

Date: August 09, 2022

**BSE Limited**

Listing department,  
First floor, PJ Towers,  
Dalal Street, Fort Mumbai – 400 001

**Sub: Notice of the 38<sup>th</sup> Annual General Meeting and Annual Report for the financial year 2021-22**

Dear Sir/Madam

Pursuant to the Regulation 53(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed Notice convening 38<sup>th</sup> Annual General Meeting (“AGM”) and Annual Report of Five-Star Business Finance Limited (“Company”) for the financial year 2021-22.

The AGM of the Company is scheduled to be held on Friday, September 02, 2022, at 10.30 AM at the Registered Office of the Company situated at New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai 600010.

Pursuant to Regulation 50(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please be informed that the AGM is held interalia to consider the following business:

1. Adoption of the audited financial statements of the Company for the financial year ended March 31, 2022, including the Audited Balance Sheet as at March 31, 2022, the Audited Profit and Loss Account, Audited Cash Flow Statement and Statement of changes in equity for the financial year ended on that date together with the reports of the Directors' and Auditor's thereon.
2. Offer / invitation to subscribe to Non-Convertible Debentures (NCDs) on private placement basis upto 4,000 Crores.

The Annual Report and the AGM Notice are also uploaded on the Company's website at <https://fivestargroup.in/investors/>

We request you to kindly take the submission on record.

**For Five-Star Business Finance Limited**

**Shalini Baskaran**  
Company Secretary and Compliance Officer

**Five-Star Business Finance Limited**

Registered Office : New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai - 600 010.  
Phone : 044 - 4610 6200, e-mail : [info@fivestargroup.in](mailto:info@fivestargroup.in), Website : [www.fivestargroup.in](http://www.fivestargroup.in)  
CIN : U65991TN1984PLC010844



**Business Finance Limited**

**FIVE-STAR BUSINESS FINANCE LIMITED**

**CIN: U65991TN1984PLC010844**

**Regd. Office:** New No.27, Old No.4, Taylor's Road, Kilpauk, Chennai - 600010

**Website:** [www.fivestargroup.in](http://www.fivestargroup.in) **Email ID:** [secretary@fivestargroup.in](mailto:secretary@fivestargroup.in)

**Phone No.:** 044-46106200

## **NOTICE TO MEMBERS - ANNUAL GENERAL MEETING**

**NOTICE** is hereby given that the 38<sup>th</sup> Annual General Meeting ("AGM") of the Members of Five-Star Business Finance Limited ("the Company") will be held on Friday, September 02, 2022 at 10:30 AM at the registered office of the Company situated at New No.27, Old No.4, Taylor's Road, Kilpauk, Chennai 600010, to transact the following businesses:

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the audited financial statements of the Company for the financial year ended March 31, 2022, including the Audited Balance Sheet as at March 31, 2022, the Audited Profit and Loss Account, Audited Cash Flow Statement and Statement of changes in equity for the financial year ended on that date together with the reports of the Directors' and Auditor's thereon.
2. To re-appoint Mr Vikram Vaidyanathan (holding DIN: 06764019) who retires by rotation and being eligible, has offered himself for re-appointment.

### **SPECIAL BUSINESS**

3. **Re-appointment and revision in remuneration of Mr Lakshmipathy Deenadayalan (holding DIN: 01723269), Chairman & Managing Director**

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

*"RESOLVED THAT pursuant to the approval of the Nomination & Remuneration Committee and the Board of Directors at their meetings held on April 25, 2022 and April 27, 2022 respectively, subject to the provisions of Section 196, 197, 203 and the provisions of Schedule V to the Companies Act, 2013, ("the Act") read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, and other applicable provisions, if any (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), and pursuant to the Articles of Association of the Company, Mr Lakshmipathy Deenadayalan (holding DIN: 01723269), be and is hereby re-appointed as Managing Director of the Company for a period of 5 consecutive years with effect from June 01, 2022.*

**RESOLVED FURTHER THAT** Mr Lakshmipathy Deenadayalan (holding DIN: 01723269) be and is hereby re-designated as Chairman of the Board / Company with effect from June 01, 2022.

**RESOLVED FURTHER THAT** pursuant to the approval of the Nomination & Remuneration Committee and the Board of Directors at their meetings held on April 25, 2022 and April 27, 2022 respectively, in accordance with the provisions of Section 197, 198 and the provisions of Schedule V to the Companies Act, 2013, ("the Act") read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, and other applicable provisions, if any (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), and pursuant to the Articles of Association of the Company, consent be and is hereby given to revise the terms of remuneration of Mr Lakshmipathy Deenadayalan (holding DIN: 01723269), Chairman & Managing Director (CMD) with effect from April 01, 2022 as follows:

- (a) Salary: INR 42.19 lakhs per month
- (b) Commission: Commission & Perquisites not exceeding 1.5 times of the annual salary
- (c) (a) and (b) together not exceeding 5% of the net profits of the Company, calculated as per the provisions of Section 198 of the Companies Act, 2013

**RESOLVED FURTHER THAT** the commission payable to Mr Lakshmipathy Deenadayalan (holding DIN: 01723269), in his capacity as CMD shall be linked to the levels of performance of the Company as may be determined by the Board of Directors / Nomination & Remuneration Committee, from time to time.

**RESOLVED FURTHER THAT** in any financial year, during the currency of his tenure, if the Company has no profits or its profits are inadequate, it may pay remuneration to Mr Lakshmipathy Deenadayalan (holding DIN: 01723269), CMD by way of salary, allowances, commissions and perquisites not exceeding the limits specified in Part II of Section II of Schedule V to the Companies Act, 2013 or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

**RESOLVED FURTHER THAT** the Board of Directors of the Company including Nomination & Remuneration Committee, be and is hereby authorized to do all such acts, deeds and things as may be deemed necessary, proper, desirable, or expedient to give effect to this resolution.

**RESOLVED FURTHER THAT** any of the Directors and/or the Company Secretary of the Company is authorised to certify the true copy of the aforesaid resolutions and the same may be forwarded to any concerned authorities for necessary action."

#### **4. Offer / invitation to subscribe to Non-Convertible Debentures (NCDs) on private placement basis**

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

**"RESOLVED THAT** pursuant to sections 42, 71, 179, 180 and all other applicable provisions of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014, Companies (Share Capital and Debentures) Rules, 2014 and other applicable rules under the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and the provisions of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (as amended from time to time), the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (as amended from time to time), and in accordance with the Memorandum of Association and Articles of Association of the Company, and listing agreements to be entered into with BSE Limited and / or National Stock Exchange of India Limited ("Stock Exchanges"), where the non-convertible debentures of the Company are proposed to be listed, and subject to approvals, consents, sanctions, permissions as may be necessary from the Securities and Exchange Board of India (SEBI), Stock Exchanges, all other appropriate statutory and regulatory authorities, approval of the members be and is hereby accorded to authorize the Board of Directors of the Company (which term shall be deemed to include the Business & Resource Committee and any such Committee which the Board may constitute/authorize for this purpose) to issue, offer or invite subscriptions for all kinds and types of Non-Convertible Debentures (NCDs), in one or more series / tranches, aggregating up to INR 4,000 Crores (Rupees Four Thousand Crores only), on private placement basis, on such terms and conditions as the Board of Directors of the Company may, from time to time, determine and consider proper and most beneficial to the Company including as to when the said NCDs are to be issued, the consideration for the issue, utilization of the issue proceeds and all matters connected with or incidental thereto.

**RESOLVED FURTHER THAT** the Board of Directors (which term shall be deemed to include the Business & Resource Committee and any such Committee which the Board may constitute/authorize for this purpose) be and is hereby instructed to act upon the resolution within a period of 12 months from the date of passing this resolution.

**RESOLVED FURTHER THAT** for the purpose of giving effect to any offer or allotment of NCDs, the Board (which term shall be deemed to include the Business & Resource Committee and any such Committee which the Board may constitute/authorize for this purpose) be and is hereby authorized on behalf of the Company to take all such actions and do all such deeds, matters, and things as it may, in its absolute discretion, deem necessary, desirable or expedient and to settle any question, difficulties or doubts that may arise in this regard including but not limited to the offering and allotment of NCDs as it may in its absolute discretion deem fit and proper.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to the Business & Resource Committee or any Committee of Directors or any Director or Directors or to any officer or officers of the Company to give effect to this resolution.

**RESOLVED FURTHER THAT** any of the Directors and/or the Company Secretary of the Company is authorised to certify the true copy of the aforesaid resolutions and the same may be forwarded to any concerned authorities for necessary action."

**5. Appointment of Mr Ramkumar Ramamoorthy (holding DIN: 07936844) as an Independent Director**

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

**"RESOLVED THAT** pursuant to approval / recommendation of the Board and the Nomination and Remuneration Committee of the Board and in compliance with the provisions of Sections 149, 152, 160 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder, each as amended, (the "Companies Act"), Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and pursuant to the provisions of the Articles of Association of the Company, Mr Ramkumar Ramamoorthy (holding DIN: 07936844), who possesses relevant expertise and experience and is not being disqualified under Section 164 of the Companies Act, 2013 (including the rules framed thereunder) and who has signified his consent to act as an Independent Director of the Company, if so appointed and has submitted a declaration that he meets the criteria for independence provided in Section 149(6) of the Companies Act and who is eligible for appointment, and who was appointed as an Additional Director (Independent Director) of the Company by the Board of Directors with effect from June 08, 2022, in terms of Section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company for a period of 5 consecutive years from June 08, 2022 to June 07, 2027 and he shall not be liable to retire by rotation and Mr Ramkumar Ramamoorthy (holding DIN: 07936844), may receive remuneration by way of sitting fees, reimbursement of expenses for participation in the meetings of the Board and / or committees thereof and profit related commission, if any, as detailed in the letter of appointment dated June 08, 2022, issued to Mr Ramkumar Ramamoorthy (holding DIN: 07936844), in terms of applicable provisions of the Companies Act, 2013 and as may be determined by the Board from time to time.

**RESOLVED FURTHER THAT** the Company takes note of the consent letter received from Mr Ramkumar Ramamoorthy (holding DIN: 07936844), providing his consent to act as an Independent Director of the Company.

**RESOLVED FURTHER THAT** the Board, Mr Lakshmiipathy Deenadayalan, Chairman & Managing Director (DIN: 01723269), Mr Rangarajan Krishnan, Chief Executive Officer, Mr Srikanth Gopalakrishnan, Chief Financial Officer and Ms Shalini Baskaran, Company Secretary, be and are hereby severally authorised to file necessary forms with the Registrar of Companies, Tamil Nadu at Chennai and do all such acts, deeds, matters and things as may be required to be done to give effect to the above resolution.

**RESOLVED FURTHER THAT** any of the Directors and/or the Company Secretary of the Company is authorised to certify the true copy of the aforesaid resolutions and the same may be forwarded to any concerned authorities for necessary action."

**By Order of the Board of Directors**

**Place: Chennai**  
**Date: August 08, 2022**

**Shalini Baskaran**  
**Company Secretary**

**Notes:**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the Meeting. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. Provided that a member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder. A blank proxy form is enclosed to this notice as Annexure B.

2. A statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Businesses to be transacted at the AGM is annexed hereto.
3. Corporate members intending to send their authorized representatives to attend the AGM are requested to send to the Company, a certified copy of the Board Resolution with attested specimen signature of the duly authorized signatory(ies) authorizing their representative to attend and vote on their behalf at the AGM or alternatively e-mail to the scrutinizer at [evoting.fivestar@sandeep-cs.in](mailto:evoting.fivestar@sandeep-cs.in) with a copy marked to [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com) / [evoting@kfintech.com](mailto:evoting@kfintech.com).
4. In case of joint holders attending the AGM, only such joint holder who is first holder in the order of names as per Register of members of the Company will be entitled to vote.
5. Quorum of the AGM shall be in accordance with Section 103 of the Companies Act, 2013.
6. Mr Vikram Vaidyanathan, Non-Executive Director nominated by Matrix Partners India Investment Holdings II, LLC is liable to retire by rotation at the 38<sup>th</sup> AGM pursuant to Section 152(6) of the Companies Act 2013 and being eligible has offered himself for re-appointment at the 38<sup>th</sup> AGM.
7. In terms of the Secretarial Standards -2 on "General Meetings" issued by the Institute of the Company Secretaries of India and approved & notified by the Central Government, the necessary disclosures are enclosed as **Annexure A**.
8. The Member/Proxies should bring their attendance slip, sent herewith, duly filled in, for attending the meeting as mentioned in **Annexure C** of this notice.
9. Route Map for the location of the aforesaid meeting is enclosed as **Annexure D**.
10. In accordance with Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management & Administration) Rules, 2014 & in compliance with the MCA Circulars and the Securities and Exchange Board of India ("SEBI") Circulars, Notice of the AGM along with the Annual Report 2021-22 is being sent through electronic mode to those members whose email address is registered with the Company / Depository Participant(s). Members may note that the Notice and Annual Report 2021-22 will also be available on the website of the Company at [www.fivestargroup.in](http://www.fivestargroup.in), website of stock exchange i.e BSE Limited and on the website of KFin Technologies Limited at <https://evoting.kfintech.com>.
11. As per Rule 9A of Companies (Prospectus and Allotment of Securities) Rules, 2014 as amended from time to time, every holder of securities, who intends to transfer or subscribe to the securities of the Company, shall get their existing securities dematerialized. Members can contact KFin Technologies Limited, the registrar & share transfer agent (RTA) at the contact details provided in instruction for E-Voting, provided in this notice.
12. All correspondence relating to change of address, change of e-mail ID, transfer / transmission of shares, issue of duplicate share certificates, bank mandates and all other matters relating to the shareholding in the Company may be made to KFin Technologies Limited, the registrar and share transfer agent (RTA). The members holding shares in dematerialised form may send such communication to their respective depository participant/s (DPs).
13. Pursuant to Section 20(2) of the Companies Act, 2013 read with Rule 35 of the Companies (Incorporation) Rules, 2014, as amended, companies are permitted to send official documents to their shareholders electronically. Members who have not registered their e-mail addresses are requested to register their e-mail address for receiving all communication from the Company electronically.
14. The Registers as required to be maintained under Section 170 and Section 189 of the Companies Act, 2013 and other requisite documents mandated under applicable statutory regulations, will be available for inspection by the members during the AGM. The documents referred to in the Resolutions can be inspected at the Registered Office of the Company in Tamil Nadu at Chennai during 10 am to 5 pm on all working days of the Company.
15. The Board has appointed Mr S Sandeep (FCS 5853 /COP 5987), Managing Partner of M/s. S Sandeep and Associates, Company Secretaries, as Scrutinizer to scrutinize the remote e-voting and e-voting process during the AGM in a fair and transparent manner in terms of the requirements of the Act and the rules made there under, and he has communicated his eligibility and willingness to be appointed as Scrutinizer and given his consent for the same and will be available for the said purpose.

## E-VOTING INSTRUCTIONS:

### A. VOTING THROUGH ELECTRONIC MEANS

1. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended, the Company is pleased to provide its Members the facility to exercise their votes by electronic means for all the resolutions detailed in Notice of the AGM scheduled to be held on September 02, 2022 at 10:30 A.M (IST). The Board of Directors have appointed M/s S Sandeep & Associates, Practicing Company Secretaries, Chennai as the scrutinizer for conducting the remote e-voting and e-voting process in the AGM in a fair and transparent manner. In terms of the requirements of the Act and the rules made there under, the Company has fixed **August 26, 2022**, as the cut-off date for determining the eligibility to vote by electronic means or in the AGM. The remote e-voting / voting rights of the members / beneficial owners shall be reckoned on the equity shares held by them as on cut-off date, i.e., August 26, 2022. The Company has engaged the services of KFin Technologies Limited (KFin) to facilitate voting through remote e-voting in a secure manner.
2. Shareholders holding multiple folios/demat account shall choose the voting process separately for each of the folios/demat account.
3. A member even after exercising his right to vote through Remote e-voting may attend the AGM at the Registered Office of the Company but shall not be allowed to vote again.
4. Instructions to Members for e-voting are as under:
  - a. Date and time of commencement of voting through electronic means: **August 30, 2022**, at 10:00 A.M (IST)
  - b. Date and time of end of voting through electronic means: **September 01, 2022**, at 05:00 PM (IST)
  - c. Details of Website: <https://evoting.kfintech.com/>

The Remote e-voting module shall be disabled for voting on September 01, 2022, at 5.00 PM (IST). Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently. The voting right of Members shall be in proportion to their share in the paid-up Equity Share Capital of the Company as on **August 26, 2022** (cut-off date).

5. The process and manner for Remote e-voting are as under:
  - a. **Login method for e-Voting for individual shareholders holding securities in demat mode:**

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL	<ol style="list-style-type: none"><li>1. <b>User already registered for Internet-based Demat Account Statement (IDeAS) facility:</b><ol style="list-style-type: none"><li>a. Visit URL: <a href="https://www.evoting.nsdl.com/">https://www.evoting.nsdl.com/</a></li><li>b. Click on the "Beneficial Owner" icon under "Login" under 'IDeAS' section.</li><li>c. On the new page, enter User ID and Password. Post successful authentication, click on "Access to e-Voting".</li><li>d. Click on Company name or e-Voting service provider and you will be re-directed to e-Voting service provider website for casting the vote during the remote e-Voting period.</li></ol></li><li>2. <b>User not registered for IDeAS e-Services</b><ol style="list-style-type: none"><li>a. To register click on link: <a href="https://www.evoting.nsdl.com/">https://www.evoting.nsdl.com/</a></li><li>b. Select "Register Online for IDeAS" or click at <a href="https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp</a></li><li>c. Proceed with completing the required fields and follow steps given in point 1 above.</li></ol></li><li>3. <b>Alternatively, by directly accessing the e-Voting website of NSDL</b><ol style="list-style-type: none"><li>a. Open URL: <a href="https://www.evoting.nsdl.com/">https://www.evoting.nsdl.com/</a></li><li>b. Click on the icon "Login" which is available under 'Shareholder/Member' section.</li><li>c. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), password / OTP and a verification code as shown on the screen.</li><li>d. Post successful authentication, you will enter the e-voting module of NSDL. Click on "Active E-Voting Cycles" option under e-voting. You will see Company name on the next screen. Click on the e-voting link available or select e-voting service provider "KFin" and you will be re- directed to the evoting page of KFin to cast your vote without any further authentication.</li></ol></li></ol>

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with CDSL	<ol style="list-style-type: none"> <li>1. Existing users who have opted for Easi/Easiest               <ol style="list-style-type: none"> <li>a. Visit URL: <a href="https://web.cdslindia.com/myeasi/home/login">https://web.cdslindia.com/myeasi/home/login</a> or URL: <a href="http://www.cdslindia.com">www.cdslindia.com</a></li> <li>b. Click on New System Myeasi.</li> <li>c. Login with your registered user id and password.</li> <li>d. The user will see the e-Voting Menu. The menu will have links of ESP i.e. KFin e-Voting portal.</li> <li>e. Click on e-Voting service provider name to cast your vote.</li> </ol> </li> <li>2. User not registered for Easi/Easiest               <ol style="list-style-type: none"> <li>a. Option to register is available at <a href="https://web.cdslindia.com/myeasi/Registration/EasiRegistration">https://web.cdslindia.com/myeasi/Registration/EasiRegistration</a></li> <li>b. Proceed with completing the required fields and follow the steps given in point 1 above.</li> </ol> </li> <li>3. Alternatively, by directly accessing the e-Voting website of CDSL               <ol style="list-style-type: none"> <li>a. Visit URL: <a href="http://www.cdslindia.com">www.cdslindia.com</a></li> <li>b. Provide your demat account number and PAN.</li> <li>c. System will authenticate user by sending OTP on registered Mobile &amp; Email as recorded in the demat account.</li> <li>d. On successful authentication, you will enter the e-voting module of CDSL. Click on the e-voting link available or select EVoting Service Provider "KFin" and you will be re-directed to the e-voting page of KFin to cast your vote without any further authentication.</li> </ol> </li> </ol>
Individual Shareholder login through their demat accounts / Website of Depository Participant	<ol style="list-style-type: none"> <li>1. You can also login using the login credentials of your demat account through your DP registered with NSDL /CDSL for e-Voting facility.</li> <li>2. Once logged-in, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL / CDSL Depository site after successful authentication, wherein you can see e-Voting feature.</li> <li>3. Click on options available against Company name or e-Voting service provider – KFin and you will be redirected to e-Voting website of KFin for casting your vote during the remote e-Voting period without any further authentication.</li> </ol>

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

For technical assistance: Members facing any technical issue related to login can contact the respective depository's helpdesk by sending a request on the e-mail id's or contact on the phone nos. provided below:

Login type	Helpdesk details
Securities held with NSDL	Please contact NSDL helpdesk at <a href="mailto:evoting@nsdl.co.in">evoting@nsdl.co.in</a> or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Securities held with CDSL	Please contact CDSL helpdesk at <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a> or contact at 022- 23058738 or 022-23058542-43

**b. Login method for e-Voting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode:**

**i) In case a member receives an email from KFIN [for members whose email IDs are registered with the Company/Depository Participants(s)]:**

- a. Launch internet browser by typing the following URL: <https://evoting.kfintech.com/>
- b. Click on Shareholder/Member – Login
- c. Enter the login credentials provided in the email and click on Login
- d. Password change menu appears. Change the password / PIN with new password of your choice with minimum 8 digits / characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential
- e. Home page of Remote e-voting opens. Click on Remote e-voting: Active Voting Cycles
- f. Select "EVEN" i.e. "Five-Star Business Finance Limited"
- g. Now you are ready for Remote e-voting as Cast Vote page opens

- h. Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted
- i. Upon confirmation, the message "Vote cast successfully" will be displayed
- j. Once you have voted on the resolution, you will not be allowed to modify your vote
- k. Institutional/Corporate Shareholders are required to send scanned copy of the Board Resolution/Authority letter with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to [evoting.fivestar@sandeep-cs.in](mailto:evoting.fivestar@sandeep-cs.in) with a copy marked to [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com) / [evoting@kfintech.com](mailto:evoting@kfintech.com)

**ii) In case of a member whose email IDs are not registered with the Company/Depository Participant(s), process for procuring User ID and password and to register the e-mail ids for e-voting:**

- a. In case shares are held in physical mode, please provide Folio No., Name of shareholder, scanned copy of the Share Certificate (front and back), PAN (self-attested), Aadhaar (self-attested) by email to [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com) / [evoting@kfintech.com](mailto:evoting@kfintech.com) with copy to [secretary@fivestargroup.in](mailto:secretary@fivestargroup.in).
- b. In case shares are held in demat mode, please provide DPID-CLID (16-digit DPID + CLID or 16-digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested), Aadhaar (self-attested) to [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com) / [evoting@kfintech.com](mailto:evoting@kfintech.com).
- c. Please follow all steps from Sl. No. (i) above, to cast vote.

6. In case of any queries, you may refer the Help & Frequently Asked Questions (FAQs) section of <https://evoting.kfintech.com/public/Faq.aspx> or write to them at [evoting@kfintech.com](mailto:evoting@kfintech.com) or call KFin on Toll-free No. 1800-309-4001 [from 9:00 A.M. (IST) to 6:00 P.M. (IST) on all working days] for any technical assistance or support before or during the AGM.
7. Any person, who acquires shares of the Company and becomes Member of the Company after dispatch of the Notice and holding shares as of the cut-off date i.e. August 26, 2022, may obtain the login ID and password by sending a request at [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com) or [secretary@fivestargroup.in](mailto:secretary@fivestargroup.in).
8. A person, whose name is recorded in the Register of Members or in the Register of Beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of Remote e-voting.
9. The Scrutinizer shall after the conclusion of the AGM, first count the votes cast at the meeting, thereafter, unblock the votes cast through Remote e-voting in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, within 2 days of conclusion of the meeting to the Chairman of the Company who shall countersign the same and declare the results of the voting forthwith.
10. The results declared along with the Scrutinizer's Report shall be available on the Company's website and on the website of KFin after the declaration of the result by the Chairman or the person authorized in this regard.

**B. INSTRUCTIONS FOR MEMBERS FOR E-VOTING ON THE DAY OF THE AGM ARE AS UNDER:**

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
2. Only those Members, who are present at the venue of and have not casted their vote on the Resolutions through Remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.
3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
4. For any grievances connected with the facility for e-Voting on the day of the AGM, members can contact KFin on toll free No.: 1800-309-4001.



**Statement pursuant to section 102(1) of the Companies Act, 2013 (“the Act”) setting out all material facts relating to the special businesses to be transacted at the AGM is detailed hereunder:**

**Item No 3: Re-appointment and revision in remuneration of Mr Lakshmipathy Deenadayalan (holding DIN: 01723269), Chairman & Managing Director**

In accordance with the provisions of Section 196 of the Act, the Managing Director of the Company can be appointed only for a period of a term not exceeding 5 years at a time. Accordingly, Mr Lakshmipathy Deenadayalan (holding DIN: 01723269) has been appointed as the Chairman & Managing Director by the shareholders of the Company in its 33<sup>rd</sup> Annual General Meeting held on September 28, 2017.

Considering that his term is expiring, Nomination & Remuneration Committee and the Board of Directors at their meetings held on April 25, 2022 and April 27, 2022 respectively have recommended and approved, as the case may be, his re-appointment as Chairman & Managing Director of the Company for another term of 5 years with effect from June 01, 2022.

Further, the Board had approved the payment of remuneration to Mr Lakshmipathy Deenadayalan (holding DIN: 01723269), Chairman & Managing Director with effect from April 01, 2021, consisting of the following components, namely,

- (a) Salary: INR 33.75 lakhs per month
- (b) Commission: Commission & Perquisites not exceeding 1.5 times of the annual salary
- (c) (a) and (b) together not exceeding 5% of the net profits of the Company, calculated as per the provisions of Section 198 of the Companies Act, 2013

Pursuant to the approvals and recommendations of the Nomination & Remuneration Committee and the Board of Directors at their meetings held on April 25, 2022 and April 27, 2022 respectively and pursuant to Section 197 read with Schedule V of the Companies Act, it is proposed to revise the remuneration payable to Mr Lakshmipathy Deenadayalan (holding DIN: 01723269), Chairman & Managing Director (CMD) with effect from April 01, 2022 as set out in the special resolution appearing under item no. 3 of this notice.

The remuneration payable to Mr Lakshmipathy Deenadayalan (holding DIN: 01723269), is within the conditions and limits as prescribed in Part I and Section 1 of Part II of Schedule V of the Companies Act, 2013 read with Section 197 of the Companies Act, 2013. Furthermore, brief details of Mr Lakshmipathy Deenadayalan (holding DIN: 01723269), Chairman & Managing Director, as required by paragraph no. 1.2.5 of SS2 – Secretarial Standards on General Meetings is provided in Annexure A.

Mr Lakshmipathy Deenadayalan (holding DIN: 01723269), Chairman & Managing Director is directly interested in the said resolution and his relatives are interested to the extent of their shareholding in the Company. None of the other Directors or Key Managerial Personnel or their relatives are concerned or interested financially or otherwise in this resolution.

Accordingly, your directors recommend the Special Resolution in item no. 3 for your approval pursuant to Sections 196, 197 read with Schedule V to the Companies Act, 2013.

**Item No 4: Offer / invitation to subscribe to Non-Convertible Debentures (NCDs) on private placement basis**

As part of its fundraising plans, the Company proposes to issue NCDs aggregating upto INR 4,000 crores, on private placement basis as per the recommendation of the Board of Directors at their meeting held on May 12, 2022, to persons including but not limited to individuals, institutions, and bodies corporate, both domestic and non-domestic as may be identified by the Board of Directors or any Committee of the Board authorised in this behalf from time to time. The Company may offer or invite subscription for all kinds and types of NCDs including secured redeemable NCDs, in one or more series / tranches on private placement basis.

Pursuant to Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, in case of an offer or invitation to subscribe for Non – Convertible Debentures (“NCDs”) on private placement basis, the Company has an option to obtain omnibus approval from its shareholders by means of a special resolution only once in a year for all the offers or invitations for such debentures during the year.

Accordingly, Omnibus approval of the members is sought for passing a Special Resolution as set out at item no. 4 of the Notice.

This resolution enables the Board of Directors of the Company to offer or invite subscription for NCDs, as may be required by the Company, from time to time for one year from the conclusion of this General Meeting.

None of the Directors, Key Managerial Persons of the Company and their relatives are concerned or interested financially or otherwise in the above resolution.

Accordingly, your directors recommend the Special Resolution in item no. 4 for your approval.

**Item No 5: Appointment of Mr Ramkumar Ramamoorthy (holding DIN: 07936844) as an Independent Director**

Mr Ramkumar Ramamoorthy (holding DIN: 07936844) was appointed as an Additional Director (Independent Director) with effect from June 08, 2022. His position as Director needs to be regularized by appointing him as an Independent Director.

Mr Ramkumar Ramamoorthy (holding DIN: 07936844), being eligible, has offered himself for appointment as an Independent Director. The Company has received a notice in writing from a member proposing his candidature for the office of Director in accordance with the provisions of Section 160 of the Companies Act, 2013. In the opinion of the Board and the Nomination & Remuneration Committee, Mr Ramkumar Ramamoorthy (holding DIN: 07936844), fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management. The Company has also received declaration from him to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013 and Regulation 25(8) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The notice of candidature and other consents / declarations received from Mr Ramkumar Ramamoorthy (holding DIN: 07936844) and copy of his appointment letter are available for inspection at the registered office of the Company during the working hours of the Company on any working day up to the date of the AGM.

Further details of Mr Ramkumar Ramamoorthy (holding DIN: 07936844), as required by paragraph no. 1.2.5 of SS2 – Secretarial Standards on General Meetings are provided in Annexure A to this notice.

Except Mr Ramkumar Ramamoorthy (holding DIN: 07936844), none of the other Directors or Key Managerial Personnel or their relatives are concerned or interested financially or otherwise in this resolution.

Accordingly, your directors recommend the Special Resolution in item no. 5 for your approval.

**By Order of the Board of Directors**

**Place: Chennai**  
**Date: August 08, 2022**

**Shalini Baskaran**  
**Company Secretary**

## Statement as required by paragraph no. 1.2.5 of SS2 - Secretarial Standards on General Meetings:

Name of Director	Mr Lakshmipathy Deenadayalan	Mr Ramkumar Ramamoorthy
DIN	01723269	07936844
Date of Birth/ (Age)	09-Feb-1974 / 48	22/11/1967 / 55
Qualifications	Bachelor of Engineering	M.Phil (English)
Brief resume & Experience	Mr Lakshmipathy Deenadayalan hails from a business family, he joined the Company as a Director in 2002 and went on to become its Managing Director in 2012. He was a Managing Director of RKV Finance Limited, a NBFC registered with RBI. He has wide exposure in lending to Small Business Customers (SBL) which has helped him to develop similar advance portfolio at the Company with great success.	Mr Ramkumar Ramamoorthy spent over 22 years at Cognizant, a NASDAQ 100, S&P 500 and Fortune 200 company. He incubated and built about half a dozen portfolios at Cognizant and retired as Chairman and MD of Cognizant India, responsible for the Company's India operations with over 200,000 employees across 13 cities. He is now a Partner at Catalincs, a strategic advisory firm that helps small tech companies scale and grow, and the Pro Vice-Chancellor of Professional Learning at Krea University.
Expertise in specific Functional areas	Financial Services, Strategy & Planning, Risk Management, Corporate Governance and Management & Leadership	Technology, Strategy & Planning, Risk Management, Corporate Governance and Management & Leadership
Terms and conditions of appointment	Chairman & Managing Director	Appointment as an Independent Director for a term of 5 years
Remuneration sought to be paid	As set out in the special resolution under Item no. 3 of this Notice	Sitting fees, Profit related commission
Remuneration last drawn (for financial year 2021-22)	Please refer explanatory statement for Item no. 3 of this Notice	Nil
Date of first appointment on the Board	June 21, 2002	June 08, 2022
Shareholding in the Company as of March 31, 2022	12.37%	Nil
Relationship with other Directors, Manager and KMP of the Company	None	None
Number of Board Meetings attended during FY 2021-22	Ten (10) out of Ten (10) meetings held	Not Applicable (since appointed on June 08, 2022)
Other Directorships, Membership/ Chairmanship of Committees of other Boards	Nil	Nil
In the case of independent directors, the skills and capabilities required for the role and the manner in which the proposed person meets such requirements	NA	The role and capabilities as required in the case of an independent director are set out in the Directors Appointment, Remuneration & Evaluation Policy.  Mr Ramkumar Ramamoorthy possesses the relevant skills, experience, expertise and capabilities to discharge the role of Independent Director effectively. His profile has been evaluated by the Nomination & Remuneration Committee and based on the recommendation of the Committee, the Board of Directors have approved his appointment.

**FIVE-STAR BUSINESS FINANCE LIMITED**

**Form No. MGT-11**

**Proxy Form**

*(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014)*

CIN : U65991TN1984PLC010844  
Name of the Company : FIVE-STAR BUSINESS FINANCE LIMITED  
Registered Office : New No.27, Old No.4, Taylor's Road, Kilpauk, Chennai 600010  
Website : [www.fivestargroup.in](http://www.fivestargroup.in)

Name of the Member (s) :  
Registered address :  
E-mail id :  
Folio No. / Client Id :  
DP ID :

I / We, being the member(s) of FIVE-STAR BUSINESS FINANCE LIMITED, hereby appoint:

1. Name :  
Address:  
  
E-mail id:  
  
Signature: , or failing him / her

2. Name :  
Address:  
  
E-mail id:  
  
Signature: , or failing him / her

3. Name :  
Address:  
  
E-mail id:  
  
Signature: , or failing him / her

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the Annual General Meeting of the Company, to be held on Friday, September 02, 2022 at 10:30 AM at the Registered Office of the Company situated at New No. 27, Old No. 4, Taylors Road, Kilpauk, Chennai 600 010 and at any adjournment thereof, in respect of such resolutions set out in the notice convening the meeting, as are indicated below:

S. No	Resolutions	For	Against
1	Adoption of the audited financial statements of the Company for the financial year ended March 31, 2022, including the Audited Balance Sheet as at March 31, 2022, the Audited Profit and Loss Account, Audited Cash Flow Statement and Statement of changes in equity for the year ended on that date together with the reports of the Directors' and Auditor's thereon.		
2	Appointment of a director in place of Mr Vikram Vaidyanathan (holding DIN: 06764019) who retires by rotation and being eligible, offers himself for re-appointment.		
3	Re-appointment and revision in remuneration of Mr Lakshmiopathy Deenadayalan (holding DIN: 01723269), Chairman & Managing Director		
4	Offer / invitation to subscribe to Non-Convertible Debentures (NCDs) on private placement basis		
5	Appointment of Mr Ramkumar Ramamoorthy (holding DIN: 07936844) as an Independent Director		

Signed this ..... day of ....., 2022

Signature of Shareholder

Affix Revenue  
Stamp here

Signature of Proxy Holder (s)

**Note:**

- This form of proxy in order to be effective should be duly completed and deposited at the registered office of the Company, not less than 48 hours before the commencement of the Meeting.**
- A Proxy need not be a member of the Company.
- A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- This is only optional. Please put a 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
- Appointing a proxy does not prevent a member from attending the meeting in person if he so wishes.
- In the case of joint holders, the signature of any one holder will be sufficient, but names of all the joint holders should be stated.

**Attendance Slip****(Please complete this attendance slip and hand it over at the entrance of the Hall)**

I hereby record my presence at the 38<sup>th</sup> Annual General Meeting of the Company, Five-Star Business Finance Limited being held on Friday, September 02, 2022 at 10:30 AM at New No. 27, Old No. 4, Taylors Road, Kilpauk, Chennai - 600 010

Regd. Folio No:

DP Id / Client Id:

Full Name of the Shareholder in Block Letters:

No. of Share held:

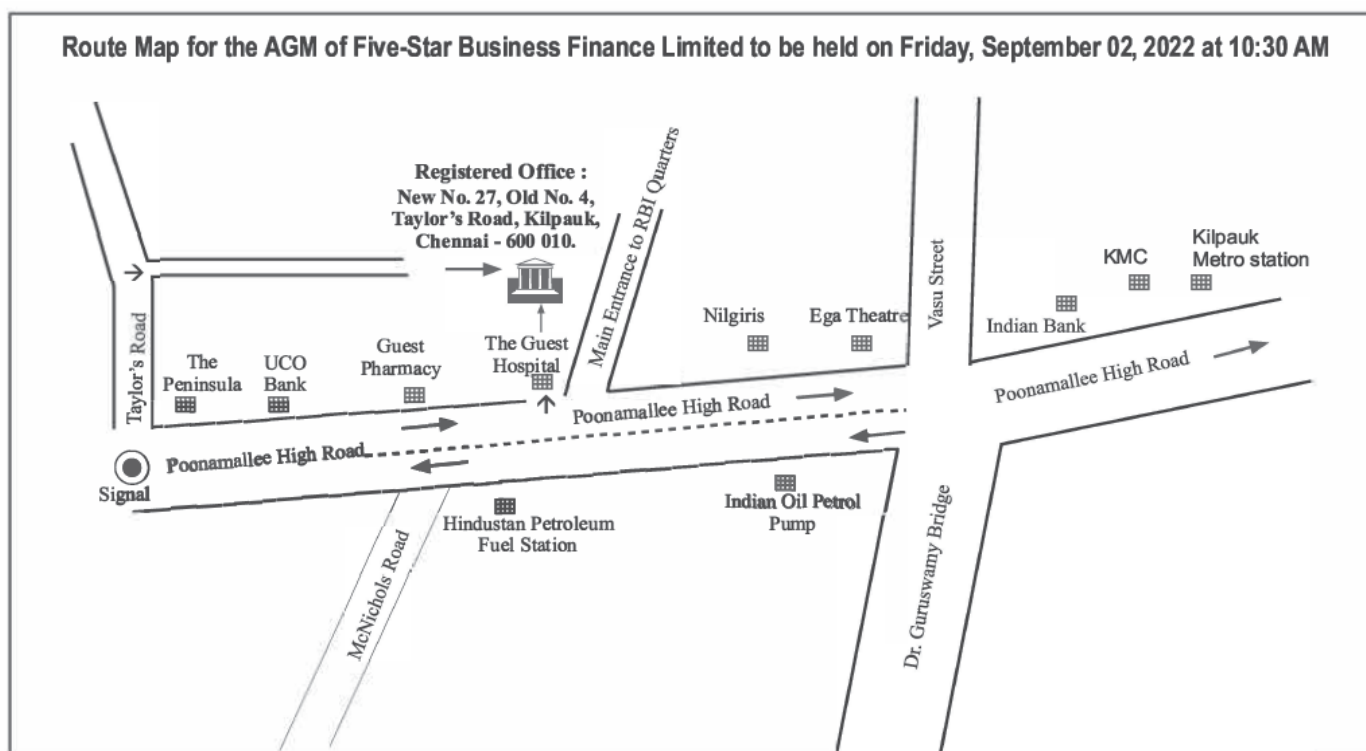
Name of the representative or proxy (if any) in Block Letters:

---

 Signature of the Shareholder/Proxy/Representative\*

Note:

1. Please fill this attendance slip and hand it over at the venue of the meeting.
2. Shareholder/Proxy Holder/Auth. Representatives are requested to show their Photo ID proof for attending the meeting.
3. Authorised Representatives of Corporate members shall produce proper authorization issued in their favour.
4. Photocopied/torn attendance slip will not be accepted.
5. This attendance slip is valid only in case shares are held as on the date of the Annual General Meeting.

**Route Map to the Venue**

# FIVE STAR RISING

Annual Report  
2021 - 2022



# ***Vision***

*Reaching the Unreached through suitable credit solutions*

# ***Mission***

*Provide appropriate credit solutions to the hitherto unreached segment of the market by developing a niche underwriting model, built towards evaluating the twin strengths of the borrowers' intention to repay and ability to repay, with the ultimate objectives of increasing customer satisfaction and maximising stakeholder returns*





# Corporate Information

## Board of Directors

Lakshmipathy Deenadayalan  
Anand Raghavan  
Srinivasaraghavan T T  
Bhama Krishnamurthy  
Ramkumar Ramamoorthy\*  
Vikram Vaidyanathan  
Ravishankar G V  
Thirulokchand Vasani

## Board Observers

Niren Shah  
Sanjeev Mehra  
Rohan Suri

## Key Managerial Personnel

Rangarajan Krishnan, Chief Executive Officer  
Srikanth Gopalakrishnan, Chief Financial Officer  
Shalini Baskaran, Company Secretary

## Statutory Auditors

S R Batliboi & Associates LLP  
6<sup>th</sup> Floor, A Block, Tidel Park,  
No:4, Rajiv Gandhi Salai, Taramani, Chennai 600 113

## Internal Auditors

Sundaram & Srinivasan  
23, C P Ramaswamy Road,  
Alwarpet, Chennai 600 018

## Secretarial Auditors

S Sandeep & Associates  
F - 20, Gemini Parsn Apts, 448/ 599, Cathedral  
Garden Road, Nungambakkam, Chennai 600006

## Registered Office

New No 27, Old No 4, Taylor's Road, Kilpauk,  
Chennai 600010  
CIN: U65991TN1984PLC010844

## Registrar & Transfer Agents

### *KFin Technologies Limited*

(Unit: Five-Star Business Finance Limited)  
Selenium, Tower B, Plot No 31 and 32, Financial District,  
Nanakramguda, Serilingampally, Hyderabad,  
Rangareddi 500 032, Telangana, India  
Phone: 040-67162222 | Email: [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com)

### *NSDL Database Management Limited*

4<sup>th</sup> Floor, Trade World, 'A' Wing, Kamala Mills  
Compound, Senapati Bapat Marg, Lower Parel,  
Mumbai – 400013  
Phone: 022-4914 2591 | Email: [nileshb@nsdl.co.in](mailto:nileshb@nsdl.co.in)

*\*Appointed w.e.f June 08, 2022*

The page features a dark blue background with a silhouette of a city skyline on the right side. A prominent diagonal stripe, composed of a red inner line and a dark blue outer line, runs from the top left towards the bottom right. The text is positioned on the left side of the page.

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**05** BUSINESS HIGHLIGHTS

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# CHAIRMAN'S MESSAGE



# Message from the Chairman & Managing Director

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Dear Shareholders,

The last few years have taught me a very important trait that defines the success of an institution – the need to remain nimble and flexible in the face of challenges. Every year has been challenging us in different ways and it is extremely important that we remain flexible enough to make the necessary adjustments to face them and win over them. These challenges make life all the more interesting and exciting. FY2022 was no different!!!

To begin with, FY2022 saw the onset of the second wave of COVID, which was much more pronounced and sharper than the first wave. Along with affecting a much larger population than the first wave, the second wave was also much more severe as compared to the first wave. Hospitalisations and casualties spiked; medical facilities across the length and breadth of the country crippled; and needless to say, this wave also had a temporary impact on the financial position of Five Star borrowers. Also, unlike the first wave, there was no regulatory forbearance from RBI and the institutions were left to manage the impact through restructuring.

Additionally, FY2022 also saw a plethora of regulatory pronouncements which would have far-reaching implications on the entire NBFC industry. Harmonising the regulations across banks and NBFCs seems to be the intent of the RBI and these regulations are the steps in that direction. While I am of the firm view that these are beneficial to strong NBFCs in the long term, there will definitely be some short-term implications, which we will need to tide over. But I am confident that we are well-placed to face these regulations and emerge in a much stronger manner.

On the whole, FY2022 was again one that was filled with uncertainties and ambiguities, but I am happy to say that we managed to overcome all the challenges and emerged successful.

- a. Once we realised that the second wave of COVID is likely to cause a significant impact, we went into a war-footing mode on collections. Business took a backseat and Collections assumed predominant importance. And the results are there for all of us to see – an overall collection efficiency of about 98% for the year, despite major setback in the first quarter.
- b. RBI came out with modifications to the NPA recognition and upgradation guidelines, which will become effective from October 01, 2022. Given our client profile and collections methodology, this would have had a significant impact if we don't take the right steps to educate the customers and influence their payment behaviour. Through appropriate measures, we have been able to influence borrower behaviour and I am happy to inform you that we are seeing a predominant portion of the borrowers paying up their dues by the due rather than missing the due date.
- c. Once we were confident that the COVID impact was behind us, we pressed the pedal on business and disbursals leading to disbursement of about INR 644 Crores during the last quarter of the financial year.



Another milestone event that happened during the financial year was the filing of our Draft Red Herring Prospectus with SEBI in November 2021. We got the approval from SEBI and also met up with a number of investors as part of roadshow meetings, and the investors were very impressed with the differentiated business model and performance of your Company. Ideally, we should have been a listed entity by now, but despite the Company's strength across various parameters, the global headwinds dented investor sentiments leading to extreme market volatility and deferment of our listing plans. We will keep monitoring the market and investor sentiment and take a call that would be in the best interests of all the stakeholders.

Despite all the challenges that came our way, your Company managed to achieve some of the best results during the financial year ended March 31, 2022.

- *Disbursal of over INR 1,750 crores along with the borrower base crossing 2 lakhs during the year.*
- *Your Company also saw its portfolio growing from INR 4,445 crores to INR 5,067 crores, an increase of 14% in a difficult year.*
- *Growth in Profit after Tax (PAT) from INR 359 crores to INR 454 crores, an increase of over 25%.*
- *Gross Stage 3 assets of 1.05%, which I am sure would be one of the best asset qualities across the financial services industry. This was achieved even though there was no regulatory forbearance provided except for minimal restructuring undertaken by the Company.*

I am very confident that, with the impact of the pandemic receding, we will definitely get back into the growth mode. We have all the ingredients available – the right business model, experienced people, strong capital base – for us to catapult into the next phase of growth in the years to come.

I would also like to express my thanks to all the other stakeholders viz. shareholders, lenders, directors, auditors and other industry stakeholders like the rating agencies, regulatory bodies, who have been pillars of support to your Company through thick and thin. I look forward to their continued support.

I would like to emphasise one very important facet of human personality that separates the great from the ordinary.

மடுத்தவா யெல்லாம் பகடன்னான் உற்ற  
இடுக்கண் இடர்ப்பாடு உடைத்து

Like a bullock that draws the cart with all its might, the man who trudges on through the challenges of with all his might, will be able to overcome all those challenges. This means that it is not enough to have lofty ambitions, but the determination to work towards realising those ambitions alone guarantees success. This couplet clearly shows that determination to face and cross challenges in life alone shall make one become great in life.

At Five Star, we are not afraid to dream big; but our dreams are not those ones that we get in our sleep, but ours are those that do not make us sleep. We are equally determined to take all the steps necessary to translate our dreams into reality. We will leave no stone unturned to achieve our ambitions and make Five Star a great institution in the years to come.

We have now navigated 2 waves of the pandemic and emerged unscathed from both, which clearly stand testimony to the strength and resilience of your Company. Every human being nurtures the ambition to rise higher in his / her life. This rising can come from opportunities, from sheer luck or providence but no rise can be as formidable and lasting as the one that comes from challenges. At the beginning of my message, I mentioned that challenges make life interesting and exciting. Not just adding interest to life, the actual rise of anyone or anything starts only from Challenges. Indeed, “Challenges raise a person”. We have faced enormous challenges in the last few years and now is the time for our rising, and hence the theme of this year has been christened as **“Five Star Rising”**.

**Best Wishes**

Lakshmipathy Deenadayalan  
Chairman & Managing Director

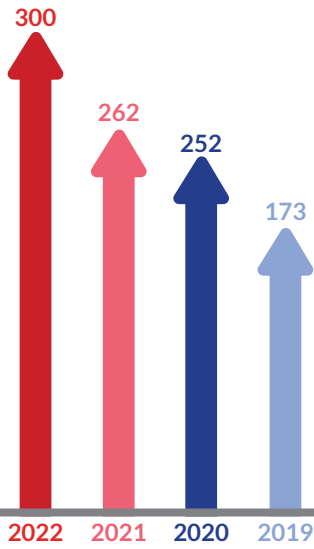
# BUSINESS HIGHLIGHTS



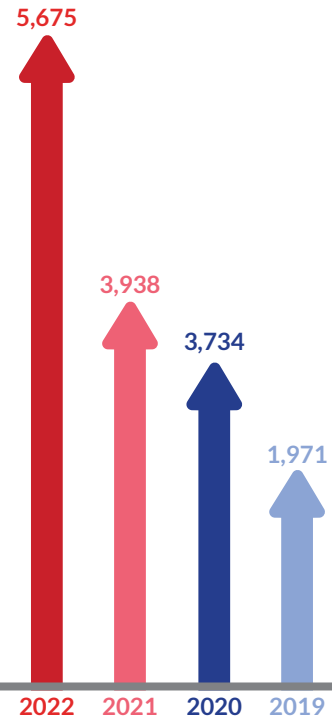


# Business Highlights

## BRANCHES

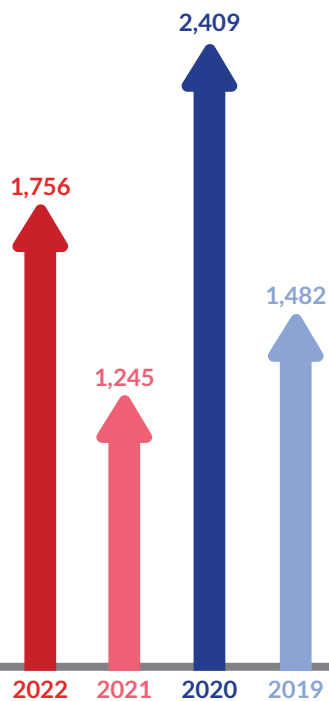


## EMPLOYEES

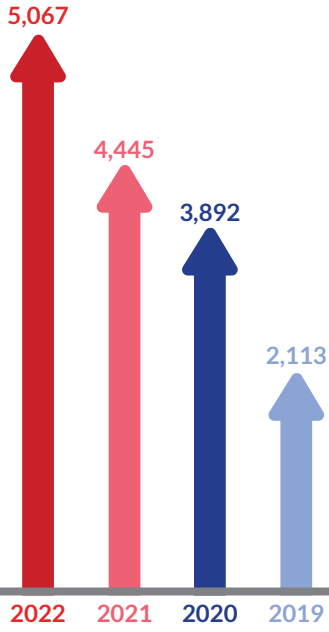


## LOAN DISBURSEMENTS

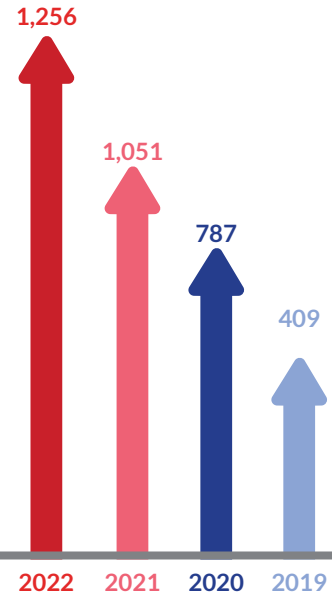
(In Crores)



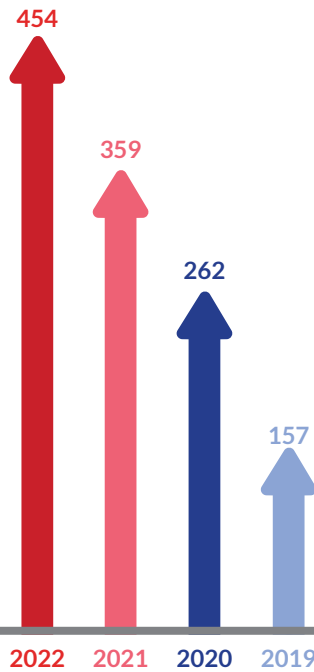
**LOAN PORTFOLIO**  
(In Crores)



**REVENUES**  
(In Crores)

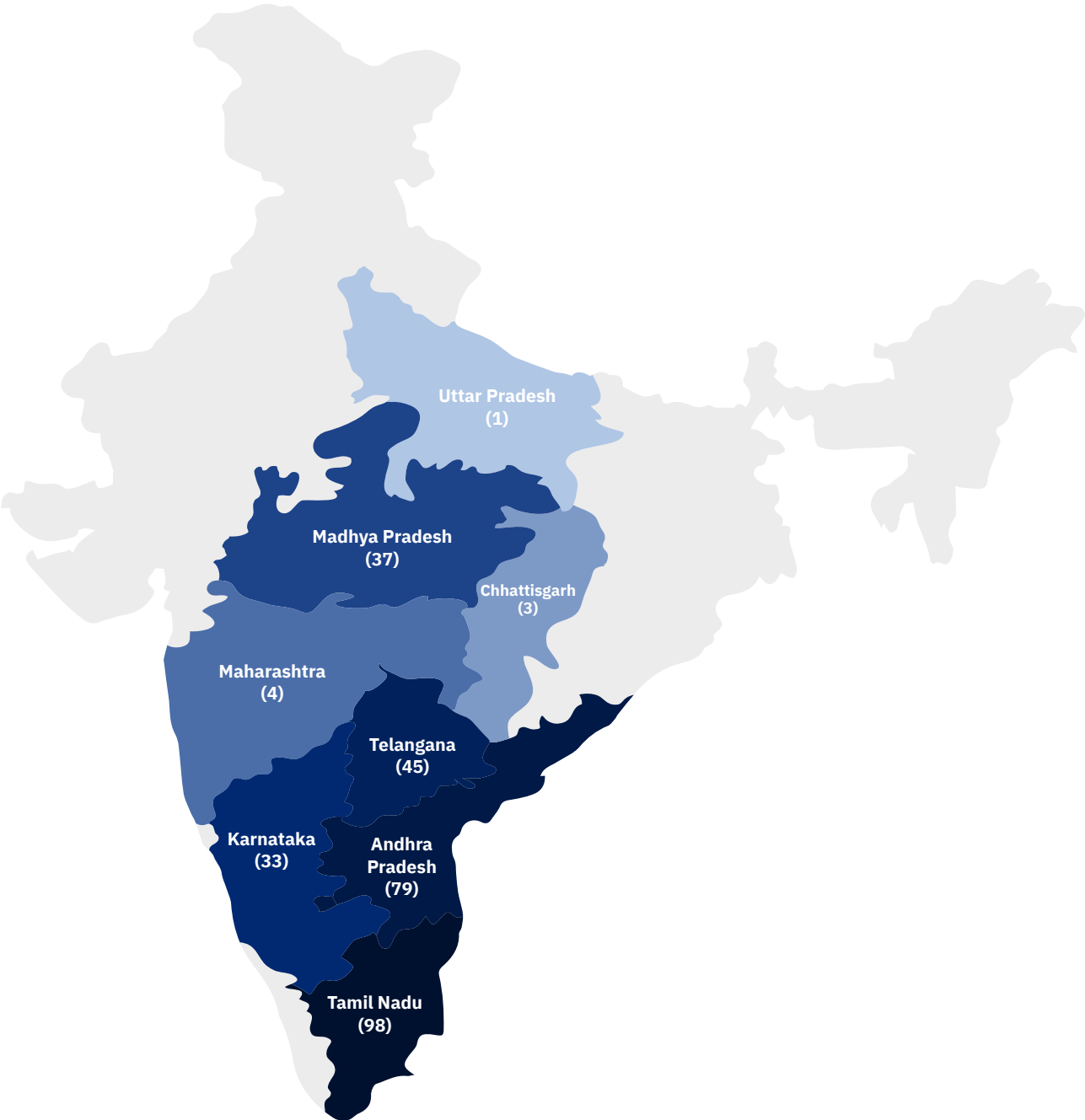


**PROFIT AFTER TAX (PAT)**  
(In Crores)





# Branches



# Lending Relationships

## Banks

Axis Bank  
AU Small Finance Bank  
Bandhan Bank  
Bank of Baroda  
Bank of India  
Bank of Maharashtra  
Central Bank of India  
City Union Bank  
CSB Bank  
DCB Bank  
Equitas Small Finance Bank  
Federal Bank  
HDFC Bank  
HSBC  
ICICI Bank  
IDFC First Bank  
Indian Overseas Bank  
IndusInd Bank  
Karnataka Bank  
Karur Vysya Bank  
Kotak Mahindra Bank  
Punjab National Bank  
RBL Bank  
SBM Bank  
State Bank of India  
Ujjivan Small Finance Bank  
Union Bank of India  
Utkarsh Small Finance Bank  
YES Bank

## NBFCs

Aditya Birla Finance  
AK Capital  
Arka Fincap  
Bajaj Finance Ltd  
Cholamandalam Inv & Fin Co Ltd  
Hero Fincorp  
Hinduja Leyland Finance  
MAS Financial Services  
Nabkisan Finance  
Nabsamruddhi Finance  
Northern Arc Capital (formerly IFMR Capital)  
Sundaram Finance  
Tata Capital

## Others

Navi Finserv  
Northern Arc Investments (*formerly IFMR Investments*)  
responsAbility

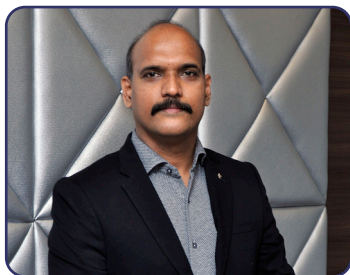
Swedfund  
Unifi  
Vivriti AMC

# BOARD OF DIRECTORS

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## **Board of Directors**



### **Lakshmipathy Deenadayalan**

*Chairman & Managing Director*

Lakshmipathy is an Engineering graduate from Madras University. Hailing from an entrepreneurial family, he joined Five-Star in 2002 as an Executive Director. He was responsible for pioneering the current business model of providing secured financial solutions to micro-entrepreneurs and self employed individuals. He has been instrumental in growing the business across geographies, maintaining a stellar asset quality, inducting professionals into the Company's Board and management team. He had also been associated with trade bodies like the Finance Companies Association of India and South India Hire Purchase Association in leadership positions.



### **Bhama Krishnamurthy**

*Independent Director*

Bhama was Country Head and Chief General Manager of SIDBI. She has closely dealt with Multilateral and Bilateral Agencies in close co-ordination with the Government of India. Her areas of specialization include, interalia, handling of Human Resources Development Division covering recruitment, training and promotion aspects. She was also associated with drafting of CSR Policy guidelines for the Bank.



### **Anand Raghavan**

*Independent Director*

Anand is a Chartered Accountant with over 30 years of industry experience. He worked in Sundaram Finance for over 20 years occupying several positions in Finance and Audit. He also worked as a Partner in Ernst & Young LLP covering Tax and Regulatory aspects of various industries like Financial Services, Real Estate, Auto and Auto components, Media and Entertainment. His specializations include NBFC Regulations, Corporate Tax and Foreign Investment and Exchange control regulation and Corporate restructuring.



### **Srinivasaraghavan T T**

*Independent Director*

Srinivasaraghavan is a graduate in Commerce and holds a Master's in Business Administration from the Gannon University, Pennsylvania. He began his career as a banker, before moving to Sundaram Finance Limited in 1983. Starting his career as a department manager in the Company, he was elevated as its Managing Director in 2003. He retired from Sundaram Finance on March 31, 2021 after 38 years of service, 18 of them as its Managing Director



## **Ramkumar Ramamoorthy**

*Independent Director*

Ramkumar Ramamoorthy spent over 22 years at Cognizant, a NASDAQ 100, S&P 500 and Fortune 200 company. He incubated and built about half a dozen portfolios at Cognizant and retired as Chairman and MD of Cognizant India, responsible for the Company's India operations with over 200,000 employees across 13 cities. Prior to joining Cognizant, Ramkumar worked for Tata Consultancy Services. He is now a Partner at Catalinco, a strategic advisory firm that helps small tech companies scale and grow, and the Pro Vice-Chancellor of Professional Learning at Krea University.

*Appointed w.e.f June 08, 2022*



## **Vikram Vaidyanathan**

*Non-Executive Director - Matrix Partners*

Vikram is a MBA graduate from IIM Bangalore, and interned at Procter & Gamble, Singapore. He joined McKinsey & Co. after his MBA and worked across a variety of sectors including mobile media, TV, retail, engineering construction and manufacturing. Currently Vikram is one of the Managing Directors at Matrix Partners.



## **Ravishankar G V**

*Non-Executive Director - SCI Investments V*

G V Ravishankar is a Managing Director of Sequoia Capital India. Prior to joining Sequoia, he has also worked at McKinsey in the capacity of an advisor to management teams of top Indian Companies. He had also worked at Wipro prior to McKinsey, where he helped several venture-backed networking start-up clients on a wide variety of issues.

He has a Masters in Business Administration from Indian Institute of Management (IIM), Ahmedabad where he was awarded the President's Gold Medal. He also holds a BE in Computer Science and Engineering from REC.



## **Thirulochand Vasan**

*Non-Executive Director*

Thirulochand is a Hotel Management Graduate with over 17 years of experience in the Hospitality business. His areas of expertise include Team Management, Customer satisfaction and Process Optimisation.





### **Niren Shah**

*Board Observer - Norwest Venture Partners X - Mauritius*

Niren Shah is a professional with over 20 years of entrepreneurial, finance, operational and investment banking experience with leading consumer oriented companies and global financial institutions. He has advised Norwest's investments in Cholamandalam Finance, Shriram City and many other banks and other institutions. He had served as the Senior Director of Strategy and Ventures at eBay Inc., KPMG, Bombay Stock Exchange prior to moving with Norwest. Niren is a rank holder Chartered Accountant and a gold medallist Masters in Commerce from University of Mumbai.



### **Sanjeev Mehra**

*Board Observer - TPG Asia VII SF Pte. Ltd*

Sanjeev Mehra is a Director at TPG Capital Asia where he covers the Financial Services and Consumer sectors. He is based in Mumbai and has over 10 years of investing experience. Sanjeev has an MBA from London Business School and an undergraduate degree in Economics from Delhi University.



### **Rohan Suri**

*Board Observer - Sirius II Pte. Ltd.*

Rohan Suri is a Director with KKR's Private Equity team. He has been closely involved with investments in Alliance Tire Group (ATG), Five Star Finance, Gland Pharma, HDFC Ltd., Indus Towers, Jio Platforms, Max Financial Services, Max Healthcare, Reliance Retail, SBI Life Insurance and Vini Cosmetics. Prior to KKR he was with Bain & Co. in their New Delhi and San Francisco offices. Mr. Suri holds an MBA from the Indian Institute of Management Ahmedabad, where he was an Industrial Scholar, and a B.E. Honors in Electrical and Electronics Engineering from the Birla Institute of Technology and Science, from where he graduated as a Chancellor's Gold Medalist.

# DIRECTORS' REPORT

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# Directors' Report

Your directors have the pleasure in presenting the 38<sup>th</sup> Annual Report together with the audited financial statements of the Company for the financial year ended March 31, 2022. The summarised financial results of the Company are presented hereunder:

## Financial Results - Financial Highlights

₹ in lakhs

Particulars	March 31, 2022	March 31, 2021
Revenue from Operations	125,406.36	104,974.22
Other Income	210.56	151.25
Expenses	65,196.01	57,481.39
Profit before tax	60,420.91	47,644.08
Tax expenses	15,066.46	11,744.64
Profit after tax	45,354.45	35,899.44
Other comprehensive income	(223.41)	(78.78)
Total comprehensive income	45,131.04	35,820.66

Your Company has adopted Indian Accounting Standards (IND AS) notified under Section 133 of Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules 2015.

## Material Developments

During the financial year ended March 31, 2022, your Company also submitted its Draft Red Herring Prospectus (DRHP) to Securities and Exchange Board of India (SEBI) and obtained their approval for carrying out an Initial Public Offering of its shares. However, the last quarter, when your Company was about to complete listing of its shares, saw significant headwinds in the capital market; despite the strong performance of your Company, which was also appreciated by the investors as part of the roadshow meetings, the headwinds in the capital market contributed to overall sentiment turning negative, due to which your Company had to defer the listing plans. The Board will take a considered view during the current financial year on the right time to list the shares of your Company on the stock exchanges.

## State of Company's Affairs and Future Outlook

As you are aware, your Company continued its financing business by focusing on providing secured lending solutions to micro-entrepreneurs and self-employed individuals, who are largely cut off from the formal lending ecosystem, for their business and other needs.

During the financial year ended March 31, 2022, your Company disbursed INR 1,756.24 crores of loans as against INR 1,245.05 crores during the previous financial year.

## Operational Metrics

During the financial year ended March 31, 2022, your Company added 38 branches resulting in the branch network increasing to 300 from 262 during the previous financial year.

The total loan assets under management as at March 31, 2022, increased to INR 5,067.08 crores from INR 4,445.38 crores during the previous financial year, registering a growth of 14%.

## **Financial Metrics**

Gross Income of your Company during the financial year ended March 31, 2022, amounted to INR 1,256.17 crores, higher by 19.5% over INR 1,051.25 crores in the previous year. Profit before tax was at INR 604.21 crores up by 26.82% over the previous year's INR 476.44 crores. At INR 453.54 crores, Profit After Tax was higher by 26.34% over previous year's INR 358.99 crores. The Company's net worth stood at INR 3,710.35 crores as on March 31, 2022 (INR 2,318.17 Crores as at March 31, 2021).

Your Company also ensured strong asset quality for the financial year ended March 31, 2022, with Gross Stage 3 Assets (90+ DPD Assets) of 1.05%, which is one of the best amongst companies operating in this customer segment. Despite the impact of the second wave of COVID-19 pandemic during the first half of the year, the assets of your Company stood resilient which is a testimony to your Company's business model, rigorous underwriting norms, strong execution capability and the never-say-no attitude of an amazing team.

## **Impact of COVID 19 Pandemic**

The financial year ended March 31, 2022, saw the second wave of the COVID-19 pandemic cause a significant impact, especially during the first two quarters. While the second wave of the pandemic was shorter, it was much sharper and impacted a much larger proportion of the country's population. Your Company was also impacted by the second wave and had to restructure a small proportion of its portfolio. But the stellar efforts during the second, third and fourth quarters ensured that your Company ended the year with strong asset quality.

Your Company also saw the business growth pick up momentum especially during the last quarter of the financial year, with logins, sanctions and disbursals almost reaching pre-COVID levels. If the situation remains normal, your Company should be back on track for a much stronger growth during the forthcoming financial year.

The funding of your Company, both on equity and debt sides, was very encouraging during the financial year ended March 31, 2022. Your Company raised a fresh round of equity capital during the first quarter of the financial year by adding marquee names like KKR and TVS Capital to its shareholder list. In addition to the 518 crores of capital raised through this round, your Company also gave an attractive exit to one of the earliest private equity investors-NHPEA Chocolate Holding B.V. (Morgan Stanley) as part of this fundraising round. Your Company also onboarded new lenders like HDFC Bank, Axis Bank and HSBC who provided debt lines to your Company, which is a strong testimony of the attractiveness of your Company and its metrics. In the year gone by, the Company also consummated its first ECB transaction with Swedfund, the sovereign DFI of Sweden.

Further details of the impact of the second wave of COVID-19 pandemic have been enumerated in the Management Discussion and Analysis Report (MDA).

## **Prospects**

The credit business has large potential in India, particularly funding the demand from micro-entrepreneurs and self-employed individuals, who do not have access to formal means of financing, who represent primary customers of your Company. Your directors are confident that the knowledge/experience gained so far in this segment will augur well towards building a robust portfolio.

Your Company has already expanded its operations to multiple states and would continue to strive to reach out its operations to more and more under-served customers and help them access credit on reasonable terms by opening more number of branches in the semi-urban and fast growing rural areas.

## **Statutory and Regulatory Compliances**

Your Company is a Non Deposit Taking Systematically Important Non-Banking Financial Company (NBFC-ND-SI). The Company has complied with and continues to comply with all applicable regulations, directions and prudential norms of the Reserve Bank of India (RBI).

Your Company has complied with the applicable regulations under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR), 2015) and Foreign Exchange Management Act (FEMA), 1999, Rules and Regulations thereunder.

Your Company has also complied with the applicable provisions of the Secretarial Standards issued by the Institute of Company Secretaries of India and has complied with all applicable compliances as required under the Companies Act, 2013.

## **Key Regulatory Changes**

During the financial year ended March 31, 2022, there were a number of regulatory pronouncements from the Reserve Bank of India, which had/would have an impact on your Company.

RBI had mandated the implementation of Risk-Based Internal Audit (RBIA) framework for all non-deposit taking NBFCs with asset size of INR 5000 crore and above with effect from March 31, 2022. Accordingly, your Company has put in place a Risk-Based Internal Audit Policy and has appointed the Chief Audit Officer to manage the RBIA framework.

During the financial year ended March 31, 2022, RBI had also issued Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs). These guidelines made the rotation of Statutory Auditors mandatory once every 3 years. In line with this, your Company had appointed M/s S R Batliboi & Associates LLP as the Statutory Auditor of the Company for a period of three consecutive financial years namely, Financial Years 2021-22, 2022-23 and 2023-24 to hold office till the conclusion of the 40<sup>th</sup> Annual General Meeting subject to satisfaction of their eligibility criteria every year.

On September 24, 2021, RBI had made modifications to the Master Directions on Securitisation of Standard Assets. Through this, the RBI had mandated changes to the assets that can be securitised, changes to Minimum Holding Period and Minimum Retention Ratio norms, in addition to other changes. These are not expected to have any major impact on your Company's ability to securitise standard assets henceforth.

On October 22, 2021, RBI notified Scale Based Regulation - A Revised Regulatory Framework for NBFCs. This is an integrated framework with respect to capital requirements, governance standards, prudential regulations effective from October 01, 2022. Based on the criteria specified in the said framework, NBFCs shall be categorised into base layer (NBFC-BL), middle layer (NBFC-ML), upper layer (NBFC-UL) and top layer (NBFC-TL). Enhanced regulatory requirements are warranted as the NBFCs move up to higher layers, based on various parameters as identified by RBI.

The RBI vide its circular dated November 12, 2021, provided clarifications on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances (IRACP). A subsequent clarification was also issued by RBI, deferring implementation of some of the provisions of this circular to October 01, 2022. Your Company has taken note of the changes and is in a good position to implement the provisions of this circular from October 01, 2022.

RBI has also issued various other circulars, in an endeavour to streamline and harmonise regulations between banks and NBFCs, along with timelines by which the NBFCs are required to comply with the same. Your Company is well prepared to comply with all these guidelines within the stipulated timeframe. Further details are elucidated in the MDA.

## Credit Rating

As of March 31, 2022, your Company's borrowings / debentures enjoy the following ratings from CARE, ICRA and CRISIL.

Rating Agency	Type	Rating
CARE Ratings	Long term Bank Facilities	CARE A+; Stable
	Long term/Short term Bank facilities	CARE A+; Stable / CARE A1+
	Non-Convertible Debentures	CARE A+; Stable
	Market Linked Debentures (MLD)	CARE PP-MLD A+; Stable
	Commercial Paper	CARE A1+
ICRA	Bank Facilities	ICRA A+; Stable
	Non-Convertible Debentures	ICRA A+; Stable
	Market Linked Debentures (MLD)	PP-MLD ICRA AAA(CE); Stable /PP-MLD ICRA A+; Stable
	Securitization	ICRA AAA(SO)/ AA+(SO) / AA(SO) / AA-(SO)
CRISIL	DA under PCG Scheme of GoI	CRISIL AA (SO) / AA-(SO)

The ratings of your Company were upgraded by both ICRA and CARE Ratings during the financial year ended March 31, 2022 to A+/A1+ from A/A1.

## Change in Nature of Business

There was no change in the nature of business of your Company during the financial year ended March 31, 2022.

## Dividend Distribution Policy

Your Company has formulated a Dividend Distribution Policy, with an objective to provide the dividend distribution framework to the Stakeholders of the Company. The policy sets out various internal and external factors, which shall be considered by the Board in determining the dividend pay-out. The policy is available on the website of the Company at <https://fivestargroup.in/investors/>.

## Dividend

Your Directors have decided not to recommend any dividend for the financial year ended March 31, 2022, and the profit for the year will be deployed back into the business.

## Transfer to Reserves

Your Company has transferred a sum of INR 90.71 crores to the statutory reserve as required under the Reserve Bank of India Act, 1934.

## Deposits

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

## Capital Adequacy Ratio

Capital Adequacy Ratio of your Company as at March 31, 2022 under Ind-AS stood at 75.20%, as against the minimum requirement of 15% stipulated by Reserve Bank of India.

## **Changes in Share Capital and Debentures**

### **Equity Share Capital:**

During the financial year, your Company has:

- a. made a preferential issue of 14,71,771 fully paid up equity shares of INR 10.00 each which were allotted on April 26, 2021, on private placement basis.
- b. made a preferential issue of 3,00,000 fully paid up equity shares of INR 10.00 each which were allotted on August 09, 2021, on private placement basis.
- c. made first and final call on 7,50,000 partly paid up equity shares that were allotted on February 25, 2020, on preferential basis and the same were made fully paid up on August 25, 2021.
- d. made first and final call on 9,67,597 partly paid up equity shares that were allotted on March 21, 2020, pursuant to rights issue, and the same were made fully paid up on August 25, 2021.
- e. allotted 51,000 fully paid up equity shares of INR 10.00 each on various dates, pursuant to the Five-Star Associate Stock Option Scheme, 2015.
- f. made sub-division of the face value of fully paid up equity shares of INR 10.00 each to fully paid up equity shares of Re 1.00 each on October 8, 2021.
- g. allotted 2,13,000 fully paid up equity shares of Re 1.00 each on various dates, pursuant to the Five-Star Associate Stock Option Scheme, 2015.
- h. allotted 9,95,000 fully paid up equity shares of Re 1.00 each on various dates, pursuant to the Five-Star Associate Stock Option Scheme, 2018.

Subsequent to the above mentioned allotments, your Company's capital funds stood at INR 2,342.75 crores (including premium) at the end of March 31, 2022.

### **Debentures**

During the financial year, Your Company has not issued any fresh Debentures. Further, Your Company has been prompt in payment of its interest and principal obligations for the financial year ended March 31, 2022 and has complied with all the disclosure requirements stipulated under SEBI (LODR), 2015.

### **Subsidiaries, Joint Ventures, Associate Companies**

During the financial year ended March 31, 2022, your Company does not have a Subsidiary / Associate / Joint Venture Company. Also, the Company did not become a part of any Joint Venture during the year.

### **Related Party Transactions**

The Company has in place a policy on related party transactions as approved by the Board and the same is available on the website of the Company at <https://fivestargroup.in/investors/>.

All related party transactions that were entered into during the financial year were on arm's length basis and in ordinary course of business. There were no materially significant transactions made by the Company with promoters, directors, key managerial personnel or other designated persons which may have a potential conflict with the interest of the Company. There were no contracts or arrangements entered into with related parties during the year to be disclosed under sections 188(1) and 134(3)(h) of the Companies Act, 2013 in Form AOC 2.

### **Employee Stock Option Schemes**

Your Company has formulated two Employees Stock Option Schemes, namely Five-Star Associate Stock Option Scheme 2015 (ASOP 2015) and Five-Star Associate Stock Option Scheme 2018 (ASOP 2018).

Consequent to the sub-division of face value of equity shares of the Company, the Stock Option Schemes were amended to that effect and in line with the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 on October 08, 2021.

The details of these schemes and other related disclosures in terms of Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 are given as **Annexure A** to this report.

### **Annual Return**

As per Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with Companies (Management and Administration) Rules, 2014, and Regulation 62(1)(k) of the SEBI (LODR), 2015, the annual return of the Company for the financial year ended March 31, 2022 in the prescribed Form MGT-7 is available on the website of the Company at <https://fivestargroup.in/investors/>.

### **Particulars of Loans, Guarantees or Investments**

Being an NBFC, the disclosures regarding particulars of loans given, guarantees given and security provided are exempted under the provisions of section 186(11) of the Act.

Details regarding the investments made by the Company are given in the financial statements.

### **Material Changes Affecting the Financial Position of the Company**

There are no material changes and commitments having an adverse bearing on the financial position of the Company between March 31, 2022, and the date of this report.

### **Information as per Section 134(3)(m) of the Companies Act, 2013**

The provisions of Section 134(3)(m) of the Companies Act, 2013, read along with the rules made thereunder relating to conservation of energy and technology absorption do not apply to your Company as it is not a manufacturing Company. However, your Company has been increasingly using information technology in its operations and promotes conservation of resources.

During the financial year ended March 31, 2022, the foreign currency expenditure of your Company stood at INR 542.48 lakhs and there were no foreign currency earnings.

### **Information as per clauses (xi) and (xii) of Rule 8(5) of the Companies (Accounts) Rules, 2014**

There was no application made or proceeding pending under the Insolvency and Bankruptcy Code, 2016 in respect of the Company during the financial year ended March 31, 2022, and there was no such application made or proceeding as at March 31, 2022.

The Company has not entered into any one-time settlement with its lenders during the financial year ended March 31, 2022, and therefore the requirements of clause (xii) of Rule 8(5) of the Companies (Accounts) Rules, 2014 are not applicable.

### **Significant and Material Orders passed by the Regulators or Courts or Tribunals**

There are no other significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of your Company's and its future operations.



## **Risk Management**

Successful lending calls for timely identification, careful assessment and effective management of the credit, operational, market (interest-rate and liquidity) and reputation risks. The Company has adopted efficient risk management policies, systems and processes that seek to strike an appropriate balance between risk and returns.

The Company has also introduced appropriate risk-management measures, such as having multiple applicants for the loan, accessing all the applicants' credit history from credit information bureaus, field investigation of the applicants' credentials, multiple verification layers, adoption of prudent loan to value ratio and analysis and adoption of a conservative debt-service capacity of the borrowers, thorough in-house scrutiny of legal documents, which helps to understand and assess the borrowers' intention and ability to repay.

Your Company has constituted a Risk Management Committee (RMC) which interalia lays down the review of procedures relating to risk assessment & risk minimization to ensure that the executive management controls risk through means of a properly defined framework and review of Credit & Portfolio Risk Management and Operational & Process Risk Management. Your Company also has a Chief Risk Officer, who is responsible for identification, measurement and mitigation of risks and also sensitizing the Board, Committees and Management to any potential risks that may arise on account of Company-specific factors or macro-economic factors.

The RMC reviews the credit policy and practices to ensure that all portfolio related risks are well mitigated. The Company has given high importance to prudential lending practices and has put in place suitable measures for risk mitigation.

Your Company has also constituted an Asset Liability Committee (ALCO) which ensures that the liquidity and interest-rate risks are contained within the limits laid down by the Company.

Being dynamic, the risk management framework continues to evolve in line with the emerging risk perceptions.

## **Human Resource Development**

The customer acquisition, credit delivery, collection process and manpower strength of Non-Banking Financial Companies operating in similar customer profiles were studied to align our staff strength after duly factoring for the differences in the business models of other entities. Accordingly, the staff strength at the regions and branches were streamlined, keeping in mind our acquisition process and market segment, adding people across functional verticals wherever required.

This approach has been working well for your Company to achieve the right level of productivity and growth. Apart from imparting advanced training to all front-line sales and marketing, credit and other staff which included the KYC and FPC training, employees were also given on-the-job and off-the-job training programs.

Your Company has also benchmarked its compensation levels with the market, thus being in a position to attract and retain necessary talent, which is essential for growing the business in the years to come.

Your Company has continued to attract high quality professionals as part of the middle and senior management team and has also been in a position to get the right resources at the branches as well. As of March 31, 2022, your Company had 5,675 employees across branches, regional offices, and head office.

## **Directors**

During the financial year under review, the following changes took place in the composition of the Board of Directors:

- Re-appointment of Mr Ramanathan Annamalai as an Independent Director for a second term of 15 months effective February 26, 2021, was approved by the Board at its meeting held on February 18, 2021, and by the shareholders at the Extra-Ordinary General Meeting held on April 22, 2021

- Re-appointment of Ms Bhama Krishnamurthy as an Independent Director for a second term of 5 years effective April 12, 2021, was approved by the Board at its meeting held on February 18, 2021, and by the shareholders at the Extra-Ordinary General Meeting held on April 22, 2021

- Mr Ling Wei Ong, Non-Executive Director nominated by NHPEA Chocolate Holdings, B.V., resigned from the office of Director with effect from April 26, 2021, and consequently, Mr Arjun Saigal, Alternate Director to Mr Lin Wei Ong ceased to hold office with effect from April 26, 2021

- Mr Gaurav Trehan who was nominated by M/s Sirius II Pte. Ltd. was appointed as an Additional Director of the Company by the Board of Directors with effect from April 26, 2021, was regularized as a Non-Executive Director at the 37<sup>th</sup> Annual General Meeting held on August 06, 2021

- Mr Thirulokchand Vasam, Non-Executive Director, and Mr G V Ravishankar, Non-Executive Director nominated by SCI Investments V, retired by rotation at the 37<sup>th</sup> Annual General Meeting held on August 06, 2021, and were re-appointed

- Re-appointment of Mr Anand Raghavan as an Independent Director for a second term of 5 years effective July 28, 2021, was approved by the Board at its meeting held on May 28, 2021, and by the shareholders at the 37<sup>th</sup> Annual General Meeting held on August 06, 2021

- Mr T T Srinivasaraghavan who was appointed as the Additional (Independent) Director of the Company by the Board of Directors with effect from August 25, 2021 for a period of 5 years was regularized as an Independent Director at the Extra-ordinary General Meeting held on October 08, 2021

- Mr B Haribabu, Independent Director, Mr L R Raviprasad, Non-Executive Director, Mr Sanjeev Mehra, Non-Executive Director and Mr Gaurav Trehan, Non-Executive Director resigned from their office of Directorship with effect from October 21, 2021, and the same was noted by the Board of Directors of the Company at their meeting held on October 21, 2021

The following changes took place in the composition of the Board of Directors between the financial year end and the date of this report:

- Mr Lakshmiopathy Deenadayalan was reappointed as the Chairman & Managing Director of the Company for a further period of 5 years with effect from June 01, 2022, subject to the approval of the shareholders of the Company at the ensuing general meeting in accordance with Section 196 of the Companies Act, 2013. Based on the recommendation of the Nomination & Remuneration Committee and in the opinion of your Board, Mr Lakshmiopathy Deenadayalan has requisite qualifications and experience and therefore, your directors recommend his reappointment in the ensuing Annual General Meeting

- In terms of Section 152 of the Companies Act, 2013, Mr Vikram Vaidyanathan retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. Based on the recommendation of the Nomination & Remuneration Committee and in the opinion of your Board, Mr Vikram Vaidyanathan has requisite qualifications and experience and therefore, your directors recommend his reappointment in the ensuing Annual General Meeting

### **Declaration from Independent Directors**

Pursuant to Section 149(7) of the Companies Act, 2013 read along with Rule 6 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 of the Companies Act, 2013 and Regulation 25(8) of the SEBI (LODR) Regulations, 2015, the Company has received necessary declarations/ disclosures from each of the Independent Directors of the Company stating that he/she meets the criteria of independence as required under Section 149(6) of the Companies Act, 2013 and that he/she has a valid certificate of registration for his/her enrollment into the data bank for Independent Directors.

In the opinion of the Board of Directors, the Independent Directors of your Company satisfy the necessary attributes as to integrity, experience (including proficiency) and high levels of skill and expertise.

### **Formal Annual Evaluation**

As per the provisions of the Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Committees. A structured exercise was carried out based on the criteria for evaluation forming part of the Directors Appointment, Remuneration & Evaluation Policy, including framework for performance evaluation of Directors, Board & Committees, Criteria for Evaluation and the inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, attendance at meetings, Board culture, duties of directors, and governance. The aforesaid policy is available on the website of the Company at <https://fivestargroup.in/investors/>.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the Company and its stakeholders etc. The Directors have expressed their satisfaction with the evaluation process.

### **Key Managerial Personnel**

Pursuant to the provisions of Section 203 of the Companies Act, 2013 read with the rules made there under, the following employees are the whole- time key managerial personnel of the Company as on March 31, 2022:

- a. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director (DIN: 01723269)
- b. Mr Rangarajan Krishnan, Chief Executive Officer
- c. Mr Srikanth Gopalakrishnan, Chief Financial Officer
- d. Ms Shalini Baskaran, Company Secretary

During the financial year under review, the following changes took place in the Key Managerial Personnel of the Company:

- Ms Roopa Sampath Kumar who was appointed as the Chief Financial Officer(CFO) of the Company with effect from June 01, 2021, resigned from the position of CFO with effect from March 19, 2022, and the same was noted by the Board of Directors at their meeting held on February 26, 2022

- Mr Srikanth Gopalakrishnan has been appointed as the CFO with effect from March 20, 2022, by the Board of Directors at their meeting held on February 26, 2022

Further, there are no changes in the composition of Key Managerial Personnel between the financial year end date and the date of this report.

## **Internal Financial Controls**

The Company has a well-established and adequate internal financial control framework, with appropriate policies and procedures, to ensure the highest standards of integrity and transparency in its operations and a strong corporate governance structure, while maintaining excellence in services to all its stakeholders. Appropriate controls are in place to ensure: (a) the orderly and efficient conduct of business, including adherence to policies, (b) safeguarding of assets, (c) prevention and detection of frauds/errors, (d) accuracy and completeness of the accounting records and (e) timely preparation of reliable financial information.

Internal control framework including clear delegation of authority and standard operating procedures are established and laid out across all functions. These are reviewed periodically at all levels. The risk and control matrices are reviewed on a periodic basis and control measures are tested and documented. These measures have helped in ensuring the adequacy of internal financial controls commensurate with the scale of operations of the Company.

The Company has employed an independent consultancy firm to develop and periodically update risk control metrics, develop test plans and carry out independent testing procedures to evaluate the effectiveness of the controls. Their findings are presented to the Audit Committee, which helps the Committee to understand the strength of the controls and any improvements that may be required, as the Company keeps ramping up its operations.

Your Company has also built a strong Internal Audit mechanism, where audits are done on a regular basis by the in house Internal Audit team and the External Internal Auditors of the Company.

The Audit Committee of the Company regularly reviews and monitors systems, internal controls, risk management measures, accounting procedures, financial management and operations of the Company and also the findings and recommendations presented by the Internal Audit team and External Internal Auditors as part of their periodic reports.

Furthermore, during the financial year under review, the Board of Directors of the Company have approved the Risk based Internal Audit Policy at their meeting held on February 11, 2022 pursuant to the circular issued by the Reserve Bank of India in order to formulate a well-defined policy for documenting the purpose, authority and responsibility of the Internal Audit activity with a clear demarcation of the role and expectations from the Risk Management function and Risk based Internal Audit function.

## **Auditors**

### **Statutory Auditors**

Pursuant to the guidelines issued by the Reserve Bank of India dated April 27, 2021, with regard to the appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs), a Company cannot appoint an audit firm as Statutory Auditors for a continuous period of more than 3 years.

On account of this, M/s B S R & Co. LLP, Chartered Accountants who had completed 3 years of their tenure, became ineligible to continue as Statutory Auditors and had communicated their inability to continue as the Statutory Auditors of the Company post submission of Limited Review Report for the 3<sup>rd</sup> quarter and nine months ended December 31, 2021, with effect from February 11, 2022.

Consequent to their resignation and pursuant to the RBI guidelines & Section 139 of the Companies Act, 2013, M/s S R Batliboi & Associates LLP has been appointed as the Statutory Auditors of your Company for a period of three consecutive

financial years viz 2021-22, 2022-23 and 2023-24 to hold office until the conclusion of the 40<sup>th</sup> Annual General Meeting, subject to their satisfaction of the eligibility criteria every year.

The Report of the Statutory Auditors with an unmodified opinion to the members is annexed and forms part of the financial statements and the same does not contain any qualification, reservation, adverse remark or disclaimer. There were no frauds detected or reported by the Auditors under sub-section (12) of section 143 of the Companies Act, 2013 during the financial year ended March 31, 2022.

#### **Internal Auditor**

To carry out internal audit of its operations, your Company has engaged M/s Sundaram & Srinivasan, Chartered Accountants, as its External Internal Auditors. Their audit is complemented by an In-house audit team. Between them, they cover the entire Internal Audit Scope which covers the activities carried out at the Corporate Office and across the branches of the Company. As a part of its efforts to evaluate the effectiveness of the internal control systems, your Company's audit teams evaluate the adequacy of control measures on a periodic basis and recommend improvements, wherever appropriate.

The Audit Committee reviews the internal audit function, scope of internal audit, as well as the adequacy and effectiveness of the internal systems and controls.

#### **Secretarial Auditor**

M/s S Sandeep & Associates, Practicing Company Secretaries, were appointed to conduct the secretarial audit of the Company for the financial year 2021-22, as required under Section 204 of the Companies Act, 2013, and rules made thereunder & Regulation 24A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The secretarial audit report for the financial year ended March 31, 2022, forms a part of this report as **Annexure B** and does not contain any qualification, reservation or adverse remarks.

#### **Cost Records and Cost Audit**

Maintenance of cost records and requirements of cost audit as prescribed under the provisions of section 148(1) of the Act is not applicable for the business activities carried out by your Company.

#### **Information Technology**

The IT Strategy Committee of the Company has laid down a comprehensive policy relating to Cyber Security, Business Continuity, Outsourcing and Information Security / Technology, in line with its terms of reference. In its continuous efforts to ensure a secure environment, your Company has built a robust infrastructure and carries out periodic comprehensive vulnerability assessments and penetration testing, to identify and minimize external threats. An independent Information Systems audit has been carried out during the financial year.

#### **Corporate Social Responsibility (CSR)**

Pursuant to Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, your Company has adopted a Policy on CSR which is placed on the website of the Company at <https://fivestargroup.in/investors/>.

As per Section 135 of the Companies Act, 2013, Your Company was required to spend an amount of INR 699.43 lakhs

equivalent to 2% of the average net profits of the last three (3) financial years as CSR contribution. During FY 2021-22, your Company has spent an amount of INR 699.70 lakhs as against prescribed CSR Expenditure of INR 699.43 lakhs.

The Annual Report on CSR activities for the financial year ended March 31, 2022, is attached as **Annexure C** to this Report.

### **Whistle Blower Policy & Vigil Mechanism**

As per the provisions of Section 177(9) of the Companies Act, 2013, and Regulation 22 of the SEBI (LODR), 2015, your Company has established a Vigil Mechanism and has adopted a Whistle Blower Policy for directors and employees to report their genuine concerns. The Whistle Blower Policy has been formulated with a view to provide a mechanism for employees and directors to approach the Audit Committee of the Company. The said policy is available on the website of the Company at <https://fivestargroup.in/investors/>.

The vigil mechanism of the Company is overseen by the Audit Committee and provides adequate safeguard against victimization of employees and directors and also provides direct access to the Chairperson of the Audit Committee in exceptional circumstances.

During the year under review, no complaints were received by the Company and no complaints are outstanding as on March 31, 2022.

### **Board & its Committees**

During the financial year ended March 31, 2022, 10 (Ten) Board Meetings were held on April 22, 2021, May 28, 2021, June 29, 2021, August 25, 2021, September 08, 2021, October 21, 2021, November 08, 2021, January 25, 2022, February 11, 2022, February 26, 2022, and not more than 120 days elapsed between any two meetings.

The details of composition of the Board and its Committees, terms of reference of the Committees and the details of meetings held during the financial year are furnished in the Corporate Governance Report.

### **Corporate Governance**

Your Company is committed to maintaining the highest standards of Corporate Governance and adheres to the Corporate Governance requirements set out by regulators. A report on Corporate Governance is enclosed and forms part of this report as **Annexure D**.

The Chief Executive Officer and the Chief Financial Officer have submitted a compliance certificate to the Board regarding the financial statements and other matters as required under Regulation 17(8) of the SEBI (LODR) 2015.

A Certificate from a Practicing Company Secretary affirming the compliance of the Corporate Governance norms as required under SEBI (LODR) 2015 is annexed to the Corporate Governance Report.

### **Management Discussion and Analysis**

A report on the Management Discussion and Analysis (MDA), highlighting the business-wise details is attached and forms part of this report as **Annexure E**.

### **Disclosures under POSH Act, 2013**

The Company has in place a policy for Prevention of Sexual Harassment in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH Act) and the same is available on the website of the Company at <https://fivestargroup.in/investors/>. Your Company has complied with the provisions relating to the constitution of Internal Complaints Committees (ICC) under the POSH Act. ICC has been set up to redress complaints received regarding sexual harassment.

During the year under review, no complaints were received. None were pending/unresolved as on March 31, 2022.

### **Particulars of Employees and Related Disclosures**

In terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, necessary disclosures are provided in the Annual Report as **Annexure F**.

### **Code Of Conduct**

The Board has laid down a “Code of Conduct” for all its Board Members and the senior management of the Company and the same has been posted on the website of the Company.

All Board members and senior management personnel have affirmed compliance with the Company’s code of conduct for the financial year 2021-22. A declaration to this effect is included in Corporate Governance report forming part of this Annual Report.

### **Code for Prevention of Insider Trading**

The Company has adopted a Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSI) to regulate, monitor and report trading by insiders in securities of the Company. The Board has further a policy governing the procedure of inquiry in case of actual or suspected leak of unpublished price sensitive information. The code has also been hosted on the website of the Company.

### **Directors’ Responsibility Statement**

The Board of Directors have instituted/put in place a framework of internal financial controls and compliance systems, which is reviewed by the management and the relevant Board committees, including the Audit committee and independently reviewed by the auditors. Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, confirm that:

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the Directors have prepared the annual accounts on a going concern basis;
- e. the Directors have laid down internal financial controls, which are adequate and operating effectively and
- f. the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**Acknowledgement**

Your Directors wish to thank the shareholders, customers, bankers, non-bank lenders, mutual funds, financial institutions, debenture trustees, R&T agent, credit rating agencies, auditors and all its other stakeholders/partners for their co-operation and continued support to the Company during the pandemic. The Directors also thank the employees for their contribution during the financial year under review.

Place: Chennai  
Date: April 27, 2022

***For and on behalf of the Board of Directors***  
Lakshmipathy Deenadayalan  
Chairman & Managing Director  
DIN: 01723269



### **FIVE-STAR ASSOCIATE STOCK OPTION SCHEME, 2015**

The decision to introduce FIVE STAR Associate Stock Option Scheme, 2015 (hereinafter called “FIVE STAR ASOP, 2015” or “The Scheme”) was taken by the Board of Directors at their meeting held on September 18, 2015 and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on April 12, 2016.

Consequent to the sub-division of the face value of equity shares of the Company, the Scheme was amended to that effect, which was approved by the Shareholders at their meeting held on October 08, 2021.

Pursuant to Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014, the details of the Five Star Associate Stock Option Scheme, 2015 as on March 31, 2022, are:

- a) Options approved to be issued as ESOPs: 5,630,000
- b) Options granted: 5,630,000
- c) Options vested: 5,442,000
- d) Options exercised: 5,442,000
- e) The total number of shares arising as a result of exercise of option: 5,442,000
- f) Options lapsed / surrendered: 10,000
- g) Exercise Price: Such price not less than the face value, as may be determined by the Nomination & Remuneration Committee
- h) Variation of terms of options: Nil
- i) Total number of options in force: 178,000
- j) Money realized by exercise of options: INR 178.79 lakhs
- k) Employee wise details of options granted to:
  - (i) Key managerial personnel: Mr Rangarajan Krishnan - Chief Executive Officer - 3,200,000 options and Mr Srikanth Gopalakrishnan - Chief Financial Officer - 1,000,000 options
  - (ii) Any other employee who receives a grant of options in any one year of option amounting to 5 per cent or more of options granted during that year: Nil
  - (iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: Mr Rangarajan Krishnan - Chief Executive Officer - 3,200,000 options and Mr Srikanth Gopalakrishnan - Chief Financial Officer - 1,000,000 options

### **FIVE STAR ASSOCIATE STOCK OPTION SCHEME, 2018**

The decision to introduce FIVE STAR Associate Stock Option Scheme, 2018 (hereinafter called “FIVE STAR ASOP, 2018” or “The Scheme”) was taken by the Board of Directors at their meeting held on February 28, 2018 and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on March 26, 2018.

Consequent to the sub-division of the face value of equity shares of the Company, the Scheme was amended to that effect, which was approved by the Shareholders at their meeting held on October 08, 2021.

Pursuant to Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014, the details of the Five Star Associate

Stock Option Scheme, 2018 as on March 31, 2022, are:

- a) Options approved to be issued as ESOPs: 5,000,000
- b) Options granted: 4,947,000
- c) Options vested: 1,015,000
- d) Options exercised: 1,013,000
- e) The total number of shares arising as a result of exercise of option: 1,013,000
- f) Options lapsed / Surrendered: 204,000
- g) Exercise Price: Such price not less than the face value, as may be determined by the Nomination & Remuneration Committee
- h) Variation of terms of options: Nil
- i) Total number of options in force: 3,730,000
- j) Money realized by exercise of options: INR 683.17 lakhs
- k) Employee wise details of options granted to:
  - (i) Key managerial personnel: Mr Rangarajan Krishnan - Chief Executive Officer - 3,000,000 options and Mr Srikanth Gopalakrishnan –Chief Financial Officer - 750,000 options and Ms Shalini Baskaran – Company Secretary – 10,000 options
  - (ii) Any other employee who receives a grant of options in any one year of option amounting to 5 per cent or more of options granted during that year: Nil
  - (iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: Mr Rangarajan Krishnan - Chief Executive Officer - 3,000,000 options

Place: Chennai  
Date: April 27, 2022

***For and on behalf of the Board of Directors***  
Lakshmipathy Deenadayalan  
Chairman & Managing Director  
DIN: 01723269

**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 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]**

To,

**The Members,**  
**Five-Star Business Finance Limited**

New No.27, Old No.4, Taylor's Road,  
Kilpauk, Chennai – 600010.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s **FIVE-STAR BUSINESS FINANCE LIMITED** (CIN: U65991TN1984PLC010844) (hereinafter called "the Company"). The 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, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India on account of the outbreak of COVID-19 pandemic, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2022, generally has 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:

1. 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. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder as applicable to the extent of Foreign Direct Investment and External Commercial Borrowings. The Company does not have any Overseas Direct Investment.
  - e. The following regulations and guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), as amended from time to time:
    - The Securities and Exchange Board of India (Registrars to an Issue and Transfer Agents) Regulations, 1993, regarding Companies Act and dealing with client;
    - The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
    - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), 2018;
    - The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
    - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015) to the extent applicable;

- f. The Company has complied with the following laws to the extent applicable specifically to a Non-Banking Financial Company (NBFC):
- Reserve Bank of India Act, 1934, and the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016;
  - The Prevention of Money Laundering Act, 2002.

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

- a. Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India
- b. The Listing Agreements entered into by the Company with the BSE Limited as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for listing of its Non- Convertible Debentures;

We further report that during the period under review the Company has complied with the provisions of the applicable Acts, Rules, Regulations, Guidelines, Standards, etc. as mentioned above.

3. We further report that:

- a. 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.
- b. Adequate Notice is given to all the Directors to schedule the Board meetings, along with agenda and detailed notes on agenda were sent in advance and a proper system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting to enable meaningful participation at the meeting.
- c. Majority decisions were carried out unanimously by the Board and the same were captured and recorded as a part of the minutes. Further, there were no dissenting views from the members.
- d. The Directors have complied with the disclosure requirements in respect of their eligibility for appointment, their independence, wherever applicable and compliance with the Code of Business Conduct & Ethics for Directors and Management Personnel;
- e. The Company has obtained all necessary approvals under the various provisions of the Companies Act, 2013 to the extent applicable; and
- f. There was no prosecution initiated and no fines or penalties were imposed during the year under review under the Companies Act, 2013, Securities Exchange Board of India Act, 1992, The Securities Contracts (Regulation) Act, 1956, Depositories Act, 1996, Foreign Exchange Management Act, 1999 and Rules, Regulations and Guidelines framed under these Acts against / on the Company, its Directors and Officers.

4. We further report that based on the information received, records maintained and representation received, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

5. We further report that during the period the Company has:

- a. passed a special resolution under Section 180(1)(c) of the Act at the Extra-Ordinary general meeting held on April 22, 2021 fixing the borrowing limits as INR 7000 crores
- b. passed a special resolution under Section 180(1)(a) of the Act at the Extra-Ordinary general meeting held on April 22, 2021 permitting the Company for creating charge on its assets upto INR 7000 crores
- c. passed a special resolution for private placement of debentures under Sections 42 and 71 of the Act at the Extra-Ordinary general meeting held on April 22, 2021 up to a sum of INR 4000 crores
- d. allotted 14,71,771 fully paid up Equity Shares of INR 10.00 each on April 26, 2021, on preferential basis by way of private placement
- e. allotted 3,00,000 fully paid up Equity Shares of INR 10.00 each on August 9, 2021, on preferential basis by way of private placement

For **S Sandeep & Associates**  
S Sandeep  
Company Secretary in Practice  
UDIN: F005853D000177961  
FCS No.: 5853  
C P No.: 5987  
PR No: 1116/2021

Place: Chennai  
Date: April 21, 2022

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

To,

The Members,

**FIVE-STAR BUSINESS FINANCE LIMITED**

New No.27, Old No.4, Taylor's Road,

Kilpauk, Chennai – 600010.

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

1. Maintenance of secretarial record 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 processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Chennai  
Date: April 21, 2022

For **S Sandeep & Associates**  
S Sandeep  
Company Secretary in  
Practice  
FCS No.: 5853  
C P No.: 5987  
PR No: 1116/2021

## ANNUAL REPORT ON CSR ACTIVITIES FOR FINANCIAL YEAR 2021-22

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

Being an integral part of this society, Five-Star is committed towards giving something back to the society. The Company shall seek to positively impact the lives of the disadvantaged by supporting and engaging in activities that aim to improve their livelihood and well-being. Your Company has chosen to make its contribution in 3 areas – education, health and livelihood – as these are the 3 basic necessities of every human to lead good life.

Your Company would be undertaking the CSR activities as listed in Schedule VII and Section 135 of the Companies Act, 2013 and the Rules framed thereunder and as per its CSR policy.

### 2. Composition of CSR Committee:

Name of Director	Designation / Nature of Directorship	No of meetings of CSR Committee held during the year	No of meetings of CSR Committee attended during the year
Mr Lakshmiopathy Deenadayalan	Chairman & Managing Director	2	2
Mr Anand Raghavan	Independent Director	2	2
Ms Bhama Krishnamurthy	Independent Director	2	2

**3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company:** <https://fivestargroup.in/investors/>

**4. 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:** Not Applicable

**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):** INR 34,971.50 lakhs

7. a) Two percent of average net profit of the Company as per section 135(5)	INR 699.43 lakhs
b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years	Nil
c) Amount required to be set off for the financial year, if any	Nil
d) Total CSR obligation for the financial year (7a + 7b - 7c)	INR 699.43 lakhs

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

Total Amount Spent for the Financial Year (₹ in lakhs)	Amount Unspent (₹ in lakhs)				
	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 (₹ in lakhs)	Date of transfer	Name of the Fund	Amount (₹ in lakhs)	Date of transfer
699.70	NIL	-	-	-	-

b) Details of CSR amount spent against **ongoing projects** for the financial year: NIL

c) Details of CSR amount spent against other than ongoing projects for the financial year: 699.70

1.	S. No.	<b>A</b>
2.	Name of the Project	Single Teacher Schools, unit of Swami Vivekananda Rural Development Society
3.	Item from the list of activities in Schedule VII to the Act	(ii) Promoting Education
4.	Local area (Yes/No)	Yes
5.	Location of the project	State Tamil Nadu District NA
6.	Project duration	NA
7.	Amount allocated for the project (₹ In lakhs)	324.00
8.	Amount spent in the current financial Year (₹ In lakhs)	324.00
9.	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (₹ In lakhs)	NIL
10.	Mode of Implementation -Direct (Yes/No)	Yes
11.	Mode of Implementation - Through Implementing Agency	Name Not Applicable CSR Registration number Not Applicable

1.	S. No.	<b>B</b>
2.	Name of the Project	Ramakrishna Mission Students Home, unit of Ramakrishna Mission
3.	Item from the list of activities in Schedule VII to the Act	(ii) Promoting Education
4.	Local area (Yes/No)	Yes
5.	Location of the project	State Tamil Nadu District NA
6.	Project duration	NA
7.	Amount allocated for the project (₹ In lakhs)	151.50
8.	Amount spent in the current financial Year (₹ In lakhs)	151.50
9.	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (₹ In lakhs)	NIL
10.	Mode of Implementation -Direct (Yes/No)	Yes
11.	Mode of Implementation - Through Implementing Agency	Name Not Applicable CSR Registration number Not Applicable

1.	S. No.	<b>C</b>
2.	Name of the Project	Hindu Mission Hospital
3.	Item from the list of activities in Schedule VII to the Act	(i) Promoting Healthcare
4.	Local area (Yes/No)	Yes
5.	Location of the project	State Tamil Nadu District Chennai
6.	Project Duration	NA
7.	Amount allocated for the project (₹ In lakhs)	224.20



8.	Amount spent in the current financial year (₹ In lakhs)	224.20
9.	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (₹ In lakhs)	NIL
10.	Mode of Implementation -Direct (Yes/No)	Yes
11.	Mode of Implementation - Name	Not Applicable
	Through Implementing Agency CSR Registration number	Not Applicable

d) Amount spent in Administrative Overheads: Nil

e) Amount spent on Impact Assessment, if applicable: Not Applicable

f) Total amount spent for the Financial Year (8b + 8c + 8d + 8e): INR 699.70 lakhs

g) Excess amount for set off if any: Nil

9. a) Details of Unspent CSR amount for the preceding three financial year:

Preceding Financial Year	Amount transferred to Unspent CSR Account under Section 135(6) (₹ in lakhs)	Amount spent in the reporting Financial Year (₹ in lakhs)	Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)			Amount remaining to be spent in succeeding financial year (₹ in lakhs)
			Name of the Fund	Amount (₹ in lakhs)	Date of transfer	
2020 - 21	150.00	50.00	-	-	-	100.00

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

1.	S. No.	<b>A</b>
2.	Project ID	-
3.	Name of the Project	Sri Sathya Sai Institute of Educare Project
4.	Financial Year in which the project was commenced	2020-21
5.	Project duration	3 years
6.	Amount allocated for the project (₹ In lakhs)	176.13
7.	Amount spent on the project in the reporting financial Year (₹ In lakhs)	50.00
8.	Cumulative amount spent at the end of the reporting Financial Year	INR 76.13
9.	Status of Project (Ongoing / Completed)	Ongoing

**10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details) – 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): – Not Applicable**

Place: Chennai  
Date: April 27, 2022

*For and on behalf of the Board of Directors*  
Lakshmipathy Deenadayalan  
Chairman & Managing Director  
DIN: 01723269

# CORPORATE GOVERNANCE REPORT

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## CORPORATE GOVERNANCE REPORT

The fundamental objective of “Good Corporate Governance and Ethics” is to ensure the commitment of an organization in managing the Company in a legal and transparent manner in order to maximize the long-term value for all its stakeholders i.e. shareholders, customers, employees and other partners.

### Company Philosophy

Five-Star Business Finance Limited’s (Five-Star) philosophy on corporate governance envisages adherence to the highest levels of commitment, integrity, transparency, accountability and fairness, in all areas of its business and in all interactions with its stakeholders.

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

Your Company has a dynamic, experienced and well-informed Board. The Board along with its Committees, with the Corporate Governance mechanism in place, undertakes its fiduciary duties towards all its stakeholders. Your Company has adopted a set of internal guidelines on Corporate Governance in line with its philosophy and the same is available on the website of the Company at <https://fivestargroup.in/investors/>.

### Board of Directors

The corporate governance practices of the Company ensure that the Board of Directors remains informed, independent and involved in the Company and that there are ongoing efforts towards better governance to mitigate risks. The Board is committed to representing the long-term interests of the stakeholders and in providing effective governance over the Company’s affairs and exercise reasonable business judgement on the affairs of the Company.

The Company’s day to day affairs is managed by the Chairman & Managing Director and a competent management team, under the overall supervision of the Chairman and the Board. The Company has in place an appropriate risk management system covering various risks that the Company is exposed to, including fraud risks, which are discussed and reviewed by the audit committee and the Board every quarter. The Company’s commitment to ethical and lawful business conduct is a fundamental shared value of the Board, the senior management, and all employees of the Company.

### Composition

In compliance with the provisions of the Companies Act, 2013, and SEBI (LODR), 2015, the Board has an optimum combination of Executive, Non-Executive and Independent Directors. As on the date of this report, your Board of Directors consists of Eight (8) members including the Chairman & Managing Director. Of these, four (4) are Independent Directors (out of which one (1) is Women Director) and three (3) are Non-Executive Directors (out of which two (2) are Nominee Directors). Mr Lakshmipathy Deenadayalan is the Executive Chairman & Managing Director of the Company.

The Board members have collective experience in diverse fields like banking and financial services, audit, finance, risk, compliance, technology and data science. The directors are appointed based on their qualification and experience in varied fields. None of the directors are inter-se related.

The details of directors as of March 31, 2022, including the details of their other Board Directorship, Committee membership and their shareholdings, are given below:

Name	Category	No of Shares held in the Company	No of other Directorship pursuant to Regulation 17A of SEBI (LODR) 2015	No of other Committee membership pursuant to Regulation 26 of SEBI (LODR) 2015	Names of the other listed entities where the directors are holding directorship along with their designation
Mr Lakshmiipathy Deenadayalan	Promoter Chairman & Managing Director	36,037,450	-	-	-
Mr Ramanathan Annamalai	Non-Executive Independent Director	NIL	1	2	1. Mangal Credit and Fincorp Limited - Non-Executive Independent Director
Ms Bhama Krishnamurthy	Non-Executive Independent Director	NIL	5	7	1. Thirumalai Chemicals Limited - Non-Executive Independent Director 2. Reliance Industrial Infrastructure Limited - Non-Executive Independent Director 3. Network18 Media & Investments Limited - Non-Executive Independent Director 4. Cholamandalam Investment and Finance Company Limited - Non-Executive Independent Director 5. CSB Bank Limited - Non-Executive Independent Director
Mr Anand Raghavan	Non-Executive Independent Director	NIL	-	2	-
Mr Srinivasaraghavan T T	Non-Executive Independent Director	NIL	2	3	1. Sundaram Finance Limited - Non-Executive Director 2. Sundaram Finance Holdings Limited - Non-Executive Chairman
Mr Thirulokchand Vasam	Non-Executive Director	NIL	-	-	-
Mr Vikram Vaidyanathan	Non-Executive Director	NIL	-	-	-
Mr G V Ravishankar	Non-Executive Director	NIL	3	2	1. Prataap Snacks Limited - Non-Executive - Nominee Director 2. Go Fashion (India) Limited - Non-Executive - Nominee Director 3. Indigo Paints Limited - Non-Executive - Alternate Director

In the opinion of the Board, the Independent Directors of the Company fulfill the conditions specified in SEBI (LODR), 2015 / Companies Act, 2013 and are independent of the management of the Company.

### Meetings of the Board

The Board / Committee Meetings are convened by giving appropriate notice well in advance of the meetings. The Directors / Members are provided with appropriate information in the form of agenda in a timely manner to enable them to deliberate on each agenda item and make informed decisions and provide appropriate directions to the Management.

Video-conferencing facility is made available to facilitate Director(s) present at other locations to participate in the meetings. The same is conducted in compliance with the applicable laws. The Management Team attends the Board and Committee meetings upon invitation on need basis. The Board also takes on record the declarations and confirmations made by the Directors, Chief Executive Officer, Chief Financial Officer, and Company Secretary, regarding compliances of all laws.

During the financial year ended March 31, 2022, 10 (Ten) Board Meetings were held on: April 22, 2021, May 28, 2021, June 29, 2021, August 25, 2021, September 08, 2021, October 21, 2021, November 08, 2021, January 25, 2022, February 11, 2022, February 26, 2022. The requisite quorum was present for all the Meetings. The Board met at least once in a calendar quarter and the maximum time gap between any two meetings was not more than one hundred and twenty days (120).

Particulars of the Directors' attendance of the Meetings held during the financial year ended March 31, 2022, are given below:

Name	Board	Audit Committee	Nomination & Remuneration Committee	Corporate Social Responsibility Committee	Stakeholders' Relationship Committee	Risk Management Committee	Business & Resource Committee	IT Strategy Committee	IPO Committee	Annual General Meeting (August 06, 2021)
Mr Lakshmipathy Deenadayalan	10	-	-	2	1	3	23	2	1	Yes
Mr Ramanathan Annamalai	10	5	5	-	1	-	23	2	-	Yes
Ms Bhama Krishnamurthy	10	4	1	2	-	3	-	-	-	No
Mr Anand Raghavan	10	5	-	2	-	3	-	-	1	Yes
Mr Srinivasaraghavan T T	7	-	-	-	-	1	-	-	-	NA
Mr Thirulokchand Vasan	10	-	-	-	1	-	10	-	-	No
Mr Vikram Vaidyanathan	8	-	2	-	-	-	-	-	1	No
Mr Ravishankar G V	7	-	-	-	-	-	-	-	1	No
Mr L R Raviprasad	6	-	4	-	-	-	13	-	-	No
Mr B Haribabu	6	-	4	-	-	-	13	-	-	Yes
Mr Ling Wei Ong	-	-	-	-	-	-	-	-	-	NA
Mr Arjun Saigal	-	-	-	-	-	-	-	-	-	NA
Mr Sanjeev Mehra	5	-	-	-	-	-	-	-	-	No
Mr Gaurav Trehan	4	-	-	-	-	-	-	-	-	No

### Changes in Board of Directors

During the financial year under review, the following changes took place in the composition of the Board of Directors:

- Re-appointment of Mr Ramanathan Annamalai as an Independent Director for a second term of 15 months effective February 26, 2021, was approved by the Board at its meeting held on February 18, 2021, and by the shareholders at the Extra-Ordinary General Meeting held on April 22, 2021

- Re-appointment of Ms Bhama Krishnamurthy as an Independent Director for a second term of 5 years effective April 12, 2021, was approved by the Board at its meeting held on February 18, 2021, and by the shareholders at the Extra-Ordinary General Meeting held on April 22, 2021
- Mr Ling Wei Ong, Non-Executive Director nominated by NHPEA Chocolate Holdings, B.V., resigned from the office of Director with effect from April 26, 2021, and consequently, Mr Arjun Saigal, Alternate Director to Mr Lin Wei Ong ceased to hold office with effect from April 26, 2021
- Mr Gaurav Trehan who was nominated by M/s Sirius II Pte. Ltd. was appointed as an Additional Non-Executive Director of the Company by the Board of Directors with effect from April 26, 2021, was regularized as a Non-Executive Director at the 37<sup>th</sup> Annual General Meeting held on August 06, 2021
- Mr Thirulokchand Vasan, Non-Executive Director, and Mr G V Ravishankar, Non-Executive Director nominated by SCI Investments V, retired by rotation at the 37<sup>th</sup> Annual General Meeting held on August 06, 2021, and were re-appointed
- Re-appointment of Mr Anand Raghavan as an Independent Director for a second term of 5 years effective July 28, 2021, was approved by the Board at its meeting held on May 28, 2021, and by the shareholders at the 37<sup>th</sup> Annual General Meeting held on August 06, 2021
- Mr T T Srinivasaraghavan who was appointed as the Additional (Independent) Director of the Company by the Board of Directors with effect from August 25, 2021 for a period of 5 years was regularized as an Independent Director at the Extra-ordinary General Meeting held on October 08, 2021
- Mr B Haribabu, Independent Director, resigned from his office of Directorship with effect from October 21, 2021 before completion of his tenure due to pre-occupation with other activities and there was no other material reason.
- Mr L R Raviprasad, Mr Sanjeev Mehra and Mr Gaurav Trehan, Non-Executive Directors have resigned from their office of Directorship with effect from October 21, 2021, and the same was noted by the Board of Directors of the Company at their meeting held on October 21, 2021

The following changes took place in the composition of the Board of Directors between the financial year end and the date of this report:

- Mr Lakshmipathy Deenadayalan was reappointed as the Chairman & Managing Director of the Company for a further period of 5 years with effect from June 01, 2022, subject to the approval of the shareholders of the Company at the ensuing general meeting in accordance with Section 196 of the Companies Act, 2013. Based on the recommendation of the Nomination & Remuneration Committee and in the opinion of your Board, Mr Lakshmipathy Deenadayalan has requisite qualifications and experience and therefore, your directors recommend his reappointment in the ensuing Annual General Meeting
- In terms of Section 152 of the Companies Act, 2013, Mr Vikram Vaidyanathan retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. Based on the recommendation of the Nomination & Remuneration Committee and in the opinion of your Board, Mr Vikram Vaidyanathan has requisite qualifications and experience and therefore, your directors recommend his reappointment in the ensuing Annual General Meeting.

### **Independent Directors**

Pursuant to Section 149(7) of the Companies Act, 2013 read along with Rule 6 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 of the Companies Act, 2013 and Regulation 25(8) of the SEBI (LODR), 2015, the Company has received necessary declarations/ disclosures from each of the Independent Directors of the Company stating that he/she meets the criteria of independence as required under Section 149(6) of the Companies Act, 2013 and that he/she has a valid certificate of registration for his/her enrollment into the data bank for Independent Directors.

None of the Independent Directors are Promoters or are related to Promoters. They do not have any pecuniary relationship with the Company and further do not hold two percent or more of the total voting power of the Company.

The Company had issued a formal letter of appointment to all Independent Directors and the terms and conditions of their appointment have been disclosed in the website of the Company.

During the year under review, in line with the requirement under section 149(8) and schedule IV of the Act, the Independent Directors had a separate meeting on March 09, 2022 which was conducted to enable Independent Directors, discuss matters relating to Company's affairs and put forth their views without the presence of the non-independent directors and management team.

### **Familiarisation Programme**

The Company's Independent Directors are eminent professionals and are fully conversant and familiar with the business of the Company. The Company has an ongoing familiarization programme for all directors with regard to their roles, duties, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model of the Company, etc. The programme is embedded in the regular meeting agenda where alongside the review of operations, financials and Company strategy are presented on a quarterly basis. The details of the familiarisation programme attended by directors are available on the website of the Company at <https://fivestargroup.in/investors/>.

### **Code of Conduct**

Your Company has adopted a Code of Conduct for members of the Board (incorporating Code for Independent Directors) and the Senior Management. The Code aims at ensuring consistent standards of conduct and ethical business practices across the Company.

All Board members and senior management personnel have affirmed compliance with the Company's code of conduct for the financial year 2021-22. A declaration to this effect has been enclosed with this report as **Annex I**.

### **Certificate from Company Secretary in Practice**

Mr S Sandeep of M/s S Sandeep & Associates has issued a certificate as required under the SEBI (LODR), 2015 confirming that none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as director of companies by SEBI / Ministry of Corporate Affairs or any such statutory authority. A certificate to this effect has been enclosed to this report as **Annex II**.

### **Competencies of the Board**

The following is the list of core skills / expertise / competencies identified by the Board of Directors as required in the context of Company's business for its effective functioning. It is also confirmed that the directors possess these skills and competencies in order to ensure effective functioning of the Company.

### **Core skills / Expertise / Competencies**

Financial Services  
Strategy & Planning  
Risk Management  
Corporate Governance  
Technology  
Management & Leadership

The director-wise skills and competencies are laid out in the table below:

<b>Name of the Director</b>	<b>Core skills / Expertise / Competencies</b>
Mr Lakshmiopathy Deenadayalan	Financial Services, Strategy & Planning, Risk Management, Corporate Governance and Management & Leadership
Mr Ramanathan Annamalai	Financial Services, Strategy & Planning, Corporate Governance and Management & Leadership
Ms Bhama Krishnamurthy	Financial Services, Strategy & Planning, Risk Management, Corporate Governance and Management & Leadership
Mr Anand Raghavan	Financial Services, Strategy & Planning, Risk Management, Corporate Governance and Management & Leadership
Mr Srinivasaraghavan T T	Financial Services, Strategy & Planning, Risk Management, Corporate Governance, Technology, Management & Leadership
Mr Thirulokchand Vasam	Financial Services, Strategy & Planning, Corporate Governance and Management & Leadership
Mr Vikram Vaidyanathan	Financial Services, Strategy and Planning, Corporate Governance, Technology, Management & Leadership
Mr G V Ravishankar	Financial Services, Strategy and Planning, Corporate Governance, Technology, Management & Leadership

### **Committees of the Board**

Your Company has nine Committees constituted by the Board – Audit Committee, Nomination & Remuneration Committee, Stakeholders Relationship Committee, Risk Management Committee, Corporate Social Responsibility Committee, Business & Resource Committee, IT Strategy Committee, Asset & Liability Committee and IPO Committee.

The Board at the time of constitution of each Committee fixes the terms of reference, reviews it and delegates powers from time to time. Various recommendations of the Committees are submitted to the Board for approval. During the year, the Board had accepted all recommendations of the Committees. The minutes of the meetings of all the Committees are circulated to the Board for its information.

### **Audit Committee**

#### **Composition and Meetings**

As on the date of this report, the Audit Committee currently consists of the following members:

1. Mr Anand Raghavan, Independent Director (Chairperson)
2. Mr Ramanathan Annamalai, Independent Director
3. Ms Bhama Krishnamurthy, Independent Director

The Audit Committee of the Board met five (5) times during the financial year on May 27, 2021, August 24, 2021, October 20, 2021, November 08, 2021, and February 11, 2022, respectively. The gap between two meetings of the Committee



did not exceed one hundred and twenty days (120) and the requisite quorum was present in all the Committee meetings. In addition to the members of the Audit Committee, these meetings were also attended by the Chief Financial Officer, Internal Auditors, Statutory Auditors and other management team members who were considered necessary for providing inputs to the Committee. The Company Secretary acts as the Secretary to the Audit Committee.

**Terms of reference:**

1. Overseeing the Company's financial reporting process and the disclosure of its financial interest to ensure that the financial statements are correct, sufficient and credible;
2. Recommending to the Board for appointment, remuneration and terms of appointment of the statutory auditor of the Company;
3. Reviewing and monitoring the statutory auditor's independence and performance, and effectiveness of audit process;
4. Approving payments to statutory auditors for any other services rendered by the statutory auditors;
5. Reviewing with the management the annual financial statements and auditors report thereon before submission to the Board, with particular reference to:
  - Matters required to be included in Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act;
  - Changes, if any in accounting policies and practices and reasons for the same;
  - Major accounting entries involving estimates based on the exercise of judgement by management;
  - Significant adjustments made in the financial statements arising out of audit findings;
  - Compliance with listing and other legal requirements relating to financial statements;
  - Disclosure of any Related Party Transactions; and
  - Modified opinion(s) in the draft Audit Report.
6. Reviewing with the management the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
7. Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter. This also includes monitoring the use/application of the funds raised through the proposed initial public offer by the Company;
8. Approval or any subsequent modifications of transactions of the Company with related parties and omnibus approval for subject to the conditions as may be prescribed, by the independent directors who are members of the Audit Committee;
9. Scrutinising of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the Company, wherever it is necessary;
11. Evaluating internal financial controls and risk management systems;
12. Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;
13. Reviewing, with the management, the performance of statutory and internal auditors, and adequacy of the internal control systems;
14. 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;
15. Discussing with internal auditors on any significant findings and follow up thereon;
16. 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;
17. Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
18. 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;

19. Reviewing the functioning of the whistle blower mechanism;
20. Approving the appointment of the Chief Financial Officer or any other person heading the finance function or discharging that function after assessing the qualifications, experience and background, etc. of the candidate; and
21. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee and any other terms of reference as may be decided by the Board and/or specified/provided under the Companies Act, the Listing Regulations or by any other regulatory authority;
22. Reviewing the utilization of loans and/ or advances from/investment by the Holding Company in any subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as per applicable law;
23. Considering and commenting on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders;

The Committee shall mandatorily review the following information:

1. Management's discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by the management. Provided that only those members of the Audit Committee, who are independent directors, shall approve related party transactions;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses;
5. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee;
6. Examination of the financial statements and the auditors' report thereon; and
7. Statement of deviations:
  - a. quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of the Listing Regulations; and
  - b. annual statement of funds utilised for purposes other than those stated in the document/prospectus/notice in terms of the Listing Regulations.

## **Nomination & Remuneration Committee**

### **Composition and Meetings**

As on the date of this report, the Nomination & Remuneration Committee currently consists of the following members:

1. Ms Bhama Krishnamurthy, Independent Director (Chairperson)
2. Mr Ramanathan Annamalai, Independent Director
3. Mr Vikram Vaidyanathan, Non-Executive Director

The Nomination & Remuneration Committee of the Board met 5 (Five) times during the financial year on May 26, 2021, June 29, 2021, August 25, 2021, September 08, 2021, and February 26, 2022. The requisite quorum was present in all the Committee meetings. In addition to the members of the Nomination & Remuneration Committee, these meetings were also attended by the management team members who were considered necessary for providing inputs to the Committee on need basis. The Company Secretary acts as the Secretary to the Nomination & Remuneration Committee.

### **Terms of Reference**

1. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;

2. For every appointment of an independent director, the Nomination & Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - a. use the services of an external agencies, if required;
  - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - c. consider the time commitments of the candidates.
3. Formulation of criteria for evaluation of the performance of the independent directors and the Board;
4. Devising a policy on Board diversity;
5. Identifying persons who qualify to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommending to the Board their appointment and removal, and carrying out evaluations of every director's performance;
6. Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
7. Analysing, monitoring and reviewing various human resource and compensation matters;
8. 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;
9. Determining the compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component;
10. Reviewing and approving compensation strategy from time to time in the context of the then current Indian market in accordance with applicable laws;
11. Performing such functions as are required to be performed by the Compensation Committee under the Securities and Exchange Board of India ((Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended;
12. Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including:
  - a. the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; or
  - b. the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended.
13. Performing such other activities as may be delegated by the Board and/or specified/provided under the Companies Act, the Listing Regulations or by any other regulatory authority; and
14. Recommend to the Board, all remuneration, in whatever form, payable to senior management.

## **Stakeholders Relationship Committee**

### **Composition and Meetings**

As on the date of this report, the Business & Resource Committee currently consists of the following members:

1. Mr Ramanathan Annamalai, Independent Director (Chairperson)
2. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director
3. Mr Thirulokchand Vasam, Non-Executive Director

The Stakeholders Relationship Committee met on March 08, 2022. The requisite quorum was present in the Committee meeting. The Company Secretary acts as the Secretary to the Stakeholders Relationship Committee.

### **Terms of Reference**

1. To consider and resolve the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints;
2. To review measures taken for effective exercise of voting rights by shareholders;
3. To review adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent;
4. To review the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company; and
5. Carrying out such other functions as may be specified by the Board from time to time or specified/provided under the Companies Act, 2013 or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, each as amended or by any other regulatory authority.

### **Risk Management Committee - Composition and Meetings**

As on the date of this report, the Risk Management Committee comprises of the following members:

1. Mr T T Srinivasaraghavan, Independent Director (Chairperson)
2. Ms Bhama Krishnamurthy, Independent Director
3. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director
4. Mr Anand Raghavan, Independent Director

The Risk Management Committee met 3 (Three) times during the financial year on May 27, 2021, August 24, 2021, and March 09, 2022, respectively. The requisite quorum was present in all the Committee meetings. The Company Secretary acts as the Secretary to the Risk Management Committee.

### **Terms of Reference**

1. To formulate a detailed risk management policy which shall include:
  - a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
  - b. Measures for risk mitigation including systems and processes for internal control of identified risks.
  - c. Business continuity plan.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken;
6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee;
7. To carry out such other functions as may be specified by the Board from time to time or specified/provided the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, each as amended or by any other regulatory authority.

## **Corporate Social Responsibility Committee**

### **Composition and Meetings**

As on the date of this report the Corporate Social Responsibility Committee comprises of following members:

1. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director (Chairperson)
2. Ms Bhama Krishnamurthy, Independent Director
3. Mr Anand Raghavan, Independent Director

The Corporate Social Responsibility Committee of the Board met 2 (two) times during the financial year on May 27, 2021, and March 09, 2022, respectively. The requisite quorum was present in all the Committee meetings. The Company Secretary acts as the Secretary to the CSR Committee.

### **Terms of Reference**

1. Formulation of a corporate social responsibility policy to the Board, indicating the activities to be undertaken by the Company in areas or subjects specified in the Companies Act, 2013. The activities should be within the list of permitted activities specified in the Companies Act, 2013 and the rules thereunder;
2. To recommend the amount of expenditure to be incurred, amount to be at least 2% of the average net profit of the Company in the three immediately preceding financial years or where the Company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years;
3. To institute a transparent monitoring mechanism for implementation of the corporate social responsibility projects or programs or activities undertaken by the Company;
4. To monitor the corporate social responsibility policy from time to time and issuing necessary directions as required for proper implementation and timely completion of corporate social responsibility programmes;
5. To identify corporate social responsibility policy partners and corporate social responsibility policy programmes;
6. To identify and appoint the corporate social responsibility team of the Company including corporate social responsibility manager, wherever required;
7. To perform such other duties and functions as the Board may require the corporate social responsibility Committee to undertake to promote the corporate social responsibility activities of the Company or as may be required under applicable laws; and
8. To take note of the compliances made by implementing agency (if any) appointed for the corporate social responsibility activities of the Company.

### **IT Strategy Committee - Composition and Meetings**

As on the date of this report, the IT Strategy Committee comprises of the following members:

1. Mr Ramanathan Annamalai, Independent Director (Chairperson)
2. Mr G V Ravishankar, Non-Executive Director
3. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director
4. Mr Rangarajan Krishnan, Chief Executive Officer
5. Mr Srikanth Gopalakrishnan, Chief Financial Officer
6. Mr Vanamali Sridharan, Chief Technology Officer
7. Mr Sridhar Vembu, Head – Engineering, Development & Data Sciences
8. Mr Vishnu Prasad, Head - Technology

The IT Strategy Committee meets regularly to review the areas falling within its terms of reference as given below. During the financial year ended March 31, 2022, the IT Strategy Committee met 2 (Two) times on April 28, 2021, and October 20, 2021, respectively. The requisite quorum was present in all the Committee meetings. The Company Secretary acts as the Secretary to the IT Strategy Committee.

## **Terms of Reference**

1. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
2. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
3. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
4. 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;
5. Ensuring proper balance of IT investments for sustaining Five Star's growth and becoming aware about exposure towards IT risks and controls;
6. Such other terms of reference as may be laid down by RBI and/or by the Board from time to time.

## **Business & Resource Committee**

### **Composition and Meetings**

As on the date of this report, the Business & Resource Committee comprises of the following members:

1. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director (Chairperson)
2. Mr Ramanathan Annamalai, Independent Director
3. Mr Thirulokchand Vasani, Non-Executive Director

The Business & Resource Committee of the Board met 23 (Twenty Three) times during the financial year on April 09, 2021, June 18, 2021, July 09, 2021, July 23, 2021, August 04, 2021, August 06, 2021, August 09, 2021, August 10, 2021, August 13, 2021, August 25, 2021, August 30, 2021, September 10, 2021, October 08, 2021, October 30, 2021, November 10, 2021, December 10, 2021, December 22, 2021, December 28, 2021, January 12, 2022, January 17, 2022, February 11, 2022, March 08, 2022 and March 29, 2022 respectively. The requisite quorum was present in all the Committee meetings.

## **Terms of Reference**

1. Borrowing such sum or sums of moneys, availing all kinds and types of loans and credit facilities including debentures and other debt instruments, commercial paper, temporary loans from the Company's bankers, from time to time, upto such sum / limit as may be fixed by the Board of Directors / Shareholders, for and on behalf of the Company, from its directors, shareholders, banks, NBFCs, financial institutions, companies, firms, bodies corporate, Co-operative Banks, investment institutions and their subsidiaries, or from any other person as may be permitted under applicable laws, whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and/or properties, whether movable including stocks, fixed assets, book debts and to create security over the assets and / or properties of the Company in relation to such borrowings and loan/ credit facilities, modification or satisfaction of the charge/ security created on the assets and/or properties of the Company from time to time;
2. To mortgage / charge/ hypothecate all or any of the movable properties and assets of the Company both present and future and the whole or substantially the whole of the undertaking or the undertakings of the Company on such terms and conditions, as may be agreed to with the Lender(s), Debenture holders and providers of credit and debt facilities to secure the loans / borrowings / credit / debt facilities obtained or as may be obtained, or Debentures/Bonds and other instruments issued or to issued by the Company to or in favour of the financial institutions, Non-Banking Financial Companies, Co-operative Banks, investment institutions and their subsidiaries, banks, mutual funds, trusts and other bodies corporate or trustees for the holders of debentures/bonds and/or other instruments;
3. To establish current and other banking accounts with various banks upon such terms and conditions as may be agreed upon with the said bank and various other entities; to specify and change the authorized signatories and their transaction limits to the said banking accounts; to close current and other banking accounts;

4. To open one or more demat / trading / Constituent SGL (CSGL) Accounts in the name of the Company with one or more depositories for the purpose of investment and trading in government securities and treasury bills;
5. To consider and approve securitization arrangements and to authorize carrying out of all actions connected therewith;
6. Issuance of Share/Debenture and other security certificates:
  - a. Issuance of fresh Share/Debenture and other security certificates
  - b. Issuance of duplicate Share/Debenture and other security certificates
  - c. Issuance of certificates upon request of the Company on split/ consolidation /replacement of old and duplicate certificates, transfer or transmission requests.
7. To approve/ratify transfer of securities, to take note of nomination/transmission;
8. To review, modify and approve investment policy of the Company from time to time;
9. To authorize affixing the common seal of the Company in accordance with the manner laid down in the Articles of Association and to authorize taking the Common Seal out of the registered office of the Company;
10. Other authorizations as may be vested by the Board from time to time.

## **Asset Liability Committee**

### **Composition and Meetings**

As on the date of this report, the Asset Liability Committee comprises of the following members:

1. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director - (Chairperson)
2. Mr Rangarajan Krishnan, Chief Executive Officer
3. Mr Srikanth Gopalakrishnan, Chief Financial Officer
4. Mr J Vishnuram, Chief Operating Officer
5. Mr Naveen Raj, Chief Audit Officer
6. Mr S Jayaraman, Chief Risk Officer
7. Mr S Prashanth, Head – Treasury

The Asset Liability Committee meets regularly to review the areas falling within its terms of reference as given below. During the financial year ended on March 31, 2022, the Asset Liability Committee met 7 (Seven) times on April 26, 2021, June 18, 2021, July 23, 2021, September 25, 2021, November 27, 2021, January 22, 2022, and March 25, 2022. The requisite quorum was present in all the Committee meetings.

### **Terms of Reference**

1. Liquidity Risk Management
2. Management of Market (Interest Rate) Risk
3. Funding and Capital Planning
4. Credit and Portfolio Risk Management
5. Setting credit norms for various lending products of the Company
6. Operational and Process Risk Management
7. Laying down guidelines on KYC norms
8. To approve and revise the actual interest rates to be charged from customers for different products from time to time applying the interest rate model.

## **IPO Committee**

### **Composition and Meetings**

As on the date of this report, the IPO Committee comprises of the following members:

1. Mr Lakshmipathy Deenadayalan, Chairman & Managing Director (Chairperson)
2. Mr Anand Raghavan, Independent Director

3. Mr Vikram Vaidyanathan, Non-Executive Director

4. Mr G V Ravishankar, Non-Executive Director

The IPO Committee meets as and when required to review the areas falling within its terms of reference as given below. During the financial year ended on March 31, 2022, the IPO Committee met once on November 09, 2021. The requisite quorum was present in the said Committee meeting. The Company Secretary acts as the Secretary to the IPO Committee.

#### **Terms of Reference**

1. To make applications, seek clarifications, obtain approvals and seek exemptions from, where necessary, the SEBI, the Registrar of Companies, Tamil Nadu at Chennai, the RBI, and any other governmental or statutory authorities as may be required in connection with the Offer and accept on behalf of the Board such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions as may be required and wherever necessary, incorporate such modifications / amendments as may be required in the draft red herring prospectus, the red herring prospectus and the prospectus as applicable;

2. To finalize, settle, approve, adopt and file in consultation with the book running lead managers appointed for the Offer (the "BRLMs") where applicable, the draft red herring prospectus, the red herring prospectus and the prospectus in connection with the Offer, the preliminary and final international wrap and any amendments, supplements, notices, addenda or corrigenda thereto, the bid cum application forms, abridged prospectus, confirmation of allocation notes and any other document in relation to the Offer, and take all such actions as may be necessary for the submission and filing of these documents including incorporating such alterations / corrections / modifications as may be required by SEBI, the Registrar of Companies, Tamil Nadu at Chennai or any other relevant governmental and statutory authorities or in accordance with applicable laws;

3. To decide along with the Selling Shareholders in consultation with the BRLMs on the actual Offer size, timing, pricing, discount, reservation and all the terms and conditions of the Offer, including the price band (including offer price for anchor investors), bid period, Offer price, and to do all such acts and things as may be necessary and expedient for, and incidental and ancillary to the Offer including to make any amendments, modifications, variations or alterations in relation to the Offer;

4. To appoint and enter into and terminate arrangements with the BRLMs, underwriters to the Offer, syndicate members to the Offer, brokers to the Offer, escrow collection bankers to the Offer, refund bankers to the Offer, registrars, legal advisors, auditors, advertising agency, monitoring agency and any other agencies or persons or intermediaries in relation to the Offer, to negotiate, finalise and amend the terms of their appointment, including but not limited to the execution of the mandate letter with the BRLMs and negotiation, finalization, execution and, if required, amendment of the offer agreement with the BRLMs, and to remunerate all such intermediaries/agencies including the payments of commissions, brokerages, etc.;

5. To negotiate, finalise and settle and to execute and deliver or arrange the delivery of the draft red herring prospectus, the red herring prospectus, the prospectus, the preliminary and final international wrap, offer agreement, syndicate agreement, underwriting agreement, share escrow agreement, cash escrow agreement, agreements with the registrar to the Offer and all other documents, deeds, agreements and instruments whatsoever with the registrar to the Offer, legal advisors, auditors, advertising agency and the monitoring agency stock exchange(s), BRLMs, any selling shareholders in the Offer (the "Selling Shareholders") and any other agencies/intermediaries in connection with the Offer with the power to authorise one or more officers of the Company to execute all or any of the aforesaid documents or any amendments thereto as may be required or desirable in relation to the Offer;

6. To seek, if required, the consent and/or waiver of the lenders of the Company and its subsidiaries, as applicable, customers, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents and/or waivers that may be required in relation to the Offer or any actions connected therewith;



7. To open and operate bank accounts in terms of the escrow agreement and to authorize one or more officers of the Company to execute all documents/deeds as may be necessary in this regard;
8. To open and operate bank accounts of the Company in terms of Section 40(3) of the Companies Act, 2013, as amended, and to authorize one or more officers of the Company to execute all documents/deeds as may be necessary in this regard;
9. To authorize and approve incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Offer;
10. To accept and appropriate the proceeds of the Offer in accordance with the applicable laws;
11. To approve code of conduct as may be considered necessary by the IPO Committee or as required under the applicable laws, regulations or guidelines for the Board, officers of the Company and other employees of the Company;
12. To approve the implementation of any corporate governance requirements that may be considered necessary by the Board or the IPO Committee or as may be required under the applicable laws or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and listing agreements to be entered into by the Company with the relevant stock exchanges, to the extent allowed under law;
13. To issue receipts/allotment letters/confirmation of allotment notes either in physical or electronic mode representing the underlying Equity Shares in the capital of the Company with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more stock exchange(s), with power to authorize one or more officers of the Company to sign all or any of the aforesaid documents;
14. To authorize and approve notices, advertisements in relation to the Offer in consultation with the relevant intermediaries appointed for the Offer;
15. To do all such acts, deeds, matters and things and execute all such other documents, etc., as may be deemed necessary or desirable for such purpose, including without limitation, to finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, share certificates in accordance with the relevant rules, in consultation with the BRLMs;
16. To do all such acts, deeds and things as may be required to dematerialise the Equity Shares and to sign and/ or modify, as the case maybe, agreements and/or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited, registrar and transfer agents and such other agencies, authorities or bodies as may be required in this connection and to authorize one or more officers of the Company to execute all or any of the aforesaid documents;
17. To make applications for listing of the Equity Shares in one or more stock exchange(s) for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s) in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of the Company where necessary;
18. To settle all questions, difficulties or doubts that may arise in regard to the Offer, including issue or allotment, terms of the Offer, utilisation of the Offer proceeds and matters incidental thereto as it may deem fit;
19. To submit undertaking/certificates or provide clarifications to the SEBI, Registrar of Companies, Tamil Nadu at Chennai and the relevant stock exchange(s) where the Equity Shares are to be listed;
20. To negotiate, finalize, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the IPO Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Offer and any documents or instruments so executed and delivered or acts and things done or caused to be done by the IPO Committee shall be conclusive evidence of the authority of the IPO Committee in so doing;
21. To approve suitable policies on insider trading, whistle-blowing, risk management, and any other policies as may be required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, or any other applicable laws;

22. Deciding, negotiating and finalising the pricing and all other related matters regarding the execution of the relevant documents with the investors in consultation with the BRLMs and in accordance with applicable laws;
23. Taking on record the approval of the Selling Shareholders for offering their Equity Shares in the Offer for Sale and taking all actions as may be authorised in connection therewith;
24. To withdraw the draft red herring prospectus or the red herring prospectus or to decide to not proceed with the Offer at any stage in accordance with applicable laws and in consultation with the BRLMs; and
25. To delegate any of its powers set out hereinabove, as may be deemed necessary and permissible under applicable laws to the officials of the Company.

### Remuneration of Directors

The Company has in place a remuneration policy which is guided by the principles and objectives as enumerated in section 178 of the Companies Act 2013.

The compensation paid to the directors is within the statutory ceiling and the scale approved by the Board and shareholders. The non-executive directors are also paid sitting fees subject to the statutory ceiling for all Board and committee meetings attended by them.

During the financial year ended March 31, 2022, there were no pecuniary relationships / transactions with any non-executive directors and the Company, apart from receiving remuneration as directors. During the financial year ended March 31, 2022, the Company did not advance any loans to any of its directors.

### Performance Evaluation of Board, its Committees and Directors

As per the provisions of the Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Committees. A structured exercise was carried out based on the criteria for evaluation forming part of the Directors Appointment, Remuneration & Evaluation Policy, including framework for performance evaluation of Directors, Board & Committees, Criteria for Evaluation and the inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, attendance at meetings, Board culture, duties of directors, and governance. The aforesaid policy is available on the website of the Company at <https://fivestargroup.in/investors/>.

### Remuneration to Chairman & Managing Director

The details of remuneration as approved by the Board and shareholders based on the recommendations of the Nomination & Remuneration Committee and paid to Mr Lakshmi pathy Deenadayalan, Chairman & Managing Director for the financial year ended March 31, 2022, are as follows:

Particulars	Amount (₹ in lakhs)
Gross Salary	
Salary as per provisions of Section 17(1) of the Income Tax Act, 1961	409.05
Value of perquisites under Section 17(2) of Income Tax Act, 1961	2.61
Profits in lieu of salary under Section 17(3) of Income Tax Act, 1961	-
Commission, Bonus etc	220.00
Stock Options	-
Pension	0.21
<b>Total</b>	<b>631.87</b>

## Remuneration to Non-Executive Directors

### Sitting Fees

All directors except the Chairman & Managing Director and Nominee Directors of Investors are paid a sitting fee of INR 50,000/- for attending every meeting of the Board and INR. 40,000/- for attending every meeting of the Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Risk Management Committee, IPO Committee and Independent Directors Meeting.

The details of sitting fees paid to Directors during the financial year are as follows:

Name	Designation	Sitting Fees (₹)	
		Board	Committee
Mr B Haribabu	Independent Director	300,000	160,000
Mr Ramanathan Annamalai	Independent Director	500,000	440,000
Mr Anand Raghavan	Independent Director	500,000	480,000
Ms Bhama Krishnamurthy	Independent Director	500,000	440,000
Mr Srinivasaraghavan T T	Independent Director	350,000	80,000
Mr L R Raviprasad	Non-Executive Director	300,000	160,000
Mr Thirulokchand Vasani	Non-Executive Director	500,000	-
<b>Total</b>		<b>2,950,000</b>	<b>1,760,000</b>

### Commission to Non-Executive Directors

The Non-Executive Directors (excluding Nominee Directors of Investors) and Independent Directors of the Company are paid remuneration by way of annual commission based on the recommendation by the Nomination and Remuneration Committee and approval by the Board within the limits prescribed under the Companies Act, 2013.

The details of commission paid to Non-Executive Directors during the financial year ended March 31, 2022, are as follows:

Name of Director	Designation	Commission (₹)
Mr B Haribabu	Independent Director	200,000
Mr Ramanathan Annamalai	Independent Director	400,000
Mr Anand Raghavan	Independent Director	400,000
Ms Bhama Krishnamurthy	Independent Director	400,000
Mr T T Srinivasaraghavan	Independent Director	400,000
Mr L R Raviprasad	Non-Executive Director	200,000
Mr Thirulokchand Vasani	Non-Executive Director	400,000
<b>Total</b>		<b>2,400,000</b>

### Related Party Transactions disclosures

All related party transactions that were entered into during the financial year were on arm's length basis and in ordinary course of business. There were no materially significant transactions made by the Company with promoters, directors, key managerial personnel or other designated persons which may have a potential conflict with the interest of the Company. There were no contracts or arrangements entered into with related parties during the year to be disclosed under sections 188(1) and 134(3)(h) of the Companies Act in form AOC 2.

The Company has in place a policy on related party transactions as approved by the Board and the same is available on the website of the Company at <https://fivestargroup.in/investors/>

### Whistle Blower Policy & Vigil Mechanism

Your Company has established a Vigil Mechanism and has adopted a Whistle Blower Policy for directors and employees to report their genuine concerns. The Whistle Blower Policy has been formulated with a view to provide a mechanism for employees and directors to approach the Audit Committee of the Company. The said policy is available on the website of the Company at <https://fivestargroup.in/investors/>.

During the year under review, no complaints were received by the Company and no complaints are outstanding as on March 31, 2022.

### Disclosure under POSH Act, 2013

Your Company has not received any complaints under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 during the financial year ended March 31, 2022 and there are no complaints pending as on the end of the financial year.

### Subsidiary Company

Your Company does not have any Subsidiary Company. However, a policy for determining material subsidiaries is hosted on the website of your Company at <https://fivestargroup.in/investors/>.

### Penalties

There were no penalties, strictures imposed on the Company by stock exchange(s) or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

### Fees paid to Statutory Auditors

The total fees paid by the Company during the financial year ended March 31, 2022, to the Statutory Auditors including all entities in their network firm / entity of which they are a part is given below:

Particulars	Amount (₹ in lakhs)
Fees for audit and related services paid to statutory auditors and affiliates firms and to entities of the network of which the statutory auditor is a part	109.00
Other fees paid to statutory auditors & affiliates firms and to entities of the network of which the statutory auditor is a part	10.63
<b>Total</b>	<b>119.63</b>

### Compliance with Corporate Governance Norms

Your Company being a High Value Debt Listed entity, Regulations 15 to 27 of SEBI (LODR) 2015 are applicable to the Company on a comply or explain basis until March 31, 2023. The requirements of Regulation 17 to Regulation 27 of SEBI (LODR) 2015 to the extent applicable to the Company have been complied with as disclosed in this report.

A detailed compliance report is circulated to the Board along with the agenda every quarter. The Board reviews the compliance of all applicable laws every quarter.

Pursuant to Regulation 27(1) of SEBI (LODR), 2015, the Company has also adopted the following discretionary requirements:

- **Modified opinion(s) in audit report:** Your Company confirms that its financial statements have unmodified audit opinions.
- **Reporting of internal auditor:** The Internal Auditor of the Company reports directly to the Audit Committee.

### Compliance Certificate on Corporate Governance

The certificate on compliance of corporate governance norms from a Practicing Company Secretary is enclosed to this report as **Annex III**.

### CEO/CFO Certification

Chief Executive Officer and Chief Financial Officer have submitted a compliance certificate to the Board regarding the financial statements and internal control systems as required under Regulation 17(8) of SEBI (LODR) 2015.

### General Body Meetings

Particulars of last three Annual General Meetings and special resolutions passed are given below:

Year	Date & Time	Venue	Special Resolutions passed
2021	August 6, 2021, at 10.30 AM	Registered Office	<ul style="list-style-type: none"><li>- Re-appointment of Mr Anand Raghavan as Independent Director</li><li>- Revision in remuneration of Mr D Lakshmi pathy, Chairman &amp; Managing Director of the Company</li><li>- Issue and offer of upto 300,000 equity shares of INR10/- each on preferential basis by way of private placement</li></ul>
2020	August 31, 2020, at 10.30 AM	Registered Office	<ul style="list-style-type: none"><li>- Fixing of borrowing limits of the Company</li><li>- Offer and Invitation to subscribe to Non- Convertible Debentures (NCDs) on private placement basis</li><li>- Creation of charges on the assets of the Company</li><li>- Reappointment of Mr B Haribabu as Independent Director</li><li>- Revision in remuneration of Mr D Lakshmi pathy, Chairman &amp; Managing Director of the Company</li></ul>
2019	September 25, 2019, at 10.30 AM	Registered Office	<ul style="list-style-type: none"><li>- Fixing of borrowing limits of the Company</li><li>- Offer and Invitation to subscribe to Non- Convertible Debentures (NCDs) on private placement basis</li><li>- Creation of charges on the assets of the Company</li><li>- Revision in remuneration of Mr D Lakshmi pathy, Chairman &amp; Managing Director of the Company</li></ul>

### Extra-Ordinary General Meeting:

During the financial year ended March 31, 2022, three (3) Extra-Ordinary General Meetings were held on April 22, 2021, October 08, 2021, and March 11, 2022, respectively.

### Postal Ballot:

During the financial year ended March 31, 2022, no postal ballot was conducted.

No special resolution is proposed to be conducted through postal ballot.

### Means of Communication

All information that are required to be disseminated by the Company in terms of SEBI (LODR), 2015, are uploaded on the website of the Company.

The quarterly, half-yearly and annual financial results as applicable to the Company were published in Newspapers viz., Business Standard and Makkal Kural. The annual report of the Company, and other major announcements like notices of annual general meeting are also posted on the Company's website.

### General Shareholder Information

Particulars	Details
Financial Year	April 01, 2021 to March 31, 2022
<b>Annual General Meeting</b>	
Date and Time	September 02, 2022 at 10:30 AM
Venue	Registered Office: New No 27, Old No 4, Taylor's Road, Kilpauk, Chennai - 600 010.
Company's correspondence details	Five-Star Business Finance Limited New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai – 600 010, Tamil Nadu, India Phone: 044 46106200   Email: secretary@fivestargroup.in Website: www.fivestargroup.in
Contact details of the designated official for assisting and handling investor grievances	Ms Shalini Baskaran Company Secretary and Compliance Officer Phone: 044 46106260   Email: cs@fivestargroup.in
CIN	U65991TN1984PLC010844
ISIN (Equity shares)	INE128S01021

### Listing on Stock Exchanges

Debt securities are listed in the Wholesale Debt Market (WDM) Segment of BSE Limited - Floor 25, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001

The listing fees for the debt securities for FY 2022 were paid.

### Registrar and Share Transfer Agent

Equity Shares	Debt Securities
<b>KFin Technologies Limited</b> (Unit: Five-Star Business Finance Limited) Selenium, Tower B, Plot No 31 and 32, Financial District, Nanakramguda, Serilingampally, Hyderabad, Rangareddi 500 032, Telangana, India Phone: 040-67162222 Email: einward.ris@kfintech.com	<b>NSDL Database Management Limited</b> 4 <sup>th</sup> Floor, Trade World, 'A' Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400013 Phone: 022-4914 2591 Email: Nileshb@nsdl.co.in

**Debenture Trustees*****Catalyst Trusteeship Limited***

GDA House, Plot No. 85, Bhusari Colony (Right),  
Paud Road, Pune - 411 038  
Tel: +91 (020) 25280081  
Email: dt@ctltrustee.com  
Website: www.catalysttrustee.com

***IDBI Trusteeship Services Limited***

Asian Building, Ground Floor, 17, R. Kamani  
Marg, Ballard Estate, Mumbai - 400 001  
Tel: +91 (020) 25280081  
Email: itsl@idbitrustee.com  
Website: www.idbitrustee.com

**Dematerialization of shares and liquidity**

Pursuant to Rule 9A of the Companies (Prospectus and Allotment of Securities) Rules, 2014, the entire holdings of the promoters, directors, key managerial personnel of your Company have been dematerialized. As the equity shares of your Company is not listed on the Stock Exchange, the shares were not traded on the Stock Exchange.

**Unclaimed Dividend**

Pursuant to Sections 124 and 125 of the Companies Act, 2013, read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, including amendments thereto, dividend if any if not claimed within seven years from the date of transfer to Unpaid Dividend Account of the Company, is liable to be transferred to Investor Education Protection Fund ("IEPF").

The list of unclaimed dividends along with the name of the shareholders have been uploaded on the website of the Company.

Further there are no shares in demat suspense account or unclaimed suspense account of the Company as of March 31, 2022 and as of the date of this report.

**Commodity price risk or foreign exchange risk and hedging activities**

Your Company does not deal in any commodity and hence is not directly exposed to any commodity price risk. Further, the Company has availed External Commercial Borrowings (ECBs) during the financial year ended March 31, 2022, and so has entered into derivative transactions with various counter parties to hedge its foreign exchange risks and interest rate risks associated thereon. The ECBs are fully hedged and do not possess any foreign exchange risk which is in line with your Company's policy.

**Outstanding Global Depository Receipts (GDRs) / American Depository Receipts (ADRs) / Warrants or any Convertible Instruments, Conversion date and likely impact on equity**

The Company has not issued any GDRs/ADRs/Warrants or any Convertible Instruments.

**Locations / Offices**

The Company's registered office is in Chennai and it operates out of 300 branches across the country, as of March 31, 2022.

### Credit Ratings as on March 31, 2022

Rating Agency	Type	Rating
CARE Ratings	Long term Bank Facilities	CARE A+; Stable
	Long term/Short term Bank facilities	CARE A+; Stable / CARE A1+
	Non-Convertible Debentures	CARE A+; Stable
	Market Linked Debentures (MLD)	CARE PP-MLD A+; Stable
	Commercial Paper	CARE A1+
ICRA	Bank Facilities	ICRA A+; Stable
	Non-Convertible Debentures	ICRA A+; Stable
	Market Linked Debentures (MLD)	PP-MLD ICRA AAA(CE); Stable /PP-MLD ICRA A+; Stable
	Securitization	ICRA AAA(SO)/ AA+(SO) / AA(SO) / AA-(SO)
CRISIL	DA under PCG Scheme of GoI	CRISIL AA (SO) / AA-(SO)

### Shareholding pattern as on March 31, 2022

S.No.	Shareholders	No. of shares held
<b>A</b>	<b>Promoters Holding</b>	
	Lakshmi pathy Deenadayalan	36,037,450
	Hema Lakshmi pathy	20,890,600
	Shritha Lakshmi pathy	200,000
	Matrix Partners India Investment Holdings II, LLC - Foreign Body Corporate	41,009,990
	SCI Investments V - Foreign Body Corporate	25,696,500
	<b>Total (A)</b>	<b>123,834,540</b>
<b>B</b>	<b>Non-Promoters' Holding</b>	
	Matrix Partners India Investments II Extension, LLC - Foreign Body Corporate	688,970
	Norwest Venture Partners X – Mauritius - Foreign Body Corporate	29,748,060
	Sequoia Capital Global Growth Fund III -Endurance Partners, L.P. - Foreign Entity	10,157,290
	SCI Growth Investments III - Foreign Body Corporate	11,026,160
	SCHF PV Mauritius, Ltd. - Foreign Body Corporate	5,457,940
	EGCS Investment Holdings - Foreign Body Corporate	1,819,310
	TPG Asia VII SF Pte. Ltd. - Foreign Body Corporate	61,106,730
	Sirius II Pte. Ltd. - Foreign Body Corporate	17,593,990
	TVS Shriram Growth Fund 3 - AIF	3,591,970
	Others	26,318,160
	<b>Sub Total (B)</b>	<b>167,508,580</b>
	<b>Grand Total</b>	<b>291,343,120</b>



**Declaration on Code of Conduct**

This is to confirm that the Board has laid down a Code of Conduct for all Board members and senior management of the Company. The Code of Conduct has also been posted on the website of the Company. It is further confirmed that all directors and senior management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended March 31, 2022, as envisaged in schedule V under Regulation 34(3) of SEBI (LODR), 2015.

Place: Chennai  
Date: April 27, 2022

***Rangarajan Krishnan***  
Chief Executive Officer

**Certificate from Company Secretary in Practice**

*(Pursuant to Regulation 34(3) read with Schedule V Para-C Sub clause (10) (i) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)*

To

**The Members**

**FIVE-STAR BUSINESS FINANCE LIMITED**

New No. 27, Old No. 4, Taylor's Road,  
Kilpauk, Chennai -600010

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **FIVE-STAR BUSINESS FINANCE LIMITED** having CIN: U65991TN1984PLC010844 and having its registered office at New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai -600010 (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 Para-C Sub clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in)) as considered necessary and explanations furnished to us by the Company and its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending 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 or any such other Statutory Authority.

Name of Director	DIN	*Date of Initial appointment in Company
Deenadayalan Lakshmipathy	01723269	21/06/2002
Anand Raghavan	00243485	28/07/2016
Ramanathan Annamalai	02645247	26/02/2016
Bhama Krishnamurthy	02196839	12/04/2016
Vikram Vaidyanathan	06764019	21/08/2015
Ravi Shankar Venkataraman Ganapathy Agraharam	02604007	18/08/2017
Thiruvallur Thattai Srinivasaraghavan	00018247	25/08/2021
Thirulokchand Vasana	07679930	15/12/2016

\*the date of appointment is as per the MCA Portal.

Ensuring the eligibility of for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For S Sandeep & Associates**

S Sandeep

Company Secretary in Practice

CP No: 5987;

FCS No: 5853;

PR No: 1116/2021

Place: Chennai

Date: April 27, 2022

**Certificate on compliance with the conditions of Corporate Governance**

*(Pursuant to Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)*

To

**The Members**

**FIVE-STAR BUSINESS FINANCE LIMITED**

**(CIN: U65991TN1984PLC010844)**

We have examined the compliance of the conditions of Corporate Governance by **FIVE-STAR BUSINESS FINANCE LIMITED** (CIN: U65991TN1984PLC010844) ("the Company"), for the financial year ended on March 31, 2022, as stipulated in Regulations 17 to 27 and other relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

**Management's Responsibility:**

The compliance of conditions of Corporate Governance is the responsibility of the Management. The responsibility includes design, implementation and maintenance of internal control and procedures to ensure compliance with conditions of Corporate Governance as stated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**Our Responsibility:**

Our examination was limited to examining procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. It is neither an audit nor an expression of opinion on the financial statements of the Company.

**Our Opinion:**

In our opinion, on the basis of our examination of the relevant records produced, explanations and information furnished, we certify that the Company has complied with all mandatory regulations and the conditions of Corporate Governance as stipulated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, during the financial year ended March 31, 2022.

We further state that this certificate is neither an assurance as to the future viability of the Company nor of efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For S Sandeep & Associates**

S Sandeep

Company Secretary in Practice

CP No: 5987;

FCS No: 5853;

PR No: 1116/2021

Place: Chennai

Date: April 27, 2022

# MANAGEMENT DISCUSSION ANALYSIS

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## MANAGEMENT DISCUSSION ANALYSIS

### Macro-Economic Overview

Two years have passed since COVID-19 was declared as a Pandemic by the World Health Organisation. When it was felt that the impact of the pandemic had receded post the first wave and things were returning back to normalcy, the second wave hit the world much harder during the first quarter of the financial year. The cascading impact of the second wave was felt throughout the year and things started returning to normalcy in the second half of the year. COVID continues to surprise the world, and while vaccinations helped contain the impact of the virus and the world population has also learnt to co-exist with the virus, any subsequent waves of the pandemic and their impact cannot be undermined at this point of time. However, it is prudent to assume that the world has learnt to live with COVID and any further waves, unless significantly severe, are unlikely to have any major impact on the economy as a whole.

One of the other major impacts during the current financial year was the rising inflation across the world. While the Central banks across the world continued to hint at an accommodative monetary stance, the clear indication was that the interest rates shall rise during the forthcoming financial year. The Russian invasion of Ukraine was also expected to result in turmoil in the financial markets and increase the uncertainty about the recovery of the global economy.

Even in the Indian context, the Reserve Bank of India continued to maintain an accommodative monetary stance, despite surge in inflation in the last quarter of the financial year.

### Industry Overview & Implication of Regulatory Pronouncements

The first quarter of the financial year saw a spike in COVID infections, and unlike the first wave, this wave was much more severe with increased hospitalizations and fatalities. In fact, the medical infrastructure of the country was significantly stretched by this wave. The financial services industry felt the impact of this in the form of reduced collection efficiency and increased delinquency. Further, there was no regulatory forbearance provided to banks and NBFCs except allowing them to provide restructuring of the credit facilities to borrowers impacted by the pandemic, without classifying them as non-performing assets or Stage 3 assets. Due to this, there was a spurt in delinquencies during the first quarter of the financial year, but focused collection efforts have managed to ensure robust asset quality for the financial year.

During the year under review, the Reserve Bank of India also came up with multiple regulations applicable to NBFCs, of which the major ones are given below with their synopsis.

1. Risk-based Internal Audit framework – As per this framework, the entire internal audit mechanism needs to be built based on the risk rating of the various functional areas of the company. The audit plan, severity and periodicity of the audits would depend on the risk classification of each of the functional areas.
2. Scale based regulations – In the past, all non-deposit taking systemically important NBFCs were regulated in a uniform manner. The size of the NBFC was not taken into account at all. To address this, RBI introduced scale-based regulations, wherein the applicability of the regulations would depend on the scale of the NBFC. NBFCs shall be categorised into base layer, middle layer, upper layer and top layer and regulations around Net Owned Fund (NOF), NPA classification, Capital adequacy process and computations, Prudential guidelines, Governance guidelines, Disclosures and Other Regulatory requirements shall be different across the various layers of NBFCs.
3. Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances (IRACP) – RBI also made changes to the Prudential norms on Income recognition, Asset classification and Provisioning. One of the major changes pertain to asset classification, wherein, a borrower classified as NPA, needs to clear all the overdue amounts to

be upgraded as a Standard asset. Once classified as an NPA, it is not enough if the borrower clears multiple dues to come below 90 days past due. Further, the classification of SMA and NPA needs to be done daily and not only at month-ends. This essentially alters the fundamental way in which NBFCs have been managing asset quality over the years.

These regulatory pronouncements are expected to change the way of functioning at NBFCs in a significant way and remove the regulatory arbitrage that existed between banks and NBFCs. Needless to say, these guidelines will bring some pain in the short-term but definitely augur well for the long-term prospects of NBFCs.

### **Operating Environment**

The operating environment was quite negative during the first quarter / half of the financial year, but it did improve over the course of the year. In fact, ICRA had a Negative outlook on the sector post the first quarter of the financial year, but they had revised their outlook to Stable by the end of the financial year, given the receding impact of COVID and improving prospects of the NBFCs.

Retail NBFC Credit Trends note dated April 2022 of ICRA records that *“Retail non-banking financial companies (Retail-NBFCs; excluding Housing finance companies) are expected to witness an improvement in the growth in the assets under management (AUM) in FY2023 to 8-10% vis-à-vis the growth of 5-7% estimated for FY2022. Growth was hampered in FY2022 by the decline in the AUM in Q1 while it improved in Q2 and Q3, resulting in overall growth of 4% in 9MFY2022. The asset quality is expected to improve from the December 2021 levels. ICRA expects the gross stage 3 (GS3) to moderate by upto 80 basis points (bps) over Q4FY2022 and FY2023 from the current level. The overdues by the end of March 2023 are expected to be marginally above the pre-Covid-19 pandemic level. However, the performance of the restructured book remains a monitorable.”*

So, the financial year ended March 31, 2022 had its ups and downs but it is safe to assume that it has ended on a positive note and the prospects for the forthcoming financial year also look bright.

### **Five Star – An overview**

Five Star is registered with RBI as a non-deposit taking systemically important NBFC. The Company is in the business of providing Secured Financial Solutions to Micro Entrepreneurs and Self-employed individuals who are largely ignored by the formal financial ecosystem. With experience of operating in this borrower segment for the last 20+ years, the Company has developed a unique underwriting model, which is capable of evaluating the credit-worthiness of such borrowers. The Company provides only secured loans which ensures robust asset quality, even during difficult times. The Company operates 300 branches across 8 states and 1 union territory and has a borrower base of over 2 lakh customers as on March 31, 2022.

### **Business Growth**

One of the distinguishing facets of the Company is its ability to put collections over disbursements during difficult times. And this is exactly what the Company did during FY2021 and FY2022, when the impact of COVID was quite pronounced and the need to focus on collections was much more intense. As already stated, the second wave of the pandemic had a big impact on the collections in the first quarter and in the absence of any major regulatory forbearance, the Company had to shift focus back to collections during the first couple of quarters.

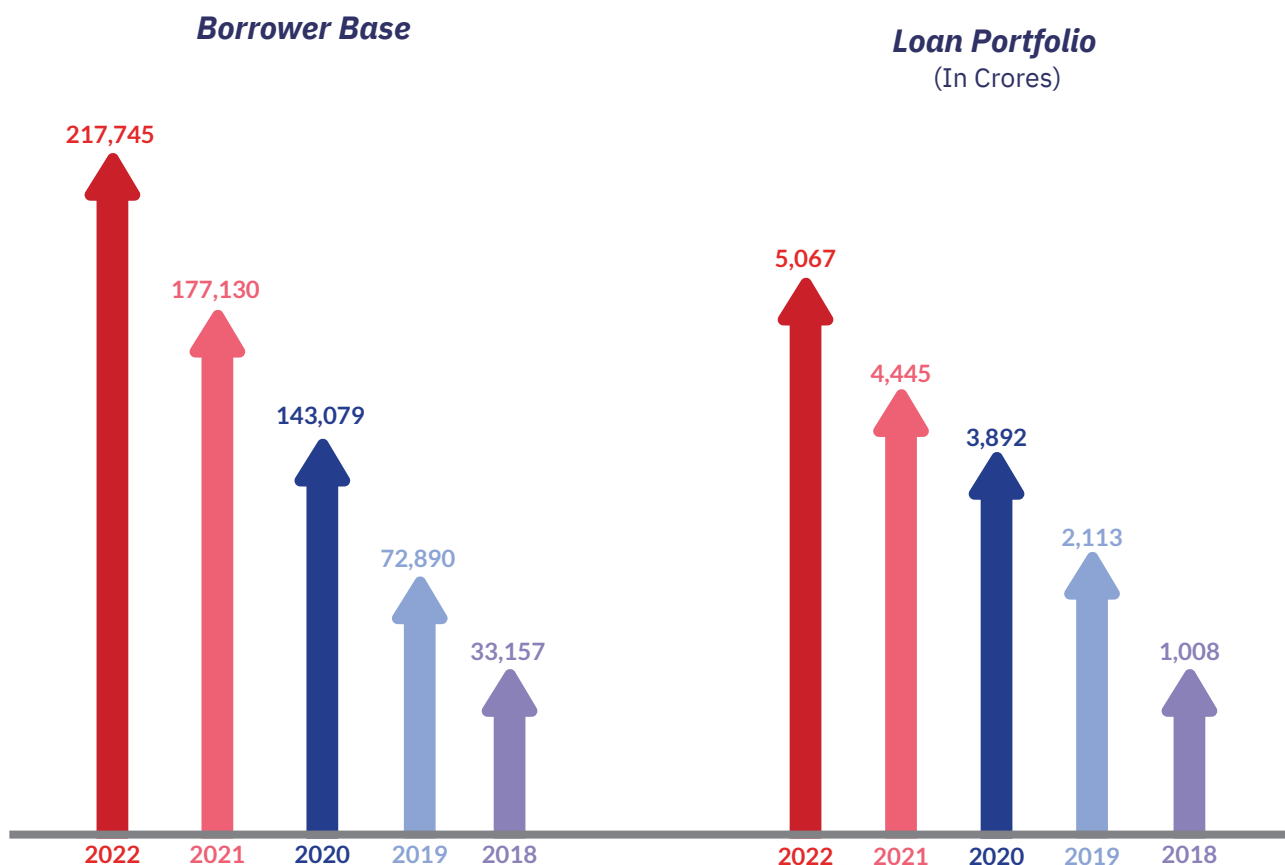
The reduced collections efficiency in the first quarter had an impact on the DPD buckets which also cascaded into the other quarters. Hence it became imperative for the Company to bring the borrowers back to lower DPD buckets, which meant collecting more than the current dues as applicable to those months / quarters. Through focused collection efforts

and appropriate incentive mechanisms, the Company managed to show good improvement across the DPD buckets as on March 31, 2022, as compared to June 30, 2021. Given all this focus, the business growth was muted and the Company managed to record a portfolio growth of 14% during FY2022 (same as FY2021). However, the last quarter of FY2022 saw business momentum picking up and reach very close to pre-COVID levels.

Also, with the proposed introduction of the revised IRAC norms on upgradation of accounts from NPA to Standard which will be effective from October 01, 2022, the Company had to undertake necessary measures to bring down potential slippages into NPA. This was undertaken through the following measures:

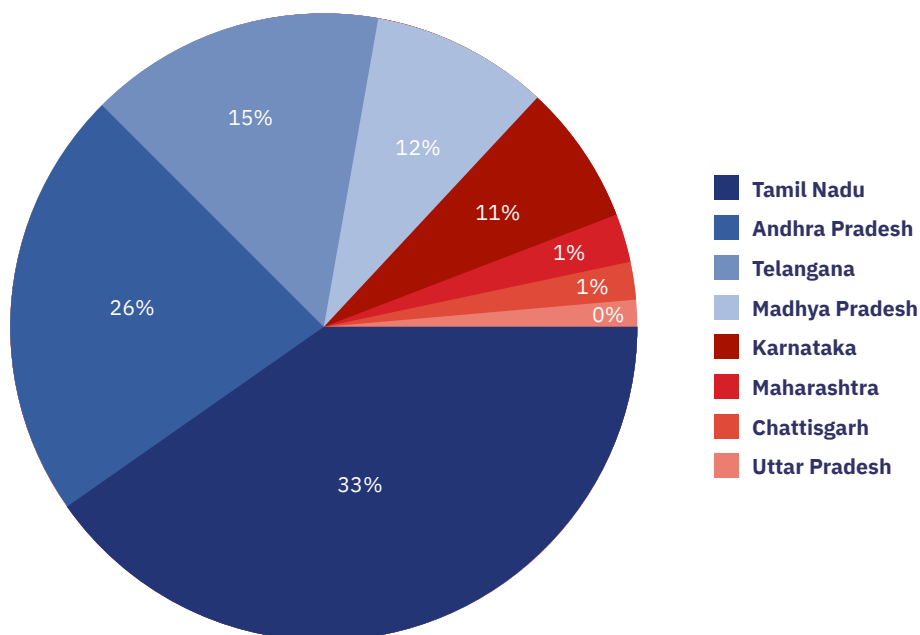
- Educating borrowers and staff on the need for due date payment discipline, rather than paying any time during the month (which was a historical behavioural trait of the borrowers)
- Reducing the stock in the 61-90 DPD bucket which has the highest potential of slipping into NPA, if payment is not made on the due date
- Increase provision coverage on Stage 3 assets, with a clear intent to bring down the Net NPA.

Amidst all these challenges, the Company also enhanced its portfolio and borrower base during the year. The growth during the year came through the addition of borrowers, which is a significant measure of risk diversification.



Keeping the ticket size at a lower level also helps the borrower to service loan EMIs without much stress. The loan outstanding per borrower has come down from INR 2.50 lakhs in FY2021 to INR 2.3 lakhs in FY2022, primarily on account of the reduction in ticket size of incremental disbursals during the year. While the Company had consciously brought down the average ticket size over the last two years due to COVID, it will make necessary efforts to bring back the ticket size to pre-COVID levels in the forthcoming financial year.

During the year, 38 new branches were opened taking the total to 300 branches as of March 31, 2022. Branch additions are the first indicator of increased demand and given that the Company had added sizeable branches during this year, it will pave the way for a good portfolio growth in the forthcoming financial year. The state-wise split of branches as of March 2022 is given below.



Five Star would continue to balance its twin approach of deepening its presence in core geographies and also branching out to newer geographies as a measure of portfolio diversification.

### **Collections & Asset Quality**

As has been stated above, in difficult times, the Company prioritises collections over incremental business. The ability to maintain strong collections efficiency and robust asset quality during such difficult times is a distinguishing facet of the Company. Towards this, the Company had given the responsibility of both business and collections to every Field Officers and had structured their incentives in such a manner to ensure that they perform in an exemplary manner both on business and collections.

However, over time the Company also realized that the same officer being involved in both business and collections forever impairs his / her ability to onboard new business. At the same time, completely delineating business and collections brings its own set of challenges like complete loss of accountability etc. Towards this, the Company has created a collections support team at each of the branches with necessary supervisory support and accounts with certain vintage shall move into the collections team, which will free up the time for business team to onboard new business.



In May and June 2021, owing to the second wave of COVID, the RBI permitted COVID-19 related relief under one-time restructuring OTR 2.0 for individuals and small businesses, with aggregate exposures from all lending institutions of up to INR 50 crore, provided the borrowers were classified as standard as of March 31, 2021. As of March 31, 2022, the quantum of such restructured loans stood at INR 73.80 crores

Based on the facts mentioned above, the Company was able to achieve one of the best asset qualities even during the second year of pandemic with the Gross Stage 3 assets at 1.05% as of March 31, 2022.

### Operational & Financial Metrics

**1. Branches:** The number of branches as at the end of March 2022 was at 300 as against 262 as at March 2021.

**2. Portfolio growth:** Five Star's Consolidated AUM<sup>1</sup> increased from INR 4,445 crores in FY2021 to INR 5,067 crores in FY2022, which translates to a growth of about 14% for the year.

**3. Loan disburseals:** During the year, the Company disbursed an amount of about INR 1,756 crores as against INR 1,245 crores in the previous year.

**4. Asset quality:** For the financial year ended March 31, 2022, the Company achieved a 90+ DPD of 1.05%, as against a 90+ DPD in the previous year of 1.02%. Despite no regulatory forbearance during the second wave of COVID (unlike 5 month moratorium that was given during the first wave), the Company has managed to achieve a Stage 3 number, which is almost equal to March 2021.

**5. Capitalisation:** During the year ended March 31, 2022, the Company had fresh equity infusion amounting to over INR 900 crores, a combination of a fresh round of capital infusion that was consummated in April 2021 amounting to INR 518 crores and conversion of partly paid shares into fully paid shares done in August 2021 amounting to INR 382 crores. The Company onboarded new investors like KKR and TVS Capital during the April 2021 round. This, along with strong internal accrual during the year, pushed up the net worth of the Company to INR 3,710 crores as of March 31, 2022.

**6. Profitability:** The Company continues to display robust profitability as exhibited in the table below.

Some of the operational and financial highlights are given below.

#### Strengthening Liability Profile

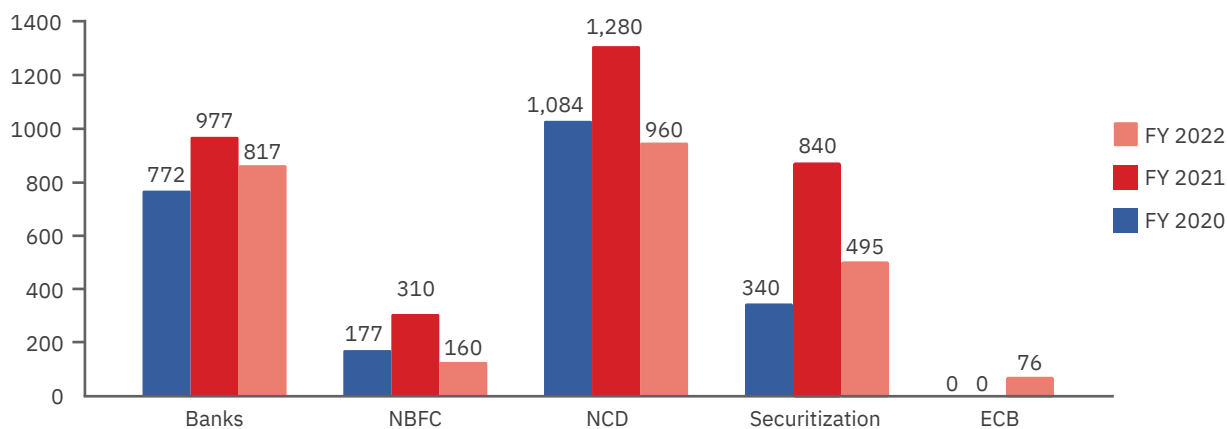
Parameter	FY 2022	FY 2021	Growth
Assets under Management (INR Cr)	5,067.08	4,445.38	14%
Amount disbursed (INR Cr)	1,756.24	1,245.05	41%
Branches (#)	300	262	15%
Number of customers	217,794	177,130	23%
Number of employees	5,675	3,938	44%
Profit after Tax (INR Cr)	453.54	358.99	26%

<sup>1</sup>AUM is without netting off the ECL

Over the last few years, there was some issue or other that was impeding the ability of NBFCs to raise debt. Starting with demonetisation, liquidity crisis triggered by the collapse of some large NBFC / HFC and two waves of COVID, NBFCs have been facing immense challenges in raising debt capital at optimal rates. RBI provided some much-needed liquidity support during the first wave of COVID but beyond this, it was pretty much left to NBFCs to fend for themselves.

During the financial year ended March 31, 2022, the capital infusion of INR 900 crores coupled with slow disbursements in the first quarter / half of the year was sufficient leading to the Company not raising any fresh debt during the first half of the year. During the second half of the year, the Company raised fresh debt of INR 315 crores and also onboarded 4 new lenders. During the year, the Company obtained sanctions from large private sector banks like HDFC Bank, Axis Bank, IDFC First Bank and also consummated its first External Commercial Borrowing transaction with Swedfund, the Development Financial Institution of the Swedish state. With this, the Company has further deepened its sources of funds, both in terms of lenders and also in terms of type of borrowing.

Structure-wise debt outstanding is given in the graph below:



**Leverage:** The Company continued to operate at a very healthy D/E ratio of sub 1X on the back of strong internal accruals and Capital Profile.

#### **Asset-Liability Management:**

Asset-Liability Management (ALM) is a very crucial requirement for the success of any NBFC. Unfortunately, there are times when this is compromised for the sake of short-term gains. However, Five Star has always been following a conservative liquidity policy, which has helped the Company manage all the turbulence that it has faced over the last many years. The liquidity policy defines a minimum liquid balance to be maintained on a monthly basis which will effectively take care of all obligations and other fund requirements over the next 3 months. This is strictly maintained despite the negative carry that it would entail. It does have an impact on profitability, but when it comes to choosing between safety and profitability, the Company always chooses safety over profitability.

The Liquidity Coverage Ratio (LCR), which became applicable to the Company during the last financial year, is also given importance and as per this requirement, the Company is required to maintain a % of net cash outflows (over the next 30 days) in the form of High-Quality Liquid Assets (HQLA), which will help manage any temporary shocks that may hit the Company. Even during the current year, given the liquidity that was available with the Company, there was no pressure in maintaining this ratio at much higher than regulatorily stipulated levels. The Company has also been making investments in Government Securities and Treasury Bills, which qualify as HQLA for the purpose of LCR computations.

The Company continues to maintain positive cumulative ALM across all buckets upto the "Above 5 years" bucket, which would help weather any kind of shocks that may come about. As has been seen in the past, even during extremely stressful periods from a liquidity perspective, the Company has been able to manage all its outflows without resorting to any kind of concessions from its lenders.

#### **Human Resources:**

A person who feels appreciated will always do more than what is expected. From that perspective, amongst the four factors of production, employees (labour) assume maximum importance. Without them, the other factors viz. land, capital and entrepreneurship cannot be harnessed to reach their full potential.

At Five Star, employees are the fulcrum around which every other factor revolves. Every decision is taken keeping the welfare of employees in mind. The welfare of employees is at the heart of all decisions right across hiring, training, retention, performance appraisal and rewards and recognitions. The Company had employed 5,675 employees as of March 31, 2022 as against 3,938 employees as of March 31, 2021.

Hiring from local areas whereby the employees get to stay with their family, providing the right kind of salary package, split judiciously into fixed salary and performance-based incentives, structuring the right kind of stock option and long-term incentive plans have all ensured that employees feel a sense of belongingness with the Company and tend to give their best for the mutual benefit of themselves and the Company.

The Company has also built a solid Management team, with 20 functional heads heading their respective departments. During the financial year ended March 31, 2022, a Chief Technology Officer and Head of Engineering and Data Sciences were hired to spruce up the Technology team. In April 2022, the Company has also hired for the positions of Chief Audit Officer and Chief Legal Officer. In this manner, the Company shall keep making the necessary hires at the right time to ensure that the right people are at the helm of each function and are able to provide necessary oversight.

#### **Technology:**

Technology has become a significant business driver in the last few years. Immense strides have been made in the areas of Machine Learning, Data Science and Analytics, Payments, usage of Application Process Interfaces, which have helped businesses scale up much faster. UPI (Unified Payments Interface) has been a game changer in the payments realm, completely revamping the way payments can be made by individuals.

Five Star has been focusing on using technology towards reducing turnaround time (TAT), digitisation of data for analytics and better decision making, using APIs of specialised institutions for accurate and richer data capture, using UPI for efficient payments, etc. As already stated, during the year, Chief Technology Officer and Head of Engineering and Data Sciences were hired to spruce up the Technology team.

During the current financial year and thereafter, the Company shall focus on deepening the technology architecture, including moving to a different ERP platform, partnering with other fintech firms to use their specialised services through their APIs, using the data to create a scorecard which can be used for faster underwriting, integrating with more robust payment mechanisms, etc. Towards this, necessary spends will be expended as the Company believes that technology can be larger game-changer in the years to come and can clearly complement the business model of the Company to take it to much higher levels.

**Risk Management and Audit Framework:**

Complementing the strong underwriting model in Five Star is a robust Risk Management and Audit Framework. The Company's audit process is overseen by the Audit Committee of the Board and is broken into 3 parts – Statutory Audit undertaken by the Statutory Auditors, Internal Audit undertaken by an external audit firm and Internal Process audit undertaken by an in-house audit team. All the aspects across regulatory compliance, Company specific policies and procedures, financial reporting and adherence to accounting standards, etc are covered and reported to the Audit Committee of the Board.

During the financial year ended March 31, 2022, Reserve Bank of India also came out with a guideline mandating financial institutions to build a Risk-based Internal Audit Framework (RBIA framework), which will tailor the audit program of the Company towards processes and functions based on their risk profile. Each of the processes and functions shall be bucketed into risk categories and the audit program shall be fine-tuned to cover high risk areas at higher frequencies and so on.

The Company has also put together the RBIA framework, which has been approved by the Board and appointed a senior professional with significant experience as its Chief Audit Officer (CAO). The CAO shall be responsible for risk categorisation of the functions and structuring the right audit program depending on the risk profile of the functions. The findings of the audit exercise shall be presented to the Audit Committee on a quarterly basis and also reported periodically to the Board.

In addition to the Audit framework, the Company also has a robust risk management framework, which independently looks through the various risks that may have a potential impact on the Company and its operations. The risk management framework comprises of a multi-tiered approach with the initial guidance coming from the Board / Risk Management Committee, which is implemented by the individual departments and overseen in tandem by the Auditors and Company's risk management team headed by the Chief Risk Officer.

**Internal Financial Controls:**

The Internal Financial Control system has been designed commensurate to the size and complexity of the Company's business and operations. The control system is designed to provide a high degree of assurance regarding the effectiveness and efficiency of the controls and mitigants to ensure that the operations and processes remain at acceptable levels, as far as possible. While the audit framework of the Company does periodic testing of the controls and their effectiveness, the Company has also engaged an external audit firm to review the risk control metrics on a periodic basis and also undertake comprehensive testing to certify the efficacy of internal controls and suggest improvements as may be required. Their findings are also presented to the Audit Committee on a periodic basis. This ensures that there is an external validation to the efficient workings of the process and financial controls that have been put in place by the Company.

Place: Chennai  
Date: April 27, 2022

*Lakshmipathy Deenadayalan*  
Chairman & Managing Director  
DIN: 01723269

**Disclosure pursuant to Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

(i) & (ii) Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2021-22 & 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:

Name of the Director	Title	% increase of remuneration in FY 2021-22 as compared to FY 2020-21*	Ratio of remuneration to Median Remuneration of Employees*
Lakshmipathy Deenadayalan	Chairman & Managing Director	25.82	-
Ramanathan Annamalai	Independent Director	33.33	1.63
Anand Raghavan	Independent Director	33.33	1.63
Srinivasaraghavan T T	Independent Director	-	1.63
Bhama Krishnamurthy	Independent Director	33.33	1.63
B Haribabu	Independent Director	33.33	1.63
L R Raviprasad	Non-Executive Director	33.33	1.63
Thirulokchand Vasani	Non-Executive Director	33.33	1.63

\* Excluding sitting fees

Name of the KMP	Designation	% increase of remuneration in FY 2021-22 as compared to FY 2020-21
Rangarajan Krishnan^	Chief Executive Officer	22.58%
Roopa Sampath Kumar	Chief Financial Officer upto March 19, 2022	NA
Srikanth Gopalakrishnan^	Chief Financial Officer*	20.67%
Shalini Baskaran	Company Secretary	37.65%

^Increase in remuneration excluding stock options.

\*Chief Financial Officer upto May 31, 2021; Chief- Strategy and finance from June 01, 2021 to March 19, 2022 and Chief Financial officer from March 20, 2022

(iii) The percentage increase in the median remuneration of employees in the financial year 2021-22: 6.33% as compared to the financial year 2020-21.

(iv) The number of permanent employees on the rolls of the Company as of March 31, 2022 and March 31, 2021, was 5,675 and 3,938 respectively.

(v) 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 percentage increase in salaries of employees other than managerial personnel for the financial year 2021-22 was 19.41% and increase in the managerial remuneration 24.46%.

(vi) Affirmation that the remuneration is as per the remuneration policy of the Company:

The Company affirms that remuneration is as per the Director's Appointment, Remuneration & Evaluation policy adopted by the Company for Directors, Key Managerial Personnel and other Employees.

S. No	Name	Designation	Remuneration ₹ in lakhs	Nature of Employment	Qualification and Experience	Date of commencement	Age	Last Employment	% of equity shares held*
1.	Lakshmiipathy Deenadayalan	Chairman & Managing Director	631.87	Full time	B.Tech - About 2 decades of experience in financial services industry	01-06-2012	48	NA	12.37
2.	Rangarajan Krishnan	Chief Executive Officer	235.81	Full time	MBA & PGP - About 20 years years of experience across banking, private equity and advisory.	06-08-2015	43	Spark Capital	NA
3.	Srikanth Gopalakrishnan	Chief Financial Officer*	135.30	Full time	MBA - About 20 years across multiple functions like business planning, securitisation, structuring, treasury and operations.	12-10-2015	43	Asirvad Microfinance Limited	NA
4.	Roopa Sampath	Chief Financial Officer**	96.32	Full time	CA – About 15 years of experience across multiple NBFCs and big four firms	17-05-2021	43	Hinduja Leyland Finance Limited	NA
5.	J Vishnuram	Chief Operating Officer	85.00	Full time	MBA - About 20 years of experience in banking professional	15-03-2017	42	Deutsche Bank	NA
6.	Vanamali Sridharan	Chief Technical Officer	79.78	Full time	IIM - About 28 years of experience in banks and technology strategy consultancies	05-08-2021	53	Suryoday Small Finance Bank	NA
7.	S Parthasarathy	Chief Credit Officer	78.78	Full time	CA - About 18 years of experience in banking profession - credit and risk functions	03-01-2018	41	DBS	NA

S. No	Name	Designation	Remuneration ₹ in lakhs	Nature of Employment	Qualification and Experience	Date of commencement	Age	Last Employment	% of equity shares held*
8.	T Sathya Ganesh	Chief Business Officer	68.79	Full time	MBA - About 22 years of experience in banks and NBFCs.	19-12-2016	45	Shriram Housing	NA
9.	Sanjay Chaturvedi#	Chief Treasury Officer	62.06	Full time	Management graduate with about 20 years of experience across multiple banks and NBFC.	08-10-2019	46	Aspire Home Finance Corporation	NA
10.	Jayaraman S	Chief Risk Officer	57.81	Full time	CA – About 22 years of experience across multiple companies	14-09-2020	51	Coldman Logistics Private Limited	NA

\*Chief Financial Officer upto May 31, 2021; Chief- Strategy and finance from June 01, 2021 to March 19, 2022 and Chief Financial officer from March 20, 2022

\*\*Chief Financial Officer from June 01, 2021 to March 19, 2022

# Resigned w.e.f April 05, 2022

None of the aforesaid employees are employed on contractual basis and none of them are related to any Director of the Company.

The remuneration is excluding stock options.

# FINANCIAL REPORT

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# ***Independent Auditor's Report***

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## **Independent Auditor's Report**

**To the Members of Five-Star Business Finance Limited**

**Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the accompanying financial statements of Five-Star Business Finance Limited (the “Company”), which comprise the Balance Sheet as at March 31, 2022, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013, as amended (“the Act”) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2022, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

### **Basis for Opinion**

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as 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 Financial Statements’ section of our report. We are independent of the Company in accordance with the ‘Code of Ethics’ issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2022. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**Impairment of Loans based on expected credit loss model**

Loans to customers represent a significant portion of the total assets of the Company. The Company has loans aggregating INR 520,529.65 lakhs as at March 31, 2022.

As per the expected credit loss model of the Company developed in accordance with the principles set out in Ind-AS 109 on Financial Instruments, the Company is required to estimate the probability of loss / expected loss based on past experience and future considerations. This involves a significant degree of estimation and judgement, including determination of staging of financial assets; estimation of probability of defaults, loss given defaults, exposure at defaults; and forward-looking factors, micro and macro-economic factors, in estimating the expected credit losses.

Additionally, having regard to the moratorium extended as part of restructuring packages announced by the Reserve Bank of India and other regulatory changes in asset classification, the Company has considered additional provision as part of its Expected Credit Loss provision on loans.

Due to the significance of the amounts involved, judgments involved in classification of loans, relative complexity of various assumptions and estimates used, and other macro economic factors, this audit area is considered a key audit matter.

Our audit procedures included the following:

- We read and assessed the Company's Expected Credit Loss policy with reference to Ind-AS 109 and the credit loss framework approved by the Board of Directors as well as relevant regulatory guidelines and pronouncements in this regard.
- For expected credit loss provision against outstanding exposures classified across various stages, we obtained an understanding of the Company's provisioning methodology (including factors that affect the probability of default, loss given defaults and exposure at default; various forward looking, micro- and macro-economic factors), the underlying assumptions and the sufficiency of the data used by management, and tested the same on a sample basis.
- We performed tests of controls and test of details on a sample basis in respect of the staging of outstanding exposures, and other relevant data used in impairment computations prepared by management as compared to the Company's policy.
- Assessed the considerations applied by the management for staging of loans as Significant Increase in Credit Risk.
- We enquired with the management regarding significant judgments and estimates involved in the impairment computation and additional credit loss provisions having regard to macroeconomic environment, management overlay provision arising from the effects of the restructuring as per packages announced by the Reserve Bank of India, and evaluated the same.
- We tested the arithmetical accuracy of computation of ECL provision performed by the Company in spreadsheets.
- Involved risk modelling experts for quantitative and qualitative back-testing of ECL model to assess reasonability of estimates used in ECL model.
- Assessed disclosures included in the financial statements in respect of expected credit losses, including the specific disclosures made with regard to the impact of COVID-19 on ECL estimation.

## **Other Information**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the 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 for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than

for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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 for the financial year ended March 31, 2022 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**

The financial statements of the Company for the year ended March 31, 2021, included in these financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those financial statements on May 28, 2021.

#### **Report on Other Legal and Regulatory Requirements**

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

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 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 these financial statements and the operating effectiveness of such controls, refer to our separate Report in “Annexure 2” to this report;
- (g) In our opinion, the managerial remuneration for the year ended March 31, 2022 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 35 to the financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 6, Note 14 and Note 19 to the financial statements;

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

iv. a) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the note 52 to the financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

b) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the note 52 to the financial statements, no funds have been received by the company from any person(s) or entity(ies), including foreign entities (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the company shall, 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 that were considered reasonable and appropriate in the circumstances,

nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

v. No dividend has been declared or paid during the year by the Company.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number - 101049W/E300004

**per Bharath N S**

Partner

Membership Number: 210934

UDIN: 22210934AHWOMH8359

Place of signature: Chennai

Date: April 27, 2022

**Annexure '1' referred to in paragraph under the heading "Report on other legal and regulatory requirements" of our report of even date**

**Re: Five-Star Business Finance Limited (the "Company")**

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 state that:

- (i)(a)(A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.
- (i)(a)(B) The Company has maintained proper records showing full particulars of intangibles assets.
- (i) (b) All Property, Plant and Equipment were physically verified by the management in accordance with a planned programme of verifying them once in three years which is reasonable having regard to the size of the Company and the nature of its assets.
- (i) (c) The title deeds of all the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in note 10 to the financial statements included in property, plant and equipment are held in the name of the Company.
- (i)(d) The Company has not revalued its Property, Plant and Equipment (including Right of use assets) or intangible assets during the year ended March 31, 2022.
- (i)(e) There are no proceedings initiated or are pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.
- (ii)(a) The Company's business does not require maintenance of inventories and, accordingly, the requirement to report on clause 3(ii)(a) of the Order is not applicable to the Company.
- (ii)(b) As disclosed in note 17 to the financial statements, the Company has been sanctioned working capital limits in excess of rupees five crores in aggregate from banks and/or financial institutions during the year on the basis of security of current assets of the Company. The quarterly returns/statements filed by the Company with such banks and financial institutions are in agreement with the books of accounts of the Company.
- (iii) (a) The company's principal business is to give loans and is a registered NBFC, accordingly, reporting under clause (iii) (a) is not applicable.
- (iii)(b) During the year the investments made, guarantees provided, security given and the terms and conditions of the grant of all loans and advances in the nature of loans and guarantees to companies, firms, Limited Liability Partnerships or any other parties are not prejudicial to the Company's interest.
- (iii)(c) In respect of loans and advances in the nature of loans, granted by the Company as part of its business of providing loans to retail customers, the schedule of repayment of principal and payment of interest has been stipulated by the Company. Having regard to the voluminous nature of loan transactions, it is not practicable to furnish entity-wise details of amounts, due date for repayment or receipt and the extent of delay (as suggested in the Guidance Note on CARO 2020, issued by the Institute of Chartered Accountants of India for reporting under this clause) in this Annexure 1, in respect of loans and advances which were not repaid / paid when they were due or were repaid / paid with a delay, in the normal course of lending business.

Further, except for those instances where there are delays or defaults in repayment of principal and / or interest as at the balance sheet date, in respect of which the Company has disclosed asset classification in note 6 to the financial statements in accordance with Indian Accounting Standards (Ind AS) and the guidelines issued by the Reserve Bank of India, the parties are repaying the principal amounts, as stipulated, and are also regular in payment of interest, as applicable.

- (iii)(d) In respect of loans and advances in the nature of loans, the total amount overdue for more than ninety days as at March 31, 2022 and the details of the number of such cases, are disclosed in note 6 to the financial statements. In such instances, in our opinion, reasonable steps have been taken by the Company for recovery of the overdue amount of principal and interest.
- (iii)(e) The company's principal business is to give loans and is a registered NBFC, accordingly, reporting under clause (iii) (e) is not applicable.
- (iii)(f) The Company has not granted any loans or advances in the nature of loans, either repayable on demand or without specifying any terms or period of repayment to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(f) of the Order is not applicable to the Company.
- (iv) There are no loans, investments, guarantees, and security in respect of which provisions of section 185 of the Companies Act, 2013 are applicable and provisions of section 186 of the Companies Act, 2013 are not applicable to the Company and accordingly, the requirement to report on clause 3(iv) of the Order is not applicable to the Company.
- (v) The Company has neither accepted any deposits from the public nor accepted any amounts which are deemed to be deposits within the meaning of sections 73 to 76 of the Companies Act and the rules made thereunder, to the extent applicable. Accordingly, the requirement to report on clause 3(v) of the Order is not applicable to the Company.
- (vi) The Company is not in the business of sale of any goods or provision of such services as prescribed. Accordingly, the requirement to report on clause 3(vi) of the Order is not applicable to the Company.
- (vii) (a) Undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases. According to the information and explanations given to us and based on audit procedures performed by us, no undisputed amounts payable in respect of these statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (vii) (b) The following dues of goods and services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess, and other statutory dues have not been deposited on account of any dispute:

Name of the statute	Nature of the dues	Amount (In ₹ lakhs)	Period to which the amount relates	Forum where the dispute is pending
Income-Tax Act, 1961	Income-tax	6.74	AY 2006-2007	Commissioner of Income-tax (Appeals)
Income-Tax Act, 1961	Income-tax	33.68	AY 2018-2019	Commissioner of Income-tax (Appeals)

- (viii) The Company has not surrendered or disclosed any transaction, previously unrecorded in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year. Accordingly, the requirement to report on clause 3(viii) of the Order is not applicable to the Company.
- (ix)(a) The Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender.
- (b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority



- (c) Based on the information and explanation given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilization have been gainfully invested in liquid assets payable on demand..
- (d) On an overall examination of the financial statements of the Company, no funds raised on short-term basis have been used for long-term purposes by the Company.
- (e) The Company does not have any subsidiary, associate or joint venture. Accordingly, the requirement to report on clause 3(ix)(e) of the Order is not applicable to the Company.
- (f) The Company does not have any subsidiary, associate or joint venture. Accordingly, the requirement to report on Clause 3(ix)(f) of the Order is not applicable to the Company.
- (x)(a) The Company has not raised any money during the year by way of initial public offer / further public offer (including debt instruments) hence, the requirement to report on clause 3(x)(a) of the Order is not applicable to the Company.
- (x)(b) The Company has complied with provisions of sections 42 and 62 of the Companies Act, 2013 in respect of the preferential allotment or private placement of shares/ fully or partially or optionally convertible debentures respectively during the year. The funds raised, have been used for the purposes for which the funds were raised.
- (xi)(a) No fraud by the Company or no material fraud on the Company has been noticed or reported during the year.
- (b) During the year, no report under sub-section (12) of section 143 of the Companies Act, 2013 has been filed by cost auditor/ secretarial auditor or by us in Form ADT – 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) As represented to us by the management, there are no whistle blower complaints received by the Company during the year.
- (xii) The Company is not a nidhi Company as per the provisions of the Companies Act, 2013. Therefore, the requirement to report on clause 3(xii)(a), (b) and (c) of the Order is not applicable to the Company.
- (xiii) Transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv)(a) The Company has an internal audit system commensurate with the size and nature of its business.
- (b) The internal audit reports of the Company issued till the date of the audit report, for the period under audit have been considered by us.
- (xv) The Company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence requirement to report on clause 3(xv) of the Order is not applicable to the Company.
- (xvi)(a). The Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934)
- (b) The Company has not conducted any Non-Banking Financial or Housing Finance activities without obtaining a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.
- (c) The Company is not a Core Investment Company as defined in the regulations made by Reserve Bank of India. Accordingly, the requirement to report on clause 3(xvi) of the Order is not applicable to the Company.
- (d) There are no other Companies part of the Group, hence, the requirement to report on clause 3(xvi) of the Order is not applicable to the Company.
- (xvii) The Company has not incurred cash losses in the current or immediately preceding financial year.

(xviii) The previous statutory auditors of the Company have resigned during the year pursuant to the requirements of the 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, issued by the Reserve Bank of India, and there are no issues, objections or concerns raised by the outgoing auditors.

(xix) On the basis of the financial ratios disclosed in note 48 to the financial statements, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that 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)(a) In respect of other than ongoing projects, there are no unspent amounts that are required to be transferred to a fund specified in Schedule VII of the Companies Act (the Act), in compliance with second proviso to 135(5) of the Act. This matter has been disclosed in note 32.2 to the financial statements.

(xx)(b) There are no unspent amounts in respect of ongoing projects, that are required to be transferred to a special account in compliance of provision of sub section (6) of section 135 of Companies Act. This matter has been disclosed in note 32.2 to the financial statements.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number -101049W/E300004

**per Bharath N S**

Partner

Membership Number: 210934

UDIN: 22210934AHWOMH8359

Place of signature: Chennai

Date: April 27, 2022

## **ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF FIVE-STAR BUSINESS FINANCE LIMITED**

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

We have audited the internal financial controls with reference to financial statements of Five-Star Business Finance Limited (the "Company") as of March 31, 2022 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by 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 these financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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

#### **Meaning of Internal Financial Controls with Reference to these Financial Statements**

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in

reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls With Reference to Financial Statements**

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

#### **Opinion**

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2022, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number - 101049W/E300004

**per Bharath N S**

Partner

Membership Number: 210934

UDIN: 22210934AHWOMH8359

Place of signature: Chennai

Date: April 27, 2022

## Balance Sheet as at March 31, 2022

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

₹ in Lakhs

Particulars	Note	As at March 31, 2022	As at March 31, 2021
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	4	61,316.28	1,26,718.28
Bank balances other than cash and cash equivalents	5	26,677.50	8,853.99
Loans	6	5,10,241.07	4,35,874.94
Investments	7	24,818.38	-
Other financial assets	8	1,797.93	474.34
		<b>624,851.16</b>	<b>571,921.55</b>
<b>Non-financial Assets</b>			
Current tax assets (net)	9	220.07	795.79
Deferred tax assets (net)	37	4,666.74	3,698.94
Investment property	10	3.56	3.56
Property, plant and equipment	12	1,214.45	845.60
Right of use asset	38	1,978.10	1,452.63
Other intangible assets	13	88.74	190.30
Other non-financial assets	11	1,283.74	452.77
		<b>9,455.40</b>	<b>7,439.59</b>
<b>Total Assets</b>		<b>634,306.56</b>	<b>579,361.14</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Financial Liabilities</b>			
Derivative financial instruments	14	138.92	-
Payables			
Trade payables			
Total outstanding dues of micro and small enterprises		-	-
Total outstanding dues of creditors other than micro and small enterprises	15	1,300.31	867.17
Debt securities	16	1,00,853.38	130,378.55
Borrowings (other than debt securities)	17	1,55,029.75	212,141.12
Other financial liabilities	18	4,146.84	1,717.01
		<b>261,469.20</b>	<b>345,103.85</b>
<b>Non-financial Liabilities</b>			
Provisions	19	900.03	719.80
Other non-financial liabilities	20	902.23	1,720.27
		<b>1,802.26</b>	<b>2,440.07</b>

## Balance Sheet as at March 31, 2022

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

₹ in Lakhs

Particulars	Note	As at March 31, 2022	As at March 31, 2021
<b>Equity</b>			
Equity share capital	21	2,913.43	2,564.49
Other equity	22	3,68,121.67	229,252.73
		<b>371,035.10</b>	<b>231,817.22</b>
<b>Total Liabilities and Equity</b>		<b>634,306.56</b>	<b>579,361.14</b>

Significant accounting policies 2 and 3

The accompanying notes are integral part of the financial statements

As per our report of even date  
For **S.R.Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of  
**Five-Star Business Finance Limited**  
CIN : U65991TN1984PLC010844

**per Bharath N S**  
Membership No: 210934

**D Lakshmipathy**  
Chairman & Managing Director  
DIN : 01723269

**R Anand**  
Independent Director  
DIN : 00243485

**G Srikanth**      **K Rangarajan**  
Chief Financial Officer      Chief Executive Officer

**B Shalini**  
Company Secretary  
ACS: A51334

Place of signature: Chennai  
Date: April 27, 2022

Place: Chennai  
Date: April 27, 2022

## Statement of Profit and Loss for the year ended March 31, 2022

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

₹ in Lakhs

Particulars	Note	Year ended March 31, 2022	Year ended March 31, 2021
<b>Revenue from operations</b>			
Interest income	23	120,376.55	101,487.58
Fee income	24	2,939.60	2,167.61
Net gain on fair value changes	25	2,090.21	1,319.03
<b>Total revenue from operations(I)</b>		<b>125,406.36</b>	<b>104,974.22</b>
Other income (II)	26	210.56	151.25
<b>Total Income (III) = (I) + (II)</b>		<b>125,616.92</b>	<b>105,125.47</b>
<b>Expenses</b>			
Finance Costs	27	30,060.00	32,519.12
Fees expenses	28	-	266.83
Impairment on financial instruments	29	4,551.81	3,517.57
Employee benefits expenses	30	23,611.52	16,371.78
Depreciation and amortization	31	1,224.47	1,138.39
Other expenses	32	5,748.21	3,667.70
<b>Total Expenses (IV)</b>		<b>65,196.01</b>	<b>57,481.39</b>
<b>Profit before tax (V) = (III) - (IV)</b>		<b>60,420.91</b>	<b>47,644.08</b>
<b>Tax expense (VI)</b>			
Current Tax	33	15,959.12	12,594.12
Deferred tax (net)	37	(892.66)	(849.48)
		15,066.46	11,744.64
<b>Profit for the year (A) = (V) - (VI)</b>		<b>45,354.45</b>	<b>35,899.44</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Re-measurements of the defined benefit plan		(171.63)	(105.27)
Income tax impact		43.20	26.49
		<b>128.43</b>	<b>78.78</b>
<b>Items that will be reclassified subsequently to profit or loss</b>			
Cash Flow Hedge Reserve		(126.92)	-
Income Tax impact		31.94	-
		<b>(94.98)</b>	<b>-</b>
<b>Other comprehensive income/ (loss) net of tax for the year (B)</b>		<b>(223.41)</b>	<b>(78.78)</b>
<b>Total comprehensive income net of tax for the year (A) + (B)</b>		<b>45,131.04</b>	<b>35,820.66</b>

# Statement of Profit and Loss for the year ended March 31, 2022

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

₹ in Lakhs

Particulars	Note	Year ended March 31, 2022	Year ended March 31, 2021
<b>Earnings per equity share (face value Re.1/- each)</b>			
- Basic (in rupees)		16.09	14.01
- Diluted (in rupees)	39	15.92	13.61
Significant accounting policies	2 and 3		

The accompanying notes are integral part of the financial statements

As per our report of even date  
For **S.R.Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of  
**Five-Star Business Finance Limited**  
CIN : U65991TN1984PLC010844

**per Bharath N S**  
Membership No: 210934

**D Lakshmipathy**  
Chairman & Managing Director  
DIN : 01723269

**R Anand**  
Independent Director  
DIN : 00243485

**G Srikanth**      **K Rangarajan**  
Chief Financial Officer      Chief Executive Officer

**B Shalini**  
Company Secretary  
ACS: A51334

Place of signature: Chennai  
Date: April 27, 2022

Place: Chennai  
Date: April 27, 2022



## Statement of Changes in Equity for the year ended March 31, 2022

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

₹ in Lakhs

Particulars	Number of Shares	Amount
A. Equity share capital		
<b>Balance as at April 1, 2020</b>	<b>27,127,891</b>	<b>2,558.21</b>
Change in equity share capital during the year		
Add: Issued during the year		
1.Fresh Issue of Equity Shares	-	-
2.Issue of Equity Shares under Employee Stock Option	62,850	6.28
3.Calling Up UnPaid Capital	-	-
<b>Balance as at March 31, 2021</b>	<b>27,190,741</b>	<b>2564.49</b>
<b>Balance as at April 1, 2021</b>	<b>27,190,741</b>	<b>2564.49</b>
Change in equity share capital during the year		
Additional shares pursuant to share split issued during the year	244,716,669	-
Add: Issued during the year		
1.Fresh Issue of Equity Shares	17,717,710	17.18
2.Issue of Equity Shares under Employee Stock Option	1,718,000	177.18
3.Calling Up UnPaid Capital	-	154.58
<b>Balance as at March 31, 2022</b>	<b>291,343,120</b>	<b>2913.43</b>

**B. Other Equity**

	Reserves and surplus						Total
	Statutory reserve	Securities premium	Employee stock option reserve	General reserve	Retained earnings	Effective portion of Cash Flow Hedge Reserve	
<b>As at April 1, 2020</b>	<b>10,861.82</b>	<b>139,069.20</b>	<b>428.30</b>	<b>719.60</b>	<b>40,820.92</b>	-	<b>191,899.84</b>
Premium received on shares issued during the year	-	22.84	-	-	-	-	22.84
Profit for the year	-	-	-	-	35,899.44	-	35,899.44
Transfer to statutory reserve	7,179.89	-	-	-	(7,179.89)	-	-
Re-measurements of defined benefit plan	-	-	-	-	(78.78)	-	-
Share based payment expense for the year	-	-	1,509.39	-	-	-	1,509.39
Transfer to Securities Premium on Exercise of ESOP	-	142.42	(142.42)	-	-	-	-
<b>As at March 31, 2021</b>	<b>18,041.71</b>	<b>139,234.46</b>	<b>1,795.27</b>	<b>719.60</b>	<b>69,461.69</b>	-	<b>229,252.73</b>
<b>As at April 1, 2021</b>	<b>18,041.71</b>	<b>139,234.46</b>	<b>1,795.27</b>	<b>719.60</b>	<b>69,461.69</b>	-	<b>229,252.73</b>
Premium received on shares issued during the year	-	90,363.86	-	-	-	-	90,363.86
Profit for the year	-	-	-	-	45,354.45	-	45,354.45
Other Comprehensive Income for the year	-	-	-	-	-	(94.98)	(94.98)
Transfer to statutory reserve	9,070.89	-	-	-	(9,070.89)	-	-
Re-measurements of defined benefit plan	-	-	-	-	(128.43)	-	(128.43)
Share based payment expense for the year	-	-	3,544.18	-	-	-	3,544.18
Share Issue Expenses	-	(170.10)	-	-	-	-	(170.10)
Transfer to Securities Premium on Exercise of ESOP	-	1,933.65	(1,933.65)	-	-	-	-
<b>As at March 31, 2022</b>	<b>27,112.60</b>	<b>231,361.87</b>	<b>3,405.80</b>	<b>719.60</b>	<b>105,616.78</b>	<b>(94.98)</b>	<b>3,68,121.67</b>

Significant accounting policies  
The accompanying notes are integral part of the financial statements

2 and 3

As per our report of even date

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm registration number: 101049W/E3000004

**per Bharath N S**

Membership No: 210934

For and on behalf of the Board of Directors of

**Five-Star Business Finance Limited**

CIN : U65991TN1984PLC010844

**D Lakshmiopathy**

Chairman & Managing Director

DIN : 01723269

**R Anand**

Independent Director

DIN : 00243485

**G Srikanth**

Chief Financial Officer

**K Rangarajan**

Chief Executive Officer

**B Shalini**

Company Secretary

ACS: A51334

Place of signature: Chennai

Date: April 27, 2022

Place: Chennai

Date: April 27, 2022

## Statement of Cash Flows for the year ended March 31, 2022

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

₹ in Lakhs

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit Before Tax</b>	<b>60,420.91</b>	<b>47,644.08</b>
<b>Adjustments for:</b>		
Depreciation and amortization	1,224.47	1,138.39
Impairment on financial instruments	4,551.80	3,517.57
Loss on sale/retirement of property, plant and equipment (net)	1.32	2.32
Profit on sale of current investments (net)	(2,090.21)	(1,319.03)
Interest income on deposits with banks / others	(2,703.35)	(1,937.47)
Interest on loans	(117,673.20)	(99,550.11)
Finance costs	30,060.00	32,785.95
Gain recognised on derecognition of leases	(21.73)	(42.32)
Employee stock option expenses	3,544.18	1,509.39
<b>Operating cash flow before working capital changes</b>	<b>(22,685.81)</b>	<b>(16,251.23)</b>
<b>Changes in Working Capital:</b>		
<i>Adjustments for (increase) / decrease in operating assets:</i>		
Loans	(77,227.15)	(55,972.13)
Other non- financial assets	(830.97)	95.85
Other financial assets	(1,323.59)	50.22
<i>Adjustments for increase / (decrease) in operating liabilities:</i>		
Trade payables	433.14	204.76
Provisions	8.60	36.92
Other financial liabilities	1,845.86	(899.70)
Other non financial liabilities	(818.05)	1,189.72
<b>Net cash (used in) operations</b>	<b>(100,597.97)</b>	<b>(71,545.59)</b>
Finance cost paid	(27,395.14)	(30,362.09)
Interest income received	115,660.55	99,210.18
Direct taxes paid (net)	(15,383.41)	(13,029.26)
<b>Net Cash Used in Operating Activities (A)</b>	<b>(27,715.97)</b>	<b>(15,726.76)</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of fixed assets	(862.85)	(324.36)
Proceeds from sale of fixed assets	0.90	0.98
Profit on sale of current investments	2,090.21	1,319.03
(Purchase)/redemption of investments (Net)	(24,818.38)	-
Interest income on deposits with banks / others	2,155.27	1,778.77
Movement in bank balances other than cash and cash equivalent	(16,953.57)	7,439.65
<b>Net Cash from / (used in) Investing Activities (B)</b>	<b>(38,388.42)</b>	<b>10,214.07</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from issue of equity shares	348.94	6.28
Proceeds from securities premium	90,363.87	22.83

## Cash Flow Statement for the year ended March 31, 2022

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

₹ in Lakhs

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Share Issue Expenses	(170.10)	-
Fresh borrowings during the year	31,541.00	236,179.03
Repayments of borrowings during the year	(120,830.40)	(132,452.53)
Payment towards leases (excluding interest)	(550.92)	(502.59)
<b>Net Cash from Financing Activities (C)</b>	<b>702.39</b>	<b>103,253.02</b>
<b>Net Increase in Cash and Cash Equivalents (A) + (B) + (C)</b>	<b>(65,402.00)</b>	<b>97,740.33</b>
<b>Cash and Cash Equivalents at the beginning of the Year</b>	<b>126,718.28</b>	<b>28,977.95</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>61,316.28</b>	<b>126,718.28</b>

₹ in Lakhs

Particulars	As at March 31, 2022	As at March 31, 2021
<b>Notes</b>		
1. Cash and cash equivalents		
Cash on hand	504.00	425.85
Balances with banks		
(i) In current accounts	4,741.93	31,454.90
(ii) In other deposit accounts (original maturity less than 3 months)	56,070.35	94,837.53
<b>Total</b>	<b>61,316.28</b>	<b>126,718.28</b>

Significant accounting policies 2 and 3

The accompanying notes are integral part of the financial statements

As per our report of even date  
For **S.R.Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of  
**Five-Star Business Finance Limited**  
CIN : U65991TN1984PLC010844

**per Bharath N S**  
Membership No: 210934

**D Lakshmipathy**  
Chairman & Managing Director  
DIN : 01723269

**R Anand**  
Independent Director  
DIN : 00243485

**G Srikanth**      **K Rangarajan**  
Chief Financial Officer      Chief Executive Officer

**B Shalini**  
Company Secretary  
ACS: A51334

Place of signature: Chennai  
Date: April 27, 2022

Place: Chennai  
Date: April 27, 2022

# Notes forming part of the financial statements for the year ended March 31, 2022

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

## 1. Corporate Information

Five-Star Business Finance Limited (“the Company”), is a public limited company domiciled in India, and incorporated under the provisions of Companies Act 1956. The Company is a systemically important non-deposit taking Non-Banking Finance Company (NBFC). The Company has received the Certificate of Registration dated June 9, 2016 in lieu of Certificate of Registration dated December 3, 2002 from the Reserve Bank of India (“RBI”) to carry on the business of Non Banking Financial Institution without accepting public deposits (“NBFC-ND”). The Company is primarily engaged in providing loans for business purposes, house renovation / extension purposes and other mortgage purposes.

## 2. Basis of preparation

### 2.1. Statement of compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') as amended from time to time and other relevant provisions of the Act. Any directions issued by the RBI or other regulators are implemented as and when they become applicable.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use.

These financial statements were authorised for issue by the Company's Board of Directors on April 27, 2022

Details of the Company's accounting policies are disclosed in note 3.

### 2.2. Presentation of financial statements

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and notified under section 133 of the Companies Act, 2013 (the Act) along with other relevant provisions of the Act, the Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (‘the NBFC Master Directions’) and notification for Implementation of Indian Accounting Standard vide circular RBI/2019-20/170 DOR(NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020 and RBI/2020-21/15 DOR (NBFC).CC.PD.No.116/22.10.106/2020-21 dated 24 July 2020 (‘RBI Notification for Implementation of Ind AS’) issued by RBI.

The financial statements are presented in Indian Rupee (INR) which is also the functional currency of the Company. The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value. The financial statements are prepared on a going concern basis, as the Management is satisfied that the Company shall be able to continue its business for the foreseeable future and no material uncertainty exists that may cast significant doubt on the going concern assumption. In making this assessment, the Management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

## Notes forming part of the financial statements for the year ended March 31, 2022

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

The Company presents its balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented separately.

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:-

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the company and / or its counterparties.

Derivative assets and liabilities with master netting arrangements (e.g. ISDAs) are only presented net when they satisfy the eligibility of netting for all of the above criteria and not just in the event of default.

### **2.3. Functional and presentation currency**

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

### **2.4. Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following items:

<b>Items</b>	<b>Measurement basis</b>
Financial assets and liabilities	Fair value /Amortised cost, as applicable
Liabilities for equity-settled share-based payment arrangements	Fair value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations

### **2.5. Use of estimates and judgements**

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

#### **i). Business model assessment**

Classification and measurement of financial assets depends on the results of business model and the solely payments of principal and interest ("SPPI") test. The Company determines the business model at a level that reflects how groups of

## Notes forming part of the financial statements for the year ended March 31, 2022

financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI) that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

### **ii). Fair value of financial instruments**

The fair value of financial instruments 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 another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

### **iii). Effective Interest Rate ("EIR") method**

The Company's EIR methodology, as explained in Note 3.1(A), recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and delayed interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as expected changes to interest rates and other fee income/ expense that are integral parts of the instrument.

### **iv). Impairment of financial asset**

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include :

- a) The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time expected credit loss ("LTECL") basis.
- b) Development of ECL models, including the various formulae and the choice of inputs.
- c) Determination of associations between macroeconomic scenarios and economic inputs, such as gross domestic products, lending interest rates and collateral values, and the effect on probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD").
- d) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.

**v). Provisions and other contingent liabilities**

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings in the ordinary course of the Company's business.

When the Company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company records a provision against the case. Where the outflow is considered to be probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

These estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable.

**vi) Leases**

The estimates and judgements related to leases include:

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

**vii) Other assumptions and estimation uncertainties**

Information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- (i) Measurement of defined benefit obligations: key actuarial assumptions;
- (ii) Estimated useful life of property, plant and equipment and intangible assets;
- (iii) Recognition of deferred taxes.

**3. Significant accounting policies**

**3.1 Revenue Recognition 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 the fair value of the consideration received or receivable

**A. Effective Interest Rate ('EIR') Method**

Under Ind AS 109, interest income is recorded using the effective interest rate method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.



## Notes forming part of the financial statements for the year ended March 31, 2022

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial instrument.

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

The Company calculates interest income by applying EIR to the gross carrying amount of financial assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'stage 3', the Company continues to calculate interest income on the amortized cost of the financial asset.

### **B. Dividend income**

Dividend income is recognised when the Company's right to receive the payment is established and it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend.

### **C. Other interest income**

Other interest income is recognised on a time proportionate basis.

### **D. Fee income**

Fee income such as legal inspection charges, cheque bounce charges are recognised on an accrual basis in accordance with term of contract with the customer. Cheque Bounce charges are recognised as income upon certainty of receipt

### **E. Net gain on fair value changes:**

The Company designates certain financial assets for subsequent measurement at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). 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 in profit or loss

### **F. Others**

Delayed interest and other operating income are recognized as income upon certainty of receipt.

The Company recognises income on recoveries of financial assets written off on realisation or when the right to receive the same without any uncertainties of recovery is established All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection.

## **3.2. Financial instrument - initial recognition**

### **A. Date of recognition**

Debt securities issued are initially recognised when they are originated. Loans are recognised when funds are transferred to the customers account. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

## **B. Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit and loss (FVTPL), transaction costs are added to, or subtracted from this amount.

## **C. Measurement categories of financial assets and liabilities**

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- i). Amortised cost
- ii). FVOCI
- iii). FVTPL

### **3.3. Financial assets and liabilities**

#### **A. Financial assets**

##### **Business model assessment**

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- a) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- b) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- c) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- d) The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

##### **SPPI test**

As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the period for which the interest rate is set.

## Notes forming part of the financial statements for the year ended March 31, 2022

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Accordingly, financial assets are measured as follows based on the existing business model:

### **(i). Financial assets carried at amortised cost (AC)**

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Bank balances, Loans, Trade receivables and other financial investments that meet the above conditions are measured at amortised cost.

Financial assets at fair value through Other Comprehensive Income (FVOCI). Financial assets are measured at FVOCI when the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset meets the SPPI test.

### **(ii). Financial assets at fair value through profit or loss (FVTPL)**

A financial asset which is not classified as measured at amortised cost/ FVOCI are measured at FVTPL.

## **B. Financial liabilities**

### **i). Initial recognition and measurement**

All financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liability, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition

### **ii). Subsequent measurement**

Financial liabilities are carried at amortized cost using the effective interest method.

### **iii). Debt Securities and other borrowed funds**

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the instrument.

The Company issues certain non-convertible debentures, the return of which is linked to performance of specified indices market indicators over the period of the debenture. Such debentures have a component of an embedded derivative which is fair valued at a reporting date. The resultant 'net unrealised loss or gain' on the fair valuation of these embedded derivatives is recognised in the statement of profit and loss. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

### **iv). Embedded derivatives**

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index or prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable,

## Notes forming part of the financial statements for the year ended March 31, 2022

it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

### **3.4. Reclassification of financial assets and liabilities**

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its significant financial assets or liabilities in the year ended March 31, 2022 and March 31, 2021.

### **3.5. Derecognition of financial assets and liabilities**

#### **A. Derecognition of financial assets due to substantial modification of terms and conditions**

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be Purchased or originated credit impaired (POCI)

When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

#### **B. Derecognition of financial assets other than due to substantial modification**

##### **i). Financial Assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of profit and loss.

## Notes forming part of the financial statements for the year ended March 31, 2022

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

### **ii). Financial Liability**

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

## **3.6. Impairment of financial assets**

### **A. Overview of ECL principles**

In accordance with Ind AS 109, the Company uses ECL model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL). The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down.

Expected credit losses are measured through a loss allowance at an amount equal to:

- i). The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- ii). Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

Both LTECLs and 12 months ECLs are calculated on collective basis.

Based on the above, the Company categorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

#### **Stage 1:**

When loans are first recognised, the Company recognises an allowance based on 12 months ECL. Stage 1 loans includes those loans where there is no significant credit risk observed and also includes facilities where the credit risk has been improved and the loan has been reclassified from stage 2 or stage 3.

#### **Stage 2:**

When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the life time ECL. Stage 2 loans also includes facilities where the credit risk has improved and the loan has been reclassified from stage 3.

#### **Stage 3:**

Loans considered credit impaired are the loans which are past due for more than 90 days. The Company records an allowance for life time ECL.

## Notes forming part of the financial statements for the year ended March 31, 2022

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

### **B. Calculation of ECLs**

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

#### **Probability of Default (PD):**

Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

#### **Exposure at Default (EAD):**

Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

#### **Loss Given Default (LGD):**

Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The Company has calculated PD, EAD and LGD to determine impairment loss on the portfolio of loans and discounted at an approximation to the EIR. At every reporting date, the above calculated PDs, EAD and LGDs are reviewed and changes in the forward looking estimates are analysed.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

#### **Stage 1:**

The 12 months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-months default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

#### **Stage 2:**

When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

#### ***Significant increase in credit risk***

The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime ECLs rather than 12mECLs.

## Notes forming part of the financial statements for the year ended March 31, 2022

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward looking information.

### **Stage 3:**

For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

### Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

### Loan Commitments

When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

### **C. Forward looking information**

In its ECL models, the Company relies on a broad range of forward looking macro parameters and estimated the impact on the default at a given point of time (Also refer note no. 47(ii)).

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

### 3.7. Write-offs

Financial assets are written off when there is a significant doubt on recoverability in the medium term. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of profit and loss.

### 3.8. Determination of 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 between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company has taken into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

**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. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3;

**Level 3 financial instruments:** Those that include one or more unobservable input that is significant to the measurement as whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company evaluates the levelling in the hierarchy at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period.

### 3.9. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company, at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.



## Notes forming part of the financial statements for the year ended March 31, 2022

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognized in profit or loss.

### **3.10. Investment Property**

Investment property represents property held to earn rentals or for capital appreciation or both.

Depreciation on building classified as investment property has been provided on the straight-line method over a period of 60 years based on the Company's estimate of their useful lives taking into consideration technical factors, which is the same as the period prescribed in Sch II to the Companies Act 2013.

Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an external independent valuer applying valuation models.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit and loss in the period of derecognition.

#### **3.10.1. Property, plant and equipment**

##### **i. Recognition and measurement**

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

##### **ii. Subsequent expenditure**

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

##### **iii. Depreciation**

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the written down value method, and is generally recognised in the statement of profit and loss.

## Notes forming part of the financial statements for the year ended March 31, 2022

The Company follows estimated useful lives which are given under Part C of the Schedule II of the Companies Act, 2013. The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Asset category	Estimated Useful life
Vehicles	8 years
Furniture and fittings	10 years
Office equipment	5 years
Computers and accessories	3 years
Servers	6 years

Leasehold improvements are depreciated over the remaining period of lease or estimated useful life of the assets, whichever is lower. Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

Property plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income / expense in the statement of profit and loss in the year the asset is derecognised. The date of disposal of an item of property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115.

### 3.11. Intangible assets

#### i. Recognition & Measurement

Intangible assets including those acquired by the Company are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

#### ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight line method and is included in depreciation and amortisation in Statement of Profit and Loss.

Asset category	Estimated Useful life
Computer softwares	5 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

### 3.12. Employee benefits

#### i. Post-employment benefits

##### Defined contribution plan

The Company's contribution to provident fund is considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made and when the services are rendered by the employees.

## **Defined benefit plans**

### **Gratuity**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods.

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

## **ii. Other long-term employee benefits**

### **Compensated absences**

The employees can carry forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

### **iii. Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

#### **iv. Stock based compensation**

The grant date fair value of equity settled share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

### **3.13. Provisions, contingent liabilities and contingent assets**

#### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, 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 expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

#### **Contingent liability**

A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or; present obligation that arises from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability are disclosed as contingent liability and not provided for.

#### **Contingent asset**

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

### **3.14. Leases**

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

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

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease

## Notes forming part of the financial statements for the year ended March 31, 2022

liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Company determines the lease term as the initial period agreed in the lease agreement, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the initial period agreed in the lease agreement.

### **3.15. Taxes**

#### **i. Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

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

#### **ii. Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction; temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

## Notes forming part of the financial statements for the year ended March 31, 2022

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

### Indirect taxes

Goods and services tax /value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the goods and services tax/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included  
The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### **3.16. Borrowing cost**

Borrowing costs are interest and other costs incurred in connection with the borrowings of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of the asset. Other borrowings costs are recognized as an expense in the statement of profit and loss account on an accrual basis using the effective interest method.

### **3.17. Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### **3.18. Segment reporting- Identification of segments:**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker (CODM) to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108 Operating Segments, the CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

### **3.19. Earnings per share**

The Company reports basic and diluted earnings per equity share in accordance with Ind AS 33, Earnings Per Share. Basic earnings per equity share is computed by dividing net profit / loss after tax attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed and disclosed by dividing the net profit/ loss after tax attributable to the equity share holders for the year after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period.

### **3.20. Cash flow statement**

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

### **3.21. Impairment of non-financial assets**

The Company determines periodically whether there is any indication of impairment of the carrying amount of its non-financial assets. The recoverable amount (higher of net selling price and value in use) is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The recoverable amounts of such asset are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken in to account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, are recognised in the statement of profit and loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

### **3.22. Derivative financial instruments**

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date

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

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in the statement of profit

## Notes forming part of the financial statements for the year ended March 31, 2022

and loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the statement of profit and loss depends on the nature of the hedge relationship. The Company designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

### **3.22.1. Hedge accounting policy**

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

### **3.22.2. Cash Flow Hedges**

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

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

### **3.23. Standards issued but not yet effective**

Ministry of Corporate Affairs has issued Companies (Indian Accounting Standards) Amendment Rules, 2022 on March 23, 2022, which contains various amendments to Ind AS. Management has evaluated these and have concluded that there is no material impact on the Company's financial statements.



# Notes forming part of the financial statements for the year ended March 31, 2022

(All amounts are in Indian Rupees in lakhs, unless otherwise stated)

₹ in Lakhs

Particulars	As at March 31, 2022	As at March 31, 2021
<b>4. Cash and cash equivalents</b>		
Cash on hand	504.00	425.85
Balances with banks		
(i) In current accounts	4,741.93	31,454.90
(ii) In other deposit accounts (original maturity less than 3 months)	56,070.35	94,837.53
	<b>61,316.28</b>	<b>126,718.28</b>
<b>Note:</b> Short-term deposits are made for varying periods of upto three months, depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates.		
<b>5. Bank Balances other than cash and cash equivalents</b>		
Fixed deposit with bank	26,674.92	8,850.03
In earmarked accounts		
Unclaimed Dividend account	2.58	3.96
	<b>26,677.50</b>	<b>8,853.99</b>
<b>Note:</b> Fixed deposit and other balances with banks earns interest at fixed rate or floating rates based on daily bank deposit rates.		
Fixed Deposits amounting to INR. 7287.10 lakhs (March 31, 2021- INR.7642.6 lakhs, March 31,2020-INR.2405.6 lakhs) have been provided as credit enhancement for securitisation transaction and INR 825 lakhs (March 31, 2021- 825 lakhs) have been provided as cash collateral against specific Non-Convertible Debentures		
<b>6. Loans (At amortised cost)</b>		
<b>A. Based on nature</b>		
<b>Term Loans</b>		
Gross term loans	506,707.77	444,538.09
Inter-Corporate Deposits	13,821.88	-
<b>Gross loans</b>	<b>520,529.65</b>	<b>444,538.09</b>
Less: Impairment loss allowance	10,288.58	8,663.15
<b>Net loans</b>	<b>510,241.07</b>	<b>435,874.94</b>
<b>B. Based on security</b>		
Secured by tangible assets	506,707.77	444,538.09
Unsecured	13,821.88	-
<b>Gross loans</b>	<b>520,529.65</b>	<b>444,538.09</b>
Less: Impairment loss allowance	10,288.58	8,663.15
<b>Net loans</b>	<b>510,241.07</b>	<b>435,874.94</b>

Particulars	As at March 31, 2022	As at March 31, 2021
<b>C. Based on region</b>		
<b>Loans in India</b>		
Public sector	-	-
Others	5,20,529.65	444,538.09
Less: Impairment loss allowance	10,288.58	8,663.15
	<b>510,241.07</b>	<b>435,874.94</b>
<b>Loans outside India</b>		
Less: Impairment loss allowance	-	-
<b>Total</b>	<b>510,241.07</b>	<b>435,874.94</b>

**Note:** Secured exposures are secured by registered mortgage of immoveable property

The Company has not granted any Loans or Advances to Promoters, directors, KMPs and the Related Parties (as defined under Companies Act 2013)

Notes forming part of the financial statements for the year ended March 31, 2022

**6.1. Analysis of changes in the gross carrying amount and the corresponding ECL allowances:**

**6.1.1. Reconciliation of gross carrying amount is given below:**

**Gross Term Loans**

₹ in Lakhs

Particulars	31 March 2022			31 March 2021			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
<b>Gross carrying amount opening balance</b>	<b>389,595.07</b>	<b>50,423.65</b>	<b>4,519.37</b>	<b>343,232.28</b>	<b>40,667.94</b>	<b>5,322.63</b>	<b>389,222.85</b>
Asset derecognised or repaid (excluding write-off)	(45,171.22)	(6,392.23)	(310.89)	(30,980.83)	(4,229.42)	(463.14)	(35,673.39)
Assets partially repaid	(39,313.75)	(6,812.79)	(197.33)	(27,563.96)	(300.54)	-	(27,864.50)
Roll forwards to higher stages	(55,081.22)	(3,344.33)	-	(31,280.91)	(700.53)	-	(31,981.44)
Roll forward from lower stages	-	54,257.23	4,168.32	-	30,902.25	1,079.19	31,981.44
Roll back from higher stages	11,615.00	270.93	-	17,714.79	647.96	-	18,362.75
Roll back to lower stages	-	(11,530.02)	(355.91)	-	(17,597.31)	(765.44)	(18,362.75)
Amount written off	-	-	(2,926.39)	-	-	(996.83)	(996.83)
New assets originated/ incremental accretions	160,052.48	2,833.97	407.83	118,473.70	1,033.30	342.96	119,849.96
<b>Gross carrying amount closing balance*</b>	<b>421,696.36</b>	<b>79,706.41</b>	<b>5,305.00</b>	<b>389,595.07</b>	<b>50,423.65</b>	<b>4,519.37</b>	<b>444,538.09</b>
* 1621 loan accounts in Stage 3 as on March 31, 2022							
<b>Inter-Corporate Deposits</b>							
<b>Gross carrying amount opening balance</b>	-	-	-	-	-	-	-
Asset derecognised or repaid (excluding write-off)	-	-	-	-	-	-	-
Assets partially repaid	-	-	-	-	-	-	-
Roll forwards to higher stages	-	-	-	-	-	-	-
Roll forward from lower stages	-	-	-	-	-	-	-
Roll back from higher stages	-	-	-	-	-	-	-
Roll back to lower stages	-	-	-	-	-	-	-
Amount written off	-	-	-	-	-	-	-
New assets originated/ incremental accretions	13,821.88	-	-	-	-	-	13,821.88
<b>Gross carrying amount closing balance</b>	<b>13,821.88</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,821.88</b>
<b>6.1.2. Reconciliation of ECL balance is given below:</b>							
<b>Gross carrying amount opening balance</b>	<b>1,276.52</b>	<b>6,574.79</b>	<b>811.84</b>	<b>1,661.41</b>	<b>3,538.88</b>	<b>942.12</b>	<b>6,142.41</b>
New assets originated/ incremental accretions	889.24	5,201.58	3,095.99	75.21	3,373.12	910.57	4,358.90
Reversal/Utilization/write off during the Year	(717.30)	(4,787.20)	(2,056.88)	(460.09)	(337.21)	(1,040.85)	(1,838.16)
Amount written off	-	-	(2,926.39)	-	-	(996.76)	(996.76)
<b>Impairment Loss Allowance- closing balance</b>	<b>1,448.46</b>	<b>6,989.17</b>	<b>1,850.95</b>	<b>1,276.52</b>	<b>6,574.79</b>	<b>811.84</b>	<b>8,663.15</b>

Particulars	As at March 31, 2022	As at March 31, 2021
<b>7. Investments</b>		
<b>Investments in Government Securities (At amortized Cost)*</b>		
Investment in Treasury Bills	7,423.24	-
Investment in Government of India Fixed Rate Bonds	7,528.39	-
Investment in Government of India STRIPS	9,866.75	-
<b>Total</b>	<b>24,818.34</b>	<b>-</b>

**Note:**

\*Investments are made in India

**7.1. Internal rating grade**

Grade	As at 31st March 2022			
	Stage 1	Stage 2	Stage 3	Total
Low Risk	24,818.38			24,818.38
Medium Risk	-	-	-	-
High Risk	-	-	-	-
	<b>24,818.38</b>	<b>-</b>	<b>-</b>	<b>24,818.38</b>
Grade	As at 31st March 2021			
	Stage 1	Stage 2	Stage 3	Total
Low Risk	-			-
Medium Risk	-	-	-	-
High Risk	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**7.2. Movement in investments (Investments measured at Amortised cost)**

₹ in Lakhs

Particulars	Stage 1	Stage 2	Stage 3
<b>Opening balance as at April 01, 2020</b>	-	-	-
New assets purchased	-	-	-
Assets redeemed	-	-	-
Assets derecognized or written off	-	-	-
Transfer to stages	-	-	-
<b>Closing balance as at March 31, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>
New assets purchased	28,350.46	-	-
Assets redeemed	(3,532.08)	-	-
Assets derecognized or written off	-	-	-
Transfer to stages	-	-	-
<b>Closing balance as at March 31, 2022</b>	<b>24,818.38</b>	<b>-</b>	<b>-</b>

Particulars	As at March 31, 2022	As at March 31, 2021
<b>8. Other financial assets</b>		
<b>Unsecured, considered good (At Amortized Cost)</b>		
Security deposits	457.03	369.56
Other receivables	1,340.90	104.78
	<b>1,797.93</b>	<b>474.34</b>
<b>Note:</b>		
Other receivables include INR 1,280.09 lakhs incurred towards various expenses in connection with proposed initial public offer of equity shares of the Company.		
<b>9. Current tax assets (net)</b>		
Advance income tax, net of provision	220.07	795.79
	<b>220.07</b>	<b>795.79</b>
<b>10. Investment Property</b>		
<b>Land</b>		
<b>Cost or deemed cost (Gross carrying amount)</b>		
Balance at the beginning of the year	3.56	3.56
Acquisitions	-	-
Transfer from property, plant and equipment	-	-
<b>Balance at the end of the year</b>	<b>3.56</b>	<b>3.56</b>
<b>Accumulated depreciation</b>		
Balance at the beginning of the year	-	-
Depreciation for the year	-	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>
<b>Net carrying amounts</b>	<b>3.56</b>	<b>3.56</b>
<b>Fair value</b>	<b>7.24</b>	<b>6.50</b>
<b>Note:</b>		
1. The Fair value of the investment property is based on the valuation by registered valuer as defined under rule 2 of Companies (Registered Valuer and Valuations) Rules, 2017. There were no immovable properties where the title deeds are not held in the name of the Company.		
2. Price per Square feet is the Significant unobservable input used for the Fair valuation of the Investment Property. The fair value changes by INR. 0.7 lakhs as at March 31, 2022 at a sensitivity of 10%		
<b>11. Other non-financial assets</b>		
Capital advances	98.18	42.62
Prepaid expenses	865.80	331.14
Balance with government authorities	319.76	79.01
	<b>1,283.74</b>	<b>452.77</b>

Particulars	Furniture and fittings	Computers and accessories	Office equipments	Vehicles	Leasehold improvements	Total
<b>12. Property, plant and equipment</b>						
<b>Cost or deemed cost (gross carrying amount)</b>						
<b>As at March 31, 2020</b>	<b>605.42</b>	<b>871.72</b>	<b>258.55</b>	<b>39.26</b>	<b>404.95</b>	<b>2,179.90</b>
Additions	133.72	81.28	59.00	-	0.05	274.05
Disposals	10.14	0.47	0.06	-	-	10.67
<b>As at March 31, 2021</b>	<b>729.00</b>	<b>952.53</b>	<b>317.49</b>	<b>39.26</b>	<b>405.00</b>	<b>2,443.28</b>
Additions	187.12	494.55	156.39	-	9.45	847.51
Disposals	8.19	-	0.66	-	-	8.85
<b>As at March 31, 2022</b>	<b>907.93</b>	<b>1,447.08</b>	<b>473.22</b>	<b>39.26</b>	<b>414.45</b>	<b>3,281.94</b>
<b>Accumulated depreciation</b>						
<b>As at March 31, 2020</b>	<b>206.83</b>	<b>462.49</b>	<b>102.10</b>	<b>26.41</b>	<b>275.98</b>	<b>1,073.81</b>
Depreciation for the year	119.92	277.81	83.94	3.96	45.62	531.25
Depreciation on disposals	6.99	0.34	0.05	-	-	7.38
<b>As at March 31, 2021</b>	<b>319.76</b>	<b>739.96</b>	<b>185.99</b>	<b>30.37</b>	<b>321.60</b>	<b>1,597.68</b>
Depreciation for the year	122.95	236.16	75.78	2.47	39.07	476.43
Depreciation on disposals	5.77	0.34	0.51	-	-	6.62
<b>As at March 31, 2022</b>	<b>436.94</b>	<b>975.78</b>	<b>261.26</b>	<b>32.84</b>	<b>360.67</b>	<b>2,067.49</b>
<b>Carrying amount (net)</b>						
<b>As at March 31, 2021</b>	<b>409.24</b>	<b>212.57</b>	<b>131.50</b>	<b>8.89</b>	<b>83.40</b>	<b>845.60</b>
<b>As at March 31, 2022</b>	<b>470.99</b>	<b>471.30</b>	<b>211.96</b>	<b>6.42</b>	<b>53.78</b>	<b>1,214.45</b>

**13. Other Intangible assets**

₹ in Lakhs

Particulars	Softwares	Total
<b>Cost or deemed cost (gross carrying amount)</b>		
<b>As at March 31, 2020</b>	<b>355.67</b>	<b>355.67</b>
Additions	50.31	50.31
Disposals	-	-
<b>As at March 31, 2021</b>	<b>405.98</b>	<b>405.98</b>
Additions	15.35	15.35
Disposals	-	-
<b>As at March 31, 2022</b>	<b>421.33</b>	<b>421.33</b>

Particulars	Softwares	Total
<b>Accumulated amortisation</b>		
<b>As at March 31, 2020</b>	<b>162.87</b>	<b>162.87</b>
Amortisation for the year	52.81	52.81
Amortisation on disposals	-	-
<b>As at March 31, 2021</b>	<b>215.68</b>	<b>215.68</b>
Amortisation for the year	116.91	116.91
Amortisation on disposals	-	-
<b>As at March 31, 2022</b>	<b>332.59</b>	<b>332.59</b>
<b>Carrying amount (net)</b>		
<b>As at March 31, 2021</b>	<b>190.30</b>	<b>190.30</b>
<b>As at March 31, 2022</b>	<b>88.74</b>	<b>88.74</b>

₹ in Lakhs

Particulars	As at March 31, 2022		As at March 31, 2021	
	Notional Amount	Fair Value of Liabilities	Notional Amount	Fair Value of Liabilities

**14. Derivative Financial Instruments****Part I**

Other Derivatives-Cross Currency Swap	7,591.00	138.92	-	-
	<b>7,591.00</b>	<b>138.92</b>	-	-

**Part II**

Included in above (Part-I) are derivatives held for hedging and risk management purposes as follows:

Cash Flow Hedging-Cross Currency Swap	7,591.00	138.92	-	-
	<b>7,591.00</b>	<b>138.92</b>	-	-

**Note:**The Notional amounts in the above table refers to the foreign currency borrowing on which the company has hedged the risk of foreign currency fluctuations.

The company has entered into a Derivative Financial Instrument, with a scheduled bank with Investment grade credit rating. Derivatives are fair valued using inputs that are directly or indirectly observable in market place.

The Asset Liability Management Committee and Business Resource Committee periodically monitors and reviews the risks involved.

₹ in Lakhs

Particulars	As at March 31, 2022	As at March 31, 2021
<b>15. Trade payables</b>		
total outstanding dues of micro and small enterprises	-	-
total outstanding dues of creditors other than micro and small enterprises	1,300.31	867.17
	<b>1,300.31</b>	<b>867.17</b>

Notes forming part of the financial statements for the year ended March 31, 2022

### 15.1. Trade payables (Ageing Schedule)

The following schedules reflect ageing of trade payables with respect to the due date of Payment  
As at 31 March 2022

₹ in Lakhs

Particulars	Not Due	Less than 1 Year	1-2 Years	2-3 Years	More than 3 years	Total
(i) MSME	-	-	-	-	-	-
(ii) Others	-	271.39	-	-	-	271.39
(iii) Disputed Dues-MSME	-	-	-	-	-	-
(iv) Disputed Dues-Others	-	-	-	-	-	-
<b>Subtotal (i+ii+iii+iv)</b>	-	<b>271.39</b>	-	-	-	<b>271.39</b>
(v) Unbilled Amounts	-	1,028.92	-	-	-	1,028.92
<b>Subtotal (v)</b>	-	<b>1,028.92</b>	-	-	-	<b>1,028.92</b>
<b>Grand Total</b>	-	<b>1,300.31</b>	-	-	-	<b>1,300.31</b>
<b>As at 31 March 2021</b>						
(i) MSME	-	-	-	-	-	-
(ii) Others	-	241.07	0.30	-	-	241.37
(iii) Disputed Dues-MSME	-	-	-	-	-	-
(iv) Disputed Dues-Others	-	-	-	-	-	-
<b>Subtotal (i+ii+iii+iv)</b>	-	<b>241.07</b>	<b>0.30</b>	-	-	<b>241.37</b>
(v) Unbilled Amounts	-	625.80	-	-	-	625.80
<b>Subtotal (v)</b>	-	<b>625.80</b>	-	-	-	<b>625.80</b>
<b>Grand Total</b>	-	<b>866.87</b>	-	-	-	<b>867.17</b>

Based on information received from the suppliers, the management has identified the enterprises which have provided services to the Company and which qualify under the definition of micro, medium and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act"). Such determination / identification for the purpose of presentation under this disclosure has been done on the basis of information received and available with the Company which has been solely relied upon by the auditors.



Particulars	As at March 31, 2022	As at March 31, 2021
<b>16. Debt securities (refer note 16.1)</b>		
<b>At amortised cost</b>		
<b>Secured debentures</b>		
55, (March 31, 2021 - 420) 12.50% redeemable, non-convertible debentures of INR 100 each	0.80	6.20
Nil, (March 31, 2021 - 1000) 12.64% redeemable, non-convertible debentures of INR 10 lakh each	-	10,013.53
Nil, (March 31, 2021 - 500) 9.75% redeemable, non-convertible debentures of INR 10 lakh each	-	5,363.29
Nil, (March 31, 2021 - 500) 9.75% redeemable, non-convertible debentures of INR 10 lakh each	-	5,325.89
Nil, (March 31, 2021 - 500) 9.75% redeemable, non-convertible debentures of INR 10 lakh each	-	5,325.89
Nil, (March 31, 2021 - 250) 9.50% redeemable, non-convertible debentures of INR 10 lakh each	-	2,645.75
Nil, (March 31, 2021 - 250) 9.50% redeemable, non-convertible debentures of INR 10 lakh each	-	2,645.75
Nil, (March 31, 2021 - 2000) redeemable, non-convertible debentures of INR 1 lakh each	-	2,058.30
250, (March 31, 2021 - 250) 9.50% redeemable, non-convertible debentures of INR 10 lakh each	2,586.54	2,586.54
2,000 (March 31, 2021 - 2000), 10.30% redeemable, non-convertible debentures of INR 10 lakh each	20,022.58	20,023.30
2000, (March 31, 2021 - 2000) redeemable, non-convertible debentures of INR 1 lakh each*	2,836.96	2,510.58
1250, (March 31, 2021 - 1250) 11.88% redeemable, non-convertible debentures of INR 10 lakh each	12,637.71	12,637.70
750, (March 31, 2021 - 750) redeemable, non-convertible debentures of INR 10 lakh each*	8,406.97	7,695.17
500, (March 31, 2021 - 500) redeemable, non-convertible debentures of INR 10 lakh each*	5,603.32	5,128.88
2500, (March 31, 2021 - 2500) redeemable, non-convertible debentures of INR 1 lakh each*	2,932.42	2,647.77
150, (March 31, 2021 - 150) 12.75% redeemable, non-convertible debentures of INR 10 each	1,500.52	1,500.52
500, (March 31, 2021 - 500) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	5,105.48	5,105.48
150, (March 31, 2021 - 150) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	1,531.64	1,531.64
500, (March 31, 2021 - 500) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	5,105.48	5,105.48
1500 (March 31, 2021 - 1500) redeemable, non-convertible debentures of INR 10 lakh each*	16,591.39	15,221.28

Particulars	As at March 31, 2022	As at March 31, 2021
150, (March 31, 2021 - 150) 10.50% redeemable, non-convertible debentures of INR 10 lakh each	1,632.90	1,631.32
250, (March 31, 2021 - 250) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	2,515.07	2,515.07
2000, (March 31, 2021 - 2000) redeemable, non-convertible debentures of INR 1 lakh each*	2,278.30	2,059.94
700, (March 31, 2021 - 700) 10.91% redeemable, non-convertible debentures of INR 10 lakh each	7,004.43	7,004.41
300,00,000 , (March 31, 2021 - 300,00,000) 11.40% redeemable, non-convertible debentures of INR 10 each	3,001.06	3,001.12
	<b>1,01,293.58</b>	<b>1,31,290.80</b>
Less: Unamortised processing fee	(440.21)	(912.25)
	<b>1,00,853.38</b>	<b>1,30,378.55</b>
Debts securities in India	1,01,293.58	1,31,290.80
Debts securities outside India	-	-
	<b>1,01,293.58</b>	<b>1,31,290.80</b>

**Note:**

\* Coupon rates are linked to performance of specified indices including market indicators over the period of the debentures.

**16.1. Details of terms of redemption/repayment and security provided in respect of debt securities and borrowings**

Particulars	Repayment terms	Tenor	Earliest installment date	As at March 31, 2022	As at March 31, 2021
<b>Secured debentures</b>					
55, (March 31, 2020 - 420) 12.50% redeemable, non-convertible debentures of INR 100 each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Entire interest repayable at maturity	36 months	November 19, 2014	0.80	6.20
Nil, (March 31, 2021 - 1000) 12.64% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Repayable in 12 monthly installments Coupon payment frequency: Quarterly	36 months	April 29, 2021	-	10,013.53
Nil, (March 31, 2021 - 500) 9.75% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Half Yearly	18 months	January 3, 2022	-	5,363.29
Nil, (March 31, 2021 - 500) 9.75% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Half Yearly	18 months	January 31, 2022	-	5,325.89
Nil, (March 31, 2021 - 500) 9.75% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Half Yearly	18 months	January 31, 2022	-	5,325.89
Nil, (March 31, 2021 - 250) 9.50% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Half Yearly	18 months	February 21, 2022	-	2,645.75
Nil, (March 31, 2021 - 250) 9.50% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Half Yearly	18 months	February 21, 2022	-	2,645.75
Nil, (March 31, 2021 - 2000) redeemable, non-convertible debentures of INR 1 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Entire interest repayable at maturity	15 months	March 15, 2022	-	2,058.30
250, (March 31, 2021 - 250) 9.50% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Yearly	18 months	May 19, 2022	2,586.54	2,586.54
2,000 (March 31, 2021 - 2000), 10.30% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Repayable in 4 quarterly installments Coupon payment frequency: Quarterly	60 months	June 28, 2022	20,022.58	20,023.30

**16.1. Details of terms of redemption/repayment and security provided in respect of debt securities and borrowings**

Particulars	Repayment terms	Tenor	Earliest installment date	As at March 31, 2022	As at March 31, 2021
<b>Secured debentures</b>					
2000, (March 31, 2021 - 2000) redeemable, non-convertible debentures of INR 1 lakh each*	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Entire interest repayable at maturity	38 months	July 3, 2022	2,836.96	2,510.58
1250, (March 31, 2021 - 1250) 11.88% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Half Yearly	36 months	August 28, 2022	12,637.71	12,637.70
750, (March 31, 2021 - 750) redeemable, non-convertible debentures of INR 10 lakh each*	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Entire interest repayable at maturity	24 months	December 16, 2022	8,406.97	7,695.17
500, (March 31, 2021 - 500) redeemable, non-convertible debentures of INR 10 lakh each*	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Entire interest repayable at maturity	24 months	December 17, 2022	5,603.32	5,128.88
2500, (March 31, 2021 - 2500) redeemable, non-convertible debentures of INR 1 lakh each*	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Entire interest repayable at maturity	30 months	February 28, 2023	2,932.42	2,647.77
150, (March 31, 2021 - 150) 12.75% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Repayable yearly in 4 installments Coupon payment frequency: Quarterly	72 months	March 31, 2023	1,500.52	1,500.52
500, (March 31, 2021 - 500) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Quarterly	33 months	April 21, 2023	5,105.48	5,105.48
150, (March 31, 2021 - 150) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Quarterly	33 months	April 21, 2023	1,531.64	1,531.64
500, (March 31, 2021 - 500) 11.00% redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Quarterly	33 months	April 21, 2023	5,105.48	5,105.48
1500 (March 31, 2021 - 1500) redeemable, non-convertible debentures of INR 10 lakh each*	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Entire interest repayable at maturity	27 months	April 30, 2023	16,591.39	15,221.28

**16.1. Details of terms of redemption/repayment and security provided in respect of debt securities and borrowings**

Particulars	Repayment terms	Tenor	Earliest installment date	As at March 31, 2022	As at March 31, 2021
<b>Secured debentures</b>					
150, (March 31, 2021- 150) redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Yearly	36 months	May 26, 2023	1,632.90	1,631.32
250, (March 31, 2021 - 250) redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Quarterly	36 months	June 12, 2023	25,15.07	2,515.07
2000, (March 31, 2021 - 2000) redeemable, non-convertible debentures of INR 1 lakh each*	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Entire interest repayable at maturity	30 months	June 15, 2023	2,278.30	2,059.94
700, (March 31, 2021 - 700) redeemable, non-convertible debentures of INR 10 lakh each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Half Yearly	36 months	September 30, 2023	7,004.43	7,004.41
300,00,000 , (March 31, 2021 - 300,00,000) 11.40% redeemable, non-convertible debentures of INR 10 each	Principal payment frequency: Entire principal repayable at maturity Coupon payment frequency: Monthly	60 months	April 11, 2024	3,001.06	3,001.12
				<b>101,293.56</b>	<b>131,290.82</b>

All debentures are secured by an exclusive first charge on book debts and pari passu charge on immovable property with security cover ranging from 1 to 1.25 times of the outstanding amount at any point in time

\* Coupon rates are linked to performance of specified indices including market indicators over the period of the debentures.

Particulars	Repayment terms	Tenor	Earliest installment date	As at	As at
				March 31, 2022	March 31, 2021
<b>Term loans from banks</b>					
Term Loan 1	Repayable in 58 monthly installments	60 months	April 30, 2017	-	696.14
Term Loan 2	Repayable in 9 half-yearly installments	60 months	March 28, 2018	-	111.11
Term Loan 3	Repayable in 48 monthly installments	48 months	April 23, 2018	-	246.38
Term Loan 4	Repayable in 36 monthly installments	36 months	May 5, 2018	-	30.27
Term Loan 5	Repayable in 36 monthly installments	36 months	May 5, 2018	-	70.19
Term Loan 6	Repayable in 40 monthly installments	42 months	September 30, 2018	-	1,125.31
Term Loan 7	Repayable in 60 monthly installments	60 months	December 5, 2018	335.29	536.56
Term Loan 8	Repayable in 36 monthly installments	36 months	February 5, 2019	-	698.29
Term Loan 9	Repayable in 60 monthly installments	60 months	March 3, 2019	1,466.12	2,231.74
Term Loan 10	Repayable in 36 monthly installments	36 months	May 1, 2019	-	1,093.91
Term Loan 11	Repayable in 34 monthly installments	36 months	May 18, 2019	-	1,618.10
Term Loan 12	Repayable in 36 monthly installments	36 months	May 31, 2019	-	1,625.00
Term Loan 13	Repayable in 20 quarterly installments	60 months	June 30, 2019	1,994.91	3,000.88
Term Loan 14	Repayable in 36 monthly installments	36 months	June 30, 2019	166.67	1,178.21
Term Loan 15	Repayable in 48 monthly installments	48 months	July 29, 2019	468.75	843.75
Term Loan 16	Repayable in 36 monthly installments	36 months	September 25, 2019	277.78	951.84
Term Loan 17	Repayable in 57 monthly installments	60 months	September 30, 2019	455.44	666.76
Term Loan 18	Repayable in 33 quarterly installments	36 months	December 30, 2019	378.89	1,288.64
Term Loan 19	Repayable in 60 monthly installments	60 months	January 30, 2020	1,649.96	2,319.44
Term Loan 20	Repayable in 60 monthly installments	62 months	January 30, 2020	11,188.27	15,258.90
Term Loan 21	Repayable in 36 monthly installments	36 months	February 5, 2020	833.54	1,834.51
Term Loan 22	Repayable in 36 monthly installments	36 months	March 5, 2020	646.84	1,351.77
Term Loan 23	Repayable in 60 monthly installments	60 months	April 30, 2020	2,215.60	2,938.92
Term Loan 24	Repayable in 36 monthly installments	36 months	May 1, 2020	1,456.22	2,809.54
Term Loan 25	Repayable in 12 quarterly installments	37 months	May 26, 2020	633.41	1,277.59
Term Loan 26	Repayable in 57 monthly installments	60 months	June 25, 2020	2,718.22	3,648.84
Term Loan 27	Repayable in 34 monthly installments	36 months	August 16, 2020	1,441.54	2,677.21
Term Loan 28	Repayable in 34 monthly installments	36 months	September 30, 2020	1,765.15	3,177.35
Term Loan 29	Repayable in 48 monthly installments	52 months	October 1, 2020	0.00	1,358.37
Term Loan 30	Repayable in 46 monthly installments	48 months	November 25, 2020	1,576.09	2,249.47
Term Loan 31	Repayable in 36 monthly installments	36 months	November 30, 2020	1,319.80	2,153.38
Term Loan 32	Repayable in 36 monthly installments	36 months	December 10, 2020	1,318.49	2,240.03
Term Loan 33	Repayable in 34 monthly installments	36 months	December 31, 2020	2,333.32	4,333.32
Term Loan 34	Repayable in 36 monthly installments	36 months	January 31, 2021	583.33	916.67

Particulars	Repayment terms	Tenor	Earliest installment date	As at March 31, 2022	As at March 31, 2021
<b>Term loans from banks</b>					
Term Loan 35	Repayable in 48 monthly installments	48 months	February 5, 2021	1,639.89	2,221.12
Term Loan 36	Repayable in 20 quarterly installments	60 months	February 28, 2021	2,883.00	3,778.00
Term Loan 37	Repayable in 60 monthly installments	60 months	March 3, 2021	1,578.85	1,981.96
Term Loan 38	Repayable in 36 monthly installments	36 months	March 23, 2021	1,544.50	2,427.10
Term Loan 39	Repayable in 36 monthly installments	36 months	April 30, 2021	333.33	500.00
Term Loan 40	Repayable in 36 monthly installments	36 months	April 30, 2021	5,001.19	7,501.79
Term Loan 41	Repayable in 48 monthly installments	48 months	May 1, 2021	4,662.32	6,003.12
Term Loan 42	Repayable in 33 monthly installments	36 months	May 31, 2021	1,655.15	2,500.00
Term Loan 43	Repayable in 32 monthly installments	35 months	July 31, 2021	1,858.79	2,500.00
Term Loan 44	Repayable in 36 monthly installments	36 months	January 31, 2022	4,583.00	-
Term Loan 45	Repayable in 48 monthly installments	48 months	March 15, 2022	1,958.33	-
Term Loan 46	Repayable in 34 monthly installments	36 months	March 30, 2022	1,941.63	-
Term Loan 47	Repayable in 60 monthly installments	60 months	April 30, 2022	7,501.80	-
Term Loan 48	Repayable in 57 monthly installments	60 months	June 30, 2022	4,951.08	-
Term Loan 49	Repayable in 72 monthly installments	74 months	June 30, 2022	2,501.27	-
				<b>81,817.77</b>	<b>97,971.50</b>

All the above loans are secured by an exclusive first charge on book debts with security cover ranging from 1.05 to 1.25 times of the outstanding amount at any point in time.

As at March 31, 2022, the rate of interest across term loans from banks was in the range of 7.95% p.a to 10.90% p.a (March 31, 2021 - 7.50% p.a to 11.50% p.a)

#### Terms loans from others

Term loans from others 1	Repayable in 60 monthly installments	60 months	April 22, 2017	-	370.77
Term loans from others 2	Repayable in 48 monthly installments	48 months	February 11, 2018	520.96	1,146.13
Term loans from others 3	Repayable in 48 monthly installments	48 months	January 29, 2019	-	989.11
Term loans from others 4	Repayable in 36 monthly installments	36 months	March 20, 2019	-	310.95
Term loans from others 5	Repayable in 60 monthly installments	60 months	April 27, 2019	-	333.47
Term loans from others 6	Repayable in 42 monthly installments	48 months	April 30, 2019	142.89	428.68
Term loans from others 7	Repayable in 60 monthly installments	60 months	May 1, 2019	487.85	688.59
Term loans from others 8	Repayable in 20 quarterly installments	60 months	September 1, 2019	606.39	879.00
Term loans from others 9	Repayable in 36 monthly installments	36 months	January 22, 2020	281.27	622.44
Term loans from others 10	Repayable in 36 monthly installments	36 months	February 22, 2020	933.57	1,948.07
Term loans from others 11	Repayable in 20 quarterly installments	60 months	February 29, 2020	-	1,125.33

Notes forming part of the financial statements for the year ended March 31, 2022

₹ in Lakhs

Particulars	Repayment terms	Tenor	Earliest installment date	As at March 31, 2022	As at March 31, 2021
Term loans from others 12	Repayable in 48 monthly installments	48 months	March 5, 2020	376.29	573.01
Term loans from others 13	Repayable in 36 monthly installments	36 month	May 27, 2020	-	1,818.08
Term loans from others 14	Repayable in 8 monthly installments	10 months	September 10, 2020	-	502.42
Term loans from others 15	Repayable in 36 monthly installments	36 months	January 20, 2021	2,926.02	4,597.97
Term loans from others 16	Repayable in 36 monthly installments	36 months	January 31, 2021	1,750.41	2,750.69
Term loans from others 17	Repayable in 3 annual installments	36 months	February 1, 2021	1,250.00	1,875.00
Term loans from others 18	Repayable in 30 monthly installments	32 months	February 3, 2021	2,125.56	3,790.83
Term loans from others 19	Repayable in 16 quarterly installments	48 months	April 1, 2021	1,500.00	2,005.14
Term loans from others 20	Repayable in 36 monthly installments	36 months	April 30, 2021	1,260.76	1,800.00
Term loans from others 21	Repayable in 16 quarterly installments	48 months	June 1, 2021	1,889.69	2,500.00
				<b>16,051.65</b>	<b>31,055.67</b>

All the above loans are secured by an exclusive first charge on book debts with security cover ranging from 1.10 to 1.20 times of the outstanding amount at any point in time As at March 31, 2022, the rate of interest across term loans from others was in the range of 9.50% p.a to 11.75% p.a (March 31, 2021 - 6.32% p.a to 11.75% p.a)

**Borrowings Under Securitization**

Borrowings Under Securitization 1	Repayable in 33 monthly installments	35 months	August 16, 2019	-	2,022.31
Borrowings Under Securitization 2	Repayable in 59 monthly installments	59 months	September 17, 2019	2,170.97	4,706.73
Borrowings Under Securitization 3	Repayable in 64 monthly installments	65 months	February 17, 2020	3,392.64	8,243.35
Borrowings Under Securitization 4	Repayable in 40 monthly installments	40 months	March 21, 2020	778.51	3,150.43
Borrowings Under Securitization 5	Repayable in 60 monthly installments	60 months	May 15, 2020	4,355.36	6,958.17
Borrowings Under Securitization 6	Repayable in 60 monthly installments	60 months	July 15, 2020	4,375.66	7,121.09
Borrowings Under Securitization 7	Repayable in 65 monthly installments	65 months	August 14, 2020	3,831.51	6,423.15
Borrowings Under Securitization 8	Repayable in 55 monthly installments	55 months	November 20, 2020	4,654.53	7,174.06
Borrowings Under Securitization 9	Repayable in 59 monthly installments	60 months	January 16, 2021	2,321.17	3,946.03



Notes forming part of the financial statements for the year ended March 31, 2022

₹ in Lakhs

Particulars	Repayment terms	Tenor	Earliest installment date	As at March 31, 2022	As at March 31, 2021
Borrowings Under Securitization 10	Repayable in 48 monthly installments	48 months	January 15, 2021	1,303.06	2,225.94
Borrowings Under Securitization 11	Repayable in 60 monthly installments	61 months	February 21, 2021	9,966.88	13,944.04
Borrowings Under Securitization 12	Repayable in 61 monthly installments	61 months	February 18, 2021	2,027.59	3,307.86
Borrowings Under Securitization 13	Repayable in 57 monthly installments	57 months	April 21, 2021	4,966.12	6,815.79
Borrowings Under Securitization 14	Repayable in 53 monthly installments	53 months	April 16, 2021	5,572.66	8,244.01
				<b>49,716.69</b>	<b>84,282.94</b>

\*Refer Note No 47-AB, 47-AC for security and credit enhancement details pertaining to borrowings from securitisation arrangements. As at March 31, 2022, the rate of interest across loans from Securitisation was in the range of 8.55% p.a to 11.00% p.a (March 31, 2021- 9.00% p.a to 11.00% p.a)

**Term loans from others parties (unsecured) - (External Commercial Borrowing)**

External Commercial Borrowing-1	Repayable in 5 Half yearly installments	60 months	March 31, 2025	7,584.45	-
				<b>7,584.45</b>	-

As at March 31, 2022, the rate of interest on External Commercial Borrowing was 4.20% p.a (March 31, 2021- Nil p.a)

Particulars	As at March 31, 2022	As at March 31, 2021
<b>17. Borrowings (other than debt securities) (refer note 16.1)</b>		
<b>At amortised cost</b>		
Term loans (secured)		
From banks	81,817.77	97,971.50
From other financial institutions	16,051.65	31,055.67
Borrowings under Securitisation (secured)	49,716.69	84,282.94
Loans repayable on demand (secured)		
From banks	765.61	196.60
Term loans from others parties (unsecured)		
External Commercial Borrowings	7,584.45	-
	<b>155,936.16</b>	<b>213,506.71</b>
Less: Unamortised processing fee	(906.41)	(1,365.59)
	<b>155,029.75</b>	<b>212,141.12</b>
Borrowings in India	148,351.71	2,13,506.71
Borrowings outside India	7,584.45	-
	<b>155,936.16</b>	<b>213,506.71</b>

Loans repayable on demand includes on cash credit and working capital demand loans from banks which are secured by specific charge on identified receivables. As at 31 March 2022, the rate of interest across the cash credit and working capital demand loans was in the range of 7.95% p.a to 11.00% p.a (March 31, 2021 - 9.25% p.a to 11.45% p.a)

The Company has not defaulted in the repayment of the borrowings (including debt securities) and was regular in repayments during the year

Debt Securities and borrowings other than debt securities aggregating to INR 77,228.37 lakhs (March 31, 2021-INR 1,22,645.68 lakhs) has been guaranteed by the promoter, Mr. D Lakshmiopathy.

The Company has not defaulted in the repayment of borrowings and interest during any of the years presented

The Company has used the borrowings from banks and financial institutions for the specified purpose as per agreement with the lender.

The quarterly returns/statements of current assets filed by the Company with banks or financial institutions in relation to secured borrowings wherever applicable, are in agreement with the books of accounts.

#### 18. Other financial liabilities

Unpaid dividends	2.58	3.96
Lease liability	2,113.32	1,529.37
Employee related payables	1,895.32	-
Others*	135.62	183.68
<b>Total</b>	<b>4,146.84</b>	<b>1,717.01</b>

\*Others include unspent corporate social responsibility fund amounting to INR 100.00 lakhs (March 31, 2021 :INR 150.00 lakhs)

Particulars	As at March 31, 2022	As at March 31, 2021
<b>19. Provisions</b>		
Provision for employee benefits		
Provision for gratuity	339.64	254.78
Provision for compensated absences	560.39	465.02
	<b>900.03</b>	<b>719.80</b>
<b>20. Other non-financial liabilities</b>		
Statutory dues payable	902.23	487.39
Employee related payables	-	1232.88
	<b>902.23</b>	<b>1,720.27</b>
<b>21. Equity share capital</b>		
<b>Authorised</b>		
550,00,000 shares of INR 1 each (March 31, 2021 - 55,000,000) of INR 10 each	5,500.00	5,500.00
<b>Issued, subscribed and paid up</b>		
291,343,120 shares of INR 1 each fully paid up (March 31, 2021 - 25,473,144 ) of INR 10 each fully paid up	2,913.43	2,547.31
Nil shares (March 31, 2021 - 17,175,970 ) of INR 1 each (partly paid up - INR 0.1 each paid up)	-	17.18

**Note:** During the year ended March 31, 2022, the Board of Directors of the Company in its meeting held on September 8, 2021 and shareholders in the Extraordinary General Meeting held on October 8, 2021 approved the sub-division of shares from ₹ 10 per share to ₹ 1 per share. Also refer note-39.

#### Reconciliation of equity shares outstanding at the beginning and at the end of the reporting year

	As at March 31, 2022		As at March 31, 2021	
	Number of shares	Amount in Lakhs of INR	Number of shares	Amount in Lakhs of INR
As at beginning of the year	27,190,741	2,564.49	27,127,891	2,558.21
Additional shares pursuant to share split issued during the year	244,716,669	-	-	-
Equity Shares issued in exercise of employee stock options	1,718,000	17.18	62,850	6.29
Equity Shares issued	17,717,710	177.18	-	-
Receipt of pending call money on partly paid up equity shares	-	154.58	-	-
<b>As at the end of the year</b>	<b>291,343,120</b>	<b>2,913.43</b>	<b>27,190,741</b>	<b>2,564.49</b>

#### Terms/rights attached to Equity Shares:

The Company has a single class of equity shares. Accordingly all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. Dividends are paid in Indian Rupees. Dividend proposed by the board of directors, if any, is subject to the approval of the shareholders at the General Meeting, except in the case of interim dividend.

Notes forming part of the financial statements for the year ended March 31, 2022

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 to the extent the shares are paid up.

**Equity Shares reserved for issue under options**

Information relating to employee Stock Option Schemes including the details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 42.

**Promoter Holdings\*\***

Name of Promoter	As at March 31, 2022					
	Number of Shares at the beginning of the period	Additional shares pursuant to share split issued during the year	Movement during the period	Numbers of Shares at the end of the period	% of Total Shares	% of Change during the period
<b>Fully paid up shares</b>						
(i) D. Lakshmipathy	2,185,771	19,671,939	14,179,740	36,037,450	12.37%	648.73%
(ii) L. Hema	2,089,060	18,801,540	-	20,890,600	7.17%	-
(iii) L. Shritha	20,000	180,000	-	200,000	0.07%	-
(iv) Matrix Partners India Investment Holding II LLC	4,100,999	36,908,991	-	41,009,990	14.08%	-
(v) SCI Investments V	2,569,650	23,126,850	-	25,696,500	8.82%	-
<b>Sub-Total</b>	<b>10,965,480</b>	<b>98,689,320</b>	<b>14,179,740</b>	<b>123,834,540</b>	<b>42.50%</b>	<b>129.31%</b>
<b>Partly paid up shares</b>						
(i) D. Lakshmipathy	15,250,000	-	(15,250,000)	-	-	(100.00%)
<b>Sub-Total</b>	<b>15,250,000</b>	<b>-</b>	<b>(15,250,000)</b>	<b>-</b>	<b>-</b>	<b>(100.00%)</b>
<b>Grand Total</b>	<b>26,215,480</b>	<b>98,689,320</b>	<b>(1,070,260)</b>	<b>123,834,540</b>	<b>42.50%</b>	<b>(4.08%)</b>

The Board of Directors of the Company, pursuant to their resolution dated October 21, 2021 have taken on record, that D. Lakshmipathy, L.Hema, L.Shritha, Matrix Partners India Investment Holdings II, LLC and SCI Investments V be identified as the promoters of the Company for the purposes of its proposed initial public offering of its equity shares and for all other purposes, regulatory, statutory or otherwise.

Name of Promoter	As at March 31, 2021				
	Number of Shares at the beginning of the period	Movement during the period	Numbers of Shares at the end of the period	% of Total Shares	% of Change during the period
<b>Fully paid up shares</b>					
(i) D. Lakshmipathy	2,185,771	-	2,185,771	8.04%	-
(ii) L. Hema	2,089,060	-	2,089,060	7.68%	-
(iii) L. Shritha	20,000	-	20,000	0.07%	-
(iv) R.Deenadayalan	163,200	-	163,200	0.60%	-
(v) D.Varalakshmi	44,770	-	44,770	0.16%	-
<b>Sub-Total</b>	<b>4,502,801</b>	<b>-</b>	<b>4,502,801</b>	<b>16.56%</b>	<b>-</b>

As at March 31, 2021					
Name of Promoter	Number of Shares at the beginning of the period	Movement during the period	Numbers of Shares at the end of the period	% of Total Shares	% of Change during the period
<b>Partly paid up shares</b>					
(i) D. Lakshmiopathy	1,525,000	-	(1,525,000)	5.61%	-
<b>Sub-Total</b>	<b>1,525,000</b>	<b>-</b>	<b>(1,525,000)</b>	<b>5.61%</b>	<b>-</b>
<b>Grand Total</b>	<b>6,027,801</b>	<b>-</b>	<b>6,027,801</b>	<b>22.17%</b>	<b>-</b>

**Note:** \*\*Promoter means Promoter as defined in Companies Act 2013

The determination /identification of promoters for the purpose of presentation under this disclosure has been done on the basis of information available with the company which has been solely relied upon by the auditors.

#### Details of shareholders holding more than 5% shares in the company

Name of shareholder	As at March 31, 2022		As at March 31, 2021	
	Number of shares	% of total shares in class	Number of shares	% of total shares in class
TPG Asia VII SF Pte. Ltd.	61,106,730	20.97%	6,110,673	22.47%
Matrix Partners India Investment Holdings II, LLC	41,009,990	14.08%	4,100,999	15.08%
D. Lakshmiopathy	36,037,450	12.37%	3,710,771	13.65%
NHPEA Chocolate Holding B.V	-	-	3,598,051	13.23%
Norwest Venture Partners X - Mauritius	29,748,060	10.21%	2,569,650	9.45%
SCI Investments V	25,696,500	8.82%	2,569,650	9.45%
L. Hema	2,08,90,600	7.17%	2,089,060	7.68%
Sirius II Pte Ltd	17,593,990	6.04%	-	0.00%

**Note:** The above disclosures given in Note 21 with respect to number of shares are based on face value of INR 1. During the Period, the Company has approved the sub-division of each equity share of face value of INR 10 each fully paid up into 10 equity shares of face value of INR 1 each fully paid up.

₹ in Lakhs

Particulars	As at March 31, 2022	As at March 31, 2021
<b>22. Other Equity</b>		
Statutory reserve	27,112.60	18,041.71
Share options outstanding account	3,405.80	1,795.27
Securities premium	231,361.87	139,234.46
General reserve	719.60	719.60
Retained earnings	105,616.78	69,461.69
Cash Flow Hedge Reserve	(94.98)	-
	<b>368,121.67</b>	<b>229,252.73</b>

Particulars	As at March 31, 2022	As at March 31, 2021
<b>i. Statutory reserve</b>		
Opening balance	18,041.71	10,861.82
Amount transferred from surplus in the statement of profit and loss	9,070.89	7,179.89
<b>Closing balance</b>	<b>27,112.60</b>	<b>18,041.71</b>

As per Section 45-IC of the Reserve Bank of India Act, 1934, the Company is required to create a reserve fund at the rate of 20% of the net profit after tax of the Company every year. Accordingly, the Company has transferred an amount of INR 9,070.89 lakhs (March 31, 2021: INR 7,179.89 lakhs), out of the profit after tax for the year ended March 31, 2022 to Statutory Reserve.

Five-Star Housing Finance Private Limited, the wholly owned subsidiary amalgamated with the Company with appointed date under the aforesaid Scheme as April 1, 2019. The erstwhile wholly owned subsidiary has surrendered its Certificate of Registration to carry on the business of housing finance institution to National Housing Bank (NHB) on June 5, 2020. The statutory reserve maintained by the wholly owned subsidiary under section 29C of the National Housing Bank Act, 1987 was subsumed in the statutory reserve maintained by the Company.

No appropriation of any sum from this reserve fund shall be made by the non-banking financial company except for the purpose as may be specified by RBI.

#### ii. Share options outstanding account

Opening balance	1,795.27	428.30
Share based payment expense	3,544.18	1,509.39
Less : Transfer to securities premium	1,933.65	142.42
<b>Closing balance</b>	<b>3,405.80</b>	<b>1,795.27</b>

The amount represents reserve created to the extent of granted options based on the Employees Stock Option Schemes. Under Ind AS 102, fair value of the options granted is to be expensed out over the life of the vesting period as employee compensation costs reflecting period of receipt of service. Also refer note 42.

#### iii. Securities premium

Opening balance	139,234.46	139,069.20
Premium on shares issued during the period	92,297.51	165.26
Less : Utilised during the year for share issue expenses	(170.10)	-
<b>Closing balance</b>	<b>2,31,361.87</b>	<b>139,234.46</b>

Securities premium is used to record the premium received on issue of shares. The Reserve can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013. During the year ended March 31, 2022, Securities premium was utilised to the extent of INR 170.10 lakhs towards share expenses, in line with Section 52 of the Companies Act, 2013.

#### iv. General reserve

Opening balance	719.60	719.60
Amount transferred from surplus in the statement of profit and loss	-	-
<b>Closing balance</b>	<b>719.60</b>	<b>719.60</b>

General reserve is a free reserve which can be utilised for any purpose as may be required.

Particulars	As at March 31, 2022	As at March 31, 2021
<b>v. Retained earnings</b>		
Opening balance	69,461.69	40,820.92
Profit for the year	45,354.45	35,899.44
Less: Transfer to Statutory reserve	9,070.89	7,179.89
Re-measurements of defined benefit plan	(128.43)	(78.78)
<b>Closing balance</b>	<b>105,616.78</b>	<b>69,461.69</b>

Retained earnings are the profits/(loss) that the Company has earned/incurred till date, less any transfers to general reserve, dividends or other distributions paid to shareholders. Retained earnings is a free reserve available to the Company and eligible for distribution to shareholders, in case where it is having positive balance representing net earnings till date. The amount that can be distributed by the Company as dividends to its Equity Shareholders is determined based on the financial statements of the Company and also considering the requirements of the Companies Act, 2013 and the Regulations of Reserve Bank of India.

#### vi. Cash flow Hedge Reserve

Opening balance	-	-
Additions	(94.98)	-
<b>Closing balance</b>	<b>(94.98)</b>	<b>-</b>

Cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges, which shall be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the Company accounting policies.

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>23. Interest income</b>		
<b>(On financial assets measured at amortised cost)</b>		
Interest on loans	117,051.64	99,550.11
Interest on deposits with banks	2,703.35	1,937.47
Interest on Investment in Government Securities	621.56	-
	<b>1,20,376.55</b>	<b>101,487.58</b>
<b>24. Fee income</b>		
Legal and inspection fees	2,562.31	1,894.14
Others charges*	377.29	273.47
	<b>2939.60</b>	<b>2,167.61</b>

**Note:** \* Comprises of charges collected from the customers in the nature of Document storage charges, Cheque dishonour charges and other charges as applicable.

All services that generate revenue from contract with Customers are rendered at a point in time and are rendered in India

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>25. Net gain on fair value changes</b>		
<b>Net gain on financial instruments at fair value through profit or loss (FVTPL)</b>		
<b>On trading portfolio</b>		
-Mutual fund investments at FVTPL	2,090.21	1,319.03
	<b>2,090.21</b>	<b>1,319.03</b>
<b>Fair value changes</b>		
Realised	2,090.21	1,319.03
Unrealised	-	-
	<b>2,090.21</b>	<b>1,319.03</b>
<b>26. Other Income</b>		
Recovery of bad debts	185.84	86.88
Other non-operating income	24.72	64.37
	<b>210.56</b>	<b>151.25</b>
<b>27. Finance costs</b>		
<b>(On financial liabilities measured at amortised cost)</b>		
Interest on borrowings		
- term loans from banks	7,807.55	8,859.34
- cash credits and overdraft	16.04	9.30
- term loans from others*	9,180.85	7,969.18
Interest on debt securities	12,735.93	15,501.75
Interest on lease liability	219.97	179.55
Other borrowing costs	99.65	-
	<b>30,060.00</b>	<b>32,519.12</b>
*Includes interest of INR 6,361.38 lakhs (March 31, 2021 - INR 5,326.45 lakhs) pertaining to borrowings from securitisation arrangements.		
<b>28. Fees expenses</b>		
Amortisation of ancillary costs relating to borrowings	-	266.83
	-	<b>266.83</b>
<b>29. Impairment on financial instruments</b>		
<b>(On financial assets measured at amortised cost)</b>		
Impairment loss allowance on loans*	4,551.81	3,517.57
	<b>4,551.81</b>	<b>3,517.57</b>
* Includes write-off of INR 2926.39 lakhs ( March 31, 2021 - INR 996.83 lakhs)		



Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>30. Employee benefits expenses</b>		
Salaries, wages and bonus	17,854.07	13,376.13
Contribution to provident and other funds	1,396.01	1,080.50
Employee stock option expenses (Refer Note 42)	3,544.18	1,509.39
Staff welfare expenses	817.26	405.76
	<b>23,611.52</b>	<b>16,371.78</b>
<b>31. Depreciation and amortization</b>		
Depreciation on property, plant and equipment (Refer Note 12)	476.43	531.25
Amortisation of intangible assets (Refer Note 13)	116.91	52.81
Depreciation on right of use asset (Refer Note 38)	631.13	554.33
	<b>1,224.47</b>	<b>1,138.39</b>
<b>32. Other expenses</b>		
Rent	52.86	40.77
Rates and taxes	42.30	111.34
Electricity expenses	97.33	92.55
Repairs and maintenance	348.28	259.89
Communication costs	620.96	443.73
Printing and stationery	294.16	238.27
Advertisement and publicity	7.47	3.23
Directors fees, allowances and expenses	77.50	14.43
Auditor's fees and expenses (Refer note 32.1)	149.48	51.46
Legal and professional charges	1,528.71	1,183.11
Insurance	16.96	13.33
Corporate social responsibility expenses (Refer note 32.2)	699.70	428.64
Travel expenses	226.01	45.47
Information technology expenses	1,100.94	568.43
Loss on sale of property, plant and equipment	1.32	2.32
Bank charges	181.27	140.80
Collection/Recovery costs	279.18	-
Miscellaneous expenses	23.78	29.93
	<b>5,748.21</b>	<b>3,667.70</b>
<b>32.1. Payments to auditors (Refer Note)</b>		
Statutory audit including limited review	140.76	41.42
Tax audit	2.18	2.18
Other services	6.54	5.45
Reimbursement of expenses	-	2.41
	<b>149.48</b>	<b>51.46</b>

**Note:**

1. Payment to auditors towards statutory audit including limited review above includes INR.40.48 lakhs paid to predecessor auditors during financial year 2021-2022.

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
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2.Excludes remuneration to predecessor auditor during FY 2021-22 for services in connection with proposed initial public offer of equity shares of the Company, which is included under other receivables

### 32.2. Details of expenditure on corporate social responsibility ("CSR")

(a) Amount required to be spent by the Company during the period/year	699.43	428.64
(b) Amount of expenditure incurred during the period/year	699.70	278.64
(c) Shortfall at the end of the period/year	-	150.00
(d) Total of previous years shortfall**	100.00	NA
(e) Reason for shortfall	NA	*
(f) Nature of CSR activities	Contribution towards projects in the domain of education and healthcare	Contribution to government relief funds and funds expended towards projects in the domain of education and healthcare
(g) Details of related party transactions	NIL	NIL

\* The reason for shortfall in CSR expenditure is on account of the fact that the management was in the process of identifying suitable projects and programme which can be identified which would compliment the businessness of the company. Auditors have relied on the reasoning provided by the management

\*\* Against the shortfall of INR 100 lakhs for the year ended March 31, 2021, the company pursuant to the approval of the board at it's meeting held on March 22, 2021, has earmarked INR 100 lakhs to be spent on an ongoing project towards welfare of education, under section 135 of the Companies Act 2013

### 33. A. Income tax

#### i. Current tax

In respect of current year	15,959.12	12,557.29
In respect of prior years	-	36.83
	<b>15,959.12</b>	<b>12,594.12</b>

#### ii. Deferred tax

Attributable to–		
Origination and reversal of temporary differences	(892.66)	(849.48)
	<b>(892.66)</b>	<b>(849.48)</b>
<b>Tax expense (i)+(ii)</b>	<b>15,066.46</b>	<b>11,744.64</b>

#### 33.1. Deferred tax related to Items recognized in OCI during the Year

Tax impact on Re-measurements of the defined benefit plan	43.20	26.49
Tax impact due to Cash Flow hedge reserve	31.94	-
<b>Deferred tax charged to OCI</b>	<b>75.14</b>	<b>26.49</b>

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>33.2. Reconciliation of total tax expense</b>		
Profit before tax	60,420.91	47,644.08
Applicable tax rate	25.17%	25.17%
<b>Computed tax expense</b>	<b>15,206.73</b>	<b>11,991.06</b>
<b>Tax effect of :</b>		
<i>Permanent differences</i>		
Deduction u/s 80JJAA of the Income Tax Act, 1961	(288.67)	(362.55)
Disallowance related to CSR expenditure	176.10	108.34
Others	(27.71)	7.79
<b>Income tax expense recognised in statement of profit and loss</b>	<b>15,066.46</b>	<b>11,744.64</b>
(Pertaining to current year)		
Effective tax rate	24.94%	24.65%
<b>34. Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	162.53	5.98
<b>35. Contingent liabilities</b>		
Claims against the Company not acknowledged as debt		
- Income tax related matters (excluding penalties and interest)	6.74	6.74
<b>36. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006</b>		
Under Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with management and confirmation sought from suppliers on registration with specified authority under MSMED, principal amount, interest accrued and remaining unpaid and interest paid during the year to such enterprise is Nil.		
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting period		
Principal	-	-
Interest	-	-
The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year; and-		-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually	-	-

Particulars	As at March 31, 2022	As at March 31, 2021
paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.		
<b>37. Deferred tax assets / (liability):</b>		
In relation to :		
Difference between written down value of fixed assets as per books of accounts and income tax	197.28	134.10
Employee Benefits	640.62	448.51
Cash flow hedge reserve	31.94	-
Impairment allowance	2,277.89	1,987.18
Impact of Effective interest rate adjustment on Financial Assets	1,829.81	1,679.02
Impact of Effective interest rate adjustment on Financial liabilities	(338.92)	(573.29)
Recognition of lease liability and right to use asset	28.12	23.42
	<b>4,666.74</b>	<b>3,698.94</b>

The following table shows deferred tax recorded in the balance sheet and changes recorded in the income tax expense

₹ in Lakhs

Particulars	Opening Balance	Recognised in profit of loss	Recognised in other comprehensive income	Closing Balance
<b>For the year ended 31 March, 2022 :</b>				
Difference between written down value of fixed assets as per books of accounts and income tax	134.10	63.18	-	197.28
Employee Benefits	448.51	148.91	43.20	640.62
Cash flow hedge reserve	-	-	31.94	31.94
Impairment allowance (Including Write-Off)	1,987.18	290.71	-	2,277.89
Unamortised processing fee income	1,679.02	150.79	-	1,829.81
Unamortised processing fee expenses	(573.29)	234.37	-	(338.92)
Recognition of lease liability and right to use asset	23.42	4.70	-	28.12
	<b>3,698.94</b>	<b>892.66</b>	<b>75.14</b>	<b>4,666.74</b>

The following table shows deferred tax recorded in the balance sheet and changes recorded in the income tax expense

**For the year ended 31 March, 2021 :**

Difference between written down value of fixed assets as per books of accounts and income tax	95.19	38.91	-	134.10
Employee Benefits	303.92	118.10	26.49	448.51
Cash flow hedge reserve	-	-	-	-
Impairment allowance (including Write-Off)	1,289.74	697.44	-	1,987.18
Unamortised processing fee income	1,664.02	15.00	-	1,679.02
Unamortised processing fee expenses	(545.07)	(28.22)	-	(573.29)
Recognition of lease liability and right to use asset	15.16	8.26	-	23.42
<b>Total</b>	<b>2,822.96</b>	<b>849.49</b>	<b>26.49</b>	<b>3,698.94</b>

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>38. Leases</b>		
The Company has taken office premises on lease for its operations. The Company's obligations under its leases are secured by the lessor's title to the leased assets. The Company also has certain leases with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.		
Set out below are the carrying amounts of lease liabilities included under financial liabilities and the movements during the year:		
<b>i). Movement in carrying value of right of use assets</b>		
<b>Opening Balance</b>	<b>1,452.63</b>	<b>1488.00</b>
Additions during the year	1,263.90	683.29
Depreciation	(631.13)	554.33
Derecognition on termination of leases	(107.30)	(164.33)
<b>Closing Balance</b>	<b>1,978.10</b>	<b>1,452.63</b>
<b>ii). Movement in lease liabilities</b>		
<b>Opening Balance</b>	<b>1,529.36</b>	<b>1,555.33</b>
Additions during the year	1,272.73	681.94
Interest on lease liabilities	219.97	179.55
Rent payments	(779.72)	(680.80)
Derecognition on termination of leases	(129.02)	(206.66)
<b>Closing Balance</b>	<b>2,113.32</b>	<b>1,529.36</b>
<b>iii). Amounts recognised in statement of profit and loss</b>		
Rent expense on short term leases	52.86	40.77
Interest on lease liabilities	219.97	179.55
Depreciation on Right of use asset	631.13	554.33
Gain recognised on derecognition of leases	(21.73)	(42.32)
Rent concession related to COVID-19	-	(19.08)

₹ in Lakhs

Particulars	As at March 31, 2022	As at March 31, 2021
<b>iv). Future lease commitments</b>		
Future undiscounted lease payments to which leases is not yet commenced	41.14	88.28
<b>v). Cash flows</b>		
Total cash outflow for leases	832.58	721.57
<b>vi). Maturity analysis of undiscounted lease liabilities</b>		
Not later than one year	805.60	608.44
Later than one year and not later than five years	1,554.89	1,156.01
Later than five years	191.88	128.13
Lease liabilities are recognised at weighted average incremental borrowing rate ranging from 8.50% to 12.50%		

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>39. Earnings per share</b>		
Profit after tax	45,354.45	35,899.44
Weighted Average Number of Equity Shares in calculation of basic earnings per share	281,898,756	256,181,767
Dilution on account of ESOP and partly paid up shares	3,029,537	7,667,340
Weighted Average Number of Equity Shares in calculation of diluted earnings per share	284,928,293	263,849,107
Basic earnings per share	16.09	14.01
Diluted earnings per share	15.92	13.61

During the year ended March 31, 2022, the Board of Directors of the Company in its meeting held on September 8, 2021 and shareholders in the Extraordinary General Meeting held on October 8, 2021 approved the sub-division of shares from ₹ 10 per share to ₹ 1 per share. The number of shares used for the calculation of earnings per share, and the earnings per share in the above note (including that in the comparative periods), have been adjusted for pursuant to Paragraph 64 of Ind AS 33 - "Earnings Per Share", prescribed under Section 133 of the Companies Act, 2013.

#### 40. Segment Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Company's Chairman and Managing Director ('MD') to make decisions about resources to be allocated to the segments and assess their performance. The MD is considered to be the Chief Operating Decision Maker ('CODM') within the purview of Ind AS 108 Operating Segments.

The CODM considers the entire business of the Company on a holistic basis to make operating decisions and thus there are no segregated operating segments. The Company is primarily engaged in providing loans for business purposes, house renovation / extension purposes and other mortgage purposes. The CODM of the Company reviews the operating results of the Company as a whole and therefore not more than one reportable segment is required to be disclosed by the Company as envisaged by Ind AS 108 Operating Segments. Accordingly, amounts appearing in these financial statements relates to small business loans and loans for house renovations / extensions etc.

The Company does not have any separate geographic segment other than India. As such there are no separate reportable segments as per Ind AS 108 Operating Segments.

#### 41. Employee benefits - post employment benefit plans

##### A. Defined contribution plans

The Company makes provident fund and employee state insurance scheme contributions which are defined contribution plans, for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised INR 889.79 lakhs (year ended March 31, 2021 - INR 672.19 lakhs) for provident fund contributions, and INR 245.20 lakhs (year ended March 31, 2021 - INR 204.48 lakhs) for employee state insurance scheme contributions in the statement of profit and loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

## **B. Defined benefit plans**

### **Gratuity**

The Company operates a defined benefit plan (the Gratuity plan) covering eligible employees. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age/ resignation date.

The defined benefit plans expose the Company to risks such as Actuarial risk, Investment risk, Liquidity risk, Market risk, Legislative risk. These are discussed as follows:

**Actuarial risk:** It is the risk that benefits will cost more than expected. This can arise due to one of the following reasons: Adverse salary growth experience: Salary hikes that are higher than the assumed salary escalation will result into an increase in obligation at a rate that is higher than expected.

Variability in mortality rates: If actual mortality rates are higher than assumed mortality rate assumption then the gratuity benefits will be paid earlier than expected. Since there is no condition of vesting on the death benefit, the acceleration of cash flow will lead to an actuarial loss or gain depending on the relative values of the assumed salary growth and discount rate.

Variability in withdrawal rates: If actual withdrawal rates are higher than assumed withdrawal rate assumption then the Gratuity Benefits will be paid earlier than expected. The impact of this will depend on whether the benefits are vested as at the resignation date.

**Investment risk:** For funded plans that rely on insurers for managing the assets, the value of assets certified by the insurer may not be the fair value of instruments backing the liability. In such cases, the present value of the assets is independent of the future discount rate. This can result in wide fluctuations in the net liability or the funded status if there are significant changes in the discount rate during the inter-valuation period.

**Liquidity risk:** Employees with high salaries and long durations or those higher in hierarchy, accumulate significant level of benefits. If some of such employees resign/retire from the company there can be strain on the cash flows.

**Market risk:** Market risk is a collective term for risks that are related to the changes and fluctuations of the financial markets. One actuarial assumption that has a material effect is the discount rate. The discount rate reflects the time value of money. An increase in discount rate leads to decrease in defined benefit obligation of the plan benefits and vice versa. This assumption depends on the yields on the government bonds and hence the valuation of liability is exposed to fluctuations in the yields as at the valuation date.

**Legislative risk:** Legislative risk is the risk of increase in the plan liabilities or reduction in the plan assets due to change in the legislation/regulation. The government may amend the Payment of Gratuity Act, 1972, thus requiring the companies to pay higher benefits to the employees. This will directly affect the present value of the defined benefit obligation and the same will have to be recognized immediately in the year when any such amendment is effective.

### **Funding**

The Company has funded their gratuity liability with Life Insurance Corporation. Gratuity provision has been made based on the actuarial valuation.

Particulars	As at March 31, 2022	As at March 31, 2021
<b>Reconciliation of net defined benefit (asset) liability</b>		
The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit asset (liability) and its components.		
Present value of obligations	1,246.93	811.61
Fair value of plan assets	(907.29)	(556.83)
<b>Asset/ (Liability) recognised in the balance sheet</b>	<b>(339.64)</b>	<b>(254.78)</b>
<b>Reconciliation of present value of defined benefit obligation</b>		
Balance at the beginning of the year	811.61	501.04
Benefits paid	(39.47)	(20.91)
Current service cost	253.35	195.97
Interest cost	43.24	28.50
Actuarial (gain)/loss recognized in other comprehensive income		
changes in demographic assumptions	-	-
changes in financial assumptions	(24.43)	14.74
experience adjustments	202.63	92.27
<b>Balance at the year end</b>	<b>1,246.93</b>	<b>811.61</b>
<b>Expense recognized in profit or loss</b>		
Current service cost	253.35	195.97
Net Interest cost	4.50	5.66
	<b>257.85</b>	<b>201.63</b>
<b>Remeasurements recognized in other comprehensive income</b>		
Actuarial (gain) loss on defined benefit obligation	178.21	107.01
Return on plan assets excluding interest income	(6.58)	(1.74)
	<b>171.63</b>	<b>105.27</b>
<b>Changes in the fair value of plan assets</b>		
Fair value of plan assets as at the beginning of the period	556.83	253.94
Expected return on plan assets	38.73	22.84
Contributions	344.62	299.22
Direct Contributions towards direct benefit payments	-	-
Benefits paid and Charges deducted from the fund	(39.47)	(20.91)
Direct Benefit Payments	-	-
Actuarial gain/(loss) on plan assets	6.58	1.74
<b>Fair value of plan assets as at the end of the period</b>	<b>907.29</b>	<b>556.83</b>
<b>Net defined benefit (assets)/liability</b>	<b>339.64</b>	<b>254.78</b>
<b>Actuarial assumptions</b>		
Discount rate	5.85%	5.46%
Future salary growth	15.00%	15.00%
Attrition rate	25.00%	25.00%



Particulars	As at March 31, 2022	As at March 31, 2021
<b>Sensitivity Analysis</b>		
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:		
Discount rate		
-1% increase	(58.71)	(40.84)
-1% decrease	64.51	45.01
Attrition rate		
-1% increase	30.14	23.26
-1% decrease	(32.52)	(25.12)
Future salary growth		
-1% increase	(60.29)	(41.65)
-1% decrease	56.64	38.92

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

#### Additional Disclosures required under Ind AS 19

Average Duration of Defined Benefit Obligations (in Years)	5.70	6.05
Projected undiscounted expected benefit outgo (mid year cash flows)		
Year 1	149.42	80.33
Year 2	182.02	97.90
Year 3	198.28	115.37
Year 4	172.51	129.71
Year 5	156.24	108.69
Next 5 Years	507.39	340.89
Expected benefit payments for the next annual reporting year	149.42	80.33

## 42. Share Based Payments

### A. Description of schemes

The decision to introduce Five-Star Associate Stock Option Scheme, 2015 (hereinafter called "FIVE-STAR ASOP, 2015") was taken by the Board of Directors at the meeting held on September 18, 2015 and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on April 12, 2016. The total options issuable under the plan are upto 5,63,000 options.

Later, the Board of Directors issued another scheme, named Five-Star Associate Stock Option Scheme, 2018 (hereinafter called "FIVE-STAR ASOP, 2018") at their meeting held on February 28, 2018 and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on March 26, 2018. The total options issuable under the plan are upto 5,00,000 options.

Nomination and Remuneration Committee constituted by the Board of Directors of the Company administers the plans. Under these plans, the participants are granted options which vest as per the schedule provided in the Grant Letter given to each of the participants. The time period for exercise of these options is defined in the Scheme document.

Particulars	As at March 31, 2022		As at March 31, 2021	
	Weighted average exercise price per option	Number of options	Weighted average exercise price per option	Number of options
i. Reconciliation of outstanding share options				
Outstanding at beginning of year	56.99	469,300	121.63	160,150
Addition in number of options on account of share split*	-	4,223,700	-	-
Forfeited during the year	114.96	204,000	-	-
Exercised during the year	44.53	1,718,000	46.31	62,850
Granted during the year	76.12	1,137,000	674.40	372,000
Outstanding as at end of year	65.01	3,908,000	569.88	469,300
<b>Exercisable at March 31</b>	<b>67.44</b>	<b>2,000</b>	<b>130.00</b>	<b>48,000</b>

The weighted average share price at the date of exercise of options exercised during the year ended March 31, 2022 is INR 375.49 per share (March 31, 2021 : INR 150.12 per share)

During the year ended March 31, 2022, the Board of Directors of the Company in its meeting held on September 8, 2021 and shareholders in the Extraordinary General Meeting held on October 8, 2021 approved the sub-division of shares from ₹ 10 per share to ₹ 1 per share. Also refer note:39

₹ in Lakhs

Particulars	As at March 31, 2022	As at March 31, 2021
<b>For the options outstanding at the end of the year:</b>		
Weighted average remaining contractual life (in years)	6.63	6.61
Range of exercise prices (INR)	1-236.44	10-674.40
<b>ii. Expense recognised in the statement of profit and loss</b>		
Total Expense	3,544.18	1,509.39

**iii. Measurement of fair values**

The fair value of options have been estimated on the dates of each grant using the Black Scholes model. As the Company is unlisted, the expected price volatility is based on historical volatility (based on the remaining life of the options) in share prices of a listed proxy. The various inputs considered in the pricing model for the stock options granted by the Company during the year are as follows:

Share price on Grant date (INR)	351.80-385.49	1,466.24-2,187.24
Weighted average share price (INR)	351.80-385.49	1,466.24-2,187.24
Exercise price (INR)	1-236.44	674.4
Fair value of options at grant date (INR)	212.56-384.82	932.13-1,755.59
Expected volatility	37.67%-47.78%	34.42% - 38.28%
Option term	3.54-7.54 years	3.54-7.54 years
Expected dividends	Nil	Nil
Risk free interest rate	5.30%-5.40%	5.30%-5.40%

The above disclosure for March 31, 2022 is after considering the subdivision of shares from ₹ 10 per share to ₹ 1 per share. Also Refer note 39.

**43. Related party disclosures**

**a. Name of the related parties and nature of relationship:**

**Key Management Personnel :**

D. Lakshmipathy, Chairman and Managing Director

K.Rangarajan, Chief Executive Officer

G. Srikanth, Chief Financial Officer upto May 31, 2021; Chief - Strategy and Finance from June 1, 2021 to March 19, 2022 and Chief Financial Officer from March 20, 2022

Roopa Sampath Kumar, Chief Financial Officer (from June 1, 2021 to March 19 2022)

B. Shalini, Company Secretary

**Director and relative of Key Management Personnel / Director**

Hema Lakshmipathy, wife of Lakshmipathy Deenadayalan

Shritha Lakshmipathy, Daughter of Lakshmipathy Deenadayalan

Bhama Krishnamurthy, Independent Director

B. Haribabu, Independent Director (upto October 20, 2021)

A. Ramanathan, Independent Director

L.R. Ravi Prasad, Non-executive Director (upto October 20, 2021)

T.T. Srinivasaraghavan, Independent Director (from August 25, 2021)

V. Thirulokchand, Non-executive Director

R Anand, Independent Director

Vikram Vaidyanathan, Non-Executive Director

G V Ravishankar, Non-Executive Director

**Entities with Significant Influence over the Company**

TPG Asia VII SF Pte. Ltd.

Matrix Partners India Investment Holding II LLC

SCI Investments V

₹ in Lakhs

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>b. Key management personnel (KMP) compensation</b>		
<b>Short-term employee benefits</b>		
D. Lakshmipathy	631.66	501.93
K.Rangarajan	235.60	192.15
G.Srikanth	135.08	111.90
Roopa Sampath Kumar	96.10	-
B.Shalini	11.32	8.16
<b>Post employment benefits</b>		
D. Lakshmipathy	0.22	0.22
K.Rangarajan	0.22	0.22
G.Srikanth	0.22	0.22
Roopa Sampath Kumar	0.20	-
B.Shalini	0.22	0.22

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>Share based payments</b>		
K.Rangarajan	2,332.49	969.57
G.Srikanth	624.12	328.32
B.Shalini	14.72	-
<b>Directors sitting fees</b>		
R Anand	9.80	6.15
Bhama Krishnamurthy	9.40	6.15
B. Haribabu	4.60	4.95
A. Ramanathan	9.40	5.55
L.R Ravi Prasad	4.60	4.45
V. Thirulokchand	5.00	4.50
T.T. Srinivasaraghavan	4.30	-
Managerial remuneration above does not include gratuity and compensated absences, since the same are provided on actuarial basis for the company as a whole and the amount attributable to the key managerial personnel cannot be ascertained separately.		
Compensation to independent and non-executive directors represent commission and sitting fees paid.		
<b>c. Details of related party transactions</b>		
<b>Nature of transaction</b>		
<b>Issue of equity shares</b>		
D. Lakshmipathy	30.00	-
K.Rangarajan	6.75	15.64
G. Srikanth	2.50	2.95
<b>Receipt of pending call money of partly paid up shares</b>		
D. Lakshmipathy	137.25	-
K.Rangarajan	5.76	-
G. Srikanth	4.03	-
<b>Receipt of securities premium</b>		
D. Lakshmipathy	35,681.78	-
K.Rangarajan	1,266.62	-
G.Srikanth	721.91	-
*excludes transfer from Share Based Payment reserve to Securities Premium on exercise of employee stock options		
<b>Personal Guarantee received for Borrowings</b>		
D. Lakshmipathy	9,217.18	55,402.99
<b>Balances as at Year Ended 31st March 2022:</b>		
<b>Employee Benefits Payable</b>		
D. Lakshmipathy	125.96	106.75
K.Rangarajan	40.92	33.55
G.Srikanth	12.86	11.42

Particulars	As at March 31, 2022	As at March 31, 2021
<b>Director Commission Payable</b>		
R Anand	3.60	2.78
Bhama Krishnamurthy	3.60	2.78
B. Haribabu	1.80	2.78
A. Ramanathan	3.60	2.78
L.R Ravi Prasad	1.80	2.78
V. Thirulokchand	3.60	2.78
T.T. Srinivasaraghavan	3.60	-

In addition to the above note, the Debt Securities and borrowings other than debt securities aggregating to INR 77,228.40 lakhs has been guaranteed by the promoter, Mr. D Lakshmipathy.

#### 44. Capital

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the regulator, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

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

#### Capital management

The primary capital management objective is to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

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

#### i. Net Debt to Equity Ratio

Consistent with the others in industry, the company monitors the capital on the basis of gearing ratio (Net Debt divided by Equity). Under the terms of the major borrowing facilities, the company is required to maintain the gearing ratio in line with the RBI guidelines or in a slightly more conservative manner. The actual gearing stipulated differs between the various lending agreements. The company has complied with this covenant through out the year.

Equity	371,035.10	231,817.22
Debt Securities	100,853.38	130,378.55
Borrowings other than Debt Securities	155,029.75	212,141.12
Cash and Cash equivalents	61,316.28	126,718.28
<b>Net Debt</b>	<b>194,566.85</b>	<b>215,801.39</b>
<b>Net Debt to Equity Ratio</b>	<b>0.52</b>	<b>0.93</b>

#### ii. Regulatory capital

The company has to mandatorily comply with the capital adequacy requirements stipulated by Reserve Bank of India from time to time. Capital adequacy ratio or capital-to-risk weighted assets ratio (CRAR) is computed by dividing company's Tier I and Tier II capital by risk weighted assets.

Particulars	As at March 31, 2022	As at March 31, 2021
Tier I Capital	3,35,814.66	1,96,690.03
Tier II Capital	-	-
<b>Total Capital</b>	<b>3,35,814.66</b>	<b>1,96,690.03</b>
<b>Total Risk Weighted Assets</b>	<b>4,46,586.18</b>	<b>3,34,165.86</b>
Capital Ratios		
CRAR - Tier I Capital%	75.20	58.86
CRAR - Tier I Capital%	-	-
<b>CRAR%</b>	<b>75.20</b>	<b>58.86</b>
Amount of subordinated debt raised as Tier-II capital	-	-

Tier I capital comprises of shareholders' equity and retained earnings. Tier II Capital comprises of general provision and loss reserves (12 month expected credit losses). Credit enhancement relating to securitisation transactions have been adjusted against Tier I and Tier II capital in accordance with RBI circular DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020. Tier 1 and Tier II capital have been reported on the basis of Ind AS financial statements. Risk weighted assets represents the weighted sum of company's credit exposures based on their risk as prescribed by RBI guidelines.

#### 45. Fair Value Measurement

##### Fair Value Hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair value disclosures are provided in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards.

The Following methodologies and assumptions were used to estimate the fair values of the financial assets or liabilities

- i) The fair value of loans have estimated by discounting expected future cash flows using discount rate equal to the rate near to the reporting date of the comparable product
- ii) The fair value of Debt securities, Borrowings other than Debt securities and subordinated liabilities have estimated by discounting expected future cash flows discounting rates.
- iii) The fair values of Debt Securities and Borrowings other than Debt securities are estimated by discounted cash flow models that incorporate interest cost estimates considering all significant characteristics of the borrowing. They are classified as Level 3 fair values in the fair value hierarchy due to the use of unobservable inputs
- iv) The fair value of investment in Government securities are derived from rate equal to the rate near to the reporting date of the comparable product.
- v) The fair value of Derivatives are determined using inputs that are directly or indirectly observable in market place.

##### Fair Value of financial instruments recognised and measured at fair value

₹ in Lakhs

Particulars	Level 1	Level 2	Level 3	Total
<b>Financial liabilities:</b>				
Derivative Financial Instruments	-	138.92	-	138.92

Notes forming part of the financial statements for the year ended March 31, 2022

For all the Company's assets and liabilities which are not carried at fair value, disclosure of fair value is not required as the carrying amounts approximates the fair value, except as stated below. Such estimation is determined based on inputs where one or more unobservable input is significant to the measurement of the instrument as a whole (level 3), except for cash and cash equivalents, bank balances other than cash and cash equivalents and investments where such estimation is determined based on unadjusted quoted prices from active markets for identical assets (level 1). The fair value of investment, Loans, debt securities and borrowings other than debt securities for FY 22 amounted to INR 24,546.47 lakhs, INR 5,17,539.33 lakhs, INR 1,06,291.77 lakhs and INR 1,55,656.75 lakhs respectively. ₹ in Lakhs

Particulars	Carrying amount			Total carrying value
	Amortised cost	Fair value through profit or loss	Other comprehensive income	

**Financial instruments by category**

The carrying value and fair value of financial instruments by categories as of March 31, 2022 were as follows:

**Financial assets:**

Cash and cash equivalents	61,316.28	-	-	61,316.28
Bank balances other than cash and cash equivalents	26,677.50	-	-	26,677.50
Loans	510,241.07	-	-	510,241.07
Investments	24,818.38	-	-	24,818.38
Other financial assets	1,797.93	-	-	1,797.93
<b>Total</b>	<b>624,851.16</b>	<b>-</b>	<b>-</b>	<b>624,851.16</b>

**Financial liabilities:**

Derivative Financial Liability	-	-	138.92	138.92
Trade payables	1,300.31	-	-	1,300.31
Debt securities	100,853.38	-	-	100,853.38
Borrowings (Other than debt securities)	155,029.75	-	-	155,029.75
Other financial liabilities	4,146.84	-	-	4,146.84
<b>Total</b>	<b>261,330.28</b>	<b>-</b>	<b>138.92</b>	<b>261,469.20</b>

The carrying value and fair value of financial instruments by categories as of March 31, 2021 are as follows:

**Financial assets:**

Cash and cash equivalents	126,718.28	-	-	126,718.28
Bank balances other than cash and cash equivalents	8,853.99	-	-	8,853.99
Loans	435,874.94	-	-	435,874.94
Investments	-	-	-	-
Other financial assets	474.34	-	-	474.34
<b>Total</b>	<b>571,921.55</b>	<b>-</b>	<b>-</b>	<b>571,921.55</b>

**Financial liabilities:**

Trade payables	867.17	-	-	867.17
Debt securities	130,378.55	-	-	130,378.55
Borrowings (Other than debt securities)	212,141.12	-	-	212,141.12
Other financial liabilities	1,717.01	-	-	1,717.01
<b>Total</b>	<b>345,103.86</b>	<b>-</b>	<b>-</b>	<b>345,103.86</b>

Notes forming part of the financial statements for the year ended March 31, 2022

**46. Maturity Analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

₹ in Lakhs

	As at March 31, 2022		As at March 31, 2021		Total	Total
	Within 12 Months	After 12 Months	Within 12 Months	After 12 Months		
<b>Assets</b>						
<b>Financial assets</b>						
Cash and cash equivalents	61,316.28	-	61,316.28	126,718.28	-	126,718.28
Bank balances other than cash and cash equivalents	18,173.58	8,503.92	26,677.50	3.96	8,850.03	8,853.99
Loans	88,263.49	421,977.58	510,241.07	67,216.71	368,658.23	435,874.94
Investments	10,798.06	14,020.32	24,818.38	-	-	-
Other financial assets	1,525.95	271.98	1,797.93	185.68	288.66	474.34
<b>Total</b>	<b>180,077.36</b>	<b>444,773.80</b>	<b>624,851.16</b>	<b>194,124.63</b>	<b>377,796.92</b>	<b>571,921.55</b>
<b>Non-financial assets</b>						
Current tax assets (net)	-	220.07	220.07	795.79	-	795.79
Deferred tax assets (net)	-	4,666.74	4,666.74	-	3,698.94	3,698.94
Investment property	-	3.56	3.56	-	3.56	3.56
Property, plant and equipment	-	1,214.45	1,214.45	-	845.60	845.60
Right of use asset	-	1,978.10	1,978.10	-	1,452.63	1,452.63
Other intangible assets	-	88.74	88.74	-	190.30	190.30
Other non-financial assets	1,265.87	17.87	1,283.74	408.49	44.28	452.77
<b>Total</b>	<b>1,265.87</b>	<b>8,189.53</b>	<b>9,455.40</b>	<b>1,204.28</b>	<b>6,235.31</b>	<b>7,439.59</b>
<b>Total assets</b>	<b>181,343.23</b>	<b>452,963.33</b>	<b>634,306.56</b>	<b>195,328.91</b>	<b>3,84,032.23</b>	<b>579,361.14</b>



Notes forming part of the financial statements for the year ended March 31, 2022

**46. Maturity Analysis of assets and liabilities (Continued)**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

₹ in Lakhs

	As at March 31, 2022			As at March 31, 2021		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
<b>Liabilities and Equity</b>						
<b>Financial liabilities</b>						
Derivative financial instruments	-	138.92	138.92	-	-	-
Payables						
Trade payables						
total outstanding dues of micro and small enterprises	-	-	-	-	-	-
total outstanding dues of creditors other than micro and small enterprises	1,300.31	-	1,300.31	746.93	120.24	867.17
Debt securities	55,798.91	45,054.47	100,853.38	33,549.02	96,829.53	130,378.55
Borrowings (other than debt securities)	65,013.93	90,015.82	155,029.75	71,031.62	141,109.50	212,141.12
Other financial liabilities	2,700.78	1,446.06	4,146.84	679.33	1,037.68	1,717.01
<b>Total</b>	<b>124,813.93</b>	<b>136,655.27</b>	<b>261,469.20</b>	<b>106,006.89</b>	<b>239,096.95</b>	<b>345,103.86</b>
<b>Non-financial liabilities</b>						
Provisions	364.81	535.22	900.03	150.33	569.47	719.80
Other non-financial liabilities	902.23	-	902.23	1,720.27	-	1,720.27
<b>Total</b>	<b>1,267.04</b>	<b>535.22</b>	<b>1,802.26</b>	<b>1,870.61</b>	<b>569.47</b>	<b>2,440.07</b>
<b>Total liabilities</b>	<b>126,080.97</b>	<b>137,190.48</b>	<b>263,271.46</b>	<b>107,877.50</b>	<b>239,666.42</b>	<b>347,543.92</b>
<b>Net Assets/Liabilities</b>			<b>371,035.10</b>			<b>231,817.21</b>

#### **47. Financial risk management objectives and policies**

The Company's principal financial liabilities primarily comprise of borrowings from banks, debentures and trade payables. The main purpose of these financial liabilities is to finance the Company's operations and to support its operations. The Company's financial assets include loans, cash and cash equivalents that relate directly to its operations.

These activities exposes the Company to a variety of financial risks, as listed below apart from various operating and business risks, and the note below also explains how the Company manages such risks.

Market risk;

Credit risk; and

Liquidity risk

This note explains the sources of risks arising from financial instruments which the entity is exposed to and how the Company manages the risk.

#### **Risk management framework**

The Company's board of directors and risk management committee has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors and risk management committee along with the top management are responsible for developing and monitoring the Company's risk management policies.

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

The Company's risk management committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

#### **Excessive risk concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

#### **(i) Market risk**

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices which will affect the Companies income or the value of holdings of financial instruments. The company does not have exposure to currency risk and security price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

Notes forming part of the financial statements for the year ended March 31, 2022

**Interest rate risk**

Interest rate risk primarily arises from borrowings with variable rates. The company's borrowings are carried at amortised cost. The borrowings with fixed rates are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The interest rate profile of the Company's interest bearing financial instruments is as follows:

₹ in Lakhs

Particulars	As at March 31, 2022	As at March 31, 2021
<b>Fixed rate instruments</b>		
Financial assets	617,804.72	539,562.50
Financial liabilities	167,758.55	252,382.61
	<b>785,563.28</b>	<b>791,945.11</b>
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	88,124.58	90,137.07
	<b>88,124.58</b>	<b>90,137.07</b>

**Cash flow sensitivity analysis for variable-rate instruments:**

₹ in Lakhs

Particulars	Profit / loss		Equity, net of tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>March 31, 2022</b>				
Variable-rate instruments	(1,104.79)	1,104.79	(826.74)	826.74
Cash flow sensitivity (net)	(1,104.79)	1,104.79	(826.74)	826.74
<b>March 31, 2021</b>				
Variable-rate instruments	(732.35)	732.35	(548.03)	548.03
Cash flow sensitivity (net)	(732.35)	732.35	(548.03)	548.03

The sensitivity analysis above has been determined for borrowings where interest rates are variable. A 100 basis points increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

**(ii) Credit risk**

**Loans and advances**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans advances and other financial assets. The carrying amount of financial assets represents the maximum credit exposure. The company has Credit policy approved by the Board of Directors, which is subject to annual review. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical concentrations, and by monitoring exposures in relation to such limits.

## Notes forming part of the financial statements for the year ended March 31, 2022

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including periodical collateral revisions, as defined in the Credit policy. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

The disclosure of maximum exposure to credit risk without taking into account any collateral held or other credit enhancements has not been provided for financial assets, as their carrying amount best represent the maximum exposure to credit risk. All the loans provided are secured against mortgage of land and/or building. The fair value of the collateral is determined on the guidelines prescribed in the collateral management policy as approved by the Board of Directors.

### **Impairment assessment - Expected credit loss ("ECL"):**

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the loan receivables are categorised into groups based on days past due. Each group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - financial instruments. The Company's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

ECL on financial assets is an unbiased probability weighted amount based out of possible outcomes after considering risk of credit loss even if probability is low. ECL is calculated based on the following components:

- a. Probability of default ("PD")
- b. Loss given default ("LGD")
- c. Exposure at default ("EAD")
- d. Discount factor ("D")

### **Probability of default:**

PD is defined as the probability of whether borrowers will default on their obligations in the future. Historical PD is derived from the internal data which is calibrated with forward looking macroeconomic factors.

For computation of probability of default ("PD"), Vasicek Model was used to forecast the PD term structure over lifetime of loans. As per given long term PD and current macroeconomic conditions, conditional PD corresponding to current macroeconomic condition is estimated. The Company has worked out on PD based on the last six years historical data.

The PDs derived from the model, are the cumulative PDs, stating that the borrower can default in any of the given years, however to compute the loss for any given year, these cumulative PDs have to be converted to marginal PDs. Marginal PDs is probability that the obligor will default in a given year, conditional on it having survived till the end of the previous year.

As per Ind AS 109, expected loss has to be calculated as an unbiased and probability-weighted amount for multiple scenarios.

The probability of default was calculated for 3 scenarios: best , worst and base. This weightage has been decided on best practices and expert judgement. Marginal conditional probability was calculated for all 3 possible scenarios and one conditional PD was arrived as conditional weighted probability.

**Staging of loans:**

***Definition of default and cure***

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the loan has remained overdue for a period greater than 90 days.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the loan becomes less than or equal to 90 days past due on its contractual obligations. Such cured loans are classified as Stage 1 or 2 depending upon the days past due after such cure has taken place.

As per Ind AS 109, Company assesses whether there is a significant increase in credit risk at the reporting date from the initial recognition. The Company considers the credit risk to be directly proportional to the delinquency status i.e. days past due of the loan under consideration. No further adjustments are made in the PD.

Days past dues status	Stage	Provisions
Current	Stage 1	12 Months ECL
1-30 Days	Stage 1	12 Months ECL
31-90 Days	Stage 2	Lifetime ECL
90+ Days	Stage 3	Lifetime ECL

***Exposure at default***

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account.

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

***Loss given default***

The credit risk assessment is based on a standardised loss given default (LGD) assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Company segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows.

Further recent data and forward-looking economic scenarios are used in order to determine the LGD rate for each of the homogeneous portfolios. When assessing forward-looking information, the expectation is based on multiple scenarios.

## Notes forming part of the financial statements for the year ended March 31, 2022

Under Ind AS 109, LGD rates are estimated for each of the homogeneous portfolios. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

### Discounting:

As per Ind AS 109, ECL is computed by estimating the timing of the expected credit shortfalls associated with the defaults and discounting them using effective interest rate.

### Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or Life-time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers the credit risk to be directly proportional to the delinquency status i.e. days past due of the loan under consideration. No further adjustments are made in the PD.

When estimating ECLs on a collective basis for a group of similar assets the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition. (Refer Note-6.1 for analysis of changes in the gross carrying amount and the corresponding ECL allowances)

### Grouping financial assets measured on a collective basis

The Company calculates ECL on a collective basis for all asset classes.

The Company combines these exposure into smaller homogeneous portfolios, based on the characteristics of the loans, as described below:

Geographic location

Loan Type (Till March 31, 2021)

Ticket size

### ECL computation:

Conditional ECL at DPD pool level was computed with the following method:

Conditional ECL for year (yt) = EAD (yt) \* conditional PD (yt) \* LGD (yt) \* discount factor (yt)

The Company measures ECL as the product of PD, LGD and EAD estimates for its Ind AS 109 specified financial assets.

The calculation is based on provision matrix which considers actual historical data adjusted appropriately for the future expectations and probabilities. Proportion of expected credit loss provided for across the stage is summarised below:

₹ in Lakhs

Particulars	Provisions	As at March 31, 2022	As at March 31, 2021
Stage 1	12 month provision	0.34%	0.33%
Stage 2	Life time provision	8.77%	13.40%
Stage 3	Life time provision	34.89%	17.96%

The loss rates are based on actual credit loss experience over past years. These loss rates are then adjusted appropriately to reflect differences between current and historical economic conditions and the Company's view of economic conditions over the expected lives of the loan receivables.

### Analysis of credit concentration risks

The Company's concentrations of risk are managed by counterparty and geography. The maximum credit exposure to any individual client or counterparty as of March 31, 2022 was INR 79.78 Lakhs (March 31, 2021: INR 63.30 Lakhs).

The following table shows the risk concentration of loan portfolio by geography.

₹ in Lakhs

Geography	As at March 31, 2022	As at March 31, 2021
Tamil Nadu	193,981.67	182,290.54
Karnataka	36,807.78	32,192.50
Andhra Pradesh	148,432.90	125,096.37
Telangana	97,344.41	81,678.27
Others	30,141.01	23,280.41

**Note:** The above risk concentration of loan portfolio excludes Inter-Corporate Deposits amounting to Rs. 13,821.88 lakhs as at March 31, 2022.

### Cash and bank balances

The Company held cash and cash equivalents with credit worthy banks and financial institutions as at the reporting dates which has been measured on the 12-month expected loss basis. The credit worthiness of such banks and financial institutions are evaluated by the management on an ongoing basis and is considered to be good with low credit risk.

### Investments

Investments comprises of mutual funds and government securities in accordance with the investment policy. Government securities have sovereign rating and mutual fund investments are made with counterparties with low credit risk. The credit worthiness of these counterparties are evaluated on an ongoing basis.

### Other Financial Assets

Other financial assets is primarily constituted by security deposits and other receivables. The Company does not expect any losses from non-performance by these counter-parties.

### (iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is bound to comply with the Asset Liability Management guidelines issued by Reserve Bank of India. The company has Asset Liability Management policy approved by the board and has constituted Asset Liability Committee to oversee the liquidity risk management function of the company. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's principal sources of liquidity are borrowings, cash and cash equivalents and the cash flow that is generated from operations.

The Company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

**Exposure to liquidity risk**

The table below provides details regarding the contractual maturities of financial liabilities and assets including interest as at March 31, 2022: ₹ in Lakhs

Particulars	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Financial Liabilities</b>					
Derivative Financial Instruments	138.92	-	-	138.92	-
Debt Securities	100,853.38	61,573.88	45,065.78	3,908.41	-
Borrowings					
(Other than Debt Securities)	155,029.75	76,292.31	54,564.04	46,375.35	-
Trade payables	1,300.31	1,300.31	-	-	-
Other financial liabilities	4,146.84	2,839.11	695.67	859.14	191.01
<b>Total (B)</b>	<b>261,469.20</b>	<b>142,005.61</b>	<b>100,325.49</b>	<b>51,281.82</b>	<b>191.01</b>
<b>Financial Assets</b>					
Cash and cash equivalents	61,316.28	61,316.28	-	-	-
Bank Balances other than cash and cash equivalents	26,677.50	18,434.26	1,168.81	8,417.12	-
Loans	510,241.07	203,659.57	179,905.76	409,452.74	77,544.53
Investments	24,818.38	11,169.15	4,344.75	10,938.88	-
Other Financial assets	1,797.93	1,525.95	52.01	188.12	31.85
<b>Total (A)</b>	<b>624,851.16</b>	<b>296,105.21</b>	<b>185,471.33</b>	<b>428,996.86</b>	<b>77,576.38</b>

The table below provides details regarding the contractual maturities of financial liabilities and assets including interest as at March 31, 2021:

**Financial Liabilities**

Derivative Financial Instruments	-	-	-	-	-
Debt Securities	130,378.55	33,549.02	52,973.11	43,481.42	375.00
Borrowings					
(Other than Debt Securities)	212,141.12	71,031.62	62,064.87	79,044.63	-
Trade payables	867.17	746.93	50.05	70.19	-
Other financial liabilities	1,717.01	679.32	380.09	554.06	103.54
<b>Total (B)</b>	<b>345,103.85</b>	<b>106,006.88</b>	<b>115,468.12</b>	<b>123,150.30</b>	<b>478.54</b>

**Financial Assets**

Cash and cash equivalents	126,718.28	126,718.28	-	-	-
Bank Balances other than cash and cash equivalents	8,853.99	3.96	787.51	5,838.73	2,223.79
Loans	435,874.94	67,216.71	66,958.54	228,710.05	72,989.64
Investments	-	-	-	-	-
Other Financial assets	474.34	185.68	98.41	157.30	32.95
<b>Total (A)</b>	<b>571,921.55</b>	<b>194,124.63</b>	<b>67,844.46</b>	<b>234,706.08</b>	<b>75,246.38</b>

**(iv) Foreign Currency Risk**



## Notes forming part of the financial statements for the year ended March 31, 2022

Foreign Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk for the Company arise primarily on account of foreign currency borrowings. The Company manages this foreign currency risk by entering in to cross currency swaps . When a derivative is entered in to for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match with the terms of the hedged exposure. The Company's policy is to fully hedge its foreign currency borrowings at the time of drawdown and remain so till repayment.

The Company holds a derivative financial instrument of Cross currency swap to mitigate risk of changes in exchange rate in foreign currency

The Counterparty for the contract is a bank. Derivatives are fair valued using inputs that are directly or indirectly observable in market place.

Notes forming part of the financial statements for the year ended March 31, 2022

**Disclosure of Effects of Hedge Accounting**

**Cash Flow Hedge**

Impact of hedging instrument on balance sheet is, as follows:

**As on 31st March 2022**

Foreign Exchange Risk on Cash Flow Hedge	No of Contracts	Nominal Value of Hedging Instrument ₹ Lakhs	Carrying Value ₹ Lakhs	Maturity Date	Changes in Fair Value of Hedging Instrument ₹ Lakhs	Changes in Value of Hedged Item used as a Basis for recognising hedge effectiveness	Line Item in Balance Sheet	
	Asset	Liability	Liability					
Cross Currency Interest Rate Swap	-	1	7,591.00	138.92	March 30, 2022 to December 27, 2026	138.92	12.00	Borrowings

Cash Flow Hedge	Change in the Value of hedging Instrument recognized in Other Comprehensive Income ₹ Lakhs	Ineffectiveness recognised in Profit and Loss ₹ Lakhs	Amount reclassified from Cash Flow hedge reserve to Profit or Loss ₹ Lakhs	Line item affected in statement of Profit and Loss because of the reclassification
Foreign Exchange risk and exchange rate risk	(126.92)	-	-	NA

**As on 31st March 2021**

Foreign Exchange Risk on Cash Flow Hedge	No of Contracts	Nominal Value of Hedging Instrument	Carrying Value	Maturity Date	Changes in Fair Value of Hedging Instrument ₹ Lakhs	Changes in Value of Hedged Item used as a Basis for recognising hedge effectiveness ₹ Lakhs	Line Item in Balance Sheet
	Asset	Liability	Liability				
Cross Currency Interest Rate Swap	-	-	-	-	-	-	NA

Cash Flow Hedge	Change in the Value of hedging Instrument recognized in Other Comprehensive Income	Ineffectiveness recognised in Profit and Loss	Amount reclassified from Cash Flow hedge reserve to Profit or Loss ₹ Lakhs	Line item affected in statement of Profit and Loss because of the reclassification
Foreign Exchange risk and exchange rate risk	-	-	-	NA

**48. Disclosures required as per RBI Circulars/Directives****A. Schedule to the Balance Sheet of a Non-Banking Financial Company as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016**

₹ in Lakhs

Particulars	As at March 31, 2022		As at March 31, 2021	
	Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue

**Liabilities side****1. Loans and Advances availed by the non-banking financial company, inclusive of interest accrued thereon but not paid**

a. Debentures				
i. Secured	101,293.58	-	131,290.80	-
ii. Unsecured				-
b. Deferred Credits	-	-	-	-
c. Term Loans*	147,586.10	-	213,310.11	-
d. Inter-corporate loans and borrowings	-	-	-	-
e. Commercial Paper	-	-	-	-
f. Public Deposits				
g. Other loans				
Loans repayable on demand (secured) - From Banks	765.61	-	196.60	-
Loans from related parties (unsecured)	-	-	-	-
Term Loans from other parties (unsecured)	7,584.45	-	-	-

**2. Break-up of (1) (f) above (outstanding public deposits inclusive of interest accrued thereon but not paid) :**

a. In the form of Unsecured debentures	-	-	-	-
b. In the form of party secured debentures i.e debentures where there is a shortfall in the value of security	-	-	-	-
c. Other public deposits	-	-	-	-

\* includes borrowings under securitisation

₹ in Lakhs

Particulars	Amount Outstanding as on March 31, 2022	Amount Outstanding as on March 31, 2021
-------------	---	---

**3. Break-up of Loans and Advances, including Bills Receivables**

a. Secured(net of impairment loss allowance)	496,419.19	4,35,874.94
b. Unsecured	13,821.88	-

**4. Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities**

(i). Leased assets including lease rentals under Receivables		
a. Financial lease	-	-
b. Operating lease	-	-

Particulars	Amount Outstanding as on March 31, 2022	Amount Outstanding as on March 31, 2021
(ii). Stock on hire including hire charges under Receivables		
a. Assets on hire	-	-
b. Repossessed assets	-	-
(iii). Other loans counting towards AFC activities		
a. Loans where assets have been repossessed (net)	-	-
b. Loans other than (i) above	-	-

## 5. Break-up of Investments

### a. Current Investments

#### 1. Quoted

##### i. Shares

##### a. Equity

-

-

##### b. Preference

-

-

##### ii. Debentures and Bonds

-

-

##### iii. Units of Mutual Funds

-

-

##### iv. Government Securities\*

10,797.68

-

##### v. Others

-

-

#### 2. Unquoted

##### i. Shares

##### a. Equity

-

-

##### b. Preference

-

-

##### ii. Debentures and Bonds

-

-

##### iv. Government Securities\*

-

-

##### v. Others

-

-

### b. Long-term Investments

#### 1. Quoted

##### i. Shares

##### a. Equity

-

-

##### b. Preference

-

-

##### ii. Debentures and Bonds

-

-

##### iii. Units of Mutual Funds

-

-

##### iv. Government Securities

14,020.70

-

##### v. Others

-

-

#### 2. Unquoted

##### i. Shares

##### a. Equity

-

-

##### b. Preference

-

-

##### ii. Debentures and Bonds

-

-

##### iii. Units of Mutual Funds

-

-

##### iv. Government Securities

-

-

##### v. Others

-

-

Notes forming part of the financial statements for the year ended March 31, 2022

**6. Borrower group-wise classification of assets financed in 3 and 4 above**

₹ in Lakhs

Category	Amount [Net of Provisions]		As at March 31, 2021	
	As at March 31, 2022		Total	Secured
	Total	Secured	Total	Secured
a. Related Parties	-	-	-	-
i. Subsidiaries	-	-	-	-
ii. Companies in the same group	-	-	-	-
iii. Other Related Parties	-	-	-	-
b. Other than Related Parties	510,241.07	496,419.19	435,874.94	435,874.94
<b>Total</b>	<b>510,241.07</b>	<b>496,419.19</b>	<b>435,874.94</b>	<b>435,874.94</b>

**7. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)**

₹ in Lakhs

Category	As at March 31, 2022		As at March 31, 2021	
	Market value / breakup or Fair value or NAV	Book Value (Net of Provisions)	Market value / breakup or Fair value or NAV	Book Value (Net of Provisions)
a. Related Parties	-	-	-	-
i. Subsidiaries	-	-	-	-
ii. Companies in the same group	-	-	-	-
iii. Other Related Parties	-	-	-	-
b. Other than Related Parties	24,546.47	24,818.38	-	-
<b>Total</b>	<b>24,546.47</b>	<b>24,818.38</b>	<b>-</b>	<b>-</b>

Particulars	As at March 31, 2022	As at March 31, 2021
<b>8. Other Informations</b>		
a. Gross Non-Performing Assets (stage 3 assets)		
i. Related Parties	-	-
ii. Other than Related Parties	5,304.99	4,519.37
b. Net Non-Performing Assets (stage 3 assets)		
i. Related Parties	-	-
ii. Other than Related Parties	3,454.04	3,707.53
c. Assets acquired in satisfaction of debt	-	-

**Disclosure pursuant to Reserve Bank of India Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016**

**B. Derivatives (Forward rate agreement / interest rate swap)**

(i) Notional Principal of Swap Accounts	7,591.00	-
(ii) Losses which would be incurred of counter parties failed to fulfill their obligations under the agreement	-	-
(iii) Collateral required by the applicable NBFC upon entering into swaps	-	-
(iv) Concentration of credit risk arising from Swaps	-	-
(v) The fair value of the swap Book	138.92	-

The Company has hedged its foreign currency borrowings through cross currency swaps. For Accounting Policy & Risk Management Policy. (Refer note no. 3.22 and 47(iv))

**Exchange traded interest rate derivatives**

The Company has not traded in exchange traded interest rate derivative during the current and previous year.

**Disclosures on risk exposure in derivatives**

**Qualitative Disclosure**

Details for qualitative disclosure are part of accounting policy as per financial statements. (refer note no. 3.22)

(i) Derivatives (notional principal amount) for hedging	7,591.00	-
(ii) Marked to market positions	-	-
(a) Asset	-	-
(b) Liability	138.92	-
(iii) Credit Exposure	-	-
(iv) Unhedged Exposures	-	-

**C. Investments**

**1. Value of Investments**

i. Gross value of investments		
a. In India	24,818.38	-
b. Outside India	-	-
ii. Provision for depreciation		
a. In India	-	-
b. Outside India	-	-

Particulars	As at March 31, 2022	As at March 31, 2021
iii. Net value of investments		
a. In India	24,818.38	-
b. Outside India	-	-
2. Movement of provisions held towards depreciation on investments		
i. Opening balance	-	-
ii. Add : Provisions made during the year	-	-
iii. Less : Write-off / write-back of excess provisions during the year	-	-
iv. Closing balance	-	-

#### D. Exposure to Real Estate Sector

##### 1. Direct exposure

###### i. Residential Mortgages\*

Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented

506,598.53                      444,380.60

###### ii. Commercial Real Estate

Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.).

109.24                              157.49

###### iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures

###### a. Residential

-                                      -

###### b. Commercial Real Estate

-                                      -

##### **Total exposure to Real Estate sector (gross)**

**506,707.77                      444,538.09**

\* Represents gross carrying amount as at the reporting date which are secured by underlying mortgaged properties.

**Note:** The above exposure excludes Inter-Corporate Deposits amounting to INR. 13,821.88 lakhs as at March 31, 2022.

#### E. Customer Complaints

No. of complaints pending at the beginning of the year	-	-
No. of complaints received during the year	83	31
No. of complaints redressed during the year	82	31
No. of complaints pending at the end of the year	1	-

#### F. Exposure to Capital Market

The Company does not have any exposure to capital market and hence this disclosure is not applicable.

#### G. Concentration of Advances

Total Advances to twenty largest borrowers	899.70	917.00
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	0.14%	0.17%

- The above exposure denotes gross carrying amount

**Note:** The above concentration of advances excludes Inter-Corporate Deposits amounting to INR 13,821.88 lakhs as at March 31, 2022.

Particulars	As at March 31, 2022	As at March 31, 2021
<b>H. Concentration of exposures</b>		
Total exposure to twenty largest borrowers	707.15	803.12
Percentage of exposures to twenty largest borrowers to Total exposure of the NBFC	0.14%	0.18%

-The above exposure denotes gross carrying amount

**Note:** The above concentration of exposure excludes Inter-Corporate Deposits amounting to Rs. 13,821.88 lakhs as at March 31, 2022.

#### I. Concentration of NPAs (Stage 3 assets)

Total exposure to top four NPA accounts(Stage 3 assets)	84.72	134.52
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#### J. Ratings assigned by Credit Rating Agencies

The Credit Analysis & Research Limited (CARE), CRISIL Limited (CRISIL) and ICRA Limited (ICRA) have assigned ratings for the various facilities availed by the Company, details of which are given below:

Commercial Paper

- CARE	A1+	A1
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Long term Bank Facilities

- CARE	A+	A
- ICRA	A+	A

Short term bank facilities

- CARE	A1+	A1
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Non Convertible Debentures

- CARE	A+	A
- ICRA	A+	A

Particulars	Percentage of NPAs to total advances in that sector	
-------------	--	--

#### K. Sector-wise Gross NPAs (Stage 3 assets)

Agriculture & allied activities	-	-
MSME*	0.00%	7.78%
Corporate borrowers	-	-
Services*	1.18%	1.13%
Unsecured personal loans	-	-
Auto loans (commercial vehicles)	-	-
Other personal loans	0.82%	0.70%

\* Represents small business loans given to borrowers involved in manufacturing/service sectors.

The above sector-wise NPA and advances is based on the data available with the company.



Particulars	As at March 31, 2022	As at March 31, 2021
<b>L. Movement of NPAs (Stage 3 assets)</b>		
<b>Gross NPAs to Net Advances (%)</b>	<b>1.05%</b>	<b>1.02%</b>
<b>Net NPAs to Net Advances (%)</b>	<b>0.68%</b>	<b>0.84%</b>
<b>Movement of NPAs (Gross)</b>		
(a) Opening balance	4,519.37	5,322.63
(b) Additions during the year	4,576.15	1,422.15
(c) Reductions during the year	(864.14)	(1,228.58)
(d) Write off	(2,926.39)	(996.83)
(d) Closing balance	5,304.99	4,519.37
<b>Movement of Net NPAs</b>		
(a) Opening balance	3,707.53	4,380.51
(b) Additions during the year	1,480.15	511.58
(c) Reductions during the year	(1,733.64)	(1,184.56)
(d) Closing balance	3,454.04	3,707.53
<b>Movement of provisions for NPAs (excluding provisions on standard assets)</b>		
(a) Opening balance	811.84	942.12
(b) Provisions made during the year	3,095.99	910.57
(c) Write-off / write-back of excess provisions	(2,056.88)	(1,040.85)
(d) Closing balance	1,850.95	811.84

**M. Other Regulator - Registration details**

Regulator	Registration No.
i. Ministry of Corporate Affairs	U65991TN1984PLC010844
ii. Reserve Bank of India	B-07.00286
iii. National Housing Bank*	05.0134.16

\*Certificate of Registration has been surrendered to NHB on June 5, 2020

**N. Disclosure of penalties imposed by RBI and other regulators**

The Company has not paid any penalty during the year ended March 31, 2022 and the year ended March 31, 2021.

**O. Details of Single Borrower Limit (SGL)/ Group Borrower Limit (GBL)**

The Company has not exceeded the Single Borrower Limit (SGL)/ Group Borrower Limit (GBL) during the year ended March 31, 2022 and March 31, 2021

**P. Overseas assets (for those with joint ventures and subsidiaries abroad)**

The Company does not have any joint ventures and subsidiaries abroad during the year ended March 31, 2022 and March 31, 2021 and hence this disclosure is not applicable.

**Q. Details of financing of parent company products**

The Company does not have a parent company and hence this disclosure is not applicable.

**R. Details of non-performing financial assets purchased/ sold**

The Company has not purchased any non-performing assets during the financial year ended March 31, 2022 and March 31, 2021.

#### S. Details of unsecured advances

The Company has unsecured Intercompany deposits amounting to Rs.13,281.88 lakhs as at March 31, 2022 (March 31, 2021 - Rs. Nil).

The company has not financed any unsecured advances against intangible securities such as rights, licenses, authority etc. as collateral security.

#### T. Off-Balance Sheet SPVs sponsored

The Company does not have Off-Balance Sheet SPVs sponsored, which are required to be consolidated as per the accounting norms, during the financial year ended March 31, 2022 and March 31, 2021.

#### U. Remuneration to non-executive directors

The Company has incurred commission of INR 24 Lakhs and sitting fee of INR 47.10 lakhs during the year ended March 31, 2022 (March 31, 2021: Commission - INR 18 lakhs, sitting fee - INR 13.75 lakhs)

#### V. Draw down from reserves

The Company has not made any draw down from reserves during the year ended March 31, 2022 except for utilisation of securities premium towards share issue expenses in accordance with Section 52 of Companies Act 2013 (refer note 22 (iii)).

The Company has not made any draw down from reserves during the year ended March 31, 2021.

#### W. Provisions and Contingencies

₹ in Lakhs

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
<b>Category-wise Break up of 'Provisions and Contingencies' shown in the Statement of Profit and Loss (including other comprehensive Income)</b>		
Provisions for depreciation on investment	-	-
Provision towards non-performing assets*	3,965.50	866.56
Provision made towards income tax	15,959.12	12,594.12
Provision for compensated absences	512.07	399.18
Provision for gratuity	429.48	306.90
Provision for standard assets#	586.31	2,651.01

\* Represents impairment loss allowance on stage 3 assets - Includes write-off of INR 2,926.39 lakhs ( March 31, 2020 - INR 996.83 lakhs)

# Represents impairment loss allowance on stage 1 and stage 2 assets.

#### X. Gold Loan Portfolio

The Company has not provided loan against gold during the year ended March 31, 2022 and March 31, 2021.

#### Y. Related Party Transaction

Details of all material transactions with related parties are disclosed in Note 43

#### Z. Net Profit or Loss for the period, prior period items and changes in accounting policies

There are no prior period items that have impact on the current year's profit and loss.

#### AA. Revenue Recognition

There have been no instances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

#### AB. Ind As 110 – Consolidated Financial Statements (CFS)

The Company does not have any Subsidiary, Associate or Joint venture and hence is not required to prepare Consolidated financial statement.

#### AC. Public disclosure on Liquidity Risk

##### (i) Funding Concentration based on significant counterparty (borrowings)

₹ in Lakhs

S.No.	No. of Significant Counterparties	Amount	% of Total Liabilities
1	22	1,74,294.98	66.20%

##### (ii) Top 20 large deposits (amount in Rs. and % of total deposits): Not Applicable

##### (iii) Top 10 borrowings (amount in Rs. and % of total borrowings)

₹ in Lakhs

S.No.	Name of the Facility	Amount	% of Total Liabilities
1	Total of top 10 borrowings	1,05,879.20	41.38%

##### (iv) Funding Concentration based on significant instrument/product

₹ in Lakhs

S.No.	Name of the Instrument/Product	Amount	% of Total Liabilities
1	Non-Convertible Debentures	100,853.38	38.31%
2	Term Loan	97,386.21	36.99%
3	Securitisation	49,414.81	18.77%
4	External commercial borrowings	7,471.01	2.84%

##### (iv) Stock Ratios

₹ in Lakhs

S.No.	Name of the Instrument/Product	Percentage
1	Commercial papers as a % of total public funds, total liabilities and total assets	-
2	Non-convertible debentures (original maturity of less than one year) as a % of total public funds, total liabilities and total assets	-
3	Other short-term liabilities, if any as a % of total public funds	48.78%
4	Other short-term liabilities, if any as a % of total liabilities	47.41%
5	Other short-term liabilities, if any as a % of total assets	19.85%

#### Definitions:

"Significant counterparty" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the total liabilities.

"significant instrument/product" is defined as a single instrument/product of group of similar instruments/products which in aggregate amount to more than 1% of the total liabilities.

Public funds includes funds raised either directly or indirectly through public deposits, inter-corporate deposits, bank finance and all funds received from outside sources such as funds raised by issue of Commercial Papers, debentures etc. but excludes funds raised by issue of instruments compulsorily convertible into equity shares within a period not exceeding 5 years from the date of issue.

Total assets represents total assets as per the Balance Sheet netted off by intangible assets.

Notes forming part of the financial statements for the year ended March 31, 2022

AD: Asset Liability Management - Maturity pattern of certain items of assets and liabilities

Particulars	₹ in Lakhs										
	As at March 31, 2022	1-7 Days	8-14 Days	15-31 Days	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 1 year	Over 1 to 3 years	Over 3 to 5 years	Total
Advances*	6,642.26	2,106.79	3,667.47	5,860.48	5,954.30	19,702.43	44,329.75	180,577.27	177,341.70	65,944.76	512,127.23
Investments	-	-	16.41	16.41	6,083.33	2,573.92	2,107.99	14,020.33	-	-	24,818.38
Borrowings	1,373.05	527.25	4,100.33	7,925.19	10,573.91	36,651.99	59,655.67	118,866.94	9,970.96	-	249,645.29
Foreign Currency Liabilities	-	-	-	-	-	5.45	-	1,515.80	6,063.20	-	7,584.45

\*The above advances excludes Inter-Corporate Deposits amounting to INR 13,821.88 lakhs as at March 31, 2022

Particulars	₹ in Lakhs										
	As at March 31, 2021	0-7 Days	8-15 Days	16-31 Days	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 1 year	Over 1 to 3 years	Over 3 to 5 years	Total
Advances*	4,266.28	2,208.53	2,689.25	4,673.72	4,735.06	15,570.43	34,381.85	146,167.08	159,311.40	76,393.56	450,397.16
Investments	-	-	-	-	-	-	-	-	-	-	-
Borrowings	34.97	650.36	9,758.12	9,033.27	9,424.89	19,279.10	57,574.18	203,364.28	35,303.35	375.00	344,797.52
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-

\* Market borrowings include borrowings from all sources other than banks.

**Notes:** The balances considered are without netting of impairment loss allowance (for stage 1 and stage 2 assets) and unamortized Borrowing cost and Processing Fee

**AE. Disclosures in respect of fraud as per the Master Directions DNBS. PPD.01/66.15.001/2016-17, dated September 29, 2016** ₹ in Lakhs

Particulars	Less than INR 1 Lakh		More than INR 1 Lakh less than INR 25 Lakh		Above INR 25 Lakh		Total	
	Number of Instances	₹ in lakhs	Number of Instances	₹ in lakhs	Number of Instances	₹ in lakhs	Number of Instances	₹ in lakhs
<b>Person involved:</b>								
Staff**	-	-	3	11.33	-	-	3	11.33
Outsiders	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>3</b>	<b>11.33</b>	-	-	<b>3</b>	<b>11.33</b>
<b>Type of fraud:</b>								
Cash Mishandling**	-	-	3	11.33	-	-	3	11.33
Others	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>3</b>	<b>11.33</b>	-	-	<b>3</b>	<b>11.33</b>

\*\* The amount has been recovered fully and the above frauds have already been disclosed to the RBI, wherever applicable.

Notes forming part of the financial statements for the year ended March 31, 2022

**AF. Disclosures Pursuant to Reserve Bank of India Guidelines on Liquidity Risk Management RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03/.10.001/2019-20 dated November 4, 2019**

As per the Guidelines on Liquidity Risk Management Framework for NBFCs issued by RBI vide notification no. RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20, all non-deposit taking NBFCs with asset size more than INR 5000 crores are required to maintain Liquidity Coverage Ratio (LCR) from December 1, 2020, with the minimum LCR to be 30%, progressively increasing, till it reaches the required level of 100%, by December 1, 2024.

₹ in Lakhs

Particulars	Quarter ended 30 June 2021		Quarter ended 30 September 2021		Quarter ended 31 December 2021		Quarter ended 31 March 2022	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
<b>High Quality Liquid Assets</b>								
1. Total High Quality Liquid Assets (comprise of cash on hand and demand deposits with Scheduled Commercial Banks and unencumbered government securities)	7,877.00	7,877.00	15,816.00	15,816.00	33,179.16	33,179.16	30,764.11	30,764.11
<b>Cash outflows</b>								
2. Deposits (for deposit taking companies)	-	-	-	-	-	-	-	-
3. Unsecured wholesale funding	-	-	-	-	-	-	-	-
4. Secured wholesale funding	13,839.99	15,915.99	9,440.00	10,856.08	13,533.46	15,563.48	13,603.97	15,644.57
5. Additional requirements, of which	-	-	-	-	-	-	-	-
(i) Outflows related to derivative exposures an other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss on funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6. Other contractual funding obligations	-	-	-	-	-	-	1,870.23	2,150.77
7. Other contingent funding obligations	20,000.00	23,000.00	20,000.00	23,000.00	20,000.00	23,000.00	20,000.00	23,000.00
<b>8. Total cash outflows</b>	<b>33,839.99</b>	<b>38,915.99</b>	<b>29,440.00</b>	<b>33,856.08</b>	<b>33,533.46</b>	<b>38,563.48</b>	<b>35,474.22</b>	<b>40,795.34</b>

Particulars	Quarter ended 30 June 2021		Quarter ended 30 September 2021		Quarter ended 31 December 2021		Quarter ended 31 March 2022	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
<b>Cash Inflows</b>								
9. Secured Lending	13,880.63	10,410.55	13,975.00	10,481.33	14,637.62	10,978.22	13,009.18	11,312.33
10. Inflows from fully performing exposures	-	-	-	-	-	-	-	-
11. Other cash inflows	113,159.27	84,868.78	110,154.00	82,614.85	84,366.46	63,274.85	36,537.01	31,771.31
<b>12. Total Cash Inflows</b>	<b>1,27,039.90</b>	<b>95,279.33</b>	<b>1,24,129.00</b>	<b>93,096.17</b>	<b>99,004.08</b>	<b>74,253.07</b>	<b>49,546.20</b>	<b>43,083.64</b>
	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>
<b>13. Total HQLA</b>		<b>7,876.71</b>		<b>15,816.46</b>		<b>33,179.16</b>		<b>30,764.11</b>
<b>14. Total Net cash outflows</b>		<b>9,729.00</b>		<b>8,464.02</b>		<b>9,640.87</b>		<b>10,198.83</b>
<b>15. Liquidity Coverage Ratio (%)</b>		<b>81%</b>		<b>187%</b>		<b>344%</b>		<b>302%</b>

Particulars	Quarter ended 30 June 2020		Quarter ended 30 September 2020		Quarter ended 31 December 2020		Quarter ended 31 March 2021	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
<b>High Quality Liquid Assets</b>								
1. Total High Quality Liquid Assets (comprise of cash on hand and demand deposits with Scheduled Commercial Banks)	45,077.52	45,077.52	47,465.99	47,465.99	36,764.77	36,764.77	15,185.85	15,185.85
<b>Cash outflows</b>								
2. Deposits (for deposit taking companies)	-	-	-	-	-	-	-	-
3. Unsecured wholesale funding	-	-	-	-	-	-	-	-
4. Secured wholesale funding	7,817.81	8,990.48	9,303.09	10,698.55	26,794.82	30,814.05	12,254.44	14,092.60
5. Additional requirements, of which	-	-	-	-	-	-	-	-
(i) Outflows related to derivative exposures an other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss on funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6. Other contractual funding obligations	-	-	-	-	-	-	-	-
7. Other contingent funding obligations	21,783.33	25,050.83	21,383.33	24,590.83	20,983.33	24,130.83	20,366.67	23,421.67
<b>8. Total cash outflows</b>	<b>29,601.14</b>	<b>34,041.31</b>	<b>30,686.42</b>	<b>35,289.38</b>	<b>47,778.15</b>	<b>54,944.88</b>	<b>32,621.11</b>	<b>37,514.27</b>
<b>Cash Inflows</b>								
9. Secured Lending	160.06	120.04	7,889.15	5,916.86	11,990.89	8,993.17	12,848.67	9,636.50
10. Inflows from fully performing exposures	-	-	-	-	-	-	-	-
11. Other cash inflows	9,077.33	6,808.00	50,807.74	38,105.80	79,479.00	59,609.25	89,469.11	67,101.83
<b>12. Total Cash Inflows</b>	<b>9,237.39</b>	<b>6,928.04</b>	<b>58,696.89</b>	<b>44,022.66</b>	<b>91,469.89</b>	<b>68,602.42</b>	<b>102,317.78</b>	<b>76,738.33</b>



Particulars	Quarter ended 30 June 2020		Quarter ended 30 September 2020		Quarter ended 31 December 2020		Quarter ended 31 March 2021	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value	
<b>13. Total HQLA</b>		<b>45,077.52</b>		<b>47,465.99</b>		<b>36,764.77</b>		<b>15,185.85</b>
<b>14. Total Net cash outflows</b>		<b>27,113.27</b>		<b>8,822.35</b>		<b>13,736.22</b>		<b>9,378.57</b>
<b>15. Liquidity Coverage Ratio (%)</b>		<b>166%</b>		<b>538%</b>		<b>268%</b>		<b>162%</b>

**Notes:**

- The average weighted and unweighted amounts are calculated based on simple average of monthly observations for the quarters ended June 30, 2021, September 30, 2021 and December 31, 2021 and based on simple average of daily observations for the quarter ended March 31, 2022. The weightage factor applied to compute weighted average value is constant for all the quarters.
- Prior to introduction of LCR framework, the company used to maintain a substantial share of its liquidity in form of fixed deposits with banks and investment in mutual funds. Post the introduction of LCR framework, the Company has consciously worked towards increasing its investment in High Quality Liquid Assets (HQLA) as per the RBI guidelines.
- Weighted values have been calculated after the application of respective haircuts (for HQLA) and stress factors on inflow and outflow.
- The disclosures above are based on the information and records maintained and compiled by the management and have been relied upon by the auditors.
- RBI has mandated minimum liquidity coverage ratio (LCR) of 60% to be maintained by December 2021, which is to be gradually increased to 100% by December 2024. The Company has LCR of 302% as of March 31, 2022 as against the LCR of 60% mandated by RBI.

**Qualitative information:**

1. The Company has implemented the guidelines on Liquidity Risk Management Framework prescribed by the Reserve Bank of India requiring maintenance of Liquidity Coverage Ratio (LCR), which aim to ensure that an NBFC maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario.
2.  $LCR = \text{Stock of High-Quality Liquid Assets (HQLAs)} / \text{Total Net Cash Outflows over the next 30 calendar days}$ .
3. HQLAs comprise of cash on hand, demand deposits with Scheduled Commercial Banks and Unencumbered government securities.
4. Total net cash outflows are arrived after taking into consideration total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. As prescribed by RBI, total net cash outflows over the next 30 days = Stressed Outflows - [Min (stressed inflows; 75% of stressed outflows)]. Total expected cash outflows (stressed outflows) are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by 115% (15% being the rate at which they are expected to run off further or be drawn down). Total expected cash inflows (stressed inflows) are calculated by multiplying the outstanding balances of various categories of contractual receivables by 75% (25% being the rate at which they are expected to under-flow).
5. The inflows included under "Secured Lending" for quarter ended June 30, 2020 and September 30, 2020 are after considering the moratorium extended to the customers. "Other cash inflows" include mutual funds and callable fixed deposits maturing within 30 days.
6. The Liquidity Risk Management framework of the Company is governed by its Liquidity Risk Management Policy and Procedures approved by the Board. The Asset Liability Management Committee (ALCO) oversees the implementation of liquidity risk management strategy of the Company and ensure adherence to the risk tolerance/limits set by the Board.
7. The Company maintains a funding profile with no undue concentration of funding sources. In order to ensure a diversified borrowing mix, concentration of borrowing through various sources is monitored. Further, the Company has prudential limits on investments in different instruments. There is no currency mismatch in the LCR. The above is periodically monitored by ALCO.

**AG. Disclosure as per format prescribed under notification RBI/2020-21/16 DOR No BP BC/3/21.04 048/2020-21 dated 6 August 2020 for the period ended 31 March 2022 (borrowers who has been provided restructuring under RBI Resolution Framework – 2.0):**

₹ in Lakhs

Type of borrower**	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of 31st March 2022
Personal Loans	2,853.97	4.52	143.19	144.96	2,561.30
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	5,528.97	12.98	412.14	303.23	4,800.62
<b>Total</b>	<b>8,382.94</b>	<b>17.50</b>	<b>555.33</b>	<b>448.19</b>	<b>7,361.92</b>

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

\*\* Classification of borrowers is based on the data available with the Company and has been relied upon by the auditors. Above loans are secured wholly by mortgage of property.

Particulars	As at March 31, 2022	As at March 31, 2021
<b>AH. Disclosure pertaining to RBI Master Direction - RBI/DOR/2021-22/85 DOR.STR.REC.53/21.04.177/2021-22 Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021 dated September 24, 2021</b>		
1. No of Special Purpose Vehicle's (SPV's) sponsored by the NBFC for securitisation transactions (Nos.)	11	12
2. Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	49,538.39	81,815.63
3. Total amount of exposures retained by the NBFC to comply with Minimum Retention Ratio (MRR) as on the date of balance sheet		
a) Off-balance sheet exposures		
- First loss	-	-
- Others	-	-
b) On-balance sheet exposures		
- First loss	25,426.26	32,183.21
- Others	-	-
4. Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securitisations		
- First loss	-	-
- Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitisations		
- First loss	-	-
- Others (Receivables from SPV's for Assets De-recognised)	-	-
ii) Exposure to third party securitisations		
- First loss	-	-
- Others	-	-
5. Sale consideration received for securitised assets and gain or loss on account of sale of Securitisation during the year	-	78,578.96
6. Performance of facility provided (Credit Enhancement)		
(a) Amount Paid	-	-
(b) Repayment received	-	-
(c) Outstanding Amount	25,426.26	32,183.21
7. Average default rate of portfolio*		
(a) Loan agaisnt property	0.03%- 0.42%	0.03%-0.11%
8. Additional/top up loan given on the same underlying asset.		
-Amount	3,189.86	1,772.86
-Number	2,057.00	1,054.00
9. Investor Complaints		
(a) Received	-	-
(b) Outstanding	-	-

## Notes forming part of the financial statements for the year ended March 31, 2022

The Company had additionally consummated 2 transactions during the financial year ended March 31, 2021 under the partial credit guarantee scheme of the Government of India. The above disclosure does not include the details pertaining to these transactions. The amount payable towards such transactions as at March 2022 aggregates to Rs. 8,695.79 lakhs (As at March 31, 2021 - Rs 14,018.39 lakhs) and first loss credit enhancement towards such transactions as at March 31, 2022 is Rs. 5,621.28 lakhs (As at March 31, 2021 -Rs 5,560.81 lakhs)

\*The period considered is from the date of initiation of the securitisation transactions till the period then ended.

### **AI. Disclosure pertaining to RBI Master Direction - RBI/DOR/2021-22/86 DOR.STR.REC.51/21.04.048/2021-22 Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 dated September 24, 2021**

#### **Details of Assignments during the year**

- a). The Company has not transferred any loans during year ended March 31, 2022.
- b). The Company has not acquired any loans (not in default) through assignment during the financial year ended March 31, 2022
- c). The Company has neither acquired nor transferred any stressed loans during the year ended March 31, 2022.

The securitised loans disclosed in the above notes (i.e 48-AH) do not qualify for de-recognition under Ind-AS. Nevertheless, the information in the notes is presented to ensure compliance with the RBI disclosure requirements.

The Company has neither entered into any assignment transaction nor sold financial assets to Securitisation / Reconstruction Company for Asset Reconstruction. Hence the related disclosures are not applicable.

Notes forming part of the financial statements for the year ended March 31, 2022

**AJ. Disclosure pursuant to Reserve Bank of India Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016**  
As at 31 March 2022

₹ in Lakhs

Asset Classification as per RBI norms	Asset Classification as per Ind AS 109	Gross carrying amount as per Ind AS	Loss allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provision required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
<b>Performing assets</b>						
Standard assets	Stage 1	4,21,696.37	1,448.46	420,247.91	2,003.46	(554.99)
	Stage 2	79,706.41	6,989.17	72,717.24	745.23	6,243.94
<b>Subtotal</b>		<b>501,402.78</b>	<b>8,437.63</b>	<b>492,965.15</b>	<b>2,748.69</b>	<b>5,688.95</b>
<b>Non - Performing assets*</b>						
Substandard	Stage 3	4,253.95	794.88	3,459.07	373.52	421.36
<b>Doubtful</b>						
Upto 1 year	Stage 3	1,051.05	1,056.07	(5.02)	171.28	884.79
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
<b>Subtotal for doubtful</b>		<b>1,051.05</b>	<b>1,056.07</b>	<b>-5.02</b>	<b>171.28</b>	<b>884.79</b>
Loss assets	Stage 3	-	-	-	-	-
<b>Subtotal for NPA</b>		<b>5,305.00</b>	<b>1,850.95</b>	<b>3,454.04</b>	<b>544.80</b>	<b>1,306.15</b>
<b>Total</b>		<b>506,707.77</b>	<b>10,288.58</b>	<b>496,419.19</b>	<b>3,293.49</b>	<b>6,995.10</b>

Notes forming part of the financial statements for the year ended March 31, 2022

₹ in Lakhs

As at 31 March 2021

Asset Classification as per RBI norms	Asset Classification as per Ind AS 109	Gross carrying amount as per Ind AS	Loss allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provision required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
<b>Performing assets</b>						
Standard assets	Stage 1	389,595.08	1,276.53	388,318.55	1,558.38	(281.85)
	Stage 2	50,423.65	6,574.78	43,848.86	201.69	6,373.09
<b>Subtotal</b>		<b>440,018.73</b>	<b>7,851.31</b>	<b>432,167.41</b>	<b>1,760.07</b>	<b>6,091.24</b>
<b>Non -Performing assets*</b>						
Substandard	Stage 3	2,931.20	552.40	2,378.80	293.01	259.39
<b>Doubtful</b>						
Upto 1 year	Stage 3	1,588.16	259.44	1,328.72	317.63	(58.19)
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
<b>Subtotal for doubtful</b>		<b>1,588.16</b>	<b>259.44</b>	<b>1,328.72</b>	<b>317.63</b>	<b>(58.19)</b>
<b>Loss assets</b>						
	Stage 3	-	-	-	-	-
<b>Subtotal for NPA</b>		<b>4,519.36</b>	<b>811.84</b>	<b>3,707.52</b>	<b>610.64</b>	<b>201.20</b>
<b>Total</b>		<b>444,538.10</b>	<b>8,663.15</b>	<b>435,874.94</b>	<b>2,370.71</b>	<b>6,292.44</b>

**Note:** Provision required as per IRACP norms includes provision calculated on Securitised portfolio

In terms of the requirement as per RBI notifications no. 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, Non-Banking Financial Companies (NBFCs) are required to create an impairment reserve for any shortfall in impairment allowances under Ind AS 109 and Income recognition, Asset Classification and Provisioning (IRACP) Norms (including provision on standard assets). The impairment allowances under Ind AS 109 made by the Company exceeds the total provision required under IRACP (including standard asset provisioning) and accordingly, no amount is required to be transferred to impairment reserve.

## Notes forming part of the financial statements for the year ended March 31, 2022

**AK.** On November 12, 2021, the Reserve Bank of India (RBI) had issued circular no. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22, requiring changes to and clarifying certain aspects of Income Recognition, Asset Classification and Provisioning norms (IRACP norms) pertaining to Advances. On February 15, 2022, RBI had issued circular no. RBI/2021-2022/158 DOR.STR.REC.85/21.04.248/2021-22, providing time till September 30, 2022. Accordingly, the Company will implement the updated norms under IRACP w.e.f. October 01, 2022.

### **49. Analytical ratios**

#### **a) Liquidity Coverage Ratio (LCR)**

As per the Guidelines on Liquidity Risk Management Framework for NBFCs issued by RBI vide notification no. RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20, all non-deposit taking NBFCs with asset size more than INR 5,000 crores are required to maintain Liquidity Coverage Ratio (LCR) from December 1, 2020, with the minimum LCR to be 30%, progressively increasing, till it reaches the required level of 100%, by December 1, 2024.



Notes forming part of the financial statements for the year ended March 31, 2022

₹ in Lakhs

Particulars	High Quality Liquid Assets ("HQLA")	Net cash outflows	Current period	Previous reporting period	Variance	Reasons for variance (if above 25%)
Quarter ended March 31, 2022	3,076.41	1,019.88	302%	162%	86%	Increase on account of equity infusion during the year and deployment in HQLA assets
Quarter ended March 31, 2021	1,518.58	937.86	162%	130%	25%	-

**b) Capital adequacy ratios** ₹ in Lakhs

Particulars	Tier I Capital/ Tier II Capital/ Total Capital	Risk-weighted assets	Current period	Previous reporting period	Variance	Reasons for variance (if above 25%)
As at March 31, 2022						
CRAR	33,581.47	44,658.62	75.20%	58.86%	28%	Increase on account of equity infusion during the intervening period
CRAR - Tier I Capital	33,581.47	44,658.62	75.20%	58.86%	-	
CRAR - Tier II Capital	-	-	-	-	-	
As at March 31, 2021						
CRAR	19,669.00	33,416.35	58.86%	53.94%	9%	
CRAR - Tier I Capital	19,669.00	33,416.35	58.86%	53.94%	-	
CRAR - Tier II Capital	-	-	-	-	-	

Particulars	Debt securities	Borrowings (other than debt securities)
<b>50. Change in liabilities arising from financing activities</b>		
<b>As at March 31, 2020</b>	<b>1,07,886.42</b>	<b>1,28,482.89</b>
Cash flows (net)	22,158.93	84,103.62
Others*	333.21	(445.39)
<b>As at March 31, 2021</b>	<b>130,378.55</b>	<b>212,141.12</b>
Cash flows (net)	(31,097.32)	(58,192.09)
Others*	1,572.14	1,080.72
<b>As at March 31, 2022</b>	<b>100,853.38</b>	<b>1,55,029.75</b>

\* Others column includes the effect of interest accrued but not due, amortization of processing fees etc.

### 51. Impact of Covid-19 Pandemic

The COVID-19 pandemic resulted in significant volatility in financial markets and a decrease in global and India's economic activities in FY 2021 and early FY 2022. Consequent lockdowns and varying restrictions imposed by the central and various state governments had led to disruptions and dislocations of individuals and businesses. However, with the gradual lifting of the lockdown restrictions during the year, the operations of the Company have returned to normal levels of activity. The Company has been lending actively to its customers and has also implemented its restructuring package based on the Reserve Bank of India's restructuring package announced in this regard. The overall financial metrics of the Company have improved from the prior year and the Company has made adequate expected credit loss provisions on its loan in accordance with accounting principles in India and accordingly in the opinion of the Company the impact of COVID 19 on its financial metrics are no longer significantly uncertain. The Company has evaluated the impact of COVID-19 on the business and operations of the Company as at March 31, 2022 and is of the view that it does not have any material impact on the financial results of the Company on the basis of the facts and events upto the date of approval of these financial statements/results.

However, in view of the dynamic nature of the pandemic, the Company will continue to monitor future events / developments that may result in an adverse effect on the business and operations of the Company.

### 52. Other statutory information

- (i) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Group for holding any Benami property.
- (ii) The company does not have transactions with companies struck off under Section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956.
- (iii) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period,
- (iv) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.
- (v) The Company borrows funds from various Banks and financial institutions for the purpose of onward lending to end customers as per the terms of such borrowings. These transactions are part of the Company's normal lending activities, which is conducted after exercising proper due diligence including adherence to the terms of credit policies and other relevant guidelines.

Other than the nature of transactions described above.

Notes forming part of the financial statements for the year ended March 31, 2022

- i. No funds have been advanced or loans or invested by the Company to or in any other person(s) or entity(ies) (“intermediaries”) with the understanding that the Intermediary shall lend or invest in party identified by or on behalf of the Company (“Ultimate beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- ii. The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company (“Ultimate beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(vi) The Company does not have any such transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961)

(vii) The Company is not declared as wilful defaulter by any bank or financial institution or any other lender.

As per our report of even date  
For **S.R.Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of  
**Five-Star Business Finance Limited**  
CIN : U65991TN1984PLC010844

**per Bharath N S**  
Membership No: 210934

**D Lakshmipathy**  
Chairman & Managing Director  
DIN : 01723269

**R Anand**  
Independent Director  
DIN : 00243485

**G Srikanth**      **K Rangarajan**  
Chief Financial Officer      Chief Executive Officer

**B Shalini**  
Company Secretary  
ACS: A51334

Place of signature: Chennai  
Date: April 27, 2022

Place: Chennai  
Date: April 27, 2022



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