70</b>

## 26: NET LOSS ON FAIR VALUE CHANGES

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
Financial assets designated at fair value through Profit and loss	0.86	54.85
Financial liabilities designated at fair value through Profit and loss	-	(27.41)
	<b>0.86</b>	<b>27.44</b>

## 27: IMPAIRMENT ON FINANCIAL INSTRUMENTS AND OTHER PROVISIONS

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
<b>Measured at fair value through OCI</b>		
Impairment and other provisions	2,751.12	2,814.88
Loans written off	1,907.19	3,583.87
<b>Measured at amortised cost</b>		
Impairment on loans	138.81	17.92
Loan Portfolio written off	8.58	34.73
	<b>4,805.70</b>	<b>6,451.40</b>

## 28: EMPLOYEE BENEFITS EXPENSE

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
Salaries, wages and bonus	2,010.01	1,495.55
Contribution to provident fund and other funds	113.02	97.16
Expenses on Employee Stock Option Plan	112.18	87.85
Staff welfare expenses	48.76	34.80
	<b>2,283.97</b>	<b>1,715.36</b>

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### 29: OTHER EXPENSES

	(₹ in millions unless otherwise stated)	
	For year ended March 31, 2022	For year ended March 31, 2021
Rent	106.78	73.19
Rates and taxes	2.58	2.97
Bank charges	14.40	23.25
Office maintenance	49.17	42.73
Computer and network maintenance	32.55	7.12
Electricity charges	19.81	17.08
Field allowance	296.26	179.91
Communication expenses	11.35	7.01
Credit Bureau expenses	8.23	7.93
Printing and stationery	16.41	10.76
Legal and professional charges	141.48	14.75
Directors sitting fees	10.45	10.90
Auditors remuneration	12.67	9.28
Recruitment and training	2.92	14.33
Subscription fees	7.64	8.84
Settlement expenses	376.05	-
Other provisions and write off	43.29	26.19
Insurance expenses	0.13	-
Security charges	1.59	1.34
CSR expenses	87.20	91.52
Miscellaneous expenses	7.37	0.46
	<b>1,248.33</b>	<b>549.55</b>

### 30. TAX EXPENSE

	(₹ in millions unless otherwise stated)	
	For year ended March 31, 2022	For year ended March 31, 2021
Current tax	930.65	1,425.98
Adjustment in respect of current income tax of prior years	17.05	-
Deferred tax credit	(677.25)	(876.13)
<b>Total tax Charge</b>	<b>270.45</b>	<b>549.85</b>

#### 30.1 Reconciliation of the total tax charge

	(₹ in millions unless otherwise stated)	
	For year ended March 31, 2022	For year ended March 31, 2021
Accounting profit before Tax	968.72	2,004.45
Expected tax expense at the Indian tax rate 25.168% (March 31, 2021: 25.168%)	<b>243.81</b>	<b>504.48</b>
<i>Tax effect of amounts which are not deductible/taxable in calculating taxable income:</i>		
Effect of expenses not deductible under the IT Act, 1961	43.30	64.76
Effect of additional allowance deductible under the IT Act, 1961	(40.67)	(23.94)
Adjustment in respect of prior year tax expense	17.05	-
Others	6.96	4.55
<b>Income tax expense reported in the consolidated statement of profit and loss</b>	<b>270.45</b>	<b>549.85</b>

# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

## 31: EARNING PER SHARE

(₹ in millions unless otherwise stated)

	For year ended March 31, 2022	For year ended March 31, 2021
Net profit after tax as per Statement of Profit and Loss	694.68	1,450.43
Net profit as above for calculation of basic EPS and diluted EPS	694.68	1,450.43
Weighted average number of equity shares in calculating basic EPS	6,46,24,714	6,43,15,483
Stock options granted under ESOP	1,60,706	2,50,850
Weighted average number of equity shares for diluted EPS	6,47,85,420	6,45,66,333
Basic earnings per share (In ₹)	10.75	22.55
Diluted earnings per share (In ₹)	10.72	22.47

## 32: SEGMENT REPORTING

The Group operates in a single business segment i.e. financing, as the nature of the loans are exposed to similar risk and return profiles hence they are collectively operating under a single segment as per Ind AS 108 on 'Operating Segments'. The Company operates in a single geographical segment i.e. domestic, and hence there is no external revenue or assets which require disclosure. No revenue from transactions with a single external customer aggregates to 10% or more of the Company's total revenue during the year ended March 31, 2022 or March 31, 2021.

## 33: RELATED PARTY DISCLOSURES

### I. Entities in which Key Management Personnel and their relatives have significant influence

- Spandana Rural and Urban Development Organization (up to November 02, 2021)
- Abhiram Marketing Services Limited (up to November 02, 2021)
- Spandana Employee Welfare Trust

### II. Key Management Personnel

- Mrs. Padmaja Gangireddy - Managing Director upto November 2, 2021 and Director w.e.f November 3, 2021
- Mr. Sudhesh Chandrasekar – Chief Financial Officer (upto June 5, 2020)
- Mr. Rakesh Jhinjaria – Company Secretary (upto June 5, 2020)
- Mr. Abdul Feroz Khan – Chief Strategy Officer (upto November 02, 2021)
- Mr. Bharat Shah (Independent Director)
- Mr. Deepak Vaidya (Independent Director)
- Mr. Jagdish Capoor (Independent Director)
- Ms. Abanti Mitra (Independent Director)
- Mr. Sunish Sharma (Nominee Director)
- Mr. Kartikeya Dhruv Kaji (Nominee Director)
- Mr. Darius Dinshaw Pandole (Nominee Director) (upto September 21, 2020)
- Mr. Amit Sobti (Nominee Director)
- Mr. Ramachandra Kasargod Kamath (Nominee Director)
- Mr. Satish Kottakota - Chief Financial Officer (upto October 01, 2021)
- Mr. Ramesh Periasamy - Company Secretary (w.e.f August 29, 2020)
- Mr. Ashish Kumar Damani - President and Chief Financial Officer (w.e.f. March 19, 2022)
- Mr. Shalabh Saxena - Managing Director & CEO (w.e.f. March 19, 2022)

### III. Relatives of Key Management Personnel

- Mr. Revan Saahith (upto November 02, 2021)
- Mr. Vijaya Sivarami Reddy Vendidandi (upto November 02, 2021)

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### IV. Related parties in accordance with RBI Master directions

- Spandana Mutual Benefit Trust (upto November 02, 2021)
- Spandana Sphoorty Chit Funds Private Limited (upto November 02, 2021)

### Related party transactions during the year:

(₹ in millions unless otherwise stated)

S. NO	Related Party	Nature of transaction	Transactions during year ended March 31, 2022	Transactions during year ended March 31, 2021	(Payable) / receivable	
					March 31, 2022	March 31, 2021
1	Spandana Rural and Urban Development Organization	Rent Expenses	28.47	11.99	(1.21)	-
		Lease liability payable	-	-	-	(102.05)
		Rent deposit paid / adjusted	8.96	3.83	-	6.92
		Expense reimbursement	0.04	0.06	0.01	-
		Interest expense	-	1.61	-	-
		Sale of fixed assets	3.66	-	-	-
2	Abhiram Marketing Services Limited	Incentive Income	64.68	97.00	69.85	95.54
		Expenses reimbursement	0.30	11.63	-	0.12
		Inter-corporate advances (net)	(115.24)	(890.16)	64.60	179.84
		Loan collections & sales	278.03	2,373.30	(25.17)	(10.10)
		Purchase of loan portfolio	-	388.43	-	-
		Interest income	12.94	155.12	-	7.47
3	Spandana Mutual Benefit Trust	Purchase of fixed assets & goods	9.74	6.64	-	-
		Sale of fixed assets	0.20	-	-	-
		Gold Loan Portfolio amount to be received	930.56	-	414.22	-
		Transfer of fixed assets pertaining to Gold loan branches	22.64	-	-	-
4	Mr. Sudhesh Chandrasekar	Transfer of rental deposits pertaining to gold loan branches	3.36	-	0.15	-
		Remuneration#	-	1.82	-	-
5	Mr. Rakesh Jhinjharia	Remuneration#	-	0.40	-	-
6	Mr. Bharat Shah	Sitting fee	2.18	2.00	-	(0.46)
7	Mr. Deepak Vaidya	Sitting fee	2.18	2.00	-	(0.46)
8	Mr. Jagdish Capoor	Sitting fee	2.18	2.00	-	(0.46)
9	Mr. K. R. Kamath	Sitting fee	2.18	2.00	-	(0.46)
10	Ms. Abanti Mitra	Sitting fee	2.18	2.00	-	(0.46)
11	Mr. Abdul Feroz Khan	Remuneration#	7.34	7.45	-	(2.60)
12	Mrs. Padmaja Gangireddy	Remuneration#	28.20	53.75	-	(25.00)
		Rent paid	-	0.56	-	-
		Settlement fees	345.00	-	(407.10)	-
13	Mr. Revan Saahith	Remuneration#	1.92	3.10	-	(0.72)
14	Mr. Vijaya Sivarami Reddy Vendidandi	Rent Expenses	12.95	1.48	(0.77)	-
		Lease liability payable	-	-	-	(50.61)
		Sale of fixed assets	1.35	-	-	-
		Rent paid	0.84	0.21	(0.06)	(0.06)
		Rent deposit paid / adjusted	5.39	3.83	-	3.83
15	Mr. Ramesh Periasamy	Remuneration#	7.85	4.28	(3.49)	(1.54)
16	Mr. Satish Kottakota	Remuneration#	4.36	12.39	(5.48)	(3.82)
17	Mr. Shalabh Saxena	Remuneration#	1.57	-	(1.57)	-
18	Mr. Ashish Kumar Damani	Remuneration#	1.22	-	(1.22)	-

# As the provision for gratuity is made for the Group as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

### Notes:

- All above transactions are in the ordinary course of business and on arms length basis. All outstanding balances are to be settled in cash and are unsecured.
- Transactions during the year are shown net of GST and inclusive of TDS.

# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

## 34: CONTINGENT LIABILITIES

### Claims against the Company not acknowledged as debt:

Particulars	₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Service tax open assessments	48.66	48.66
Income tax open assessments	730.26	664.25
<b>Total</b>	<b>778.92</b>	<b>712.91</b>

- i) The Commissioner, Service Tax Commissionerate, Hyderabad ("CST"), through two orders dated August 7, 2012 and October 9, 2013, levied service tax, interest and penalty on pre-closure interest charged by the Holding Company on loans pre-closed during FY 2006-07 to FY 2011-12. The CST also issued an order dated March 27, 2015, levying service tax, interest and penalty on a part of profit on portfolio sale during FY 2007-08 to FY 2010-11, deeming it to be consideration for collection and remittance of loan instalments. The Holding Company filed an appeal against these orders before the Custom, Excise and Service Tax Appellate Tribunal (CESTAT) which is pending for hearing on March 31, 2022. The service tax and interest thereon in respect of these matters have been provided for in earlier years based on Holding Company's assessment. However, given the facts of these cases, legal precedents, and general opinion, the penalty indicated in these orders aggregating ₹48.66 million is considered as a contingent liability as at March 31, 2022.
- ii) The Holding Company received an income tax assessment-cum-demand order for FY 2016-17, inter alia, raising a demand of ₹702.56 million (including accrued interest till March 31, 2022) under section 69A read with section 115BBE of the Income Tax Act, 1961 ("IT Act"). The Holding Company has filed an appeal against this order before the Commissioner of Income Tax (Appeals) that will be heard in due course. However, based on the expert opinions obtained, the Holding Company confident that the matter will be decided in its favour. Accordingly, the aforesaid amount has been considered as a contingent liability as at March 31, 2022. The Holding Company has deposited ₹69.22 million against such demand.
- iii) The Holding Company received an income tax assessment-cum-demand order for FY 2017-18, disallowing deduction of ₹13.45 million claimed under section 80JJAA. While, the addition has not resulted in any additional tax demand (since during FY 2017-18), the Holding Company had paid income tax under section 115JB of the IT Act. However, the assessing officer has levied a penalty of ₹8.96 million under section 270A of the IT Act. SSFL has filed an appeal before the CIT(A) against the levy of penalty.
- iv) Criss Financial Limited ("CFL") received an income tax assessment-cum-demand order for FY 2016-17, inter alia, raising a demand of ₹18.74 million (including interest) under section 69A read with section 115BBE of the Income Tax Act, 1961. CFL had filed an appeal against the order before the Commissioner of Income Tax (Appeals) that will be heard in due course.

Based on the internal assessment and / or legal opinion, the Management is confident that, for the aforesaid mentioned contingent liabilities under paragraph (i) to (iv) above, no further provision is required to be made as at March 31, 2022.

## 35: FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques. This note describes the fair value measurement.

### Valuation framework

The Group will assess the fair values for assets qualifying for fair valuation. The Group's valuation framework includes:

1. Benchmarking prices against observable market prices or other independent sources;
2. Development and validation of fair valuation models using model logic, inputs, outputs and adjustments.

These valuation models are subject to a process of due diligence and validation before they become operational and are continuously calibrated. These models are subject to approvals by various functions.

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### Valuation methodologies adopted

Fair values of financial assets, other than those which are subsequently measured at amortised cost, have been arrived at as under:

1. Fair values of investments held under FVTPL have been determined under level 1 using quoted Net Asset Value of the underlying instruments;
2. Fair value of loans held under a business model that is achieved by both collecting contractual cash flows and selling the loans are measured at FVOCI. The fair value of these loans has been determined under level 2.

### 36: FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES

#### Fair value measurement

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data (either directly as prices or indirectly derived from prices) 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. The financial instruments included in Level 2 of fair value hierarchy have been valued using quotes available for similar assets and liabilities in the active market.

Level 3 - If one or more of the significant inputs is not based on observable market data (unobservable), the instrument is included in level 3.

#### I. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy

(₹ in millions unless otherwise stated)

	Fair value measurement using		
	Level -1	Level -2	Level -3
<b>Assets measured at fair value as at March 31, 2022</b>			
Loans (measured at FVOCI)	-	51,442.58	-
Derivative financial instruments (measured at FVTPL)	-	0.46	-
Investments in equity shares (measured at FVTPL)	-	-	1.00
Investments in liquid/debt mutual funds (measured at FVTPL)	23.44	-	-
	<b>23.44</b>	<b>51,443.04</b>	<b>1.00</b>
<b>Assets measured at fair value as at March 31, 2021</b>			
Loans (measured at FVOCI)	-	65,235.34	-
Derivative financial instruments (measured at FVTPL)	-	0.45	-
Investments in equity shares (measured at FVTPL)	-	-	1.00
Investments in liquid/debt mutual funds (measured at FVTPL)	22.25	-	-
	<b>22.25</b>	<b>65,235.79</b>	<b>1.00</b>

#### II. The following table shows an analysis of financial assets that are not carried at fair value

(₹ in millions unless otherwise stated)

	Amortized cost	Fair value measurement using		
		Level -1	Level -2	Level -3
<b>Assets measured at fair value as at March 31, 2022</b>				
Loans	3,741.25	-	3,741.25	-
	<b>3,741.25</b>	-	<b>3,741.25</b>	-
<b>Assets measured at fair value as at March 31, 2021</b>				
Loans	4,095.08	-	4,095.08	-
	<b>4,095.08</b>	-	<b>4,095.08</b>	-



# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### III. The following table shows an analysis of financial liabilities that are not carried at fair value

(₹ in millions unless otherwise stated)

	Amortized cost	Fair value measurement using		
		Level -1	Level -2	Level -3
<b>Assets measured at fair value as at March 31, 2022</b>				
Debt securities	17,782.40	-	17,850.47	-
Borrowings (other than debt securities)	19,736.80	-	19,959.22	-
Subordinated liabilities	201.87	-	224.88	-
	<b>37,721.07</b>	-	<b>38,034.57</b>	-
<b>Assets measured at fair value as at March 31, 2021</b>				
Debt securities	20,347.14	-	20,564.41	-
Borrowings (other than debt securities)	31,425.34	-	31,515.68	-
Subordinated liabilities	201.83	-	230.88	-
	<b>51,974.31</b>	-	<b>52,310.97</b>	-

#### Note:

The carrying amounts of cash and cash equivalents, bank balances other than cash and cash equivalents, other financial assets / liabilities and trade and other payables approximate the fair value because of their short-term nature.

#### Valuation technique used

##### For Loans

The scheduled future cash flows (including principal and interest) are discounted using the lending rate prevailing as at the balance sheet date. The discounting factor is applied assuming the cash flows will be evenly received in a month. Further the overdue cash flows upto 90 Days (upto stage 2) are discounted assuming they will be received in the third month. Fair value of cash flows for stage 3 loans are assumed as carrying value less provision for expected credit loss.

##### For Derivative financial instruments

For derivative financial instruments, the Group has assessed the fair value under Monte Carlo Simulation model which involves input parameters like discount rate, volatility, expected tenure, risk-free rates, coupon payment date, time steps and iterations.

#### Financial liabilities measured at amortised cost

##### For Borrowings

The fair value of fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rate being charged for new borrowings. The fair value of floating rate borrowing is deemed to equal its carrying value.

There have been no transfer between Level 1, 2 and 3 during the year ended March 31, 2022 and March 31, 2021.

### 37: CAPITAL MANAGEMENT

The Group's objective for capital management is to maximize shareholders' value, safeguard business continuity, meet the regulatory requirement and support the growth of the Company. The Group determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through borrowings, retained earnings and operating cash flows generated.

As an NBFC-MFI, the RBI requires us to maintain a minimum capital to risk weighted assets ratio ("CRAR") consisting of Tier I and Tier II capital of 15% of our aggregate risk weighted assets. Further, the total of our Tier II capital cannot exceed 100% of our Tier I capital at any point of time. The capital management process of the Holding Company ensures to maintain a healthy CRAR at all the times.

The Group has a board approved policy on resource planning which states that the resource planning of the Group shall be based on its Asset Liability Management (ALM) requirement. The policy of the Group on resource planning will also cover the objectives of the regulatory requirement. The policy prescribes the sources of funds, threshold for mix from various sources, tenure, manner of raising the funds etc.

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### Regulatory Capital

#### Spandana Sphoorty Financial Limited. (Parent Company)

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
Teir I Capital	27,809.45	24,887.33
Teir II Capital	105.23	-335.45
<b>Total Capital</b>	<b>27,914.68</b>	<b>24,551.88</b>
Risk weighted assets	55,009.87	62,624.58
Teir I CRAR	50.55%	39.74%
Teir II CRAR	0.19%	-0.54%
<b>Total CRAR</b>	<b>50.74%</b>	<b>39.20%</b>

#### Criss Financial Holdings Limited. (Subsidiary Company)

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
Teir I Capital	1,503.35	1,299.57
Teir II Capital	9.09	4.93
<b>Total Capital</b>	<b>1,512.44</b>	<b>1,304.50</b>
Risk weighted assets	4,124.18	3,958.37
Teir I CRAR	36.45%	32.83%
Teir II CRAR	0.22%	0.12%
<b>Total CRAR</b>	<b>36.67%</b>	<b>32.96%</b>

### 38: EMPLOYEE BENEFIT PLANS

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity, on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of ₹2 million per The Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarized the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the gratuity plan.

#### Movement in defined benefit obligations

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
Defined benefit obligation as at the beginning of the year	41.16	50.48
Current service cost	8.45	7.22
Interest on defined benefit obligation	2.39	2.86
Remeasurements- Actuarial (gain) / loss	15.32	(14.21)
Benefits paid	(24.79)	(5.19)
<b>Defined benefit obligation as at the end of the year</b>	<b>42.53</b>	<b>41.16</b>

#### Movement in plan assets

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
Fair value of plan assets as at the beginning of the year	24.66	22.48
Actual return on plan assets	2.51	7.12
Actuarial gains	-	-
Employer contributions	-	-
Benefits paid	(24.79)	(4.94)
<b>Fair value of plan assets as at the end of the year</b>	<b>2.38</b>	<b>24.66</b>

The Group expects to contribute Nil (March 31, 2021 ₹ Nil) to gratuity in the next financial year.

# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

## Reconciliation of net liability/ asset

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Net defined benefit liability as at the beginning of the year	16.50	28.00
Expense charged to statement of profit & loss	9.41	8.81
Amount recognised in other comprehensive income	14.23	(20.31)
Employer contributions	-	-
<b>Net defined benefit liability as at the end of the year</b>	<b>40.14</b>	<b>16.50</b>

## Expenses charged to the statement of profit and loss

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Current service cost	8.45	7.22
Interest cost	0.96	1.59
<b>Total</b>	<b>9.41</b>	<b>8.81</b>

## Remeasurement gains/(losses) in the other comprehensive income

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Actuarial Gain / (Loss) on Liabilities		
- due to change in financial assumptions	0.58	5.66
- due to experience variance	(15.89)	8.80
<b>Total -A</b>	<b>(15.31)</b>	<b>14.46</b>
Actuarial Gain / (Loss) on assets		
- Expected Interest Income	1.43	1.27
- Actual Income on Plan Asset	2.51	7.12
<b>Total -B</b>	<b>1.08</b>	<b>5.85</b>
<b>Amount recognised under OCI (A+B)</b>	<b>(14.23)</b>	<b>20.31</b>

## The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Category of Assets	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Fund managed by Insurer	100%	100%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Summary of Actuarial Assumptions

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Discount rate	6.19%-6.81%	5.79%-6.23%
Expected return on plan assets	5.79%	5.66%
Rate of Increase in compensation levels	5.00%	5.00%
Retirement age (years)	58	58

**Discount rate:** The discount rate is based on the 5 years government bond yields as at the balance sheet date for the estimated term of the obligations.

**Expected rate of return on plan assets:** This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

**Salary escalation rate:** The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

A quantitative sensitivity analysis for significant assumptions as at the balance sheet date are as shown below:

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Discount rate (+0.5%)	(0.55)	(0.52)
Discount rate (-0.5%)	0.56	0.54
Salary Inflation (+1%)	1.15	1.05
Salary Inflation (-1%)	(1.10)	(1.01)
Withdrawal Rate (+5%)	(1.88)	(1.63)
Withdrawal Rate (-5%)	2.03	1.77

### Projected plan cash flow

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Year 1	9.26	9.66
Year 2	8.44	7.99
Year 3	7.65	7.08
Year 4	6.39	6.19
Year 5	5.44	5.28
After year 5	13.92	12.60

### 39: LEASES

#### Group as a lessee

The Group's significant leasing arrangements are in respect of operating leases of office premises (Head office and branch offices). The branch office premises are generally rented on cancellable term of eleven months with or without escalation clause, however none of the branch lease agreements carries non-cancellable lease periods. The head office premises have been obtained on a lease term of nine to eleven years with an escalation clause of fifteen percent at a three years interval, except for a short-term lease arrangement entered during the year. There are no sub-leases. Lease rentals of ₹ 106.78 million (March 31, 2021: ₹73.19 million) pertaining to short-term leases and low value assets has been directly debited to statement of profit and loss.

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Operating lease payments recognized in the Statement of Profit & Loss	106.78	73.19

#### Minimum lease obligations

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Not later than one year	42.43	32.06
Later than one year and not later than five years	1.48	1.17
Later than five years	-	-

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Particulars	(₹ in millions unless otherwise stated)	
	ROU assets	
<b>As at April 1, 2020</b>	<b>87.58</b>	
Addition	101.84	
Deletion	(36.90)	
Depreciation	(23.26)	
<b>As at March 31, 2021</b>	<b>129.26</b>	
Addition	2.37	
Deletion	(94.96)	
Depreciation	(35.98)	
<b>As at March 31, 2022</b>	<b>0.69</b>	

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

(₹ in millions unless otherwise stated)	
Particulars	Amount
<b>As at April 1, 2020</b>	<b>113.22</b>
Addition	101.84
Accretion of interest	14.88
Deletion	(59.70)
Payments	(17.58)
<b>As at March 31, 2021</b>	<b>152.66</b>
Addition	2.37
Accretion of interest	18.14
Deletion	(147.41)
Payments	(24.28)
<b>As at March 31, 2022</b>	<b>1.48</b>

The following are the amounts recognised in statement of profit or loss:

(₹ in millions unless otherwise stated)		
Particulars	March 31, 2022	March 31, 2021
Depreciation expense of right-of-use assets	35.98	23.26
Interest expense on lease liabilities	18.14	14.88
Expense relating to short-term leases *	106.78	73.19
Expense relating to leases of low-value assets	-	-
Variable lease payments	-	-
<b>Total amount recognised in profit or loss</b>	<b>160.90</b>	<b>111.33</b>

\* net of gain of ₹43.72 million (March 31, 2021: Nil), recognized on cancellation of lease agreements pursuant to the execution of Settlement Agreement.

The details of the contractual maturities of lease liabilities on an undiscounted basis is as follows:

(₹ in millions unless otherwise stated)		
Particulars	March 31, 2022	March 31, 2021
Less than one year	0.98	23.06
One to five years	0.67	103.11
More than five years	-	139.85
<b>Total</b>	<b>1.65</b>	<b>266.02</b>

### 40: AMOUNT PAYABLE TO MICRO SMALL AND MEDIUM ENTERPRISES

As per information available with the Group, there are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises.

As at March 31, 2022 & March 31, 2021, no supplier has intimated the Group about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

### 41: RISK MANAGEMENT AND FINANCIAL OBJECTIVES

Risk is an integral part of the Group business and sound risk management is critical to the success. As a financial intermediary, the Group is exposed to risks that are particular to its lending and the environment within which it operates and primarily includes credit, liquidity and market risks. The Group has a risk management policy which covers risks associated with the financial assets and liabilities. The risk management policy is approved by the Board of Directors.

The Group has identified and implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the Group. The risk management process is continuously reviewed, improved and adapted in the context of changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis.

# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

The Group has an elaborate process for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

## 41.1 CREDIT RISK

Credit risk is the risk of loss that may occur from defaults by our Borrowers under our loan agreements. In order to address credit risk, we have stringent credit assessment policies for client selection. Measures such as verifying client details, online documentation and the usage of credit bureau data to get information on past credit behaviour also supplement the efforts for containing credit risk. We also follow a systematic methodology in the opening of new branches, which takes into account factors such as the demand for credit in the area; income and market potential; and socio-economic and law and order risks in the proposed area. Further, our client due diligence procedures encompass various layers of checks, designed to assess the quality of the proposed group and to confirm that they meet our criteria.

The Group is a rural focused NBFC-MFI with a geographically diversified presence in India and offer income generation loans under the joint liability group model, predominantly to women from low-income households in Rural Areas. Further, as we focus on providing micro-loans in Rural Areas, our results of operations are affected by the performance and the future growth potential of microfinance in rural India. Our clients typically have limited sources of income, savings and credit histories and our loans are typically provided free of collateral. Such clients generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions and natural calamities. In addition, we rely on non-traditional guarantee mechanisms rather than tangible assets as collateral, which may not be effective in recovering the value of our loans.

In order to mitigate the impact of credit risk in the future profitability, the Group creates impairment loss allowance basis the expected credit loss (ECL) model for the outstanding loans as at balance sheet date.

The criteria of default, significant increase in credit risk and stage assessment is mentioned in note 3(e) of the significant accounting policies. The below discussion describes the Group approach for assessing impairment.

### A) Probability of default (PD)

The Group determines PD on a collective basis by stratifying the entire portfolio into meaningful categories. The Group uses historical vintage information of its loan portfolio to estimate PD. Based on uncertainties and risks arising from its operations in different geographical states in the country, the Group bifurcates the entire portfolio into different states. Further the Group performs analysis of its defaults in various states over different observation period. In determining the PD's, an effort is made to eliminate outliers for a particular observation period which are not likely to happen in future. Accordingly, the Group determines PD for each stage depending upon the underlying classification of asset (i.e., Stage I or Stage II). The PD rates for Stage I and II have been further bifurcated based on the days-past-due (DPD) status of the loans (i.e., current, 1-30 DPD, 31-60 DPD and 61-90 DPD) to incorporate adequate granularity. PD rate for stage 3 is derived as 100% considering that the default occurs as soon as the loan becomes overdue for 90 days.

### B) Exposure at default (EAD)

Exposure at default (EAD) is the sum of outstanding principal and the interest amount accrued but not received on each loan as at reporting date.

### C) Loss given default

The Group determines its expectation of lifetime loss by estimating recoveries towards its loan through analysis of historical information. The Group determines its recovery rates by analysing the recovery trends over different periods of time after a loan has defaulted. LGD is the difference between the exposure at default and its recovery rate. Similar to PDs, the LGD rates have also been reassessed for COVID-19 affected portfolio by comparing past recovery experience from less frequent / non-recurring default events. Appropriate adjustments have also been made for recoveries observed during the post-pandemic period which are considered as an appropriate representation of expected post-default recoveries. The Group has estimated 50% as LGD across states.

# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

## Analysis of concentration risk:

The Group loan book consists of a large number of customers spread over diverse geographical area. The following tables show the geographical concentrations of loans:

(₹ in millions unless otherwise stated)

States	Holding Company		Subsidiary Company (Cris Financial Limited)	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Madhya Pradesh	18.58%	19.32%	-	-
Orissa	16.96%	17.68%	-	-
Maharashtra	10.43%	11.56%	-	-
Karnataka	12.01%	13.52%	-	-
Chhattisgarh	6.93%	7.66%	-	-
Kerala	1.86%	3.37%	-	-
Rajasthan	4.66%	3.59%	-	-
Bihar	6.39%	4.87%	-	-
Jharkhand	5.05%	4.69%	-	-
Telangana	1.01%	0.56%	13.65%	12.09%
Andhra Pradesh	8.53%	7.67%	86.35%	87.91%
Gujarat	3.99%	3.13%	-	-
Others	3.60%	2.37%	-	-
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## Collateral and other credit enhancement

The Group secured portfolio consists of loans against property (including land and building). Although collateral is an important mitigant credit risk, the Group practice is to lend on the basis of its assessment of the customer's ability to repay rather than placing primary reliance on collateral. Based on the nature of the product and the Group assessment of the customer's credit risk, a loan may be offered with suitable collateral.

**41.1.a** Inter-corporate advance given by the Group to related parties are repayable on demand and governed by Group's policy on demand loans approved by the board of directors. Such policy requires credit appraisal of the financial and operational performance of the counter parties, to be performed by the Group before renewing/rolling over of the advance.

## 41.2 LIQUIDITY RISK

Liquidity risk refers to the risk that the Group may not meet its financial obligations. Liquidity risk arises due to the unavailability of adequate funds at an appropriate cost or tenure. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group consistently generates sufficient cash flows from operating and financing activities to meet its financial obligations as and when they fall due. Our resource mobilization team sources funds from multiple sources, including from banks, financial institutions and capital markets to maintain a healthy mix of sources. The resource mobilization team is responsible for diversifying fundraising sources, managing interest rate risks and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies to ensure the liquidity risk is well addressed. In order to reduce dependence on a single lender, the Group has adopted a cap on borrowing from any single lender at 25%. The maturity schedule for all financial liabilities and assets are regularly reviewed and monitored. Group has a asset liability management (ALM) policy and ALM Committee to review and monitor the liquidity risk and ensure the compliance with the prescribed regulatory requirement. The ALM Policy prescribes the detailed guidelines for managing the liquidity risk.

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### Maturity pattern of financial liabilities:

(₹ in millions unless otherwise stated)

Particulars	Borrowings *		Other financial liabilities	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Upto 1 month	5,003.76	3,700.27	419.13	2,460.17
1 to 2 months	2,250.24	2,812.12	-	0.41
2 to 3 months	2,252.16	3,096.91	424.50	1.77
3 to 6 months	6,323.94	8,727.93	1.43	2.72
6 months to 1 year	10,096.93	17,592.85	467.23	3.91
1 to 3 years	17,781.30	22,926.56	-	15.59
3 to 5 years	405.41	851.53	-	25.56
Over 5 years	391.54	-	-	106.26
<b>Total</b>	<b>44,505.27</b>	<b>59,708.17</b>	<b>1,312.29</b>	<b>2,616.39</b>

\* Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

### Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered and settled.

(₹ in millions unless otherwise stated)

	March 31, 2022			March 31, 2021		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
<b>ASSETS</b>						
<b>Financial assets</b>						
Cash and Cash Equivalents	7,271.70	-	7,271.70	11,351.95	-	11,351.95
Bank balances other than cash and cash equivalents	3,340.89	1,409.83	4,750.72	1,027.68	1,430.59	2,458.27
Derivative financial instrument	0.46	-	0.46	0.45	-	0.45
Trade receivables	200.92	-	200.92	120.61	-	120.61
Loans	37,716.72	17,467.11	55,183.83	41,136.68	28,193.74	69,330.42
Investments	-	24.44	24.44	-	23.25	23.25
Other Financial Assets	717.48	27.67	745.15	721.07	35.65	756.72
<b>Subtotal- Total Financial Assets</b>	<b>49,248.16</b>	<b>18,929.06</b>	<b>68,177.22</b>	<b>54,358.43</b>	<b>29,683.23</b>	<b>84,041.67</b>
<b>Non Financial Assets</b>						
current tax asset(net)	149.38	38.75	188.13	149.38	3.75	153.13
Deferred tax asset (net)	-	1,842.05	1,842.05	-	1,047.49	1,047.49
Property, Plant and equipment	-	67.87	67.87	-	198.96	198.96
Intangible assets	-	70.96	70.96	-	7.77	7.77
Goodwill	-	173.89	173.89	-	173.74	173.74
Other Non financial assets	243.11	0.14	243.25	146.52	0.01	146.53
<b>Subtotal-Total Non Financial Assets</b>	<b>392.49</b>	<b>2,193.66</b>	<b>2,586.15</b>	<b>295.90</b>	<b>1,431.71</b>	<b>1,727.62</b>
<b>Total Assets</b>	<b>49,640.65</b>	<b>21,122.72</b>	<b>70,763.37</b>	<b>54,654.33</b>	<b>31,114.96</b>	<b>85,769.29</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities</b>						
Debt securities	6,381.17	11,401.23	17,782.40	10,018.69	10,328.45	20,347.14
Borrowings (other than debt securities)	15,765.44	3,971.37	19,736.80	22,187.21	10,996.48	33,183.69
Subordinated liabilities	2.38	199.49	201.87	2.31	199.52	201.83
Other financial liabilities	1,312.32	-	1,312.32	2,567.16	129.59	2,696.75
<b>Subtotal-Total financial Liabilities</b>	<b>23,461.30</b>	<b>15,572.09</b>	<b>39,033.39</b>	<b>34,775.37</b>	<b>21,654.04</b>	<b>56,429.41</b>



## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

	March 31, 2022			March 31, 2021		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
<b>Non Financial liabilities</b>						
Current tax liabilities(net)	281.62	-	281.62	1,398.16	-	1,398.16
Provisions	39.47	0.68	40.15	5.15	11.35	16.50
Other non financial liabilities	508.76	-	508.76	414.25	-	414.25
<b>Subtotal - Total non-financial liabilities</b>	<b>829.87</b>	<b>0.68</b>	<b>830.53</b>	<b>1,817.56</b>	<b>11.35</b>	<b>1,828.91</b>
<b>Total Liabilities</b>	<b>24,291.17</b>	<b>15,572.77</b>	<b>39,863.92</b>	<b>36,592.93</b>	<b>21,665.39</b>	<b>58,258.32</b>
<b>Net</b>	<b>25,349.48</b>	<b>5,549.95</b>	<b>30,899.45</b>	<b>18,061.40</b>	<b>9,449.57</b>	<b>27,510.97</b>

### 41.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Group is exposed to two types of market risks as follows:

#### 41.3a Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. We assess and manage our interest rate risk by managing our assets and liabilities. Our Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately.

The Group has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before tax is affected through the impact on floating rate borrowings, as follows:

Finance Cost	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
0.50 % Increase	(91.96)	(49.27)
0.50 % Decrease	91.96	49.27

#### 41.3b Price Risk

The Group's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surplus in the highly liquid debt funds for very short durations. The Group has a board approved policy of investing its surplus funds in highly rated debt mutual funds and other instruments having insignificant price risk, not being equity funds/ risk bearing instruments.

## 42: TRANSFER OF FINANCIAL ASSETS

### a. Securitisation Transaction:

The Holding Company has entered into securitisation arrangement with various parties. Under such arrangement, the Holding Company has transferred a pool of loans, which does not fulfil the derecognition criteria specified under Ind AS 109 as the Holding Company has concluded that risk and rewards with respect to these assets are not substantially transferred. Following such transfer, the Holding Company's involvement in these assets is as follows:

- As a servicer of the transferred assets
- To the extent of credit enhancements provided to such parties

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### The value of Financial assets and liabilities as on :-

Particulars	₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Carrying amount of assets	684.76	6,229.48
Carrying amount of associated liabilities	741.16	7,102.28
Fair value of assets	686.23	6,256.36
Fair value of associated liabilities	744.04	7,144.55

The excess of fair value of associated liabilities over fair value of assets is ₹ 57.82 million (March 31, 2021: ₹888.19 million)

### b. Assignment Transaction:

The Group has sold some loans and advances measured at FVOCI as per assignment deals, as a source of finance. As per the terms of deal, since the derecognition criteria as per Ind AS 109, including transfer of substantially all the risks and rewards relating to assets to the buyer being met, the assets have been derecognised.

### The table below summarises the carrying amount of the derecognised financial assets measured at fair value and the gain/(loss) on derecognition :-

Particulars	₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Carrying amount of derecognised financial assets as the reporting date	4,925.30	8,900.55
Gain/(loss) from derecognition during the year	258.82	674.05

Since the Group transferred the above financial asset in a transfer that qualified for derecognition in its entirety, therefore the whole of the interest spread (over the expected life of the asset) is recognised on the date of derecognition itself as interest only strip receivable and correspondingly recognised as profit on derecognition of financial asset.

### 43: EMPLOYEE STOCK OPTION PLAN (ESOP)

The Holding Company has provided various equity settled share based payment schemes to its employees. The details are ESOP scheme are as follows.

Particulars	Grant	Number of Options granted	Vesting period (in years)	₹ in millions unless otherwise stated)
				Vesting Conditions
ESOP Scheme 2018	Grant I	3,38,854	5	20% vests every year subject to continuance of services
	Grant II	8,17,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant III	13,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant IV	90,500	5	20% vests every year subject to continuance of services
	Grant V	3,36,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant VI	36,500	5	20% vests every year subject to continuance of services
	Grant VII	1,25,000	5	20% vests every year subject to continuance of services
	Grant VIII	40,000	5	20% vests every year subject to continuance of services
	Grant IX	28,000	5	20% vests every year subject to continuance of services
	Grant X	1,35,000	5	20% vests every year subject to continuance of services

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

Particulars	Grant	Number of Options granted	Vesting period (in years)	Vesting Conditions
ESOP Scheme 2021	Grant XI	20,000	5	20% vests every year subject to continuance of services
	Grant XII Plan 2021 Series A	12,28,000	5	20% vests every year subject to continuance of services
	Grant I Plan 2021 Series A	1,23,000	5	20% vests every year subject to continuance of services
	Grant II Plan 2021 Series A	16,60,000	4	25% vests every year subject to continuance of services

Exercise period for all the above schemes is 9 years from the date of grant of the options.

The expense recognised for employee services received during the year is ₹ 112.18 million (March 31, 2021: ₹ 87.38 million)

**a. The following table lists the input to the black scholes models used for the options granted during the year ended March 31, 2022**

(₹ in millions unless otherwise stated)

Particulars	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Date of Grant	13-Aug-18	13-Aug-18	07-Feb-19	28-Jan-20	28-Jan-20	03-Mar-20	03-Jun-20
Date of Board / Compensation/ Committee Approval	13-Aug-18	13-Aug-18	07-Feb-19	28-Jan-20	28-Jan-20	03-Mar-20	03-Jun-20
Number of Options Granted	3,38,854	8,17,500	13,500	90,500	3,36,500	36,500	1,25,000
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded Vesting Period							
Day following the expiry of 12 months from grant	20%	30%	30%	20%	30%	20%	20%
Day following the expiry of 24 months from grant	20%	30%	30%	20%	30%	20%	20%
Day following the expiry of 36 months from grant	20%	20%	20%	20%	20%	20%	20%
Day following the expiry of 48 months from grant	20%	20%	20%	20%	20%	20%	20%
Day following the expiry of 60 months from grant	20%	NA	NA	20%	NA	20%	20%
Weighted average of remaining contractual Life in Years	5.37	5.37	5.85	6.83	6.83	6.92	7.18

(₹ in millions unless otherwise stated)

Particulars	Grant VIII	Grant IX	Grant X	Grant XI	Grant XII Plan 2021 Series A	Grant I Plan 2021 Series A	Grant II Plan 2021 Series A
Date of Grant	16-Jun-20	31-Aug-20	12-Nov-20	21-May-21	14-Aug-21	02-Nov-21	30-Mar-22
Date of Board / Compensation/ Committee Approval	16-Jun-20	31-Aug-20	12-Nov-20	21-May-21	14-Aug-21	02-Nov-21	30-Mar-22
Number of Options Granted	40,000	28,000	1,35,000	20,000	12,28,000	1,23,000	16,60,000
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded Vesting Period							
Day following the expiry of 12 months from grant	20%	20%	20%	20%	20%	20%	25%
Day following the expiry of 24 months from grant	20%	20%	20%	20%	20%	20%	25%
Day following the expiry of 36 months from grant	20%	20%	20%	20%	20%	20%	25%
Day following the expiry of 48 months from grant	20%	20%	20%	20%	20%	20%	25%
Day following the expiry of 60 months from grant	20%	20%	20%	20%	20%	20%	-
Weighted average of remaining contractual Life in Years	7.21	7.42	7.62	8.14	8.37	8.59	9.00

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For year ended March 31, 2022

b. The details of activity under ESOP Scheme 2018 Plan with an exercise price for the year ended March 31, 2022 have been summarised as below:

(₹ in millions unless otherwise stated)

Particulars	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Exercise Price per Share	263.35	263.35	263.35	1,077.37	1,077.37	1,091.58	860.85
Number of options outstanding at the beginning of the year	45,600	3,63,550	3,000	55,500	2,71,000	36,500	-
Number of options Granted during the year	-	-	-	-	-	-	-
Number of Options Exercised during the year	6,320	84,585	1,800	-	-	-	-
Number of Options Lapsed during the year	21,280	1,07,910	1,200	23,500	90,500	36,500	-
Outstanding at the end of the year *	<b>18,000</b>	<b>1,71,055</b>	-	<b>32,000</b>	<b>1,80,500</b>	-	-

(₹ in millions unless otherwise stated)

Particulars	Grant VIII	Grant IX	Grant X	Grant XI	Grant XII Plan 2021 Series A	Grant I Plan 2021 Series A	Grant II Plan 2021 Series A
Exercise Price per Share	809.85	608.74	565.72	584.56	636.46	532.35	371.07
Number of options Outstanding at the beginning of the year	-	28,000	1,25,000	-	-	-	-
Number of options Granted during the year	-	-	-	20,000	12,28,000	1,23,000	16,60,000
Number of Options Exercised during the year	-	-	-	-	-	-	-
Number of Options Lapsed during the year	-	-	70,000	-	2,03,500	12,000	-
Outstanding at the end of the year *	-	<b>28,000</b>	<b>55,000</b>	<b>20,000</b>	<b>10,24,500</b>	<b>1,11,000</b>	<b>16,60,000</b>

c Details of Stock Options granted during the year

The weighted fair value of stock option granted during the year was ₹330.87 for Grant XI, ₹384.82 for Grant XII Plan 2021 Series A, ₹289.62 for Grant I Plan 2021 Series A, ₹191.52 for Grant II Plan 2021 Series A. The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

(₹ in millions unless otherwise stated)

Grant -XI	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	569.55	569.55	569.55	569.55	569.55
Exercise Price	584.56	584.56	584.56	584.56	584.56
Expected Volatility(%)	55.27%	55.27%	55.27%	55.27%	55.27%
Life of the options granted in year	5.01	5.51	6.01	6.51	7.01
Risk Free Interest Rate(%)	5.65%	5.79%	5.91%	6.02%	6.12%
Expected dividend rate(%)	0%	0%	0%	0%	0%
Fair Value of the option	303.16	317.96	331.75	344.68	356.80

(₹ in millions unless otherwise stated)

Grant XII Plan 2021 Series A	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	648.10	648.10	648.10	648.10	648.10
Exercise Price	636.46	636.46	636.46	636.46	636.46
Expected Volatility(%)	55.24%	55.24%	55.24%	55.24%	55.24%
Life of the options granted in year	5.01	5.51	6.01	6.51	7.01
Risk Free Interest Rate(%)	5.80%	5.95%	6.09%	6.21%	6.32%
Expected dividend rate(%)	0%	0%	0%	0%	0%
Fair Value of the option	353.64	370.27	385.85	400.37	413.99

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

(₹ in millions unless otherwise stated)

Grant I Plan 2021 Series A	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	512.15	512.15	512.15	512.15	512.15
Exercise Price	532.35	532.35	532.35	532.35	532.35
Expected Volatility(%)	53.05%	53.05%	53.05%	53.05%	53.05%
Life of the options granted in year	5.01	5.51	6.01	6.51	7.01
Risk Free Interest Rate(%)	5.76%	5.91%	6.04%	6.17%	6.28%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	264.34	277.79	290.36	302.26	313.37

(₹ in millions unless otherwise stated)

Grant II Plan 2021 Series A	Tranche I	Tranche II	Tranche III	Tranche IV
Share price on the date of Grant	338.90	338.90	338.90	338.90
Exercise Price	371.07	371.07	371.07	371.07
Expected Volatility(%)	55.83%	55.83%	55.83%	55.83%
Life of the options granted in year	5.01	5.51	6.01	6.51
Risk Free Interest Rate(%)	6.20%	6.34%	6.47%	6.58%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	178.30	187.51	196.12	204.15

#### 44: UTILISATION OF BORROWED FUNDS AND SHARE PREMIUM

- (a) The Group has not advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to 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 Group (Ultimate Beneficiaries) or
  - provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.
- (b) The Group has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall:
- directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
  - provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

#### 45: BUSINESS COMBINATIONS

On December 27, 2018, the Group acquired 95.97% of the voting shares (2,837,135 shares) of Criss Financial Limited (formerly Criss Financial Holdings Limited), an NBFC based in India for a purchase consideration of ₹375.24 million. Further, the Group has invested ₹250.00 million and 500.00 million on December 28, 2018 and March 31 2021 in lieu for fresh issue of 1,890,217 and 2,824,858 equity shares by Criss Financial Holdings Limited. Thereafter, Group holds 98.45% (March 31, 2020: 97.54%) of the voting shares of Criss Financial Limited. Goodwill has been recorded since the Group considers equity interest in Criss Financial Limited as long term strategic business with no intention to liquidate in the near future. Non-controlling interest has been calculated based on the proportionate share in fair value of net assets acquired.

Goodwill is tested annually on March 31, for impairment, or sooner whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. Based upon the assessment performed with respect to Holding Company's investment in Subsidiary, no adjustment on account of impairment is required to be effected to the carrying value of goodwill.

(₹ in millions unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
Net carrying value as at beginning of the year	173.74	173.74
Addition relating to acquisition of subsidiary	0.15	-
Net carrying value as at end of the year	173.89	173.74
Impairment as at beginning of the year	-	-
Charges for the year	-	-
Impairment as at end of the year	-	-

## Notes to the Consolidated Financial Statements

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The Group has considered the entire subsidiary as a cash generating unit for the purpose of testing impairment of goodwill. The recoverable amounts which exceed the carrying value has been determined based on value in use calculations taking into consideration the operating results, business plans and future cashflows of the subsidiary. Based upon the assessment performed with respect to the parent company's investment in subsidiary, no adjustment on account of impairment is required to be made to the carrying value of goodwill. Goodwill is not deductible for tax purposes.

### 46. REVENUE FROM CONTRACTS WITH CUSTOMERS

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Type of services		
Service fees for management of assigned portfolio of loans	0.19	0.71
Commission and other income	226.97	316.63
<b>Total</b>	<b>227.16</b>	<b>317.34</b>

#### Geographical markets

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
India	227.16	317.34
Outside india	-	-
<b>Total</b>	<b>227.16</b>	<b>317.34</b>

#### Timing of revenue recognition

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Services transferred at a point in time	227.16	317.34
Services transferred over time	-	-
<b>Total</b>	<b>227.16</b>	<b>317.34</b>

#### Receivables

Particulars	(₹ in millions unless otherwise stated)	
	March 31, 2022	March 31, 2021
Receivables outstanding as at the end of the reporting period	200.92	120.61
Impairment allowance recognised on receivables	-	-

### 47: ADDITIONAL DISCLOSURE AS REQUIRED UNDER PARAGRAPH 2 OF 'GENERAL INSTRUCTIONS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS' OF THE SCHEDULE III TO THE ACT

(i) As at and for the year ended March 31, 2022:

Name of the entity	(₹ in millions unless otherwise stated)							
	Net assets		Share in profit or loss		Share of OCI		Share of total comprehensive income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount
<b>Parent Company</b>								
Spandana Sphoorty Financial Limited	98.11%	30,315.32	67.14%	466.38	100.03%	(346.57)	34.41%	119.81
<b>Subsidiaries</b>								
Criss Financial Limited	4.96%	1,532.55	33.30%	231.30	-0.03%	0.11	66.45%	231.41
Caspian Financial Services Limited	0.07%	22.94	0.09%	0.60	0.00%	-	0.17%	0.60
Non-controlling interest	0.08%	23.77	-0.52%	(3.59)	0.00%	-	-1.03%	(3.59)
<b>Total</b>	<b>103.22%</b>	<b>31,894.58</b>	<b>100.00%</b>	<b>694.68</b>	<b>100.00%</b>	<b>(346.46)</b>	<b>100.00%</b>	<b>348.22</b>
Consolidation adjustments	-3.22%	(995.13)	0.00%	-	0.00%	-	0.00%	-
<b>Net amount</b>	<b>100.00%</b>	<b>30,899.45</b>	<b>100.00%</b>	<b>694.68</b>	<b>100.00%</b>	<b>(346.46)</b>	<b>100.00%</b>	<b>348.22</b>

## Notes to the Consolidated Financial Statements

For year ended March 31, 2022

### (ii) As at and for the year ended March 31, 2021:

(₹ in millions unless otherwise stated)

Name of the entity	Net assets		Share in profit or loss		Share of OCI		Share of total comprehensive income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount
<b>Parent Company</b>								
Spandana Sphoorty Financial Limited	98.72%	27,159.05	88.93%	1,289.82	100.06%	(299.57)	86.03%	990.25
<b>Subsidiaries</b>								
Criss Financial Limited	4.73%	1,301.66	11.68%	169.40	-0.06%	0.19	14.73%	169.59
Caspian Financial Services Limited	0.08%	22.36	0.04%	0.60	0.00%	-	0.05%	0.60
Non-controlling interest	0.07%	20.18	-0.29%	(4.17)	0.00%	-	-0.36%	(4.17)
<b>Total</b>	<b>103.61%</b>	<b>28,503.25</b>	<b>100.36%</b>	<b>1,455.65</b>	<b>100.00%</b>	<b>(299.38)</b>	<b>100.45%</b>	<b>1,156.27</b>
Consolidation adjustments	-3.61%	(992.28)	-0.36%	(5.22)	0.00%	-	-0.45%	(5.22)
<b>Net amount</b>	<b>100.00%</b>	<b>27,510.97</b>	<b>100.00%</b>	<b>1,450.43</b>	<b>100.00%</b>	<b>(299.38)</b>	<b>100.00%</b>	<b>1,151.05</b>

The disclosure as above represents separate information for each of the consolidated entities before elimination of inter-company transactions. The net impacts on elimination of inter-company transactions/profits or (losses)/consolidation adjustments have been disclosed separately. Based on the Group structure, the management is of the view that the above disclosure is appropriate under the requirements of the Act.

**48:** The Holding Company in respect of the observation made by the RBI in its inspection report for the years ended March 31, 2018 and March 31, 2019 and subsequent correspondence with Reserve Bank of India ("RBI") with respect to the compliance with the pricing of credit guidelines prescribed under paragraph 56 of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, dated September 1, 2016, as amended had adequately recognised the impact of excess interest collected on loans disbursed during the period from Oct 2017 to Feb 2020, in the financial statements for the year ended March 31, 2021. During the current year, the Holding Company has adjusted ₹877.10 million by way of credit to 2,561,538 active customers loan accounts and is in the process of issuing revised loan cards to such customers. Further, the Holding Company has initiated the process of identifying the bank accounts of the closed loan accounts of customers for refunding the balance amount. Below is the summary of the excess interest:

(₹ in millions unless otherwise stated)

Summary	Amount
Provision in the books	1,336.53
Less: Amount adjusted to credit of borrowers *	877.10
Amount to be refunded to borrowers	454.81

\* Refund of ₹877.10 million is processed based on the available data prior to receiving access to the old IT Application. Upon receiving the access to the old system, the management is in the process of revalidating the accuracy of the amount refunded and any instances of short / excess payments will be adjusted.

**49:** Pursuant to the Reserve Bank of India's ("RBI") Guidelines for Appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021 (the "RBI Guidelines") and in line with the specific instructions received from the RBI, the Holding Company's predecessor auditor's had resigned on January 28, 2022, after completion of limited review on the financial results of the Group for the quarter and half year ended September 30, 2021. Such resignation and subsequent appointment of new statutory auditors, being contrary to the provisions of para 6(A) of SEBI guidelines on "Resignation of statutory auditors from listed entities and their material subsidiaries" issued vide circular no. CIR/CFD/CMD1/114/2019 dated October 18, 2019, the Holding Company has submitted application dated February 3, 2022 with SEBI, seeking settlement in this matter. Further, the Holding Company vide letter dated June 3, 2022, voluntarily proposed to offer ₹ 2.5 million towards settlement terms and expects to receive the regulatory forbearance from SEBI in due course.

## Notes to the Consolidated Financial Statements

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**50:** The Holding Company has undergone recent leadership changes whereby Mrs. Padmaja Gangireddy, Founder and erstwhile Managing Director (MD), resigned on November 2, 2021. The Holding Company's Board of Directors immediately re-constituted a Management Committee constituting of the longest serving Directors of the Holding Company to provide strategic direction to the Group.

Prior to the resignation of the erstwhile MD, the Holding Company and its subsidiary (CFL) had transferred certain IT systems to a new IT vendor (IQ Technologies) along with outsourcing of its maintenance. This caused certain disruptions in the IT operations of the Group and eventual loss of access to the historical data and books of accounts.

As a result, for the purpose of reconstructing the books of accounts as at September 30, 2021, the Group created a parallel IT environment and implemented the new IT application system along with the loan origination system with a fully automated workflow. The management carried out extensive exercise for arriving at the accuracy of the balances as of September 30, 2021 basis the relevant internal data back-up, information submitted by the Group as part of regulatory compliances, confirmation from bankers, recalculation of the repayment schedules for the principal loan amount outstanding etc. and performed necessary reconciliations. Such information has been updated in the new IT application along with all the transactions for the period commencing from October 1, 2021. Further, during the period of loss of data to implementing new IT system, the management ensured complete track of disbursements and collections from the customers through the controls implemented at the branches.

The Holding Company has onboarded a new Managing Director and Chief Executive Officer, President and Chief Financial Officer and Chief Technology Officer, and under their guidance the management has performed a comprehensive evaluation of the new IT application implemented, along with the IT review performed by the internal auditors of the Company. Further, the business teams have validated the outputs from the IT systems with actual physical loan-card balances of the borrowers. The process has been documented and independently reviewed by an independent third-party appointed by the Board of Directors. The management is in the process of further strengthening the robustness of the overall IT systems, including the loan management system and with respect to specific controls around security management and infrastructure maintenance, based on the inputs received from the comprehensive review and believes that the final validations, will not result in any material discrepancies, requiring any adjustment to these financial statements.

Additionally, in respect of the gold loan business of CFL, certain issues had arisen between CFL and Spandana Mutual Benefit Trust ("SMBT") an entity controlled by erstwhile MD. The total receivables (excluding interest) pertaining to gold loan business receivable from SMBT amounted to ₹ 811.39 million as of November 01, 2021. Of these, SMBT has remitted various amounts aggregating ₹397.20 million as of March 31, 2022. As covered in below paragraph, CFL has realized the balance receivables from SMBT in June 2022.

Subsequently in June 2022, the Group has settled differences amicably in terms of a settlement agreement and other related agreements subject to terms and conditions stated therein with its erstwhile MD, IQ Technologies and other entities as under:

- (a) The Holding Company has collected / paid all the pending dues receivable from / payable to Abhiram Marketing Services Limited (entity in which erstwhile MD has significant interest).
- (b) Without prejudice to the respective contentions of the parties, the Services Agreement dated August 16, 2021 entered with the IQ Technologies (IQ) stands terminated / cancelled and the Group has received access to the old IT system and hardware from IQ in accordance with the IQ Termination Agreement and is in control of the same. As part of the settlement agreement, the Holding Company has paid ₹15.75 million to IQ, which has been provided for in the accompanying financial statements under 'Other expenses'.
- (c) The lease agreements entered with the entities in which erstwhile MD has significant control has been terminated and the lock-in-period has been waived-off, as the Holding Company agreed to forfeit the security deposit paid under the said lease agreements. Consequently, the Group has written off 'Right of use' assets and security deposit and written back lease liabilities resulting in a net gain of ₹ 43.72 million.
- (d) The Board of Criss Financial Limited ("CFL") has ratified the appointment of SMBT as collecting agent of gold loan portfolio and without prejudice to the respective contentions of the parties, the issues has been settled now. Further, CFL has realized the balance receivables of ₹436.10 million towards gold loan portfolio including interest thereon.



# Notes to the Consolidated Financial Statements

For year ended March 31, 2022

- (e) The erstwhile MD, IQ and other entities have executed requisite applications before the appropriate forum to withdraw all suits, applications, claims filed against the Group and its subsidiaries, including shareholders, employees and directors and similarly, the Group and its subsidiary has also filed necessary applications to withdraw all suits, applications, claims filed against the opposite party.
- (f) In consideration of settlement terms, the Holding Company has made a total payment of ₹407.10 million (inclusive of applicable taxes) to erstwhile MD, which has been provided for in the accompanying financial statements under 'Other expenses'.

The Group has performed sufficient procedures to ensure completeness, accuracy and authenticity of the data received from IQ and has significantly reconciled the historical balances and the balances as on September 30, 2021 as per the old IT system with the opening balances as of October 1, 2021 considered in the new IT System with the information available as explained above. The management does not believe that ongoing reconciliation process will have any significant impact on the accompanying financial statements.

## 51: Additional Regulatory Information

- (a) The Group has not revalued its Property, Plant and Equipment (including Right-of Use Assets) and intangible assets based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.
- (b) There are no investment property as on March 31, 2022
- (c) No proceeding has been initiated or pending against the Group for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder
- (d) The Group has not taken borrowings from banks or financial institutions on the basis of security of current assets
- (e) The Group has not been declared wilful defaulter by any bank or financial Institution or other lender
- (f) No transactions were carried out during the year with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956.
- (g) The Group has complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017
- (h) There are no transactions which have not been recorded in the books of accounts and has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961. Also, there are no previously unrecorded income and related assets.
- (i) The Group has not traded or invested in Crypto currency or Virtual Currency during the financial year.

## 52: Previous year figures have been regrouped/ reclassified wherever applicable.

As per our report of even date  
For **Walker Chandiook & Co LLP**  
Chartered Accountants  
ICAI Firm registration number: 001076N/N500013

**Manish Gujral**  
Partner  
Membership No.: 105117

Place: Mumbai  
Date: July 11, 2022

For and on behalf of the Board of Directors of  
**Spandana Sphoorty Financial Limited**

**Abanti Mitra**  
Chairperson  
DIN: 02305893  
Place: Mumbai  
Date: July 11, 2022

**Ashish Kumar Damani**  
President and Chief  
Finance Officer

Place: Hyderabad  
Date: July 11, 2022

**Shalabh Saxena**  
Managing Director &  
Chief Executive Officer  
DIN: 08908237  
Place: Hyderabad  
Date: July 11, 2022

**Ramesh Periasamy**  
Company Secretary and  
Compliance Officer  
Membership No.: A26247  
Place: Hyderabad  
Date: July 11, 2022



**SPANDANA**

**SPANDANA SPHOORTY FINANCIAL LIMITED**

CIN - L65929TG2003PLC040648

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