HeroFinCorp.

GROWING STRONGER TOGETHER

Financing with Care

30th Annual Report 2020-21

Hero FinCorp Limited

HeroFinCorp.

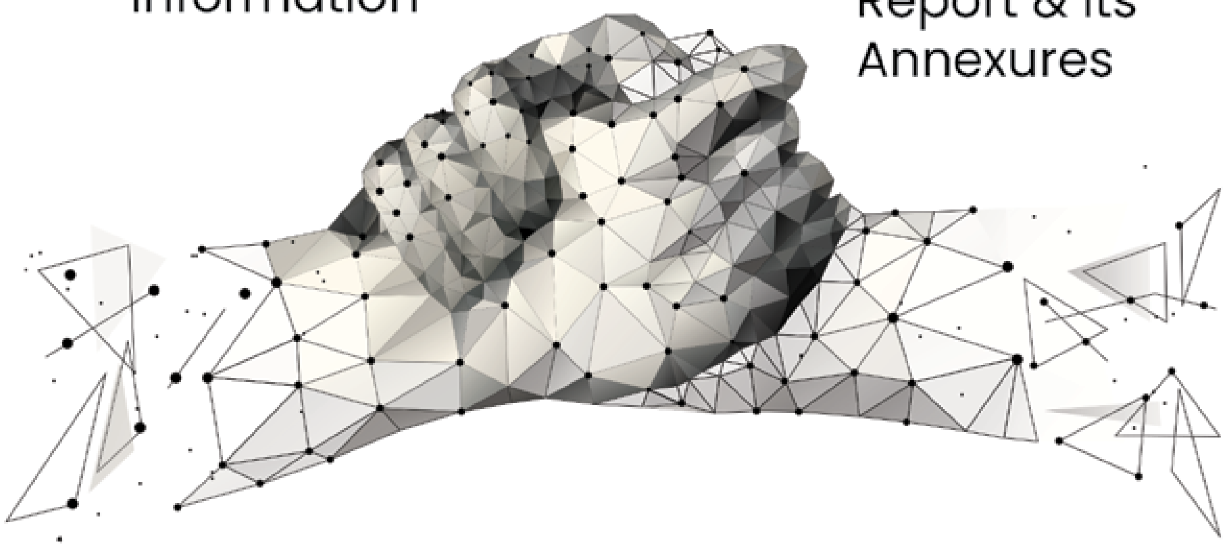
GROWING STRONGER TOGETHER

Financing with Care

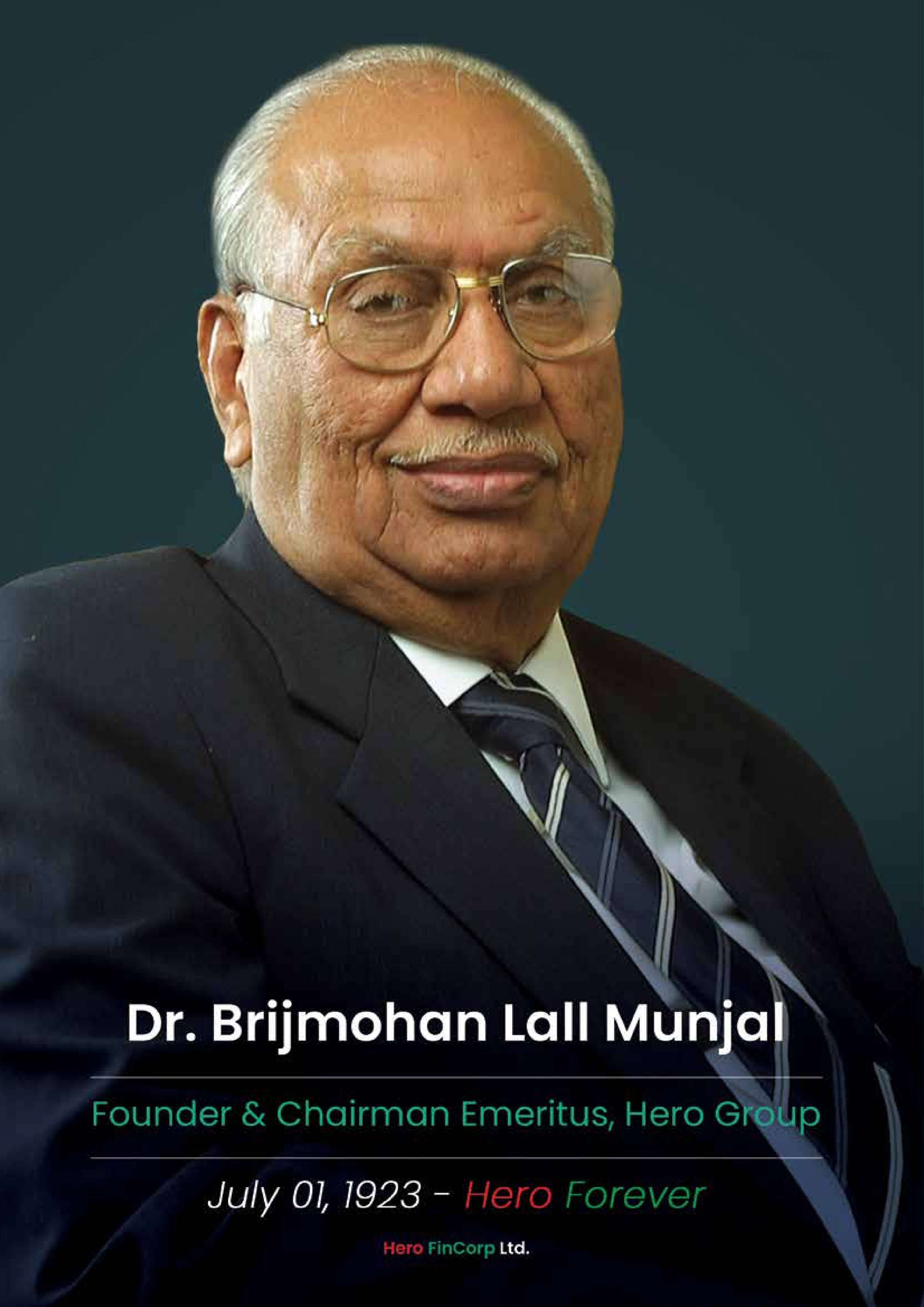
30th Annual Report 2020-21

Hero FinCorp Limited

CONT



TENTS


Dr. Brijmohan Lall Munjal
Founder & Chairman Emeritus, Hero Group
July 01, 1923 - Hero Forever
Hero FinCorp Ltd.

We continue to walk on your footsteps

Touch Points:
4,100+

Employees:
7,800+#

Fastest Network Rollout
1,900+
Locations

AUM:
₹27,490
Crores*

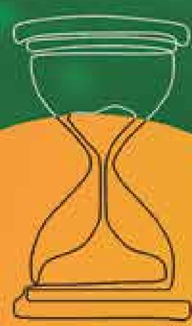
KEY HIGHLIGHTS

Focus on Financial Inclusion:
73%
CUSTOMERS ARE *NEW TO CREDIT*

Strong Credit Rating of AA+

Lives Impacted:
6 Mn.+

Capacity to process over
3 LAKH
Loan Application per month



Loan Disbursed every 10 seconds

*AUM at enterprise level, it includes Hero FinCorp and Hero Housing Finance
#Includes both on roll and off roll employees

Dr. Pawan Munjal
Chairman, Hero FinCorp

CHAIRMAN'S MESSAGE

Hero FinCorp Ltd.

DEAR SHAREHOLDERS,

I sincerely hope that you and your loved ones are keeping well and staying healthy.

We are all experiencing the second year of the Coronavirus pandemic as it continues to impact all facets of our lives.

As I reflect on the past few months, I tend to get emotional for many of our friends, family, and acquaintances who have gone through pain and suffering. Many of us have lost loved ones and so many of them before time too. This is probably one of the most challenging times in recent history - a true test of humanity and our resilience.

There are positive aspects to this pandemic as well - we have all witnessed the true nature of humankind during this adversity. This past year has seen help pouring in from all sections of society, as compassion and empathy became the principal drivers for the world. We connected and helped each other like never before.

In my view, this is a significant take away from the Covid-19 experience - our innate kindness, our will to survive, and our support for one another during these difficult times, will help us get through this phase. I am certain that happier and more pleasant times are just around the corner.

> ***"Kindness is the language which the deaf can hear and the blind can see"***
>
> *- Mark Twain*

On the business front, the situation is, expectedly different as with a visible shift in focus. Till the previous year, most of us were considering a post Covid-19 world, while more recently we are preparing to live with Covid-19 as a reality. Adapting to the new normal is an idea we are all warming up to, making the necessary changes in our life-style and becoming more accepting of the situation.

Compared to the previous year, we are in a relatively better position. Vaccines are now available and are being administered at a large scale; studies suggest these should help prevent serious health complications in the future. On the business and economic front, targeted micro lockdowns over national lockdowns have helped maintain business continuity.

Needless to say, FY-21 has been a challenging year by any yardstick, including for your company Hero FinCorp. During the first two quarters, we were impacted on both ends - we could barely source new credible business while on the other hand, collections were adversely impacted. However, with the relaxation of lockdown rules, we rapidly picked up pace and were ahead of our pre-covid numbers on several metrics.

I am pleased to share that not only did we hold everything together; we also came out much stronger than before. Our strategy, hard work and effort of the previous years helped us to protect what we had built and swiftly moved forward. Our Assets Under Management (AUM) rose to INR 25,121 Cr, and we disbursed INR 13,822 Cr. - most of it during second half of FY-21. Our Customer count crossed the coveted 6 Million mark and we further expanded our distribution network across the length and breadth of India.

As I have said before, we must not let the crisis go to waste. We are focused on the opportunities it has created, and capitalizing on them. We are maintaining optimism and we continue to move forward with this spirit.

The above numbers are clear signs that your company rose to the challenge. Not even for once did we let the uncertainty affect our decision-making – even during the most difficult phases, we continued to channel our energy into finding solutions and continuing on our chosen path.

In FY-20, Hero FinCorp raced past competition and emerged as the country's No. 1 two-wheeler finance company. I am pleased to inform you that we have retained this title for FY-21 as well.

I believe that our unified and collective response during these challenging times of coronavirus pandemic is helping us consolidate and secure our position. I am sure these numbers would have been far stronger, had it not been for the lock-down-induced economic slowdown.

Despite the challenges and unforeseen circumstances faced last year, your company delivered a PAT of INR 70 Cr., and it continues to be recognized as a Great Place to Work in FY-21 as well. This is truly a commendable achievement for the young and dynamic team at Hero FinCorp. This also represents the culture and groundwork getting laid for the future.

I see the FY-21 as the year of learning, and I am confident that all our effort, hard work, and perseverance will reap the benefits in times to come.

As an organization and as individuals, we've developed new capabilities, learned new and innovative ways of doing business, adopted remote working, and established business continuity during severe uncertainty. We have remained connected digitally and safely, and delivered at the highest levels possible during these circumstances.

The learning curve was steep, and so were the results. Going forward, these learnings combined with the rapidly changing world around us will help unlock even greater value and will set the tone for future innovation and growth of our business.

A full-scale economic recovery may take some more time, considering the global scale of the impact of Covid-19. There are however several positives around us, including the signs that demand will pick up in the medium and long-term. This, coupled with government support, will aid in recovery efforts.

Team Hero FinCorp has the resolve, determination, and perseverance to achieve new heights in FY-22. I am very confident that Hero FinCorp shall emerge as a strong leader in India's Financial Services Sector.

I would like to thank all our stakeholders, the Government, Regulators, Investors, Customers and our Employees for their continued support, trust and faith in Hero FinCorp.

Best regards,
Dr. Pawan Munjal
Chairman, Hero FinCorp

The greatest glory in living lies not in never falling, but in rising every time we fall.

Nelson Mandela

Jt. MD & CEO's MESSAGE

DEAR SHAREHOLDERS,

The past financial year has been anything but ordinary – it changed the very definition of normal. Therefore, I would like to start by wishing good health and well-being to each one of you. In our fast-paced lives these fundamentals of life matter more than anything else. The devastation of Covid-19 has not spared anyone, and individuals from all walks of life have been impacted.

The other unique aspect about FY-21 was how distinct the first and second half of the year were. In the first 2 quarters uncertainty was at epic proportions – practically no one knew what to expect? Several pre-existing concepts suddenly found a new lease of life. Remote working, virtual meetings, main-streaming of online shopping, and many more such ideas became part of everyone's everyday life. While technology adoption and change in habits was the highlight of the first half.

The second half was in stark contrast to the uncertain and turbulence we witnessed during H1 FY-21. The second half re-affirmed my faith in the fact that *life always finds a way*. Things quickly started getting back to normal during the second half. The festive season went well, and demand started quickly picking up. Starting October 2020, normalcy returned and the last three months of FY-21 went quite well.

The economic impact of Covid-19 has impacted almost every nation state with global ramifications. Governments and Central Banks of almost every country have been responding with a variety of measures to help their citizens and revive the economy.

India was no exception, and our economy was also affected by Covid-19. Thankfully The Reserve Bank of India (RBI) and the Government swiftly moved in with a multi-pronged approach to save and revive the Indian Economy. It was these measures which led to a 1.6% growth during the fourth quarter, while growth actually contracted during the first three quarters.

I expect the Indian Economy to make a rapid and quick recovery, while the second wave of Covid-19 has muted expectations, the worst is probably behind us. Vaccines are being given at massive scale and by the end of calendar year 2021, a large section of Indian society would be fully vaccinated. I feel a similar trend as last year would play out during FY-22. With Quarter 2 starting the recovery process, and Quarter 3 and 4 further building on it.

There has also been a noticeable shift in mindset, we were earlier thinking of a post covid world, but now the focus is on *life with covid*, and businesses are making necessary changes to operate in this new uncertain environment.

While facing the myriad of challenges last year, we kept simple yet robust approach to decisioning. Accord the highest priority to *Continuity of Service* to Our Customers and keep Safety & Wellbeing of our employees paramount. This approach helped create an innate resilience making us well positioned to benefit from the economic recovery. I would also like to commend the entire team at Hero FinCorp, each one of us acted like a true Hero, demonstrating immense professionalism and unwavering dedication towards successfully navigating the turbulence. In line with the Hero Ethos, their dedication, resolve, and prompt response during this difficult period allowed us to consolidate and strengthen our position.

Now let's talk about Hero FinCorp. You would be happy to know that in the year gone by we developed new skills and capabilities internally. Many Staff members wore different hats during this unprecedented time. We had a singular focus and that was to protect our hard work and effort of the past decade or so. We strengthened our core areas such as Risk Management, Digitization & Analytics, Customer Service, and Liquidity.

On the business front, we recalibrated our lending policies, revamped our approach to collections, added tech enablement to various facets of our operating model, and worked collectively make a strong recovery. All of these efforts allowed us to play on the frontfoot, and resulting in a solid recovery during quarter 3 and quarter 4. Our Disbursal and Collections numbers quickly surpassed pre-covid levels and we emerged stronger from the crisis. Going forward, I am sure this approach would help us tide over wave two, and any other subsequent covid waves as well.

During the year, we also crossed an overall customer base of over 6 million and we revamped many products and services to better serve a covid impacted economy. FY-21 also marks the fourth year *(in a row)* for Hero FinCorp to be certified as a *"Great Place to Work". A commendable achievement for each one of us.*

In FY-21, we disbursed loans amounting to almost INR 14,000 Cr. Our disbursements helped increase our Assets under Management (AUM) to INR 27,490 Cr. (consolidated) as on March 31, 2021. Profit after Tax (PAT) was at INR 70 Cr. in FY-21. On the Distribution front despite the challenges we continued to grow. Our network net is probably India's largest. Today, we're operating from over 4,100 touch points, spread across 1,900 plus Cities, Towns, and Villages. Our employee strength stands close to 8,000 across India.

Moving ahead, FY-22 seems promising, and while it shall bring its own set of challenges. We are confident that things will only get better for the industry and economy at large. This will truly come into play when most Indian Citizens are fully vaccinated.

Lastly, I'd like to thank all our stakeholders, the Government, Regulators, Investors, Customers and our Employees for their continued support, trust and faith in Hero FinCorp.

With best wishes,

Abhimanyu Munjal,

Jt. MD & CEO, Hero FinCorp


When we strive
to become better
than we are,
everything around
us becomes
better, too.
Paulo Coelho

OUR KEY PRINCIPLES

PURPOSE

Emowering every Indian's Dream of Upward Mobility

MISSION

We strive to be the best, most transparent, next-gen, ultra lean, credit champion.

VALUES

Our culture manifests through 5 core values -

'TITHI'

| Teamwork
| Integrity
| Trust & Respect
| Humility
| Innovation & Speed

VISION

To be a financier of choice and become a one-stop financial services company, by offering world class products through innovation & teamwork.

BOARD OF DIRECTORS

Dr. Pawan Munjal

Dr. Pawan Munjal is one of India's renowned corporate leaders, championing growth, socio-economic progress, and technological innovations. He is the Chairman and Director of Hero FinCorp Ltd. Dr. Munjal sits on the Boards of various companies in addition to holding executive positions at key Indian industry bodies - Confederation of Indian Industry (CII) and Society of Indian Automobile Manufacturers (SIAM).

Mr. Pradeep Dinodia

Mr. Pradeep Dinodia is a Non-Executive Independent Director of the Company. He graduated in Economics with Honours from St. Stephen's College, Delhi University and obtained his Law Degree from the same University. He is a Fellow Member of The Institute of Chartered Accountants of India and Chairman and Managing Partner in the Delhi-based Chartered Accountancy firm M/s. S.R. Dinodia & Co. LLP.

Mrs. Renu Munjal

Mrs. Renu Munjal is the Managing Director of Hero FinCorp Ltd., she is also actively involved in various philanthropic activities across the Hero Group

Mr. Abhimanyu Munjal

Mr. Abhimanyu Munjal has over 15 years of experience in Strategic Leadership and People Management. He has successfully spearheaded International JVs, M&As & complex transformations.

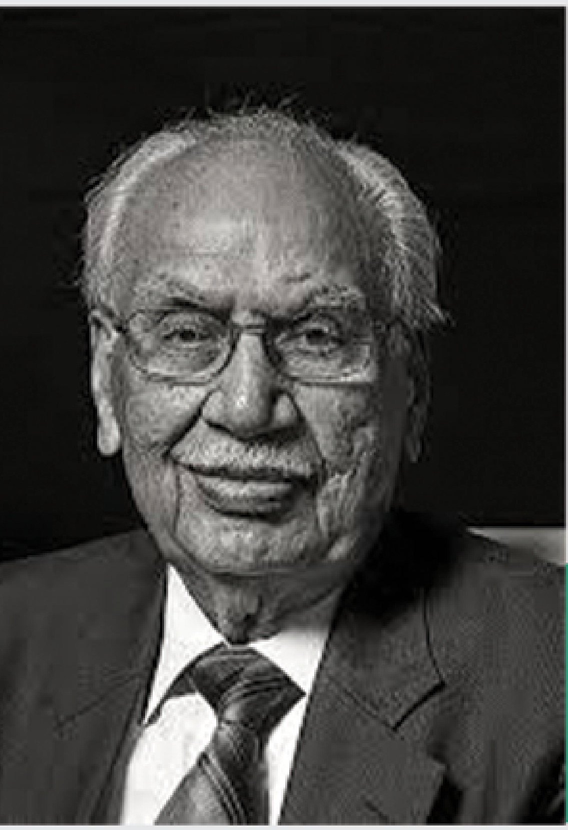
Mr. Sanjay Kukreja

Mr. Sanjay Kukreja is the partner and Chief Investment Officer (CIO) and manages the overall investment strategy and portfolio construction for the firm. He holds an M.B.A. from IIM, Bangalore and a BA in Economics from SRCC, Delhi University.

Mr. Vivek Chaand Sehgal

Mr. Vivek Chaand Sehgal is the Chairman of the Motherson Group. A visionary leader, he spearheads Motherson Group which is one of the world's largest manufacturers of components for Automotive and transport industries with presence in 41 countries.

Hero Fincorp
CSR Report 2020-21



“We must give back to the society from whose resources we generate wealth”

– DR. BRIJMOHAN LALL MUNJAL
Founder and Chairman Emeritus, Hero Group
July 01, 1923... Forever

OUR PHILOSOPHY

We at Hero FinCorp believe that a company's performance must be measured by its contribution to building economic, social and environmental capital.

Hero FinCorp believes that in the strategic context of business, enterprises possess, beyond mere financial resources, the transformational capacity to create game-changing development models by unleashing their power of entrepreneurial vitality, innovation and creativity.

We aim to reach out to every corner of our country with the hope and promise of a better tomorrow.

In line with this belief, the Company will continue supporting unique models to generate livelihoods and create a better society.

MESSAGE FROM JT. MD & CEO - ABHIMANYU MUNJAL

Corporate Social Responsibility is an integral part of Hero group's business philosophy and we have always remained committed to it. We aim to build and sustain a culture of care through our initiatives, and believe that businesses can be an enabling force for social advancement. At Hero FinCorp we aim to create sustainable value for the community at large and build the nation of our dreams. We focus on being a responsible lender by fostering holistic development of the community and our operating environment. All our CSR interventions have been designed to serve the masses. Given our approach and objectives, our CSR initiatives have been developed around four broad areas: Financial Literacy and Skilling, Sustainability & Environment, Aiding rural economy and its stakeholders and Women & Children support and Empowerment.

We aim to reach every corner of our country with the hope and promise of a better tomorrow.

Connect	Inspire	Mobilize
Connecting communities for transformative change	Inspiring actions to create social impact.	Mobilizing & providing resources to support change makers.

MESSAGE FROM MD- HERO FINCORP & CHAIRPERSON- CSR – RENU MUNJAL

Giving back to the society is one of the key ethos of The Hero Group. As chairperson of Hero Fin-Corp's CSR Committee. I am proud of our efforts in the areas of Financial Literacy, Education, and Capacity Building. Through our flagship programs, we aim to help those who come from humble backgrounds but possess the endeavor to take this nation forward.

Opportunity for us to create a better and brighter India, some of our key initiatives are:

Raman Kant Munjal Scholarships:

Aimed at supporting meritorious students for their higher education. These students are selected through a rigorous selection process lasting over a year.

Pathakshala:

Teachers Training Program, is a capacity building program for the teachers to ensure that we help them grow professionally and share strategies and techniques for the growth of students at the schools.

COVID-19 Donations for Relief:

Even during such difficult times when the pandemic affected the whole world Hero FinCorp continued to transform the lives of many through their initiatives.

CSR Initiatives 2020-21

raman kant munjal SCHOLARSHIPS

Courses Accepted

The courses accepted for this scholarship are only in finance and management –

BBA | BBM | BMS | BBE | BA Economics | IPM BFIA | B.Com (H) | B.Com (E)

Raman Kant Munjal Scholarship is a CSR initiative of Hero FinCorp which aims at supporting the higher education of students with suitable financial assistance who are pursuing or are willing to pursue any finance & management course who come from humble background and demonstrate a financial need. The Raman Kant Munjal Scholarship has supported over 57 meritorious and deserving students this year out of which 50% scholarship recipients are girls.

Impact Created

Community Impact

- The Finance Sector will become more robust with students being nurtured for the same.
- Hero Fincorp employees feel more involved in the social impact created by the company.
- The scholarship has supported underprivileged families by sending their bright children to the same colleges for education where children of Hero FinCorp leaders are also studying.

Diversity & Inclusion

- Around 50% of the scholars are female.
- Hero FinCorp is ensuring that the finance sector will become more diverse and inclusive.

Impact on scholars

- The applicants went through a rigorous selection process at such a young age, which will help in setting them on the path to success put them at path of success.
- The scholars have a lot of self-confidence post successful selection for the scholarship.
- The applicants from humble backgrounds got a chance to go through rigorous selection process at such a young age - this exposure will help them on their path to success.
- The continuous engagement of the scholar will mean that they won't lose focus and will stay on their path to make a career for themselves.

CASE STUDIES | SCHOLARS

1

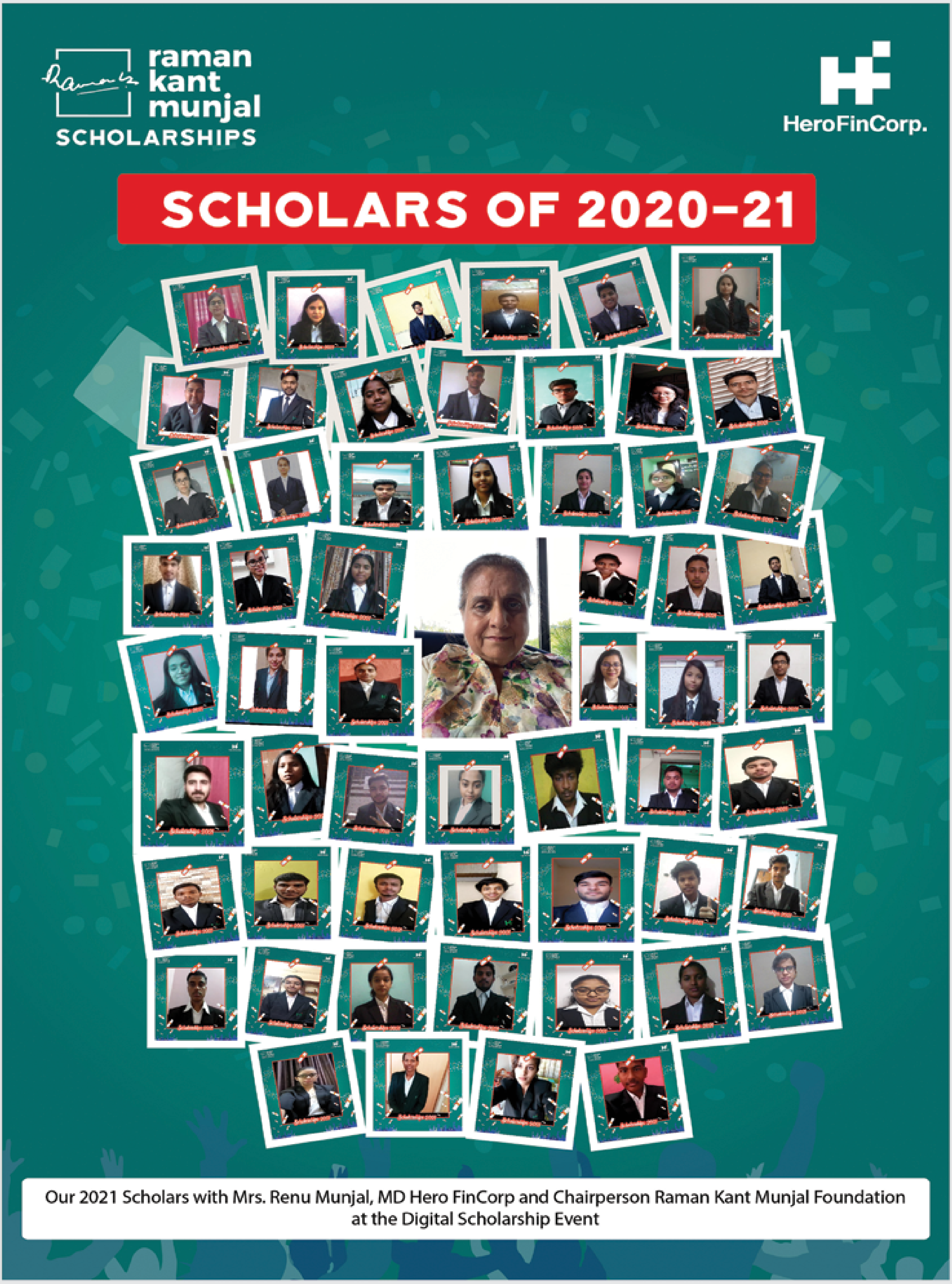
In class 10th Deepanshi got 92.8% and in class 12th 96%. In class 12th she applied for the admission under 134A, where she studies on 100% scholarship. Deepanshi's father puts up a stall on roads to sell eggs.

Before Scholarship	After Scholarship
Deepanshi has taken admission in Hansraj College. Her father is a hawker and is seasonally employed. Deepanshi has been an achiever and has also studied in the school under 134A. She has little guidance on how to progress in her career.	The selection process helped Deepanshi to be focused towards her career. The scholarship holds special value and is also the best achievement of Deepanshi's life till date.

2

Neha has completed her schooling from Government girls senior secondary school SU block Pitampura Delhi. Neha's father Mr. Shyamlal drives an E-Rickshaw. Her mother was involved in distributing the mid-day meal in the school.

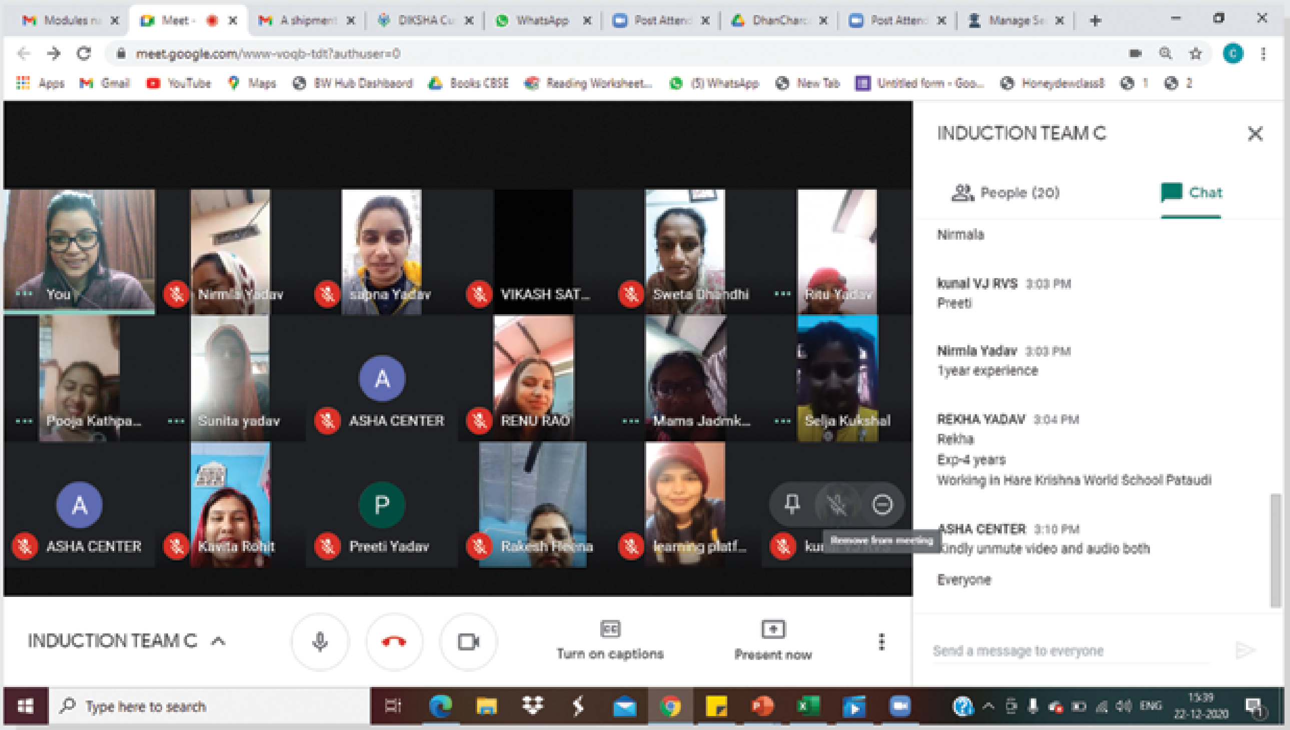
Before Scholarship	After Scholarship
Lockdown has been hard for many, especially for students like Neha. She completed her studies at a government school in Delhi. In this era of online learning, the digital divide is evident. Neha had to borrow her sister's mobile to study. Even with these difficulties, she managed to score good marks in class 12th. This shows her dedication to her studies.	Raman Kant Munjal Scholarship is Neha's most prized achievement to date. She can now focus on her studies. She'll be able to buy the necessary device and will now be free to learn at her comfort. Neha says that she can never forget the efforts made by the scholarship selection team to guide her towards a more informed career.



Our 2021 Scholars with Mrs. Renu Munjal, MD Hero FinCorp and Chairperson Raman Kant Munjal Foundation at the Digital Scholarship Event

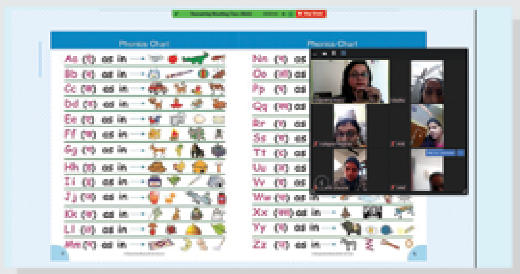
Pathakshala – Teacher's Training Program

Hero FinCorp launched Pathakshala, aimed at building capability amongst teachers from rural, low fees schools and those involved in Raman Kant Munjal Foundation's educational initiatives. This was done to ensure that we help them grow professionally and share strategies and techniques for the growth of students at the centers/ schools. With the lockdown being announced, Hero FinCorp promptly responded to the situation and adapted to the online structure with the help of Raman Kant Munjal Foundation Team. With the lockdown and a lot of low- income schools shutting down, we realized that supporting teachers was the need of the hour not just for Asha teachers but also **low income private school teachers**. A lot of schools shut down with severe attrition, we realized that if we can utilize this time in capacity building then the teachers will benefit for the next academic session.



Impact Created so far: **275 teachers trained**

The participants were mainly teachers from low-income private schools, some of them lost their jobs due to the lockdown while some continued to teach online. The topics that were covered during the training largely covered classroom behavior management, how to improve spoken and written English.



Donations for COVID-19 Relief

Hero FinCorp came forward to help the people of underprivileged section of the society by donating funds for distributing reusable cloth face masks.

More than **3 lakhs** masks were distributed in rural villages of Haryana, Rajasthan, Madhya Pradesh, Telangana, Andhra Pradesh, Karnataka, Tamil Naidu and Maharashtra with the help of local government authorities.

This initiative also supported more than **200 women** from Hamari Asha Project and various Self Help Groups of Haryana State Rural Livelihoods Mission in earning livelihood for themselves to support their families during the lockdown. Raman Kant Munjal Foundation ensured the supply of raw material and the collection of finished masks from their doorsteps.

Employee Volunteering Activities 2020-21

Employees' Contribution for COVID-19 Relief

Employees from **Hero FinCorp and Hero Housing** also came forward to support the people from weaker sections of the society by donating funds to Raman Kant Munjal Foundation. The foundation used this amount for distributing food ration & hygiene kits in rural areas of our country.

UMANG Week

A week dedicated to giving back to the society- 'UMANG Week' was launched in December 2020 by Hero FinCorp. This initiative impacted the lives of more than 500 students of Asha Education Center who come from humble background through various activities. Hero FinCorp employees acted as the pillars of this initiative by contributing their time and creating innovative videos and guides. Here is a snapshot of the activities launched during the UMANG Week:

1 Teaching Learning Material

Teaching aids were provided to the Asha Education Center teachers that are used by the teachers to provide a long-term understanding about the topic among the Asha center students.

2 Career Counselling Activity

Helped the underprivileged students to chase their potential career path that will give them success and fulfillment.

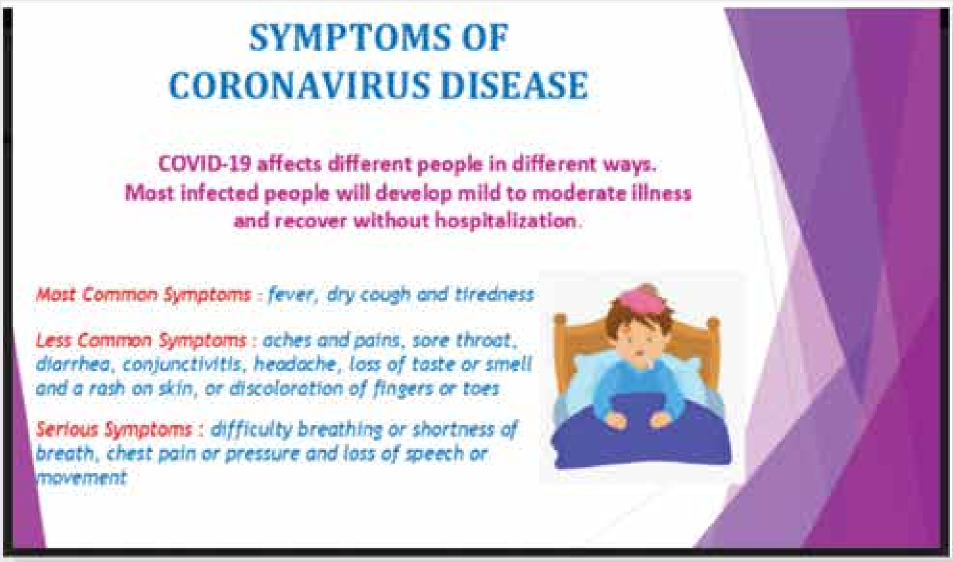
3 Your guide to health & hygiene

In India, poor health among the children who come from disadvantaged communities is resulted due to the lack of awareness. This activity created awareness about the importance of health & hygiene among the underprivileged children of Asha Education centers.

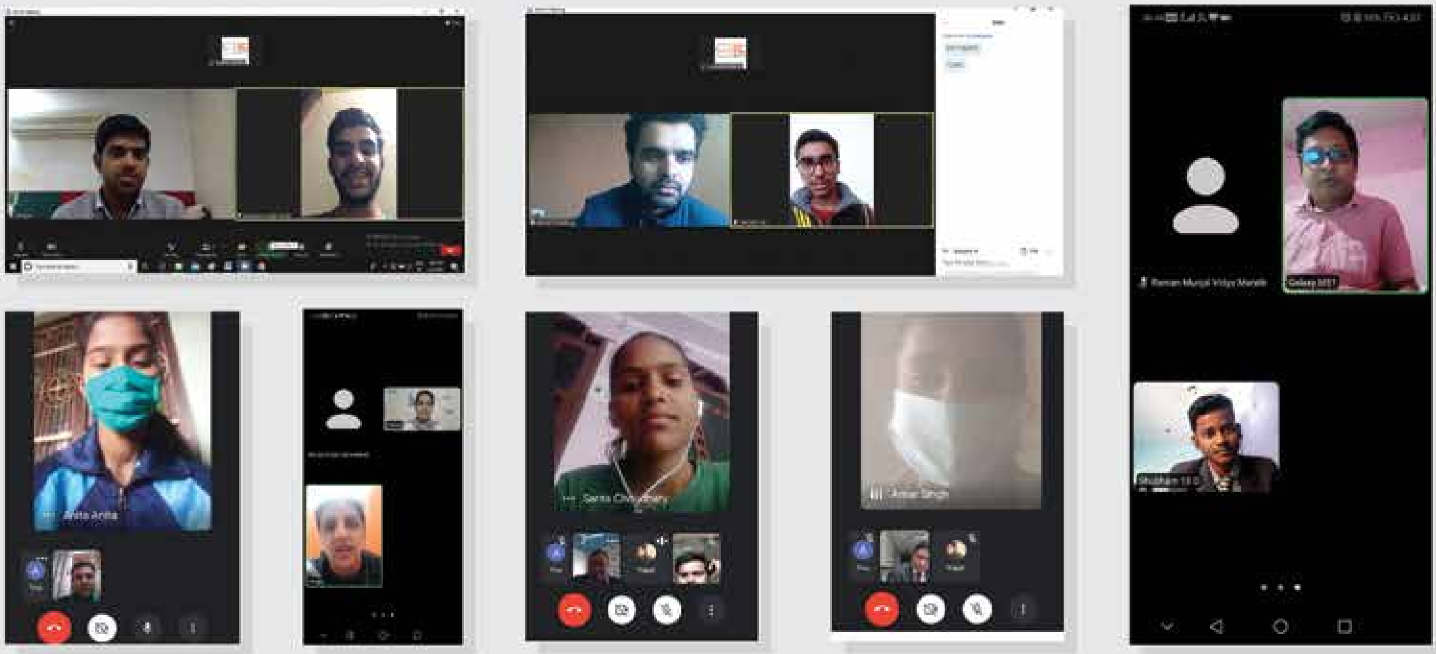
Impact Created so far: **500+ Students impacted**

GLIMPSES

Teaching Learning Material & Your Guide to health & Hygiene Activity



Career Counselling Activity



Be My Santa - Returns

This Christmas, heroes fulfilled the wishes of underprivileged children by being a Hero Santa. 129 Employees from Hero Housing & Hero FinCorp volunteered to make this initiative successful. The heroes participated by donating money and gifts to the underprivileged children of our society and turned their dreams into reality.

400 Lives Impacted


It is during our darkest moments that we must focus to see the light.
Aristotle

1991-2012

Incorporated as Hero Honda Finlease Ltd.

Financed captive needs of the Hero Ecosystem

Company renamed as Hero FinCorp Ltd.

2013-14

Business plan created for the new entity

Equity infusion of ₹106 Cr.

Launched Two Wheeler Financing business

Assets Under Management reaches ₹1,123 Cr.

2015-16

Launched Corporate Finance Division & Loyalty Loan Program

First Mass Marketing Campaign 'Karo Khwabon Se Ishq' launched across TV, Radio & Digital Platforms

Assets Under Management reaches ₹6,407 Cr.

2017

Launched used car finance business

Fund raising agreement of ₹1,002 Cr. from PE investors & Promoters

Capitalized Hero Housing Finance Ltd. by ₹50 Cr.

Assets Under Management reaches ₹9,912 Cr.

Obtained ISO certification for Operations and related Customer Support

OUR JO

2018

Launched Hero Housing Finance Ltd.

Asset Under Management reach ₹13,540 Cr.

Crossed 2.5 Mn happy customers

2019

Established presence at over 3,000 touch points spread across 1,700+ locations

Assets Under Management reaches ₹19,736 Cr.

Crossed 3.5 Mn happy customers

2020

India's No.1 Two-Wheeler Financier

Among Top 3 NBFCs – Pre-Owned Car Loans

Fund raising agreement of ₹1,075 Cr. from PE Investors & Promoters

Assets Under Management reaches ₹23,389 Cr.

Crossed 5 Mn. Happy Customers

2021

Assets Under Management reaches ₹25,121 Cr.

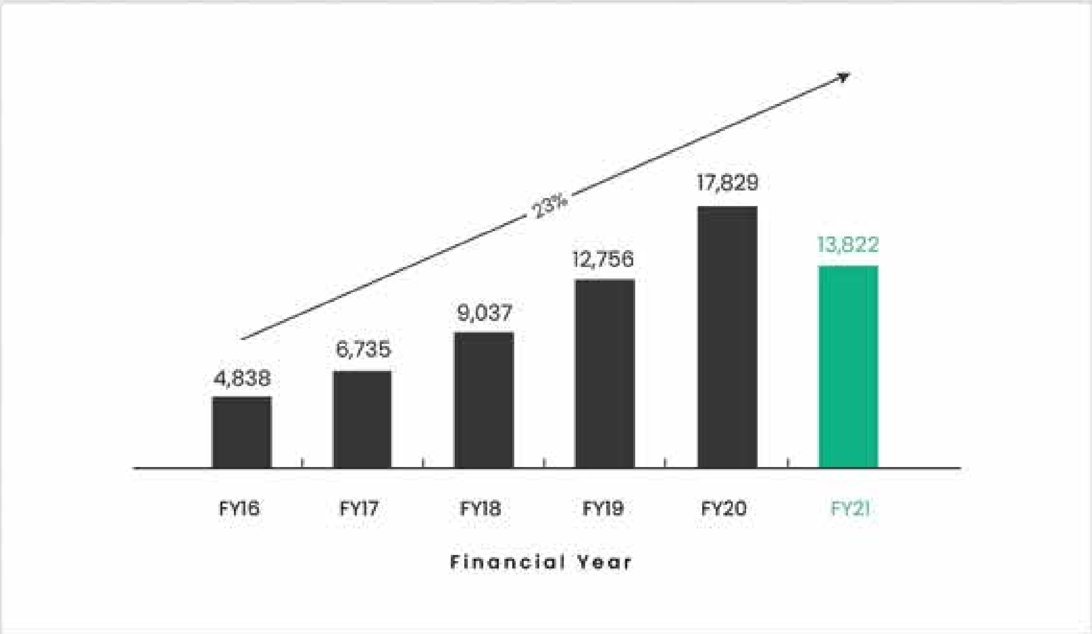
Crossed 6 Mn. Happy Customers

Certified Great Place to Work' 4th year in a row and, 'Top 30 Best BFSI Workplace' 3rd year in a row

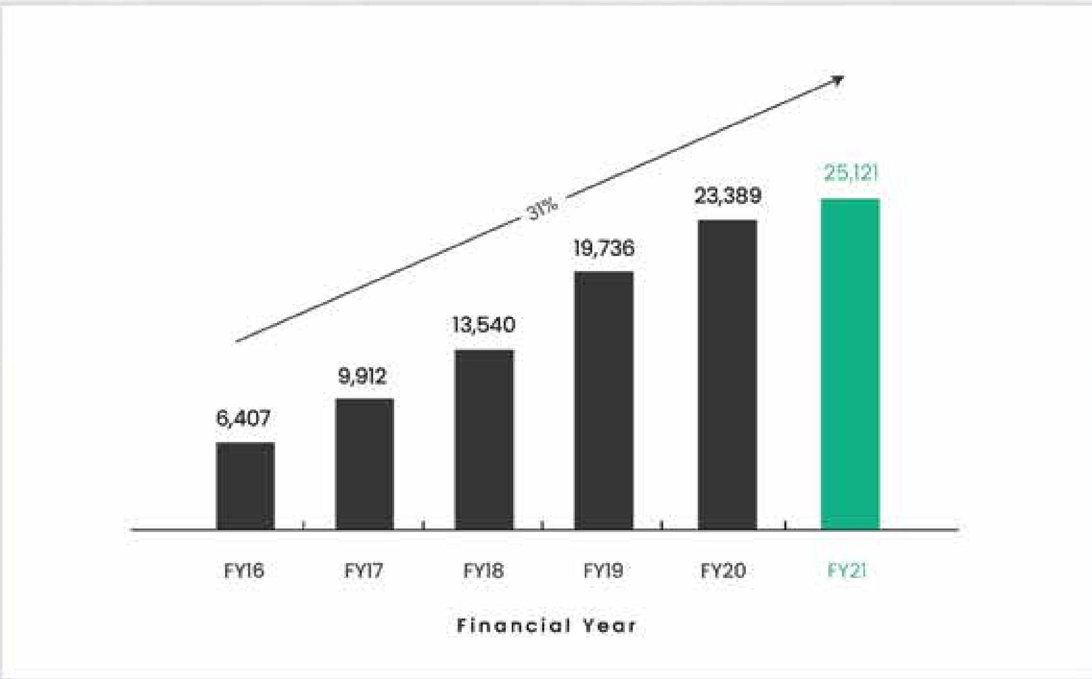
Launched Customer Service App

Launched 'SimplyCash', a digital Loan Product

Disbursements (INR Crores)



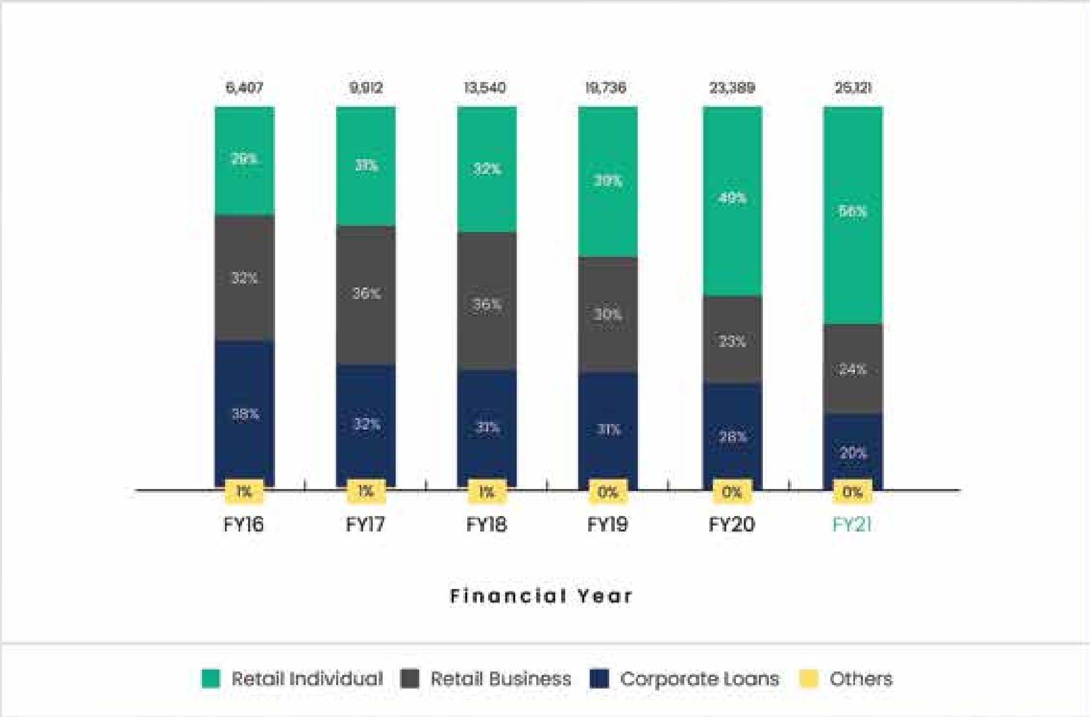
Loan Assets* (INR Crores)



*Includes lease portfolio and trade receivable

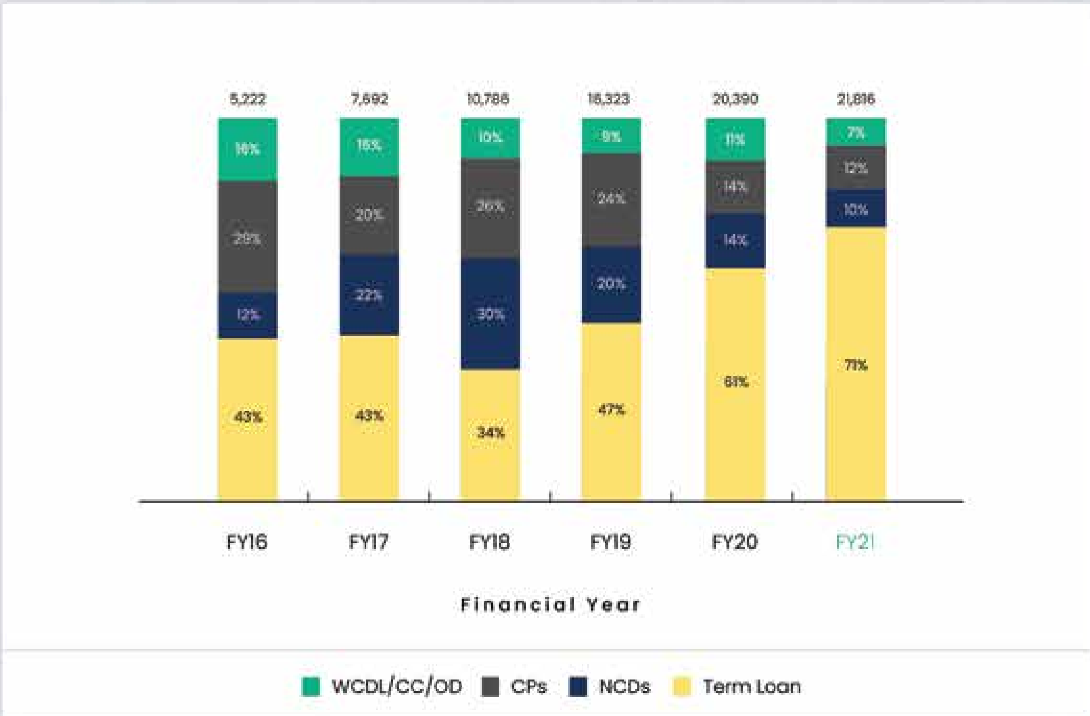
Numbers at a Glance

Loan Assets Mix (%, INR Crores)



Note: FY18 to FY21 numbers are as per Ind AS and FY16 & FY17 numbers are as per I GAAP.

Borrowing Mix (%, INR Crores)



Note: FY18 to FY21 numbers are as per Ind AS and FY16 & FY17 numbers are as per I GAAP.

Gross NPA to Loan Assets

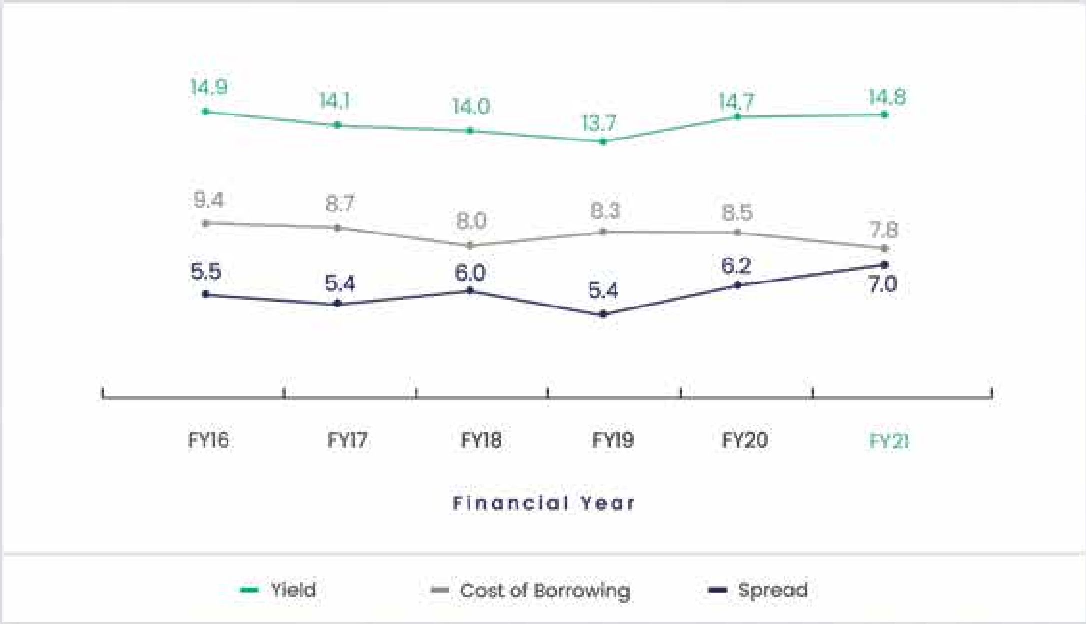
Gross NPA for FY16 & FY17 has been recasted to 90 DPD

Cost to Income Ratio (%) & Opex to Average Assets (%)

Cost = Total Expenses (Excluding Finance Cost, impairment allowance on loan, settlement loss and bad debts written off)
Income = Total Income net of Finance Cost
Average Monthly Assets

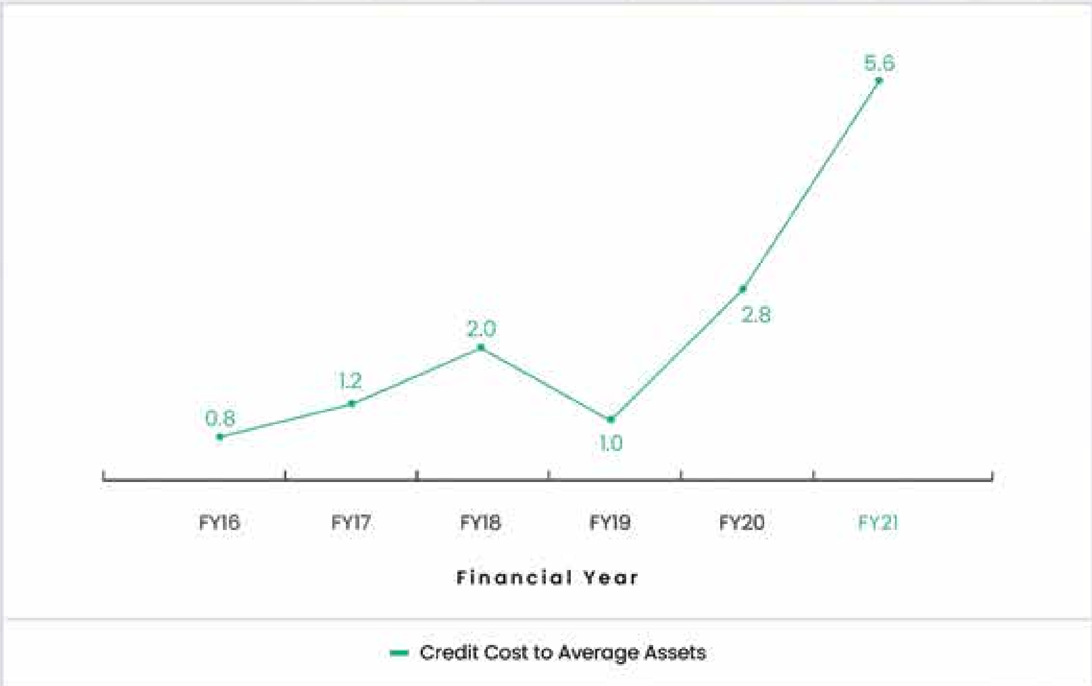
Note: FY18 to FY21 numbers are as per Ind AS and FY16 & FY17 numbers are as per I GAAP.

Yield, Cost of Borrowing and Spread (%)



Yield and cost of borrowing are calculated on monthly average

Credit Cost to Average Assets

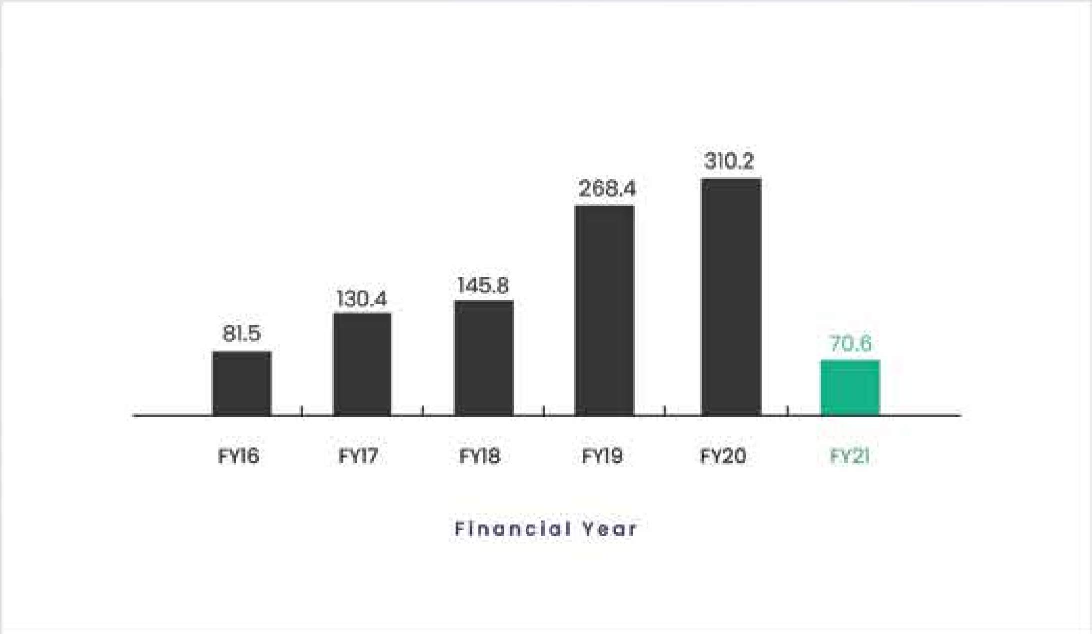


Credit cost = Impairment allowance, settlement loss and bad debts written off
Average Monthly Assets

Company has conducted a qualitative assessment of significant increase in credit risk (SICR) of the loan portfolio with respect to the moratorium benefit to borrowers prescribed by the RBI and considered updatedmacroeconomic scenarios and the use of management overlays to reflect potential impact of COVID-19 on expected credit losses on its loan portfolio.

Note: FY18 to FY21 numbers are as per Ind AS and FY16 & FY17 numbers are as per I GAAP.

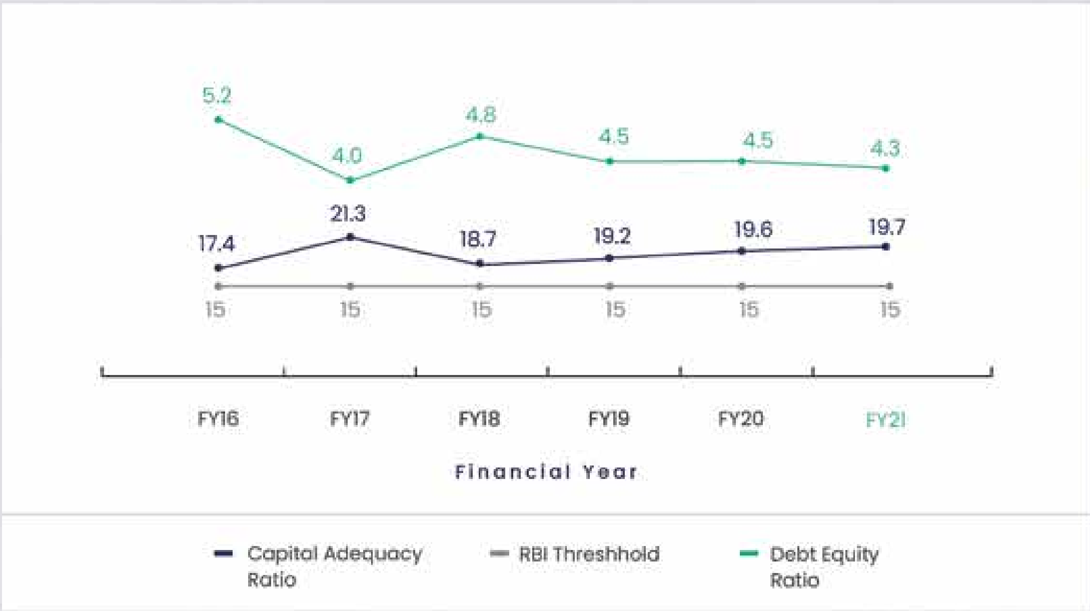
Profit After Tax (INR Crores)



Return on Equity (ROE) & Return on Assets (ROA) (%)

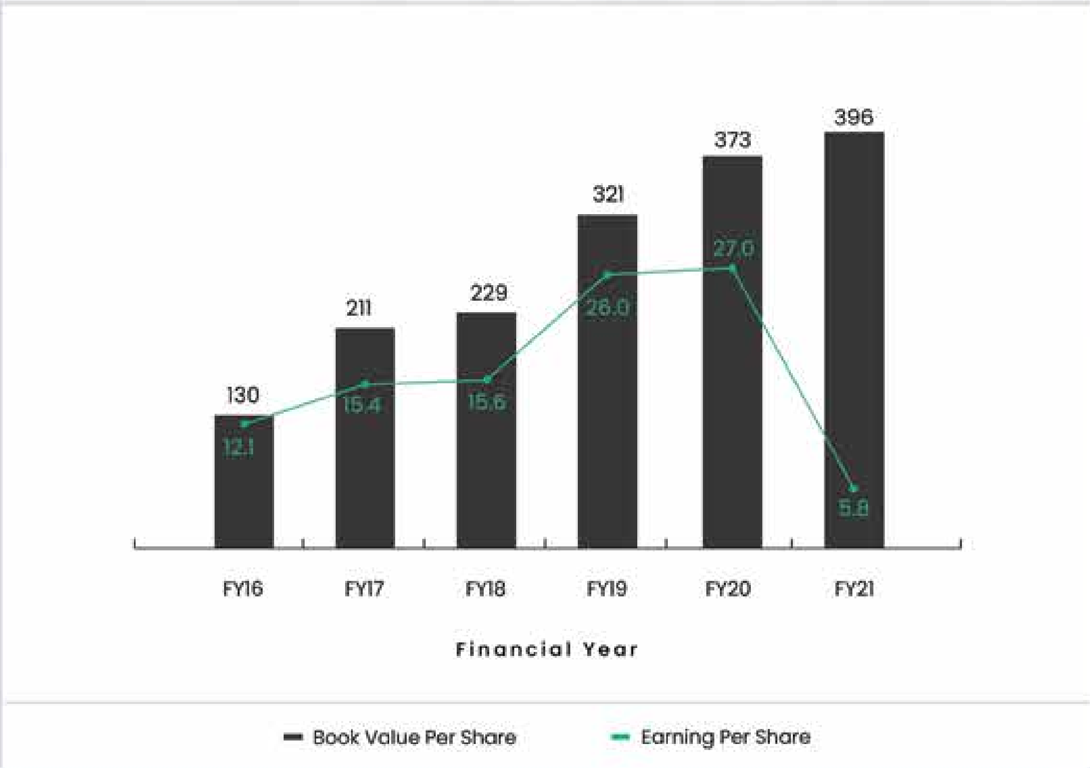
ROE and ROA are calculated on monthly average

Capital Adequacy Ratio & Debt Equity Ratio



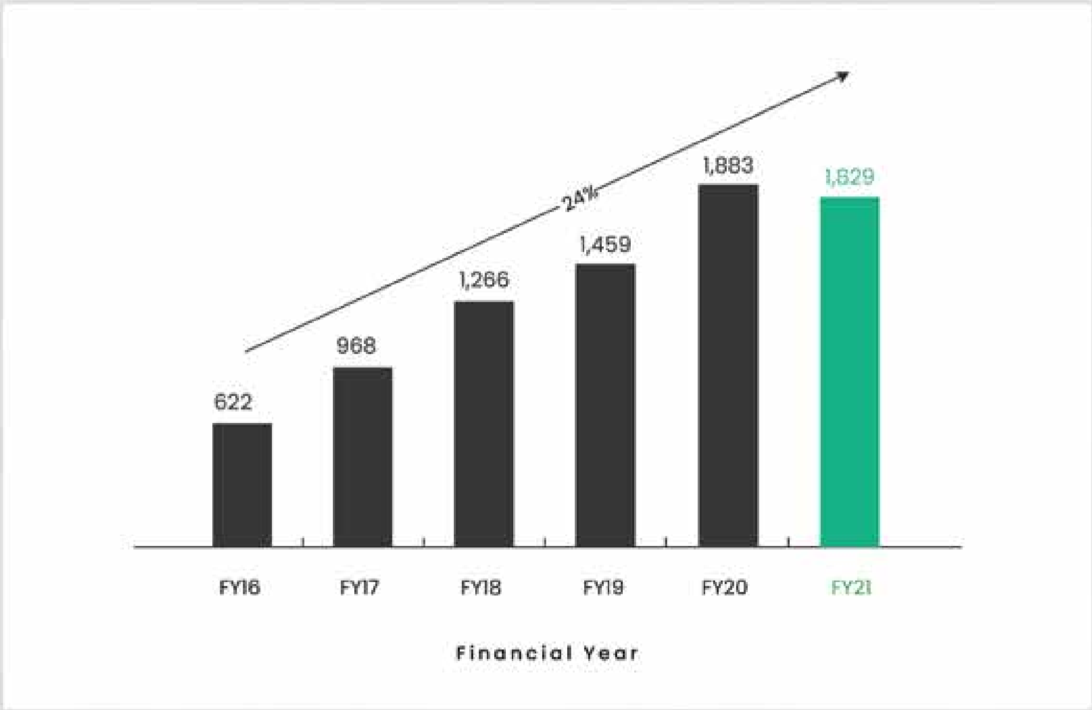
Note: FY18 to FY21 numbers are as per Ind AS and FY16 & FY17 numbers are as per I GAAP.

Book Value Per Share & Earning Per Share



Note: FY18 to FY21 numbers are as per Ind AS and FY16 & FY17 numbers are as per I GAAP.

Employee Head Count



Dividend Payout to PAT (%)

Note: FY18 to FY21 numbers are as per Ind AS and FY16 & FY17 numbers are as per I GAAP.

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Pradeep Dinodia	Chairman
Mrs. Renu Munjal	Member
Mr. Vivek Chaand Sehgal	Member

NOMINATION & REMUNERATION COMMITTEE

Mr. Pradeep Dinodia	Chairman
Dr. Pawan Munjal	Member
Mr. Abhimanyu Munjal	Member
Mr. Vivek Chaand Sehgal	Member

ASSET LIABILITY MANAGEMENT COMMITTEE

Mr. Pradeep Dinodia	Chairman
Mrs. Renu Munjal	Member
Mr. Abhimanyu Munjal	Member
Mr. Sanjay Kukreja	Member

RISK MANAGEMENT COMMITTEE

Mr. Pradeep Dinodia	Chairman
Mrs. Renu Munjal	Member
Mr. Abhimanyu Munjal	Member
Mr. Sanjay Kukreja	Member

IT STRATEGY COMMITTEE

Mr. Pradeep Dinodia	Chairman
Mr. Abhimanyu Munjal	Member
Mr. Sanjay Kukreja	Member
Mr. Sajin Mangalathu	Member
Mr. Subhransu Mandal*	Member

*Ceased to be member of the Committee w.e.f April 29, 2021.

STAKEHOLDER RELATIONSHIP COMMITTEE

Mr. Pradeep Dinodia	Chairman
Mrs. Renu Munjal	Member
Mr. Abhimanyu Munjal	Member

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mrs. Renu Munjal	Chairperson
Dr. Pawan Munjal	Member
Mr. Pradeep Dinodia	Member
Mr. Abhimanyu Munjal	Member

COMMITTEE OF DIRECTORS

Dr. Pawan Munjal	Chairman
Mrs. Renu Munjal	Member
Mr. Abhimanyu Munjal	Member

KEY MANAGERIAL PERSONNEL

Mrs. Renu Munjal
Managing Director

Mr. Abhimanyu Munjal
Joint Managing Director & CEO

Mr. Jayesh Jain
Chief Financial Officer

Mr. Shivendra Suman
Head - Compliance and Company Secretary

CORPORATE INFORMATION

CIN: U74899DL1991PLC046774

STATUTORY AUDITORS

M/s B S R & Co. LLP
Chartered Accountants
(FRN. No. 101248W/W-100022)
DLF Building No. 10, 12th Floor, Tower C,
DLF Cyber City, Phase – II
Gurugram -122002
Tel: 0124 7191000
Fax: 0124 2358613

HEAD OF INTERNAL AUDIT

Ms. Priya Kashyap

INTERNAL AUDIT PARTNER & INFORMATION SYSTEM AUDITOR

Ernst & Young LLP, Chartered Accountants,
(LLP. Identification No. AAB - 4343)
14th Floor, The Ruby, 29, Senapati Bapat Marg,
Dadar (West), Mumbai – 400 028
Tel: 022 6192 0000, Fax: 022 6192 1000
Website: www.ey.com

SECRETARIAL AUDITORS

Sanjay Grover & Associates, Company Secretaries
(Firm Registration No.: P2001DE052900)
B-88, 1st Floor, Defence Colony, New Delhi – 110024;
Tel: 011 4679 0000;
Website: www.cssanjaygrover.in

PRINCIPAL BANKERS

1. Punjab National Bank
2. Indian Bank
3. HDFC Bank
4. Canara Bank
5. ICICI Bank
6. Union Bank of India
7. Bank of Baroda
8. Axis Bank
9. Central Bank of India
10. BNP Paribas

DEBENTURE TRUSTEE

Vistra ITCL (India) Limited
The IL&FS Financial Centre,
Plot No. C-22, G Block, 7th Floor,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400051
Tel: 022 26593535
Website: www.vistraitcl.com

REGISTRAR & SHARE TRANSFER AGENT

1. FOR EQUITY SHARES RELATED MATTERS

Link Intime India Pvt. Ltd.
Noble Heights, 1st Floor, Plot NH 2,
C-1 Block LSC, Near Savitri Market
Janakpuri, New Delhi - 110058
Tel: 011 4141 0592-94, Fax: 011 4141 0591
Email: delhi@linkintime.co.in
Website: www.linkintime.co.in

2. FOR NON-CONVERTIBLE DEBENTURES & COMMERCIAL PAPERS RELATED MATTERS

KFin Technologies Private Limited
Selenium Tower B, Plot Nos. 31 & 32,
Financial District Nanakramguda,
Serilingampally Mandal,
Hyderabad - 500032
Tel: 040 6716 2222, Fax: 040- 2300 1153

REGISTERED OFFICE

34, Community Centre, Basant Lok,
Vasant Vihar, New Delhi – 110 057
Tel: 011 4604 4100, 011 2614 2451
Fax: 011 2614 3321, 011 2614 3198

CORPORATE OFFICE

9, Community Centre, Basant Lok,
Vasant Vihar, New Delhi – 110 057
Tel: 011 4948 7150;
Fax: 011 4948 7197 (98)
Email Id: investors@herofincorp.com
Website: www.herofincorp.com

BOARD'S REPORT

Dear Members,

The Board of Directors ("Board") of Hero FinCorp Limited ("your Company" or "the Company") take pride in presenting their 30th (Thirtieth) Annual Report together with the Audited Financial Statements (both on standalone and consolidated basis) ("Financial Statements") for the Financial Year ended on March 31, 2021 ("FY 2020-21" or "period under review" or "financial year under review"). The Company is registered with the Reserve Bank of India ("RBI") as a Systemically Important Non-Banking Financial Company ("NBFC") not accepting public deposits (NBFC-ND-SI).

This was an unprecedented year, with the Covid-19 pandemic affecting countries, businesses and individuals in India and across the world. The economic contraction in first half of FY 2020-21 was very challenging due to Covid – 19. Lockdown and restrictions imposed on various activities due to the pandemic called for extraordinary changes in the way operations were managed at the Company. Our technological investments and timely decisive steps towards remote working ensured business continuity even as the pandemic unfolded across locations of our presence. Thus, business activities returned to normalcy due to its zeal and commitment. The Company has witnessed gradual recovery in the domestic demand back to pre-COVID level in the business segments.

The Company extended wholehearted support to vulnerable sections of society during this period in a number of ways. More details of the COVID-19 relief work are covered in the CSR Report attached to this report.

FINANCIAL SUMMARY

The Company's financial performance (Consolidated and Standalone) for the financial year ended March 31, 2021 as compared to the previous financial year ended March 31, 2020 are summarized below:

(Rs. in crore)

Particulars	Standalone		Consolidated	
	2020-21	2019-20	2020-21	2019-20
Total Income	**4,091.64**	**3,702.62**	**4,333.52**	**3,855.18**
Profit before Finance Costs, Depreciation & Amortization Expense and Tax	1,671.23	2,053.79	1,816.59	2,114.34
Less: Finance Costs	1,550.49	1,539.84	1,710.31	1,629.22
Depreciation & Amortization Expense	30.67	33.02	35.21	36.33
Profit before tax	**90.07**	**480.93**	**71.07**	**448.79**
Less: Tax expense				
Current tax	105.98	248.36	105.98	248.36
Deferred tax	(86.53)	(77.60)	(86.53)	(77.60)
Profit after tax	**70.62**	**310.17**	**51.62**	**278.03**
Other comprehensive income/(loss) net	0.11	(0.95)	(0.16)	(0.73)
Add: Balance of profit brought forward	529.77	372.11	471.79	346.05
Balance available for appropriation	600.50	681.33	523.26	623.35
Appropriations				
Dividend (Rs.) – Proposed	(30.99)	(48.53)	(30.99)	(48.53)
Corporate Dividend Tax – Current year	0.00	(9.98)	0.00	(9.98)
Transfer to Statutory Reserve	(14.12)	(62.03)	(14.12)	(62.03)

Transfer to General Reserve	(7.06)	(31.02)	(7.06)	(31.02)
Balance carried to Balance Sheet	**548.33**	**529.77**	**471.08**	**471.79**
Dividend (%) (Proposed)	10.00	25.50	10.00	25.50
Earnings per Share (EPS)				
• Basic	5.78	26.98	4.23	24.18
• Diluted	5.77	26.79	4.22	24.01

The above figures are extracted from the Standalone and Consolidated Financial Statements prepared in accordance with Indian Accounting Standards ("Ind AS") as notified under Sections 129 and 133 of the Companies Act, 2013 ("the Act") read with the Companies (Accounts) Rules, 2014 and other relevant provisions of the Act and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

The Audited Financial Statements including the Consolidated Financial Statements of the Company as stated above and the Financial Statements of the Subsidiary and all other documents required to be attached thereto are available on the Company's website at **https://www.herofincorp.com/investor-relations.**

REVIEW OF BUSINESS AND OPERATIONS AND STATE OF AFFAIRS OF THE COMPANY

The Company is engaged in the business of finance and investments as a Non–Banking Financial Company without accepting public deposits for which the certificate of registration has been obtained from the Department of Non- Banking Supervision, Reserve Bank of India.

During the year under review, receivables under financing activity including leasing portfolio has grown by 7% from Rs. 23,389 crore in FY 2019-20 to Rs. 25,121 crore in FY 2020-21. The total income has shown a growth of 11% from Rs. 3,703 crore in FY 2019-20 to Rs. 4,092 crore in FY 2020-21.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management discussion and analysis (MDA) report forms an integral part of this Annual Report. The MDA report is annexed as **Annexure - A**. The MDA give details of the overall industry structure, economic developments, performance and state of affairs of your Company's business in India, risk management systems and other material developments during the year under review.

CORPORATE GOVERNANCE

The Company is committed to maintain the high standards of corporate governance and is continuously striving to implement several best corporate governance practices. The Company has also implemented several best Corporate Governance practices as prevalent globally. The report on corporate governance is annexed as **Annexure - B** and forms part of this Annual Report.

DIVIDEND

The Board of Directors at their meeting held on April 29, 2021 has recommended a final dividend @10% i.e Re. 1 per equity share, for the FY 2020-21. The final dividend payable shall be subject to the approval of the members of the Company at the ensuing Annual General Meeting (AGM) and shall be payable to those shareholders whose names appear in the Register of Member as on the Record Date. The total outgo on account of dividend will be Rs. 12.73 crore for the financial year 2020-21 as against Rs. 30.99 crore for the previous financial year.

TRANSFER TO GENERAL AND STATUTORY RESERVE

Your directors are pleased to report that with an objective to reinforcing the financial strength into the Company, a sum of Rs 7.06 crore being 10% of the profit after tax (PAT) for the year under review, has been transferred to the General Reserve of the Company.

Further, an amount of Rs. 14.12 crore being 20% of the profit after tax (PAT) was transferred to Statutory Reserve of the Company pursuant to Section 45-IC of the Reserve Bank of India Act, 1934.

CHANGES IN CAPITAL STRUCTURE

During the period under review, there was no change in the Authorised Share Capital of the Company. However, the total issued, subscribed and paid up equity share capital of the Company increased from Rs. 121.53 crore to Rs. 127.31 crore upon receipt of the first and final call money amounting to Rs. 360 per equity share including face value per equity share of Rs. 4.40 and premium of Rs. 355.60 per equity share, on the 1,31,09,753 partly paid equity shares issued and allotted by the Company on preferential basis through private placement.

DEPOSITORY SYSTEM

The Company's Equity Shares are not listed on any stock exchange and are being traded on off-market platform. As on March 31, 2021, 12,52,07,160 (98.35%) of the total share capital was held in dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

In view of the numerous advantages offered by the Depository System, the Members holding shares in physical mode are advised to avail the facility of dematerialization.

CHANGE IN THE NATURE OF BUSINESS, IF ANY

There was no change in the nature of business of the Company during the financial year ended March 31, 2021.

IMPACT OF COVID -19 PANDEMIC

The detailed disclosure on the material impact of COVID-19 pandemic on the Company is forming part of the Financial Statements of the Company. You may refer to Note no. 42 of the Standalone Financial Statement for the same.

SUBSIDIARY COMPANIES, JOINT VENTURE OR ASSOCIATE AND CONSOLIDATED FINANCIAL STATEMENTS

Hero FinCorp Limited ("the Company") has 1 (one) wholly owned subsidiary (WOS) company viz. Hero Housing Finance Limited ("HHFL"). HHFL was granted a housing finance company license by the National Housing Bank (NHB) in August, 2017 to carry on the business of housing finance. HHFL had started its lending operations from April, 2018. It is an all-inclusive housing finance company providing hassle-free home loans pan India which includes the following products to its customers: (i) Home Loans, (ii) Loan Against Property etc.

HHFL had seen tremendous growth in the financial year 2020-21, aided by strong volume growth across all its lines of businesses. During the year under review, receivables under financing activity has reached to Rs. 2,337.85 crore in the financial year 2020-21 as compared to Rs. 1,780.40 crore in financial year 2019-20 representing an increase of 31.31% over the previous year.

HHFL has Revenue from operations of Rs. 232.79 crore in financial year 2020-21 as compared to Rs. 137.81 crore in previous year 2019-20, registering a growth of 68.91% over the previous year.

The net losses of HHFL for the year after tax from operations have reduced from Rs. 32.14 crore in financial year 2019-20 to Rs.19.00 crore in financial year 2020-21.

HHFL has shown tremendous growth and touched an asset under management (AUM) of Rs. 2,369.20 crore during the FY 2020-21.

During the financial year 2020-21, the Company had invested an amount of Rs. 100 crore into Hero Housing Finance Limited (HHFL), by way of making payment towards First & Final call money on 20,83,33,333 partly paid equity shares, of Rs. 4.80 including face value per equity share of Rs. 4.00 and premium of Rs. 0.80 per equity share. Consequently, the said partly paid up equity shares got converted into fully paid up equity shares of face value of Rs. 10 each on March 24, 2021.

Pursuant to Section 129(3) of the Act, the consolidated financial statements of the Company including its subsidiary company prepared in accordance with the relevant Accounting Standards specified under the Act and the rules made thereunder, duly audited by the statutory auditors are presented in the annual report. A report on performance and financial position of the subsidiary company included in the consolidated financial statement is presented in a separate section of this annual report. Please refer AOC-1 annexed to the financial statements of the annual report.

The Company shall make available the annual accounts of the subsidiary company to the member(s) of the Company upon request. The annual accounts of the subsidiary company will also be kept open for inspection at the registered office of the Company and the respective office of the subsidiary company. The annual accounts of the subsidiary company are also available on the website of the Company viz. **https://www.herofincorp.com/** and can be accessed by clicking on the following link **https://www.herofincorp.com/investor-relations/financial-performance.**

RAISING OF FUNDS/ CAPITAL

During the year under review, your Company continued with its diverse methods of sourcing funds in addition to regular borrowings like Secured and Unsecured Debentures, Term Loans, Commercial Papers, etc., and maintained prudential Asset Liability match throughout the year. Your Company sourced non-convertible debentures and loans from banks and other institutions at attractive rates. Your Company continues to expand its borrowing profile by tapping into new lenders.

A. PREFERENTIAL ISSUE OF EQUITY SHARES

During the period under review, the Board of Directors at its meeting held on October 21, 2020 and Committee of Directors at its meeting held on January 19, 2021 had approved the receipt of the first and final call money on 1,31,09,753 partly paid equity shares issued and allotted on preferential basis through private placement previous year on February 20, 2020 and March 18, 2020 respectively. Subsequently, in pursuance to authority granted by the Board of Directors for receipt of the first and final call money on 1,31,09,753 partly paid equity shares, the Company has received Rs. 360 per equity share including face value of Rs. 4.40 and premium of Rs. 355.60 per equity share as first and final call money. Upon receipt of first & final call the Company had converted 1,31,09,753 partly paid equity shares into fully paid-up equity shares of Rs. 10 each. Post conversion of aforesaid equity shares, the paid up share capital stood at Rs. 127.31 crore as on March 31, 2021.

B. PRIVATE PLACEMENT ISSUES OF NON-CONVERTIBLE DEBENTURES (NCDs)

Secured non-convertible debentures worth Rs. 775 crore were issued on private placement basis by the Company during the year under review and received 3rd Tranche of Rs. 50 crore from partly paid up NCDs issued. Additionally, your Company had also raised Rs. 45 crore from Tier-II subordinated debt during the year. The said NCDs are listed on the Wholesale debt market segment of National Stock Exchange of India Limited (NSE).

Details of all the above-mentioned issues were provided to the Board on a periodic basis. As specified in the respective offer documents, the funds raised from NCDs were utilised for the purpose as mentioned in the respective Information Memorandum.

The Company has been regular in making payments of principal and interest on all the NCDs issued by the Company on a private placement basis. There are no NCDs which have not been claimed by investors or not paid by the Company after the date on which the NCDs became due for redemption.

C. COMMERCIAL PAPERS (CPs)

Commercial Papers worth Rs. 5,220 crore (On Face Value) were issued by the Company during the year under review. Total CPs outstanding as on March 31, 2021 was Rs. 2,660 crore as against Rs. 2,930 crore as on March 31, 2020. The outstanding CPs are listed on the Wholesale debt market segment of NSE.

D. BANK/FI LINES

Secured term loans worth Rs. 6,675 crore were borrowed from different banks/ financial institutions (FIs) during the year under review. Additionally, your Company enhanced the working capital lines (secured and unsecured) from Rs. 3,215 crore to Rs. 3,260 crore as on March 31, 2021. The Company inducted 3 new banks/FIs during the year under review. The Company also deepened relationship with the existing bankers not just in terms of additional working capital and term loan facilities but also notably deepening the banks' subscription to our CPs and NCDs. As on March 31, 2021, the total bank/FI lines (secured and unsecured) of the Company stands at Rs. 17,142 crore.

CREDIT RATINGS

Your Company believes that its credit rating and strong brand equity enables it to borrow funds at competitive rates.

The credit rating details of the Company as on March 31, 2021 were as follows:

(Rs. in crore)

Rating#	Program/Category	Outlook	Quantum
ICRA			
ICRA AA+	Non-Convertible Debentures	Stable	1,846
ICRA AA+	Subordinated Debt	Stable	700
ICRA AA+	Bank Loan Rating	Stable	16,000
ICRA A1+	Commercial Papers	-	6,000
CRISIL			
CRISIL AA+	Non-Convertible Debentures	Stable	1,085
CRISIL AA+	Subordinated Debt	Stable	700
CRISIL AA+	Bank Loan Rating	Stable	4,500
CRISIL A1+	Commercial Papers	-	6,000

#The above ratings were re-affirmed during the FY 2020-21

International rating details were at entity level and not rated for any specific program

Facility	Standard & Poor's*	Moody's**
	Rating as on March 31, 2021	Rating as on March 31, 2021
Entity Level	(BB+) Long term stable (B) Short term stable	Ba1/Negative

* S&P has revised the entity level long-term rating from "BBB-/Stable" and short-term rating of "A-3" to the Company to "BB+/Stable" and short-term rating to "B stable" resepectively.

** Moody's has revised the long-term rating of the Company from "Baa3/Under review for downgrade" to "Ba1/Negative" owing to COVID 19 pandemic.

DEBENTURE TRUSTEE

The details of debenture trustee for the privately placed debentures of the Company:

Vistra ITCL (India) Limited
The IL&FS Financial Centre,
Plot No. C-22, G Block, 7th Floor,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400051
Tel: +912226593535 Fax : +91 22 2653 3297
Email: mumbai@vistra.com

EX-GRATIA

RBI circular dated April 7, 2021 advised all lending institutions to immediately put in place a Board-approved policy to refund/ adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 in conformity with the above judgement. Further, the circular stated that in order to ensure that the Supreme Court judgement dated March 23, 2021 is implemented uniformly in letter and spirit by all lending institutions, methodology for calculation of the amount to be refunded/ adjusted for different facilities shall be finalised by the Indian Bank Association (IBA) in consultation with other industry participants/ bodies, which shall be adopted by all lending institutions and also advised all lending institutions to disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ended March 31, 2021. The Company has made a provision in the financial statements as at March 31, 2021 basis proforma calculation based on the eligibility criteria laid down by the IBA via its advisory dated April 19, 2021.

CAPITAL ADEQUACY RATIO

The Company continues to fulfill all the norms and standards laid down by the RBI pertaining to Capital Adequacy. As against the RBI norm of 15%, your Company has been able to maintain a Capital Adequacy Ratio (CAR) of 19.74% as on March 31, 2021, which is well above the RBI mandated norm of 15%.

POSTAL BALLOT

During the year 2020-21, approval of shareholders was sought for the below businesses, through a Postal Ballot. All the resolutions were passed by overwhelming majority:

a) Adoption of restated Articles of Association of the Company.
b) Amendment in the "Hero Fincorp Employee Stock Option Plan 2017".
c) Re-appointment of Mrs. Renu Munjal (DIN: 00012870) as Managing Director for the period of 5 (five) years and fixation of remuneration thereof.

DETAILS OF DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP) INCLUDING THOSE WHO WERE APPOINTED OR HAVE RESIGNED DURING THE YEAR

Members of the Company's Board of Directors are eminent persons of proven competence and integrity. Besides experience, strong financial acumen, strategic astuteness and leadership qualities, they have a significant degree of commitment to the Company and devote adequate time to meetings and preparation. The Board has identified core skills, expertise and competencies of the Directors in the context of the Company's business for effective functioning, which are detailed in the Corporate Governance Report. The Board meets at regular intervals to discuss and decide on Company / business policy and strategy, apart from other Board business. The Board exhibits strong operational oversight with regular business presentations of meetings. The Company has complied with secretarial standards issued by the Institute of Company Secretaries of India (ICSI) on Board meetings and General Meetings.

a. Directors

As on March 31, 2021, the Board of Directors of your Company ("the Board") comprised of 6 (Six) Directors comprising of 2 (Two) Non-Executive Directors, 2 (Two) Executive Directors and 2 (Two) Independent Directors. Your Directors on the Board possess experience and competency and are renowned in their respective fields. The Board composition is in compliance with the requirements of the Companies Act, 2013 ("the Act") and the RBI Master Directions.

b. Key Managerial Personnel

Details of the whole-time key managerial personnel ("KMP") of the Company as on the date of this report are as under:

- Mrs. Renu Munjal — Managing Director
- Mr. Abhimanyu Munjal — Joint Managing Director & CEO
- Mr. Jayesh Jain — Chief Financial Officer (CFO)
- Mr. Shivendra Suman — Head - Compliance & Company Secretary

Pursuant to the RBI master directions on Know Your Customer (KYC) Directions, 2016, Mr. Jayesh Jain, Chief Financial Officer, acts as Principal Officer of the Company for monitoring and reporting of all transactions and sharing information as required under the aforesaid regulations.

c. Appointment and Cessation of Directors and Key Managerial Personnel

During the Financial Year 2020-21, the members of the Company at their 29th Annual General Meeting (AGM), had approved the appointment of Mr. Vivek Chaand Sehgal (DIN: 00291126), as a Non – Executive Independent Director, for a period of five years commencing from December 6, 2019 up to December 5, 2024.

In terms of the applicable provisions of the Companies Act, 2013 and the Articles of Association of the Company, Dr. Pawan Munjal (DIN: 00004223), Director of the Company retires from the Board by rotation this year and being eligible, offered himself for re-appointment.

Mr. Abhimanyu Munjal (DIN: 02822641) was appointed as the Joint Managing Director & CEO of the Company for a term of 5 (Five) years with effect from June 1, 2016. The Board at its meeting held on April 29, 2021 and on the recommendation of the Nomination and Remuneration Committee (NRC) and subject to the approval of shareholders in ensuing Annual General Meeting, has recommended the re-appointment of Mr. Abhimanyu Munjal as Joint Managing Director & CEO, for another term of 5 (Five) years effective June 1, 2021. Given Mr. Abhimanyu Munjal's expertise in strategy and operations, and the fact that he is well-known and recognized in the industry, the Board is of the view that his re-appointment will help drive the franchise forward and cement a place of pride for Hero FinCorp in India's BFSI Landscape.

Mr. Pradeep Dinodia (DIN: 00027995) was appointed as the Non-Executive Independent Director of the Company for a period of 5 (Five) years with effect from May 29, 2016. The Board at its meeting held on April 29, 2021 and on the recommendation of the NRC subject to the approval of shareholders in ensuing Annual General Meeting, has recommended the re-appointment of Mr. Dinodia as Non-Executive Independent Director, for another term of 5 (Five) years effective May 29, 2021 upto May 28, 2026.

In the opinion of the Board, Mr. Dinodia possess appropriate skills, experience & knowledge and fulfils the conditions specified in the Companies Act, 2013 and Rules made thereunder for his re-appointment as Non–Executive Independent Director of the Company and is independent of the management.

The brief resume of the Directors proposed to be appointed/ reappointed, nature of their expertise in specific functional areas, terms of appointment and names of Companies in which they hold directorships and memberships/chairmanships of Board Committees, are provided in the Notice convening the 30th Annual General Meeting of the Company.

The appointment including re-appointment of directors is recommended by the NRC of the Company on the basis of requisite skills, proficiency, experience and competencies as identified and finalized by the Board considering the industry and sector in which the Company operates. The Board, on the recommendation of the NRC, independently evaluates and if found suitable, confirms an appointment/ re-appointment to the Board. The appointments including re-appointments are based on the merits of the candidate and due regard is given to diversity including factors like gender, age, cultural, educational & geographical background, ethnicity, etc.

Detailed information on the Directors is provided in the Corporate Governance Report, which forms part of this Annual Report.

DECLARATION BY INDEPENDENT DIRECTORS

In accordance with the provisions of Section 149 of the Companies Act, 2013, the Independent Directors have submitted their declaration of independence, stating that they meet the criteria of independence as provided in Sub Section (6) of Section 149 of the Companies Act, 2013.

The Board is of the opinion that the Independent Directors of the Company has the required integrity, expertise and experience (including the proficiency) and fulfil the conditions as specified in the Act and rules made thereunder and are independent of the management.

There has been no change in the circumstances or situation, which exist or may be reasonably anticipated, that could impair or impact the ability of Independent Directors to discharge their duties with an objective of independent judgment and without any external influence.

The Independent Directors of the Company have confirmed that they have enrolled themselves in the Independent Directors' Databank maintained with the Indian Institute of Corporate Affairs ('IICA') in terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment & Qualification of Directors) Rules, 2014.

FIT AND PROPER CRITERIA & CODE OF CONDUCT

Your Company has received undertaking and declaration from each Director on fit and proper criteria in terms of the provisions of RBI Master Directions. The Board of Directors has confirmed that all existing Directors are fit and proper to continue to hold the appointment as Directors on the Board, as reviewed and recommended by the NRC on fit and proper criteria under RBI Master Directions. All the Directors of the Company have affirmed compliance with the Code of Conduct of the Company. The Declaration of the same is provided in the Corporate Governance Report.

BOARD MEETINGS

The Board met 4 (Four) times during the FY 2020-21 to discuss and approve various matters including financials, appointment of auditor, declaration of dividend, review of audit reports and other board businesses. The details of such meetings are given in Corporate Governance Report forming part of this Annual Report. The intervening gap between these meetings was within the period prescribed under the Act. The notice and agenda including all material information, were circulated to all directors, well within the prescribed time, before the meeting or placed at the meeting.

Pursuant to the requirements of Schedule IV to the Companies Act, 2013, a separate meeting of the Independent Directors of the Company was also held on May 25, 2020, without the presence of non-independent directors and members of the management, to review the performance of non-independent directors, the Board as a whole, the performance of the Chairman of the Company and also to assess the quality, quantity and timeliness of the flow of information between the Company, management and the Board.

AUDIT COMMITTEE

Pursuant to the provisions of Section 177 of the Companies Act, 2013 (the Act), your Company has an Audit Committee comprising of three directors viz. Mr. Pradeep Dinodia, Mr. Vivek Chaand Sehgal and Mrs. Renu Munjal, majority of them are Independent Director. Mr. Pradeep Dinodia, an Independent Director, is the Chairman of the Audit Committee. During the financial year under review, the Audit Committee reviewed the internal controls put in place to ensure that the accounts of your Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control system of your Company. The Committee has also reviewed the procedures laid down by your Company for assessing and managing the risks. Further details on the Audit Committee are provided in the Corporate Governance Report, which forms part of this Annual Report. During the financial year under review, all recommendations made by the Audit Committee were accepted by the Board. The Committee regularly interacts with the statutory auditors, internal auditors and auditees in dealing with matters falling within its terms of reference. In compliance with the provisions of the Act, the committee met 5 (five) times during the year.

Pursuant to the provisions of Companies Act, 2013, the terms of reference of the Committee comprises of the following:

- Recommendation for appointment, remuneration and terms of appointment of Auditors of the Company;
- Review and monitor the Auditor's independence and performance, and effectiveness of Audit process;
- Examination of the financial statement and the Auditors' report thereon;
- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Monitoring the end use of funds raised through public offers and related matters; and
- Operate the Vigil Mechanism in the Company.
- Reports on Internal Controls Systems, Internal Audit Reviews and Statutory Audit reviews etc;
- Non-compliance of any regulatory, statutory or listing requirements and shareholders' services; and
- Internal Audit Plan/ Calendar etc.

During the year under review, in pursuance to SEBI circular on 'Enhanced Governance Norms for Credit Rating Agencies' dated November 4, 2019 ("SEBI Circular"), the Audit Committee members met with representatives of ICRA & CRISIL (hereinafter referred to as "credit rating agencies" /"CRAs") on December 16, 2020 and had discussion on different matters pertaining to related party transactions, internal financial controls and other material disclosures made by the Management etc. which had bearing on rating of the listed NCDs/CPs. Pursuant to aforesaid SEBI Circular, the credit rating agencies was required to meet with Audit Committee once in a year for discussion on various aspects including corporate governance, related party, internal financial controls, any other material events/disclosures etc. as prescribed in the SEBI circular.

NOMINATION AND REMUNERATION COMMITTEE

Your Company has a duly constituted Nomination and Remuneration Committee ("NRC"), with its composition, quorum, powers, role and scope in line with the applicable provisions of the Act and rules made thereunder. Further, details on the NRC are provided in the Corporate Governance Report, which forms part of this Annual Report. The NRC has formulated a policy on remuneration under the provisions of Section 178(3) of the Act and the same is uploaded on the Company's website at: https://www.herofincorp.com/company-policies.

The salient features of the Remuneration Policy are as under:

1. To determine remuneration of Directors, KMP, other senior management personnel and other employees, keeping in view all relevant factors including industry trends and practices.
2. At the Board meeting, only the Non-Executive and Independent Directors shall participate in approving the remuneration paid to the Executive Directors.
3. The remuneration structure for the Executive Directors would include basic salary, commission, perquisites & allowances, contribution to Provident Fund and other funds. If the Company has no profits or its profits are inadequate, they shall be entitled to minimum remuneration as prescribed under the Act.
4. The Non-Executive and/or Independent Directors will also be entitled to remuneration by way of commission aggregating upto 1% of net profits of the Company pursuant to the provisions of Sections 197 and 198 of the Act, in addition to sitting fees.
5. The compensation for Key Managerial Personnel, senior management and other employees is based on the external competitiveness and internal parity through periodic benchmarking surveys. It includes basic salary, allowances, perquisites, loans and/or advances as per relevant HR policies, retirement benefits, performance linked pay out, benefits under welfare schemes, etc.

ANNUAL EVALUATION-BOARD, ITS COMMITTEES AND OF INDIVIDUAL DIRECTORS

A formal evaluation of the performance of the Board, it's Committees, the Chairman and the individual Directors was carried out for FY 2020-21. Led by the Nomination and Remuneration Committee, the evaluation was carried out using individual questionnaires covering, amongst others, composition of Board, conduct as per company values & beliefs, contribution towards development of the strategy & business plan, risk management, receipt of regular inputs and information, codes & policies for strengthening governance, functioning, performance & structure of Board Committees, skill set, knowledge & expertise of Directors, preparation & contribution at Board meetings, leadership etc.

Further, the Committees were evaluated in terms of receipt of appropriate material for agenda topics in advance with right information and insights to enable them to perform their duties effectively, review of committee charter, updation to the Board on key developments, major recommendations & action plans, stakeholder engagement, devoting sufficient time & attention on its key focus areas with open, impartial & meaningful participation and adequate deliberations before approving important transactions & decisions.

As part of the evaluation process, the performance of Non-Independent Directors, the Chairman and the Board was conducted by the Independent Directors. The performance evaluation of the respective Committees and that of Independent and Non-Independent Directors was done by the Board excluding the Director being evaluated.

INTERNAL FINANCIAL CONTROLS

The Board of Directors confirms that the Company has laid down a set of standards, processes and structure which enables it to implement Internal Financial Controls across the organisation with reference to financial statements and that such controls are adequate and are operating effectively. During the financial year under review, no material or serious observation has been made regarding inefficacy or inadequacy of such controls. Assurance on the effectiveness of Internal Financial Controls is obtained through management reviews, continuous monitoring by functional experts as well as testing of the Internal Financial Control systems by the internal auditors during the course of their audits. During the financial year under review, no material or serious observations have been received from the Auditors of the Company, citing inefficacy or inadequacy of such controls.

INTERNAL CONTROL SYSTEMS

Internal Control System is pervasive in the Company. The Company has a comprehensive Internal Control System for all the major processes to ensure accuracy & reliability of financial reporting, timely feedback on achievement of operational and strategic goals, compliance with policies, procedures, laws and regulations, safeguarding of assets and economical and efficient use of resources.

The Internal Control system basically covers the area of Accounting Control, Internal Audit, Compliance Audit at regular intervals by the Internal Auditor and systems audit by Information System (IS) Auditor.

The Internal Auditors also assesses opportunities for improvement in business processes, systems and controls, provides recommendations, designed to add value to the organization and follow up the implementation of corrective actions and improvements in business processes after review by the Audit Committee.

INTERNAL AUDIT

The Company has established adequate internal control systems in line with the nature of its business and the size of its operations. At the beginning of each financial year, an audit plan is rolled out after the same has been approved by Audit Committee. The audit plan is aimed at evaluation of the efficiency and adequacy of internal control systems and compliance thereof, robustness of internal processes, policies and accounting procedures, compliance with laws and regulations. Based on the reports of internal audit function process owners undertake corrective action in their respective areas. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

The internal auditor identifies and assesses opportunities for improvement in business processes, systems and controls & provides recommendations for changes to be adopted in the existing processes. The Company has in material respect an adequate internal financial control over financial reporting.

During the financial year under review, no material or serious observations have been received from the Auditors of the Company, citing inefficacy or inadequacy of such controls.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 92(3) read with Section 134(3) of the Companies Act, 2013 ("Act"), the Annual Return as on March 31, 2021 is available on the Company's website on https://www.herofincorp.com.

CORPORATE SOCIAL RESPONSIBILITY

Your Company had constituted a Corporate Social Responsibility (CSR) Committee which functions under direct supervision of Mrs. Renu Munjal, Managing Director of the Company, who is also the Chairperson of the CSR Committee. Other members of the committee are Dr. Pawan Munjal, Mr. Abhimanyu Munjal and Mr. Pradeep Dinodia. The Committee has formulated the CSR policy indicating the activities to be undertaken by the Company from time to time. The CSR policy of the Company was changed during the year due to the recent amendments brought by the Ministry of Corporate Affairs in the Companies (Corporate Social Responsibility Policy) Rules, 2014 and as a part of standard review.

The Committee has been entrusted with the prime responsibility of implementation of the activities under the CSR policy and recommend the amount to be spent on such CSR activities during the year. The Committee is also responsible for recommending to the Board such activities which could be undertaken as per CSR policy.

Your Company has undertaken the CSR activities and complied with the provisions of Section 135 of the Companies Act, 2013. The CSR activities undertaken by your Company are based on the approved CSR policy, which is available on the Company's website, www.herofincorp.com and can be accessed by clicking on the following link: **https://www.herofincorp.com/company-policies.**

During the year under review, the Company was required to spent Rs. 7.02 crore on its CSR activities, equivalent to 2% of the average net profits of previous three financial years. The Company had made contribution of Rs. 10 crore to PM-CARES Fund on March 31, 2020 in pursuance of the appeal to contribute to PM- CARES Fund by the Secretary, Ministry of Corporate Affairs. The Company had taken benefit of the same against the CSR expense of the period under review. The CSR initiatives undertaken by your Company along with other CSR related details form part of the Annual Report on CSR activities for FY 2020-21, which is annexed as **Annexure – C.**

The CSR policy of your Company, as adopted by the Board, broadly covers the following focus areas–

- To direct HFCL's CSR programmes, inter alia, towards achieving one or more of the following: enhancing environmental and natural capital; supporting rural development; promoting education including skill development; providing preventive healthcare, providing sanitation and drinking water; creating livelihoods for people, especially those from disadvantaged Sections of society, in rural and urban India and preserving and promoting sports.;
- To develop the required capability and self reliance of beneficiaries at the grass root level, in the belief that these are prerequisites for social and economic development;
- To engage in affirmative action/interventions such as skill building and vocational training, to enhance employability and generate livelihood for persons including from disadvantaged Sections of the society;
- To pursue CSR programmes primarily in the areas that fall within the economic vicinity of the Company's operations to enable close supervision and ensure maximum development impact;
- To carry out CSR programmes in relevant local areas to fulfil commitments arising from requests by government/regulatory authorities and to earmark amounts of monies and to spend such monies through such administrative bodies of the government and/or directly by way of developmental works in the local areas around which the Company operates;
- To carry out activities at the time of natural calamity or engage in Disaster Management system;
- To promote sustainability in partnership with industry associations, like the Confederation of Indian Industry (CII), PHD, FICCI, etc. in order to have a multiplier and far reaching impact on the society.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) of the Companies Act, 2013, the Board of Directors of the Company hereby state and confirm that:

a. in the preparation of the annual accounts for the financial year ended March 31, 2021, the applicable accounting standards have been followed along with proper explanation relating to material departures in the Auditor's Report and Notes to accounts;
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 & loss of the Company for the said period;
c. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
d. the Directors have prepared the annual accounts on a going concern basis.
e. the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively.

f. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

AUDITORS

STATUTORY AUDITORS AND REPORT

Pursuant to the provisions of Section 139 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder, the Company in its 27th Annual General Meeting (AGM) held on September 21, 2018 had appointed M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101284W/W-100022) as the Statutory Auditor of the Company for a period of five years i.e. upto the conclusion of 32nd AGM of the Company to be held in year 2023.

M/s B S R & Co. LLP is one of the leading & recognized audit firms, affiliated to a renowned global brand. Its experience as an audit firm is commensurate with the requirements as regards the size and competencies necessary for rendering auditing services to the Company. The Company appointed M/s B S R & Co. LLP after having evaluated its competencies on various parameters including experience of the firm, partner and team in relevant industry, use of latest technology and auditing tools, peer review process for ensuring quality of audit and documentation. The firm performs its obligations in adherence to recognized auditing standards and periodically certifies its independence from the management.

They have audited the financial statements of the Company for the year under review. The Auditors' report, read with notes to the accounts are self-explanatory and therefore do not require further comments/elaborations pursuant to Section 134 of the Companies Act, 2013. There is no qualification made by the Statutory Auditors in their report. Further, there were no frauds reported by the Statutory Auditors to the Audit Committee or the Board under Section 143(12) of the Companies Act, 2013.

As per the guidelines issued by RBI on April 27, 2021 for the appointment of statutory auditors, NBFC-HFCs with an asset size of Rs. 15,000 crore and above, are required to have a minimum of two audit firms. The guidelines have to be adopted from the second half of FY22 onwards. The guidelines also require rotation of audit firm after a period of 3 years. Hence, the Company would have to appoint two new audit firms for conducting the audit for FY22. The Company is in the process of identifying suitable audit firms and the requisite approval of the members will be sought at a future date.

SECRETARIAL AUDITORS AND REPORT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with corresponding rules framed thereunder, M/s Sanjay Grover and Associates, Company Secretaries (Firm Registration No.: P2001DE052900), were appointed as the Secretarial Auditors of the Company to carry out the secretarial audit of the Company for the financial year ended March 31, 2021.

A secretarial audit report given by the Secretarial Auditors of the Company in requisite Form No. MR-3 is annexed as **Annexure – D** with this annual report. The Report does not contain any qualification, reservation or adverse remark.

COST RECORDS AND COST AUDIT

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Section 148(1) of the Companies Act, 2013 are not applicable for the business activities carried out by the Company.

LOANS, GUARANTEES AND INVESTMENTS

Pursuant to Section 186(11)(a) of the Companies Act, 2013 (the 'Act') read with Rule 11(2) of the Companies (Meetings of Board and its Powers) Rules, 2014, the loans made, guarantee given or security provided or any investment made in the ordinary course of its business by a

Non-Banking Financial Company (NBFC) registered with Reserve Bank of India is exempt from the applicability of provisions of Section 186 of the Act.

During the financial year 2020-21, the Company has invested an amount of Rs. 100 crore into Hero Housing Finance Limited (HHFL), by way of making payment towards First & Final call money on 20,83,33,333 partly paid equity shares, of Rs. 4.80 including face value per equity share of Rs. 4.00 and premium of Rs. 0.80 per equity share. Consequently, the said partly paid up equity shares got converted into fully paid up equity shares of face value of Rs. 10 each.

Information regarding investments covered under the provisions of Section 186 of the said Act is detailed in the financial statements.

RELATED PARTY TRANSACTIONS AND POLICY

All the related party transactions pursuant to Section 188(1) of the Companies Act, 2013 ("the Act") that were entered into by your Company during the year under review were on an arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions made by your Company with its promoters, directors, key managerial personnel or other designated persons, which might have any conflict with the interest of the Company.

Your Board had approved and put in place a policy on related party transactions. In terms of provisions of Section 177 of the Act, all the related party transactions had been placed before the audit committee for its ratification/rejection. There was no material transaction which required the approval of the Board therefore no detail is provided in Form AOC-2. Pursuant to Section 188 of the Companies Act, 2013, your Company has developed standard operating procedures for the purpose of identification of related party transactions and monitoring on a regular basis. Related party transactions were disclosed to the Board on regular basis as per Ind AS-24. Details of related party transactions as per Ind AS-24 may be referred to in Note 37 of the Standalone Financial Statements.

None of the Directors had any pecuniary relationships or transactions vis-a-vis the Company except as provided in the notes to the accounts.

Pursuant to the requirement of Non-Banking Financial Company – Systemically Important Non Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the policy on related party transactions is annexed as **Annexure - E** and is also available on the Company's website, at https://www.herofincorp.com/company-policies.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

The Company is committed to adhere to the highest standards of ethical, moral and legal conduct of its business operations. To maintain these standards, your Company has in place a well formulated vigil mechanism/whistle blower policy, to deal with instances of fraud and mismanagement or other irregularities, if any. The policy enables any employee, director and other stakeholders to raise their concern directly to the Audit committee/ Board. During FY 2020-21, no individual was denied access to the Audit Committee/Board for reporting concerns, if any.

During the financial year 2020-21, following is the summary of complaints received and disposed off under this policy by the disciplinary committee (DC) and report finally presented before the Audit committee/ Board.

No. of complaints received: 10

No. of complaints disposed off: 9

The Policy aims to ensure that serious concerns are properly raised and addressed and are recognized as an enabling factor in administering good governance practices. The whistle blower policy of the Company is available on the Company's website, by clicking on the following link **https://www.herofincorp.com/company-policies.**

PUBLIC DEPOSITS

During the year under review, the Company did not accept/ renew any public deposit(s) under the provisions contained in Section 73 of the Companies Act, 2013, and the rules made there under and as such, no amount of principal or interest was outstanding as on the balance sheet date. Further, The Company did not hold any public deposits at the beginning of the year nor has it accepted any public deposits during the year under review.

MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

No material change and/or commitment affecting the financial position of your Company has occurred between April 1, 2021 and the date of signing of this report. However, in view of the ongoing Covid-19 pandemic, your Company carried out a comprehensive assessment of possible impact on its business operations, financial assets, contractual obligations and its overall liquidity position, based on the internal and external sources of information and application of reasonable estimates. Your Company did not foresee any significant incremental risk to the recoverability of its assets or in meeting its financial obligations over the foreseeable future, given early and required steps taken to contain, protect and mitigate the exposure.

INFORMATION ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE

Your Company, being engaged in leasing and financing business within the Country, does not have any activity relating to conservation of energy, technology absorption and export of materials, goods or services. The Directors, therefore, have nothing to report on conservation of energy and technology absorption.

The information pursuant to Section 134(3)(m) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 are as follows:

- Parts A and B pertaining to conservation of energy and technology absorption - NIL
- Foreign exchange earnings and outgo: Earnings – NIL

  Outgo – Rs. 15.44 crore on account of travel, information technology, legal & professional, training etc. (Previous year Rs. 16.31 crore).

RISK MANAGEMENT

Effective risk management is essential to success and is an integral part of our culture. While we need to accept a level of risk in achieving our goals, sound risk management helps us to make the most of each business opportunity, and enables us to be resilient and respond decisively to the changing environment. Our approach to risk management assists us in identifying risks early and addressing them in ways that manage uncertainties, minimize potential hazards, and maximize opportunities for the good of all our stakeholders including shareholders, customers, suppliers, regulators and employees. Risks can be broadly classified as strategic, operational, financial, legal and regulatory.

Mr. Pradeep Dinodia, Independent Director, is the Chairman of the Risk Management Committee (RMC) of the Board. RMC assist the Board in its oversight of various risks, review of compliance with risk policies, monitoring of risk tolerance limits, review and analyse the risk exposures related to specific issues and provides oversight of risk across the organization. The details of the Committee along with its terms of reference are set out in the Corporate Governance Report, forming part of this Annual Report. The Board of Directors have also adopted risk management policy for the Company which provides for identification, assessment and control of risks that in the opinion of the Board may threaten the existence of the Company. The management identifies and controls risks through proper operations, management & defined framework in terms of the aforesaid policy. Ms. Srishti Sethi is the Chief Risk officer (CRO) of the Company and is responsible for implementation of Risk Management framework for the Company.

NOMINATION AND REMUNERATION POLICY

Pursuant to the provisions of section 178 of the Act, the Board of Directors had approved and adopted the Nomination and Remuneration policy, inter alia, for the appointment and fixation of remuneration of the directors, key managerial personnel and other employees of your Company as applicable. The Nomination and Remuneration Committee has also developed the criteria for determining the qualifications, positive attributes and independence of the Directors and for making payments to Executive and Non- Executive Directors of the Company. The said policy is attached herewith as **Annexure - F** to this Report. The remuneration policy of your Company can be accessed by clicking on the following link **https://www.herofincorp.com/company-policies.**

EMPLOYEE STOCK OPTION PLAN

During the year under review, there was no change in Hero FinCorp Employee Stock Option Plan, 2017 ("ESOP 2017"). Basis the recommendation of the Nomination & Remuneration Committee (NRC), the Board of Directors approved certain necessary changes into the said ESOP 2017. Details of ESOP disclosure pursuant to Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 and the provisions of Section 62 of the Companies Act, 2012 read with rules framed thereunder is annexed as **Annexure – G** to this report.

PARTICULARS OF EMPLOYEES

Your Directors place on record their appreciation for the significant contribution made by all employees, who through their competence, dedication, hard work, co-operation and support have enabled the Company to achieve different milestones on a continual basis.

A detailed note on personnel is given in the Management Discussion and Analysis Report, which forms part of this Annual Report.

The statement of Disclosure under Section 197 of the Act and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ("Rules"), is appended as **Annexure – H** this Report. The information as per Rule 5(2) of the Rules, forms part of this Annual Report. However, as per first proviso to Section 136(1) of the Act and second proviso of Rule 5(2) of the Rules, the Report and Financial Statements are being sent to the Members of the Company excluding the statement of particulars of employees under Rule 5(2) of the Rules. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company or may address their e-mail at investors@herofincorp.com .

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 125 of the Companies Act, 2013 read with Companies (Declaration and Payment of Dividend) Rules, 2014, your Company had transferred unclaimed/unpaid dividend of Rs. 4,92,750 for FY 2012-13 lying with the Company for a period of 7 years after declaration of dividend to the Investor Education and Protection Fund (IEPF) of Central Government of India.

Further, pursuant to the provisions of Section 124(6) of the Companies Act, 2013 read with IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, all shares in respect to which dividend had not been paid or claimed for 7(seven) consecutive years or more shall be transferred to IEPF Authority. Accordingly, w.r.t. FY 2012-13 whose dividend had not been claimed for last 7 (seven) years, the Company has transferred 24,400 equity shares into demat account of IEPF Authority. The details of equity shares transferred to IEPF are also available on the Company's website, by clicking on the following link- https://www.herofincorp.com/investor-relations/unclaimed-unpaid-dividend.

NODAL OFFICER

Your Company has appointed Mr. Shivendra Suman as Nodal officer for the purpose of coordination with Investor Education and Protection Fund (IEPF) Authority.

RBI DIRECTIONS

The Company continues to fulfill all the norms and standards laid down by the RBI pertaining to non–performing assets, capital adequacy, statutory liquidity assets, etc. Your Company complies with the direction(s), circular(s), notification(s) and guideline(s) issued by the RBI as applicable to your Company as a systemically important non-deposit taking NBFC. The Company has in place the system of ensuring compliance with applicable provisions of Foreign Exchange Management Act, 1999 and rules made thereunder. In line with the RBI guidelines for asset liability management (ALM) system for NBFCs, the Company has an Asset Liability Management Committee, which meets at regular intervals to review its ALM risks and opportunities.

Pursuant to RBI Master Direction-Information Technology Framework for the NBFC sector, the Company had constituted an IT Strategy Committee to review the IT strategies in line with its corporate strategies, cyber security arrangements and other matters related to IT governance.

The Company continues to be in compliance with the NBFC–Corporate Governance (Reserve Bank) Directions, 2015.

Your Company has complied with all the norms prescribed by the RBI including the Fair Practices Code, Anti Money Laundering and Know Your Customer (KYC) guidelines besides other guidelines.

COMPLIANCE WITH SECRETARIAL STANDARDS

The Directors have devised proper systems and processes for complying with the requirements of applicable Secretarial Standards issued by the Institute of Company Secretaries of India on Board Meetings (SS-I) and General Meetings (SS-II) and such systems were adequate and operating effectively.

STATUTORY DISCLOSURES

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Buy Back of shares
- Issue of sweat equity shares to employees of your Company.
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
- There were no delays or defaults in payment of interest/principal of any of its debt securities.
- The Company has not defaulted in repayment of loans from banks and financial institutions.
- There is no proceeding pending under the Insolvency and Bankruptcy Code, 2016.
- There was no instance of onetime settlement with any Bank or Financial Institution.

DISCLOSURE UNDER PREVENTION OF SEXUAL HARASSMENT POLICY

Your Company has complied with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Prevention of Sexual Harassment (POSH) Policy is in place and as per the said Policy, an Internal Committee is also in place to redress complaints received regarding sexual harassment. The constitution of Internal Complaints Committee (ICC) is as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Committee includes external member with relevant experience. The Committee meets at regular intervals in order to ensure and enhance security of female employees. The Company aims at providing a workplace that enables employees to work without gender bias and sexual harassment.

An annual report by the Committee is submitted to the Board of Directors of your Company on the complaints received and action taken by it during the said year. Following is the summary of complaints received and disposed off during year under review:

No. of complaints received: 1

No. of complaints disposed off:1

HUMAN RESOURCES

Your Company, in the last financial year continued its journey of strengthening and championing people practices. Several initiatives were taken during the financial year to enhance productivity, upskilling & cross-skilling and engagement while ensuring health and safety of employees which was paramount. Inspiring employees to uphold Covid appropriate behaviors and come out of the stupor of the lockdown 1.0, the HR Team collaborated with business to form the restart team to ensure the work place was a safe space by ensuring all protocols were followed. This team ensured that the staff are trained, helping them navigate the ambiguity with facts and not fear, and feel psychologically, physically and operationally safe in a shifting environment. Adopting a digital mindset, the HR team delivered engagement and learning digitally. A special digital engagement platform "Suno Sunao" was instituted, to become a place of coming together. Through the first couple of months of lockdown, all Heroes across India connected at a stipulated time for a series of sessions spanning health & well-being, fun and family, leading in times of crisis and various digital contents. The team was in constant touch with employees through digital town halls, digital dealership visits etc. leading to enhanced motivation and connect. Rewards and recognition were enhanced by introduction of spot recognition and conservation of culture done through virtual celebrations and festive season engagement. There were a number of instructor led digital sessions organized both for employees and Managers and a series of e-learnings and micro-learnings launched to enable self-paced digital learning. Talent development programs like Ivy League and MT program were continued without a break owing to digitization of employee onboarding and learning processes. Various steps were also taken to strengthen the performance assessment framework and to promote meritocracy. Specific KRA's for the lockdown period were assigned and meaningful minimum performance standards embedded within the incentives policies. Further, to improve interdepartmental interdependencies and to reinforce our values based culture, the Working Together Survey was launched to assess the effectiveness of our interactions across the organization. The framework was put together with the Organization's Values (TITHI) at the center of it. We also, launched PRIDE (Pledging Respect and Integrity with Discipline and Ethics) to further embed these values across the organization and encourage employees to 'do the right thing'. It is imperative that employees are continuously coached on how to remain professional, especially in the new normal. For an employee base as spread out as ours, encouraging employees to come back to work and follow safety norms required a large degree of self-discipline and self-regulation. PRIDE initiative was launched in the organization with the focus to create an inspired and disciplined Hero force Synchronous with our organization's vision of fulfilling dreams. And last but not the least, the CSR pillar had launched a UMANG week – which allowed employees to contribute by way digital means to those in need. The HR team through various initiatives ensured that business continuity was maintained while bringing forth several measures to ensure employees' well-being - social, physical, psychological and development was nurtured.

AWARDS AND RECOGNITION

During the year under review, your Company has been facilitated with the following awards and Recognition: –

- Hero FinCorp Limited was certified as a Great Place to Work for the fourth time in a row. Certificate duration: March 2021- February 2022
- Hero FinCorp is amongst Top 30 Best Workplaces in BFSI 2020 for the third year in a row.

DISCLOSURE UNDER THE HUMAN IMMUNODEFICIENCY VIRUS AND ACQUIRED IMMUNE DEFICIENCY SYNDROME (PREVENTION AND CONTROL) ACT, 2017

During the year under review, no complaints were received by the Complaints Officer under the Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome (Prevention and Control) Act, 2017.

ACKNOWLEDGEMENT

The Board of Directors acknowledge with gratitude the co-operation and assistance extended by its bankers, financial institutions, rating agencies, customers, associates, debenture holders, auditors, trustees, regulatory bodies and its employees.

The Board of Directors also gratefully acknowledge all stakeholders of the Company viz. customers, members, dealers, vendors and other business partners for the excellent support received from them during the year. Our employees are instrumental in helping the Company scale new heights, year after year. Their commitment and contribution is deeply acknowledged. Your involvement as shareholders is also greatly valued. The Board of Directors look forward to your continuing support.

The Directors deeply regret the loss of lives on account of the Covid-19 pandemic and place on record their sincere appreciation to all those who have gone beyond their duties in this fight against the pandemic.

By Order of the Board
for Hero FinCorp Limited

Pawan Munjal
Chairman
DIN: 00004223

Place: New Delhi
Date: April 29, 2021

Registered Office:
34, Community Centre, Basant Lok, Vasant Vihar, New Delhi - 110 057
CIN : U74899DL1991PLC046774
Phone : +91 11 4604 4100, +91 11 4948 7150;
Fax : +91 11 2614 3321, +91 11 4948 7197
E-mail : investors@herofincorp.com
Website: www.herofincorp.com

ANNEXURE-A

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

GLOBAL ECONOMY

The financial year 2020-21 began with unprecedented disruptions to lives and livelihood across the world and India was no exception. A stringent nationwide lockdown was imposed in India during the initial phase of the pandemic in March-June 2020. The impact of pandemic and lockdown was disproportionately felt across industries. The pandemic posed unprecedented dilemma before policymakers – lives vs livelihoods and flattening the twin curves of pandemic and the resultant recession. India experienced first economic recession in 4 decades. Indian economy shrunk by 24.4% in Q1 FY 2020-21.

Given the impact of the pandemic, FY 2021 was expected to be an extremely demanding year. The consensus was that GDP growth in FY 2021 would not only be negative but also would constitute the greatest fall in growth since 1979-80.

After an estimated historic correction of (3.3%) in 2020, the International Monetary Fund (IMF) has projected the global economy to grow 6% in calendar year 2021 and 4.4% in 2022 on the back of the fiscal and monetary support provided by governments the world over coupled with widespread vaccination. On the back of policy support, economic activity in various sectors is gaining momentum while adapting to pandemic-induced restrictions.

The future of global economic growth will depend on three major factors: the evolution path of the health crisis, including whether the new COVID-19 strains prove susceptible to vaccines or they prolong the pandemic; the effectiveness of policy actions to limit persistent economic damage; and the evolution of financial conditions across countries and the adjustment capacity of their economies.

INDIAN ECONOMY

2020 was a year that segregated the resilient from the vulnerable. Indian economy has been exhibiting a weaker trend even before the onset of the COVID-19 Pandemic. Right from the country's phased lockdown and slump in business activities to the gradual recovery and the ongoing vaccination drive globally, it's been nothing short of a roller coaster ride. 2020 was a year that defined 'what was' and 'what will be'. The year unfolded quite dramatically as it brought along both unprecedented crisis and uncharted opportunities for the economy. The Reserve Bank of India's (RBI) prompt response during the crisis helped avert a financial collapse. It implemented measures like slashing interest rates, announcing fiscal stimulus package and allowing loan moratorium, among others. Together, these measures helped stabilise the economy.

The Indian economy recorded a negative growth rate of 24.4 percent and 7.3 percent in Q1 FY 2021 and Q2 FY 2021 due to lockdown measures. However, the lifting of lockdown measures brought the GDP growth into positive territory of 0.4 percent in Q3 FY 2021, which again fell into a negative territory of 1.1 percent in Q4 FY 2021 due to the reimposition of certain lockdown type restrictions in certain states. Hence, the overall growth is expected to be in negative territory by 8.0% in FY 2021 compared to the growth rate of 4.2 percent in 2019-20. However, agriculture sector growth was estimated at 3.4 percent in FY 2021 due to lower COVID-19 incidence in rural areas and the Government measures to support the sector. While steady growthin the agricultural sector throughout the year was the silver lining for FY 2020-21, the second half was buoyed by growth in construction, manufacturing and financial services sector. The scars of the pandemic were evident in the retail, airlines, hotels and the wider hospitality industries. MSMEs faced a bigger crisis due to shortage of liquidity and supply chain disruptions.

The Government announced a special comprehensive package of Rs. 20 Lakh Crore, equivalent to 10% of India's GDP under the 'Self-Reliant India' movement to revive the country's economic activity. To promote greater participation by FPIs (Foreign Portfolio Investment), the Government proposes to increase the investment limit for FPI to 15% (currently 9%) of the outstanding stock of corporate bonds. The Government also offered certain specified categories of investment in Government securities to be fully opened for NR (Non-Resident) investors.

The resurgence of COVID-19 infection cases in India since April 2021, referred to as the 'second wave', led to re-imposition of lockdowns and other containment measures across states. This set back the fledgling economic recovery process following the first wave. The second wave created enormous stress on the health infrastructure of the country with death rates rising far beyond that seen in the first wave. Exponential rise in infections and renewed restrictions have caused a large dent in consumer confidence. Lockdown in various states, slowing production and distribution of vaccine doses throughout the country, rise in occurrences of fungal infections and burdened finances of various states due to decreasing revenues and higher expenditure on health have added to an already uncertain near term economic growth, and has dealt a blow to hopes of double-digit growth rate in FY 2021-22. As infections recede, the economy is slowly opening up again. Hopefully, a serious increase in the pace of vaccinations across the country coupled with proper wearing of masks and social distancing will bring this surge down. If we keep all enterprises and workers open for business, this second surge should not affect the economy in a significant manner. However, that remains to be seen. For much depends on whether state governments react to the surge by large scale lockdowns; and whether the vaccination drive can be accelerated significantly.

Rapid and bold responses during the year by the Government, the RBI and other financial sector regulators contained risks to financial stability. Acknowledging the need for higher spending on health and infrastructure during the year, the Government, in Union Budget of FY 2021-22, increased the fiscal deficit target to 6.8%, the highest since 1994. The Reserve Bank of India too has been complementing the efforts to revive the economy with its monetary policy tools. In May 2020, the RBI slashed repo rate by 40 bps to 4.0%. Targeted liquidity support to affected sectors, easing of lending and restructuring norms, and priority lending facilities for vaccine manufacturers and medical suppliers have been part of the comprehensive strategy of the central bank against the second wave of pandemic.

FINANCIAL SERVICES -NBFC SECTOR

India's financial services sector comprises of commercial banks/ co-operative banks, non-banking financial companies, insurance companies, pension/ mutual funds and other various entities. India is expected to be fourth largest private wealth market globally by 2028. NBFC sector plays important role in financial inclusion by meeting credit needs of retail and MSME sector. NBFC sector provides efficient credit distribution reach to untapped and under-penetrated regions and customer class. NBFCs bring the much needed diversity to the financial sector by providing consumer credit, including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bills discounting for small and medium companies and fee based services such as investment banking and underwriting. NBFCs have carved niche business areas for them within the financial sector space and are also popular for providing customized products. The credit delivery of NBFC sector constituted 11.6 % of GDP.

Credit growth (YoY) of the NBFC sector was close to 3 % in June 2020. Further, the credit growth contracted in September 2020 with a YoY growth of -6.6 %.

REGULATORY DEVELOPMENTS AND SCHEMES

The NBFC sector continued to grow its share in the financial services industry. The spread of COVID-19 pandemic and the consequent lockdowns across the country led to large scale economic disruption across sectors and industries. In order to alleviate financial burden on borrowers and to help businesses get back on their foot, the government and the RBI announced a slew of regulatory forbearances and schemes during the year - some of the key being:

Moratorium: The RBI on March 27, 2020 announced a COVID-19 regulatory package wherein it allowed eligible borrowers - whose accounts were standard as at February 29, 2020, to avail moratorium for term loan instalments falling due between March 1, 2020 and May 31, 2020. In May 2020, the moratorium was further extended for 3 months i.e. up to August 31, 2020. During the moratorium, a standstill was imposed on asset classification norms to mitigate the impact on credit quality. The asset classification standstill order was later vacated on March 23, 2021 by the Honourable Supreme Court of India.

ECLGS Scheme: The Finance Ministry of India launched the Emergency Credit Line Guarantee Scheme (ECLGS) in May 2020 with an aim to provide Rs. 3 Lakh Crore of unsecured loans to MSMEs and business enterprises to mitigate the distress caused by the COVID induced lockdowns. In November 2020, the scheme was extended to 26 other sectors as identified by the Kamath Committee and the health sector. The scheme provides 100% guarantee on loans up to 20% of the eligible borrower's total outstanding credit as of February 29, 2020 subject to the loans being less than or equal to 30 days past due as on February 29, 2020.

Resolution Framework: In August 2020, the RBI announced a Resolution Framework, whereby it allowed a one-time restructuring of loans experiencing COVID-19 related stress, without classifying them as NPA. Borrowers classified as standard but not in default for more than 30 days as at March 1, 2020 were eligible to avail the benefits under the resolution framework.

Waiver of interest on interest: In October 2020, the government announced ex-gratia payment of the difference between compound interest and simple interest on loans up to Rs. 2 Crore, during the six-month moratorium period from 1st March to 30th August 2020, for certain eligible categories of loans such as MSME loans, education loans, housing loans etc. All eligible borrowers, which were standard as at February 29, 2020, whether or not they had availed the moratorium, were eligible to receive the difference between compound interest and simple interest on their loans.

Following the Honourable Supreme Court's judgement dated March 23, 2021, RBI in April 2021 instructed lenders to refund/ adjust interest on interest charged to all borrowers during the moratorium period, irrespective of whether the moratorium had been availed or not.

Digitization of Finance Industry

The rise of Fintech companies and solutions over the years has led to a completely new and transformed financial services platform. India's Fintech industry has over 2,100 Fintechs of which 67% was elevated in the last 5 years making an estimated valuation of around USD 50-60 million. (Source: Boston Consulting Group and FICCI). Larger corporations are increasingly recognising the need for software solutions and are turning to fintech to increase and improve their financial service offerings. India's financial technology companies are in the process of becoming three times as valuable in the next five years.

The Government is playing a pivotal role in promoting digitisation of financial systems and reducing cash transactions in the economy. It has helped in changing consumer focus towards digital alternatives for financial transactions and services. Various government initiatives, such as Jan Dhan Yojana which is enabling bank accounts for all, has helped to considerably improve rural access to financial markets. The advent of UPI and Aadhaar has given an edge to the functioning of Fintech companies in enhancing financial inclusions. These developments, together with affirmative investor sentiments, augur well for the continued growth of the Indian Financial Services industry. Fintech is also finding its way into applying for mortgages and even purchasing insurance, thereby giving consumers a lot of new options. The rise of Fintech has significantly helped in growing India's wealth through automation, data science and artificial intelligence. These platforms not only offer end-to-end guidance but also resolve queries and promote financial literacy.

THE COMPANY

Hero FinCorp Limited is an NBFC with a diversified product portfolio. Its aim is to aid financial inclusion of the unserved and partnering the dreams of Indian entrepreneurs & businesses.

In the two wheeler segment, the Company has focused on customers who are left out of the banking network for reasons like limited documentation, limited credit history and hence are perceived as a high-risk category by the banking channels. Hero FinCorp Limited believes that credit worthiness can be evaluated by employing innovative methods that take into account the subjective knowledge gleaned from customer visits, background checks, etc. This can provide opportunity to the customer to start building a credit history and move towards financial inclusion.

The Company provides a bouquet of other financial products including used Car Financing, Loyalty Personal Loan, Inventory Funding, Loan Against Property, Loans to SMEs and Emerging Corporates.

Hero FinCorp Limited has set up a housing finance arm, namely, Hero Housing Finance Limited (wholly owned by Hero FinCorp Limited), to cater the housing needs and support in the Government's holistic mission of "Housing for All".

FINANCIAL AND OPERATIONAL PERFORMANCE

The Company always focus on three key principals - operating efficiency, customer centricity and skill up. Hero FinCorp Limited, has again shown a strong year of performance aided by a diversified portfolio mix, robust, volume growth, prudent management strategic initiatives.

During the year under review, receivables under financing activity including leasing portfolio has grown by 7% from Rs. 23,389 crore in FY 2019-20 to Rs. 25,121 crore in FY 2020-21. The total income has shown an growth of 11% from Rs. 3,703 crore in FY 2019-20 to Rs. 4,092 crore in FY 2020-21.

SEGMENT WISE PERFORMANCE

Retail Business

The Two-Wheeler business is present at 858 dealerships at the end of Financial Year 2021. Our services are now available at over 4,100+ touch points across 1,900+ cities, towns & villages. The retail team has built the capacity to disburse a loan every 10 seconds and have serviced over 6 million happy customers as on March 31, 2021; an amazing achievement within a short span of less than 8 years. A total of over 10 Lakh of two wheeler loans were disbursed in the last financial year (13.5 Lakh in FY20) amounting to a total active customer base of around 3.1 Million and an asset book of approx. Rs. 8,878 crore.

SME & Corporate Business

At present the Company is operating out of 50 locations on the non-retail segment. The team built a capacity to process 800 applications including EMI & No EMI loans in a month. In FY 21, Rs. 4,206 crore worth of loans were disbursed during the year under review. The Company has closed the year with an impressive SME & Corporate asset book of Rs. 9,296 crore.

BORROWINGS

During the year under review, the Company continued with its diverse methods of sourcing funds in addition to regular borrowings like Secured and Unsecured Debentures, Term Loans, Commercial Papers, etc. The company sourced long-term debentures and bank term loans at competitive rates.

During the year, the Company borrowed to the tune of Rs. 20,931.80 crore, including rollovers, to serve the business needs & disbursals. The borrowing book stood at Rs. 21,816.43 crore as on March 31, 2021 against Rs. 20,390.45 crore as at March 31, 2020.

The Company focused on diversified borrowing mix with inclination to borrow long-term money. the Company closed the borrowing mix (Long Term: Short) at 81:19 as on March 31, 2021 vs. 75:25 as on March 31, 2020.

Non-Convertible Debentures

Secured non-convertible debentures worth Rs. 775 crore were issued on private placement basis by the Company during the year under review and received 3rd Tranche of Rs. 50 crores from partly paid up NCD issue. Additionally, your Company had also raised Rs. 45 crore from

Tier-II subordinated debt during the year. The said non- convertible debentures are listed on the Wholesale debt market segment of National Stock Exchange of India Limited.

Commercial Papers

Commercial Papers worth Rs. 5,220 crore (On Face Value) were issued by the Company during the year under review. Total Commercial Papers outstanding as on March 31, 2021 was Rs. 2,660 crore as against Rs. 2,930 crore as on March 31, 2020. The outstanding commercial papers are listed on the Wholesale debt market segment of National Stock Exchange of India Limited.

Bank Lines

Secured term loans worth Rs. 6,675 crore were borrowed from different banks/ FIs during the year under review. Additionally, your Company enhanced the working capital lines (secured and unsecured) from Rs. 3,215 crore to Rs. 3,260 crore as on March 31, 2021. The Company inducted 3 new banks/FIs during the same year. The Company also deepened relationships with the existing bankers not just in terms of additional working capital and term loan facilities but also notably deepening the banks' subscription to our commercial papers and debentures. As on March 31, 2021, the total bank/FI lines (secured and unsecured) of the Company stands at Rs. 16,949 crore.

ASSET LIABILITY MANAGEMENT (ALM)

Notwithstanding the pandemic, the Company maintained a healthy liquidity profile and its ALM gaps were always under the prudential limits. The year also marked the initiation of the Liquidity Coverage ratio calculation and the Company maintained a healthy weighted average LCR of 229% fo Mar-21 quarter as against requirement of 50%. Further, the Company has maintained total liquidity of Rs. 4,833 Crore (Standalone basis) which included both on balance-sheet liquid assets and un-availed sanctions not appearing on the balance sheet.

Contractual Asset Liability Management March-21 (Standalone)

Bucket	Cum. Mismatch (Rs. Crore)	% age	RBI Limit
Upto 1m	+2,414	+149%	**Negative 15%**
1 to 3m	+6,196	+193%	
3 to 6m	+6,924	+137%	
6 to 12m	+4,453	+36%	
1-3 yr	+3,728	+17%	
3-5 yr	+3,852	+16%	
Above 5 yr	-	0%	

CAPITAL ADEQUACY

The Company continues to fulfill all the norms and standards laid down by the RBI pertaining to Capital Adequacy. As against the RBI norm of 15%, your Company has been able to maintain a Capital Adequacy Ratio (CAR) of 19.74% as on March 31, 2021, which is well above the RBI mandated norm of 15%.

INFORMATION TECHNOLOGY

Hero FinCorp endeavours to be a customer–centric organization and a leader in innovative digital products and technology. We are happy to report that in FY 21 we have made significant strides with the launch and update of application & platforms catering to customer acquisition, servicing and collections with the aid of analytics.

For our retail customers, we launched a mobile application which now has a customer base of around 1.5 million. This offering has helped us in serving more than 1.0 million customer service requests within 6 months of its launch. In addition to the mobile application, an Automated Interactive Voice channel was launched to aid our customers in reaching us to resolve their queries, requests for service and to log their complaints. Our Digital Vertical has improved the process for our instant Personal Loan product – 'SimplyCash' which has led to 7.2 lakh app installation with 13K loan disbursals accounting to Rs. 134 crore SimplyCash onboarding journey has been revamped with 3 scorecards i.e Risk, Banking & Application. We have also strengthened the quality of onboarding of loans with the integration of various automated lending scorecards for products including two wheeler loans, loans for used cars as well as personal loans. This has also been achieved by integration of various authoritative third party sources of data like Aadhaar, Permanent Account Number (PAN), credit bureaus etc. to provide an experience of convenience to our customers while maintaining integrity of data.

In FY 21 steps have been taken to enhance our datalake to serve as the central repository for the organization's data requirement and analytics. This platform enables Data Standardization, Cleansing and offers a reliable source of data. Development of analytical models which have been used in onboarding of loans as well as reducing delinquencies have been made possible through the use of such central and controlled sources of enterprise data.

Hero Fincorp's technology strategy is to enable business strategy through a flexible, open yet secure platform which promotes the usage of Artificial Intelligence led capabilities in simplifying the experience of our customers.

RISK MANAGEMENT AND CONCERNS

Hero FinCorp promotes a strong risk culture throughout the organization designed to help reinforce Hero Fincorp's resilience by encouraging a holistic approach to manage risk & return and provide Management with a greater insight into risks and their impact. Hero Fincorp operates with an effective Risk Management Framework to actively manage all the material risks faced, in a manner consistent with our risk appetite.

Financial services industry in India and across the globe witnessed unprecedented financial crisis during FY-21 owing to COVID-19 pandemic. It reemphasized the importance of robust risk management practices amongst Banks & NBFCs. While the Senior Management team at Hero Fincorp ably managed the Risk Management function in the organization so far, the Risk Management Department (RMD) was formally set-up in the organization in the beginning of FY 21 with the on-boarding of the Chief Risk Officer, Ms. Srishti Sethi. The RMD has been created and placed in the organization structure on the **'Three lines of Defence'** model. The model distinguishes amongst the three groups (or lines) involved in effective risk management:

- Functions that own and manage risks (frontline teams/ operational managers who own and manage risks and are responsible for implementing corrective actions to address process and control deficiencies)
- Functions that oversee risks (RMD & Compliance)
- Functions that provide independent assurance (Internal Audit)

Risk Management team at Hero FinCorp identifies, measures and mitigate risks faced by the Company. We have a differentiated approach to managing risks across our platforms with robust governance mechanisms in place, that not only manage risks at each of the segment levels but also at the Company level.

Risk Management team is guided by the Company's Risk Management Committee which oversees development and implementation of Risk Assurance practices. Under the overall ambit of Corporate Governance, the Company has in place a Risk Management policy along with other risk related policies.

Our approach to risk management assists us in identifying risks early and addressing them in ways that manage uncertainties, minimize potential hazards, and maximize opportunities for the good of all our stakeholders including shareholders, customers, lenders, regulators and employees.

Hero FinCorp has to manage various risks associated with the lending business. These risks include credit risk, operational risk, liquidity risk and interest rate risk amongst others. Hero FinCorp Limited manages credit risk through stringent credit norms. Company measures, monitors and manages credit risk at an individual borrower level and at the group exposure level for corporate borrowers. The credit risk for individual borrowers is being managed at portfolio level for Loans. Company has a structured and standardized credit approval process, which includes a well-established procedure of comprehensive credit appraisal. Operational Risk comprises of risk of loss due to losses arising from failure of internal systems, process and personnel or external events. Hero FinCorp has identified various risks under this category and has put in place appropriate controls and disaster recovery plans to mitigate or minimize the risk. In order to mitigate the interest rate risk and liquidity risk, we have developed innovative resource mobilization techniques and prudent fund management practices, among others.

COVID19 brought in its wake an environment of not only heightened risk, but of prolonged uncertainty. The still -unfolding crisis has blurred the lines between business-as-usual risk management, crisis management and resilience. The response to COVID19 by the Government and the Regulator was a multitude of measures that were a 'first' for the industry– Loan Moratorium, Ex-Gratia Payment, One-Time-Restructuring, Atmanirbhar Bharat Loans, etc. Hero Fincorp has been very agile in terms of response to COVID-19 and took proactive steps to combat portfolio stress e.g. Risk Appetite Framework, Reserve Adequacy Assessment, Portfolio Stress Testing, Credit Policy changes, Moratorium extension to impacted borrowers, Emergency Credit Line Guarantee Scheme (ECLGS) lending, One-time Restructuring of Loans & Advances, Risk conscious approach on incremental lending.

Risk Management Department at Hero Fincorp has been performing the dual tasks of setting up the basic Risk Management process of identifying, measuring, monitoring and reporting risks in the Company; and, at the same time, upgrading and repositioning risk management – basically, a 'Risk Reboot' – as the pandemic unfolded.

INTERNAL CONTROL SYSTEMS

The Company has established adequate internal control systems in line with the nature of its business and the size of its operations. At the beginning of each financial year, an audit plan is rolled out after the same has been approved by Audit Committee.

The audit plan is aimed at evaluation of the efficiency and adequacy of internal control systems and compliance thereof, robustness of internal processes, policies and accounting procedures, compliance with laws and regulations. Based on the reports of internal audit function process owners undertake corrective action in their respective areas. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

The internal auditor identifies and assesses opportunities for improvement in business processes, systems and controls & provides recommendations for changes to be adopted in the existing processes. The Company has in material respect an adequate internal financial control over financial reporting."

MATERIAL DEVELOPMENT IN HUMAN RESOURCES

Our human capital is our most valuable asset. Our organization's commitment to its workforce is evident from the various employee centric policies and practices which cover the entire employee life cycle. Right from having a robust employee induction program which creates a WOW experience for the new employees to training and development which is a blend of instructor led training and self-paced e-learning platforms which provides micro-learning as well as world class learning content, to multiple platforms for listening the employee's voice and facilitating a two-way communication along with new engagement, CSR and Talent initiatives. Given the last year, it was imperative that we adopt to the new normal without impacting the employee experience and morale. This was reflected in Hero FinCorp getting certified as a Great Place To Work for the fourth time in a row and among the top 30 BFSIs to work for as well as Top 100 across the country for a third time in a row amidst the pandemic year too.

The outbreak of Corona Virus which officially attained pandemic status, personified the VUCA – **V**olatile, **U**ncertain, **C**omplex and **A**mbiguous World like no other. No longer the usual work routine could be followed, and it was of utmost priority to anticipate changes/ disruptions, quickly **adapt and overcommunicate**.

- **Foresight and proactive approach:** Following a proactive approach, the HR team partnered with the Leaders to ensure there is an effective **Business Continuity Plan**. **Several advisories** were shared with employees and **Managers were coached** to play their part to ensure that business is conducted effectively from home, under the BCP framework. Additionally, HR Team partnered with Managers to;

    - o re-define KRAs; sales executives were cross-skilled to contribute towards collections
    - o looked at a shorter six-month frame of defining goals aligned to the situation at hand
    - o undertook extensive cross-skilling and up-skilling initiative, (~each of our ~8000+ staff were trained on at least 3 different programs), ensuring Heroes were purposefully engaged.

- **Back to Work in the new normal:** In May of last year, the government announced NBFCs as essentials thus spurring us into action. There was an immediate need to prep the organization and enable employees to return to work. Through the 'Restart' forum, we worked to launch Covid SOP, remote working guidelines, ensuring well-being of each of the employees, intense communication, back-to-work guidelines and videos for covering the spread of message to employees through all possible mediums of communication etc. The HR team, in collaboration with the Admin team, was constantly monitoring the containment zones (red, amber, green that changed daily) and propelled timely actions to enable staff in their duties while at the same time ensuring their well-being. Specific e-passes basis government guidelines were issued, employee rosters for those at work to ensure social distancing were deployed and rigorous fumigation of office areas and office supplies was ensured. To enable Heroes to combat these stressful times, Employee Assistance program was launched, recognizing the need for mental-well-being.

- **Conservation of culture & employee championing:** Owing to our strong familial culture, it was imperative that individuals not feel distanced. Hence, in the spirit of being 'physically distant but socially connected' and to enable the psychological well-being, employees saw advance payroll just as the country went into lock-down so that they may plan for their coming weeks at home. Those who were home but alone were engaged through a special series of engagement and even direct communication through a WhatsApp group with HR team to ensure their well-being. Anyone detected of Covid, PAN India, was instantly supported by the HR Team to the very last mile. For our organization, where employee engagement was defined through large scale physical events – Togetherness Fests, Annual Confluence; a digital engagement platform "Suno Sunao" was instituted, to become a place of coming together. Through the first couple of months of lockdown, all Heroes across India connected at a stipulated time for a series of sessions spanning health & well-being, fun and family, leading in times of crisis and various digital contents. Suno Sunao received stupendous response which, on average, saw participation from more than 60% of our employees every day, with 98% of them giving a big thumbs up! This was subsequently even published in 'Culture Shorts' by Great Place to Work organization.

- **Strengthening a High Performing Culture:** We strongly believe in the principles of meritocracy and strengthening our Performance framework has always been one of the key tenets, at Hero FinCorp. The essence of a good performance management process is that it helps us to look at the organization in terms of what we are truly made of—our employees, our Heroes! Various steps have been taken such as instituting 'Performance Based' Annual Variable Pay Framework, promoting high potential and high performers through role enhancement with initiatives like CEO Tank ensures internal progression, moderations meetings etc. Regular conversations on goals and achievement as well as constructive feedback and constant support from the management are instrumental in this high-performance culture of Hero FinCorp. PMS moderation meetings ensured transparency while enhancing supervisory accountability for handling disciplinary cases, introduction of Minimum Performance Standard, and the LOB ratings as well as Company performance being determining factor of variable pay has ensured that every employee takes accountability and corroborate a meritocracy-based culture.

- One of the core tenets of this was fostering an environment of constructive feedback (upwards, downwards and side-ways). A group of 120+ Managers who were trained on this tenet through **GROW initiative** on 'Listening, Speaking and Developing' – cornerstones of feedback, were encouraged to adapt these practices to the New Normal. Through this initiative, Managers were coached to implement specific actions for the lock-down scenario to engage and motivate their teams.
- To select the right talent for the new management/ leadership positions, the management ran a special Assessment center led by our Jt. MD & CEO called **'CEO Tank'**. With a diverse & expert panel, CEO tank was a very rigorous selection process with various iterations and selection stages. Selected individuals were invited to pitch for the positions. They underwent a series of assessments which calibrates their behavioral skills, Analytical & logical reasoning skills, problem-solving skills, leadership skills, innovative thinking skills, people management skills, adaptability to a new role, domain knowledge, etc.
- **Working Together survey** - The year, also saw the launch of Working Together survey – with the aim of encouraging constructive feedback to improve interdependencies/ processes/ practices in the spirit of enhancing a Values based Culture. This will enable continuous improvement, foster camaraderie, and help various lines of businesses to assess the effectiveness of their teams through the feedback received from the survey. The framework was put together in such a way that championing Organizational Values (TITHI) was at the center of it.

Our **Performance Management practices were applauded by the GPTW team** and further invited to be published in GPTW Culture Shorts (this is a GPTW publication of organizational practices that are path-breaking).

- **Cost Consciousness:** The approved HR budget in comparison to FY 19-20 was reduced by almost 50% for FY 20-21. With the reduced budget, several steps were undertaken to deliver more to the Organization without compromising employee experience. HR Team delivered numerous initiatives leveraging vendor relationships, professional network, brought savings through hard negotiations and by used 'in-house build' options than 'buy' solutions;

  - 82% of Suno Sunao sessions were delivered without cost implications
  - Working Together Survey was designed and delivered in-house
  - 16 modules of e-learning and micro-learning were created and delivered in-house
  - 17 different product, policy and behavioural workshops developed in-house
  - Substantial savings with Kelly & Team-Lease (*saving amounting to ~ Rs. 2* crore)

- **Strategic HR Business Partnering:** Staying true to the organizational context, HR Team collaborated and partnered with the business functions extensively to ensure various people initiatives land effectively. A few critical ones were;

  - Approach to Performance Management for the Covid year, which was discussed extensively and finalized in consultation with Business stakeholders
  - MT on-boarding
  - Working Together survey

- o Engagement plan towards Festive Season
- o Enhancements to Disciplinary Policy framework

Additionally, a monthly rhythm was established with most of the Department Heads to share various upcoming initiatives both on People and Business front and build a platform for exchange, feedback and partnership.

- **Engagement & Celebrations:** The tough times warranted for a lot of positivity and this was infused in plenty through the many celebrations as well as illuminating big and small wins through digital events spanning Independence Day, Diwali, Yoga day, Fitness sessions, Reward & Recognition events. 'Gratitude week' was organized and even On-spot recognition was introduced to enhance positivity. Employees have shared phenomenal feedback to these well-thought events and some of them have even shared it on their social media.

- **Instilling 'PRIDE':** At Hero FinCorp, employees are encouraged to live by the core values – TITHI. Thus, was launched PRIDE (Pledging Respect and Integrity with Discipline and Ethics) to further embed these values so as to encourage employees to 'do the right thing'. It is imperative that employees are continuously coached on how to remain professional, especially in the new normal. For an employee base as spread out as ours, encouraging employees to come back to work and follow safety norms required a large degree of self-discipline and self-regulation. PRIDE initiative was launched in the organization with the focus to create an inspired and disciplined Heroforce. By directly connecting with Managers, within the first week of launch, ~60% Heroes were inspired to become PRIDE Champions.

- **Striving for Excellence in HR** – As part of the GPTW assessment, HR Processes scores saw an upswing from an overall 2.5/5 to 3/5. Improvement by 50 basis points is significant which is come by constant effort in enhancing processes across the following practice areas;

  - o Welcoming – New joiner Induction and On-boarding
  - o Supporting – Benefits & Handling Covid times
  - o Speaking – Forums of Employee Communication & Engagement processes
  - o Balancing - Employee Wellness and Work-life balance
  - o Contributing – CSR

And last but certainly not the least, our Corporate Social Responsibility pillar has launched a variety of employee volunteering programs to focus on building vocational skills, helping underprivileged students with their education dreams or counselling young students on their career options in this fast-paced world thereby helping them fulfil their aspirations. We have launched a CSR Portal called UMANG to facilitate the endeavor of helping the under privileged children. All this is synchronous with our organization's vision of fulfilling dreams and giving back to the society.

We have **1829 on-roll employees** and several professionals have joined across grades and several middle to senior managers has been added to strengthen the operation and leadership team. Our Company is compliant across all human resource linked policies as required by the Reserve Bank of India as well as the Government of India and values human capital as its most important resource.

SWOT ANALYSIS

Strengths

- Strong Brand Name (Hero)
- PAN India presence of network
- A well-defined and scalable organizational structure based on product, territory and process knowledge

- Experienced and stable senior management team
- Cost of borrowing being one of the lowest in the industry
- 6 million plus happy customers
- Consistent financial track record with rapid growth in AUMs
- Strong relationships with public, private as well as foreign banks, institutions and investors

Weaknesses

- Business and growth directly linked with the GDP growth of the country
- Retail portfolios also likely to come under stress

Opportunities

- Large untapped market, both rural and urban and also geographically
- Huge opportunity to finance as more and more customers are likely to go for Technology upgradation
- On boarding customers on technology platform and effectively used for extending credit on their working capital needs and for also enhancing our digital footprint on recovery

Threats

- All risks associated with pandemic
- Inadequate availability of bank finance and upsurge in borrowing cost
- Competition from captive finance companies, small banks

Future Strategy

The Board has determined the following medium-term and long term strategies to achieve its corporate goals over a period of next 1-2 years:

- Periodical review of pandemic risks, Business Continuity plan, liquidity management
- To focus on digital initiatives to effectively service customers and to educate customers on the digital payment of EMIs
- Effective use and implementation of data analytics in the process of loan disbursement and loan recovery
- Further enhancing quality of loan portfolio
- Maintaining customer loyalty through winning relationship and customer satisfaction.
- Promoting Work from Home, innovative method of working culture, employee up-skilling and re-skilling

OUTLOOK

Despite a softer growth, the Indian economy remains one of the fastest growing economies in the world. The effects of external shocks such as rising global volatility, largely from financial volatility, externs from trade disputes, and investment rerouting was contained in part by India's strong macroeconomic fundamentals. The policy changes including amendments to the policy related to insolvency and bankruptcy, bank recapitalisation, and foreign direct investment further helped in coping with the de-growth. The growth trajectory is expected to resume with public policy support and private participation. Reform measures have been made by RBI to ease out liquidity in the markets and to encourage credit inflows via NBFC, HFC, MFIs. The leading economic indicators show a positive momentum with consumer demand picking up and restored investor confidence. Survival and resumption of MSMEs is of utmost importance for growth revival and the Government has implemented ample incentive to uplift the sector. The anti-China sentiments, along with the 'Atmanirbhar Bharat' initiative and Performance Linked Incentive (PLI) scheme, offer a big opportunity for India in terms of becoming the manufacturing hub for market leaders in electronics, communications among other sectors. The Company during the financial year under review has made substantial investments in people, processes and technology and continues to focus on delivering steady performance. It is cognisant of the changes in the capital market and brokerage segment and well prepared to overcome challenges and sustain performance.

HFCL is responsive to the changing landscape in the financial services industry. It is confidently better placed to overcome the new challenges and sustain its performance in a challenging environment.

CAUTIONARY STATEMENT

This report contains forward-looking statements extracted from reports of Government Authorities / Bodies, Industry Associations etc., available in the public domain, which may involve risks and uncertainties including, but not limited to, economic conditions, government policies, dependence on certain businesses, and other factors. Actual results, performance, or achievements could differ materially from those expressed or implied in such forward-looking statements. This report should be read in conjunction with the financial statements included herein and the notes thereto. The Company does not undertake to update these statements.

ANNEXURE-B

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate governance is about commitment to values and ethical business conduct. It is also about how an organisation is managed viz., its corporate and business structure, its culture, policies and the manner in which it deals with various stakeholders. Timely and accurate disclosure of information regarding the financial position of the company, its performance and ownership forms part of the corporate governance.

Hero Fincorp Limited ("the Company") is committed towards achieving the highest standards of Corporate Governance by staying true to its core values of Customer First, Transparency, Integrity and Professionalism. The Company continually works towards implementing robust, resilient and best-in-class corporate practices in every facet of its operations, and in all spheres of its activities, thereby generating higher returns and maximizing shareholder value.

The Company's philosophy on Corporate Governance is aimed at (a) enhancing long term shareholder value through assisting the top management in taking sound business decisions; and prudent financial management. (b) achieving transparency and professionalism in all decisions and activities of the Company (c) achieving excellence in Corporate Governance by conforming to the prevalent guidelines on Corporate Governance, and excelling in, wherever possible and reviewing periodically the existing systems and controls for further improvements.

The Company has always believed in and practices the highest standards of corporate governance. The board recognizes that governance expectations are constantly evolving and is committed to keep standards of transparency and dissemination of information under continuous review to meet both letter and spirit of the law and its own demanding levels of business ethics. The Company believes that sound corporate governance practices are crucial to the smooth and efficient operation of a company and its ability to attract investment, protect the rights of its stakeholders and provide shareholder value. Everything the Company does is defined and conditioned by the high standards of governance, which serve its values.

The COVID-19 pandemic has caused an unprecedented health and economic crisis across the globe. The severity of its impact on economy and day-to-day life is still evolving. The Board has played a crucial role in helping the Company navigate the issues brought on by the COVID-19 pandemic. The Board is responsive and their depth of experience helps the management team evolve measured responses to issues that come up. The board guided the management in implementing cost rationalization measures at every level and across every function of the Company. The Company is in compliance with the requirements of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Corporate Governance and Disclosure norms for Non-Banking Financial Companies issued by Reserve Bank of India vide chapter XI of Non-Banking Financial Company – systemically important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ("RBI Master Directions").

BOARD OF DIRECTORS

The corporate governance practices of the Company ensure that the Board of Directors (the board) remains informed, independent and involved in the company and that there are ongoing efforts towards better governance to mitigate "non-business" risks.

The Board is fully aware of its fiduciary responsibilities and recognises its responsibilities to shareholders and other stakeholders to uphold the highest standards in all matters concerning the Company and has empowered responsible persons to implement its broad policies and guidelines and has set up adequate review processes. 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 judgment on the affairs of the Company.

The Company's policy is to have an appropriate blend of independent and non-independent directors to maintain the independence of the Board and to separate the Board functions of governance and management.

COMPOSITION OF THE BOARD

The Company's Board comprises of an appropriate combination of Executive and Non-Executive Directors. As on March 31, 2021, the Company's Board consists of 6 (Six) Directors, which includes 2 (two) Executive Directors, 2 (two) Non- Executive Directors and 2 (two) Non-Executive & Independent Directors.

Details of composition of the Board, number of meetings held and attended by the Directors during the year under review etc. is given herein below.

Name of the Directors	**Category**	**No. of Board Meetings**		**Whether attended last AGM**	**No. of other Directorships held (excluding Private Companies, Foreign Companies and Sec. 8 Co's)**
		Held	**Attended**		
Executive					
Mrs. Renu Munjal	Managing Director	4	4	Yes	1
Mr. Abhimanyu Munjal	Joint Managing Director & CEO	4	4	Yes	1
Non-Executive					
Dr. Pawan Munjal	Director	4	4	Yes	2
Mr. Sanjay Kukreja	Director	4	4	Yes	1
Non-Executive and Independent					
Mr. Pradeep Dinodia	Independent Director	4	4	Yes	3
Mr. Vivek Chaand Sehgal	Independent Director	4	4	Yes	6

Note: None of the Directors holds office as a director, including alternate director, in more than twenty (20) companies at the same time. None of them has directorships in more than ten (10) public companies. For reckoning the limit of public companies, directorships of private companies that are either holding or subsidiary company of a public company are included.

As per declarations received, none of the directors serves as an independent director in more than seven (7) listed companies.

Notwithstanding the number of directorships, as given above, the outstanding attendance record and participation of the directors in Board/Committee meetings indicate their commitment and ability to devote adequate time to their responsibilities as the Company's fiduciaries.

Mr. Abhimanyu Munjal is son of Mrs. Renu Munjal, Managing Director of the Company, Mrs. Renu Munjal is wife of Late Mr. Raman Kant Munjal son of Late Mr. Brijmohan Lall Munjal. Dr. Pawan Munjal, Chairman, is the brother of Late Mr. Raman Kant Munjal.

NUMBER OF SHARES AND CONVERTIBLE INSTRUMENTS HELD BY NON-EXECUTIVE DIRECTORS

Details of shares held by non-executive directors (including independent directors) are as follows–

Name of Directors	Category	No. of shares held	Beneficiary
Dr. Pawan Munjal	Non-Executive Director	2,77,259	Self
		36,08,812	On behalf of Brijmohan Lal Om Parkash, Partnership Firm
		7,90,394	On behalf of Pawan Munjal Family Trust
Mr. Pradeep Dinodia	Non-Executive and Independent Director	1,90,978	Through relative

Apart from the above, none of the Non-Executive (including Independent) Directors hold any shares (as own or on behalf of any other person on beneficial basis) in the Company as on March 31, 2021.

INDEPENDENT DIRECTORS

The Companies Act, 2013 define an 'independent director' as a person who is not a promoter or employee or one of the key managerial personnel of the company or its subsidiaries. Further, the person should not have a material pecuniary relationship or transactions with the company or its subsidiaries, during the two immediate preceding financial years or during the current financial year, apart from receiving remuneration as an independent director.

We abide by these definitions of independent director and based on the disclosures received from all the independent directors and in the opinion of the Board, the independent directors fulfill the conditions specified in the Companies Act, 2013.

Considering the requirement of skill sets on the Board, eminent people having an independent standing in their respective field / profession and who can effectively contribute to the Company's business and policy decisions are considered by the Nomination and Remuneration Committee, for appointment, as an Independent Director on the Board. The Committee *inter alia* considers qualification, positive attributes, area of expertise and number of Directorship(s) and Membership(s) held in various committees of other companies and determining Directors' independence. The Board considers the Committee's recommendation and takes appropriate decision.

MEETING OF INDEPENDENT DIRECTORS

Schedule IV of the Companies Act, 2013 and the Rules thereunder mandate that the independent directors of the Company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of the Management. At such meetings, the independent directors discuss, among other matters, the performance of the Company and risks faced by it, the flow of information to the Board, competition, strategy, leadership strengths and weaknesses, governance, compliance, board movements, human resource matters and performance of the executive members of the Board, including the Chairman. During the year, the independent directors met without the presence of the Management.

PECUNIARY RELATIONSHIP

There is no pecuniary relationship or transaction of the Non-Executive Directors vis-à-vis the Company, apart from the sitting fees and commission, if any, received by them for attending the Meetings of the Board and Committee(s) thereof.

BOARD MEETINGS

During the Financial Year 2020-21, your Board met 4 (Four) times i.e. on May 25, 2020, July 24, 2020, October 21, 2020 and January 28, 2021 respectively. These meetings were scheduled well in advanced and the gap between any two meetings has been less than one hundred and twenty days as required under Section 173 of the Companies Act, 2013.

INFORMATION SUPPLIED TO THE BOARD

Agenda papers along with the necessary documents and information are circulated to the Board and the members of the Board Committee(s) well in advance before each meeting of the Board and Committee(s) thereof. In addition to the general business items, the following items/ information is regularly placed before the Board and/or Committees to the extent applicable:

- Annual operating plans and budgets and any updates;
- Capital Budgets and any updates;
- Quarterly, half yearly and annual results of the Company;
- Minutes of meetings of Audit Committee and other Committees of the Board of Directors;
- Show cause, demand, prosecution notices and penalty notices, which are materially important;
- Any material defaults in financial obligations to and by the Company for substantial non payments;
- Strategic business proposal or activities to be undertaken;
- Purchase and disposal of major fixed assets;
- Sale of material nature of investments and assets, which are not in the normal course of Business;
- Reports on Internal Controls Systems, Internal Audit Reviews and Statutory Audit reviews etc.;
- Related Party Transactions; and
- Non-compliance of any regulatory, statutory or listing requirements and shareholders' services.
- Internal Audit Plan/ Calendar etc.

INFORMATION SUPPLIED FOR BOARD/COMMITTEE MEETINGS

The agenda and corresponding notes to agenda for all Board and Committee meetings are circulated to Directors/Members in advance in a defined format. All material information is incorporated in the agenda for facilitating meaningful and focused discussions at the meetings. Where it is not practicable to attach any document to the agenda, it is tabled before the meeting. The quantum and quality of information supplied by the management to the Board goes well beyond the minimum requirements stipulated under the Companies Act, 2013 ('Act'), Secretarial Standards on Meetings of the Board of Directors issued by The Institute of Company Secretaries of India and as per the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), wherever applicable.

MINUTES OF BOARD/COMMITTEE MEETINGS

Minutes of proceedings of each Board and Committee meetings are recorded and draft minutes are circulated to Board/Committee members for their comments and/or confirmation within 15 days from the date of the meeting. The inputs, if any, of the Board & Committee Members are duly incorporated in the minutes after which these are entered in the minutes book within 30 days from the date of meeting.

SEPARATE MEETING OF THE INDEPENDENT DIRECTORS

During the reporting financial year, a separate meeting of the Independent Directors of the Company, was held on May 25, 2020, whereat the following items as enumerated under Schedule

IV to the Companies Act, 2013 were discussed:

- Review of performance of Non-Independent Directors and the Board as a whole.
- Review of performance of the Chairman of the Company, taking into account the views of Executive Directors and Non-Executive Directors.
- Assessment of the quality, quantity and timeliness of flow of information between the Company management and the Board.
- Review of performance of Executive Directors & Non-Executive Directors.

SUBSIDIARY

During the financial year ended March 31, 2021, the Company has one wholly owned subsidiary company viz. Hero Housing Finance Limited.

BOARD LEVEL COMMITTEES

AUDIT COMMITTEE

Pursuant to the provisions of Companies Act, 2013 and NBFC Regulations, as applicable, your Company has a duly constituted Audit Committee and its composition are in line with the requirements of the Act, with two-third of the members being Non-Executive and Independent Directors. The "Terms of Reference" of the Audit Committee as approved by Board of Directors includes the following:

- Recommendation for appointment, remuneration and terms of appointment of Auditors of the Company;
- Review and monitor the Auditor's independence and performance, and effectiveness of Audit process;
- Examination of the financial statement and the Auditors' report thereon;
- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Monitoring the end use of funds raised through public offers and related matters; and
- Operate the Vigil Mechanism in the Company.
- Reports on Internal Controls Systems, Internal Audit Reviews and Statutory Audit reviews etc.;
- Non-compliance of any regulatory, statutory or listing requirements and shareholders' services; and
- Internal Audit Plan/ Calendar etc.

The Chairman of the Audit Committee is Mr. Pradeep Dinodia, Independent Director, being Practicing Chartered Accountant holding 43 years of experience, possesses rich & varied experience and knowledge in the field of finance. The other members of the Committee viz. Mrs. Renu Munjal, Managing Director and Mr. Vivek Chaand Sehgal, Independent Director, all learned and eminent personalities in their respective fields. All members of the Committee are also experienced and are heading the industrial and service sectors.

MEETINGS, ATTENDANCE AND COMPOSITION

During the year under review, the Audit Committee met 5 (Five) times, i.e. on May 25, 2020, July 24, 2020, October 21, 2020, December 16, 2020 and January 27, 2021 respectively. The constitution of the Audit Committee and the attendance record of Members in the Committee meetings are as under:

Name of the Members	Position Held	No. of Meetings held	No. of Meetings attended
Mr. Pradeep Dinodia	Chairman	5	5
Mrs. Renu Munjal	Member	5	5
Mr. Vivek Chaand Sehgal	Member	5	5

Mr. Pradeep Dinodia was present at the Annual General Meeting of the Company held on September 15, 2020, to answer the shareholders' queries, if any.

The Joint Managing Director & CEO and Chief Financial Officer of the Company and representatives of the Internal Auditors and the Statutory Auditors also attend the Committee meetings upon invitation of the Chairman. The Company Secretary acts as the secretary to the Audit Committee.

ASSET LIABILITY MANAGEMENT COMMITTEE

Pursuant to guidelines issued by Reserve Bank of India (RBI) on Asset Liability Management (ALM) System for NBFCs on June 27, 2001, your Company had constituted an Asset Liability Management Committee (ALM Committee) on October 31, 2002 to check the Asset Liability mismatches, interest risk exposure and to help the Company to improve the overall system for effective risk management in various portfolios held by the Company. As per the RBI guidelines, a NBFC whose assets base is greater than Rs. 100 crore should have an ALM Committee to maintain the proper & adequate ALM systems. Mr. Pradeep Dinodia, is the Chairman of the ALM Committee and possesses rich and varied experience and knowledge in the finance field. The other members viz. Mrs. Renu Munjal, Mr. Abhimanyu Munjal and Mr. Sanjay Kukreja, all learned and eminent personalities in their respective fields. All members of the ALM Committee are also experienced and are heading the industrial and service sectors.

During the year under review, the ALM Committee met 4 (Four) times, i.e. on May 25, 2020, July 24, 2020, October 21, 2020 and January 27, 2021 respectively. The constitution of the ALM Committee and the attendance record of Members in the Committee Meetings are as under:

Name of the Members	Position Held	No. of Meetings Held	No. of Meetings Attended
Mr. Pradeep Dinodia	Chairman	4	4
Mrs. Renu Munjal	Member	4	4
Mr. Abhimanyu Munjal	Member	4	4
Mr. Sanjay Kukreja	Member	4	4

The ALM Committee reviewed and carried out the necessary spadework for formalizing the Asset Liability Management Systems in the Company.

The sub-committee of the ALM Committee, consisting of heads of various functions, met regularly during the year to discuss liquidity risk management, management of market risks, funding and capital planning, growth projections, forecasting and preparation of contingency plans. A synopsis of the minutes of the meetings of the sub-committee are regularly placed before the ALM Committee for its consideration.

RISK MANAGEMENT COMMITTEE

Pursuant to the Guidelines of Reserve Bank of India on Corporate Governance notified vide its circular dated May 8, 2007, every NBFC whose assets base is greater than Rs. 100 crore should have a Risk Management Committee to manage the integrated risk of the Company. In view of the same, Risk Management Committee was constituted on November 19, 2008 to manage and mitigate the risk of the Company.

The Company has established effective risk assessment and minimization procedures, which are reviewed by the Risk Management Committee periodically. There is a structure in place to identify and mitigate various risks identified by the Company from time to time. At the meeting of the Risk Management Committee, the same is reviewed and new risks are identified and after their assessment, their controls are designed, put in place with specific responsibility of the concerned person for its timely achievement.

During the year under review, the Risk Management Committee met 4 (Four) times, i.e. on May 26, 2020, July 23, 2020, October 20, 2020 and January 27, 2021 respectively. The constitution of the Committee and the attendance record of Members in the Committee Meetings are as under:

Name of the Members	Position Held	No. of Meetings Held	No. of Meetings Attended
Mr. Pradeep Dinodia	Chairman	4	4
Mrs. Renu Munjal	Member	4	4
Mr. Abhimanyu Munjal	Member	4	4
Mr. Sanjay Kukreja	Member	4	4

NOMINATION & REMUNERATION COMMITTEE

In view of the provisions of Section 178 of the Companies Act, 2013 (the Act) and rules made thereunder, the Company has a duly constituted Nomination & Remuneration Committee and its composition are in line with the requirements of the Act, with three or more non-executive directors out of which not less than one-half shall be independent directors.

The Nomination & Remuneration Committee was constituted on May 26, 2014 and the "Terms of Reference" are in consonance with the provisions of the Act:-

- To formulate and recommend to the Board of Directors the Company's policies, relating to the remuneration for the Directors, Key Managerial Personnel and Other Employees, criteria for determining qualifications, positive attributes and independence of a director;
- To formulate criteria for evaluation of Independent Directors and the Board;
- To identify persons who are qualified to become Directors and who might be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal;
- To carry out evaluation of every Director's performance;
- To formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees; and
- To devise a policy on "Board diversity";

The Nomination & Remuneration Committee, as per the NBFC Regulations, to ensure 'fit and proper' status of the directors to be appointed/re–appointed and recommend their appointment/re–appointment to the Board of Directors.

During the year under review, the Nomination & Remuneration Committee met on May 25, 2020. The constitution of the Committee and the attendance record of Members in the Committee Meetings are as under:

Name of the Members	Position Held	No. of Meetings Held	No. of Meetings Attended
Mr. Pradeep Dinodia	Chairman	1	1
Dr. Pawan Munjal	Member	1	1
Mr. Abhimanyu Munjal	Member	1	1
Mr. Vivek Chaand Sehgal	Member	1	1

REMUNERATION POLICY

The remuneration paid to the Executive Director(s) is approved by the Nomination & Remuneration Committee and endorsed by the Board subject to the approval of the shareholders at the general meeting and such other authorities as may be required from time to time. At the Board Meeting, only the Non-Executive Directors participate in the business pertaining to the approval of the remuneration to be paid to the Executive Director. The remuneration is fixed considering various factors such as qualification, experience, prevailing remuneration in the industry and the current financial position of the Company.

The Non-Executive Directors of the Company are paid sitting fees of Rs. 50,000 for attending each meeting of the Board and Committees of the Board, other than the Committee of Directors. The Non-Executive Directors are also entitled to remuneration by way of commission aggregating upto 1% of net profits of the Company pursuant to the provisions of Sections 197 and 198 of the Act in addition to the sitting fees.

The details of the remuneration paid / payable to Mrs. Renu Munjal, Managing Director and Mr. Abhimanyu Munjal, Joint Managing Director and Chief Executive Officer of the Company for the financial year ended March 31, 2021 are given below:

(Amount in Rupees)

Particulars	Mrs. Renu Munjal	Mr. Abhimanyu Munjal
Salary*	8,82,72,426	5,76,24,971
Contribution - Provident Fund	55,24,070	28,61,568
- Super Annuation Fund	69,05,088	-
Variable Pay#	7,05,00,000	7,05,00,000
Total	17,12,01,584	13,09,86,539

** Salary includes basic salary, perquisites and allowances, payment and expenses incurred on perquisites.*

 # Variable pay pertains to FY 2019-20, which was paid in FY 2020-21.

The details of the remuneration paid to the Non-Executive Directors for the year ended March 31, 2021 are given below:

(Amount in Rupees)

Name of the Directors	Sitting Fees	Commission	Total
Dr. Pawan Munjal	3,50,000	-	3,50,000
Mr. Pradeep Dinodia	12,50,000	20,00,000	32,50,000
Mr. Sanjay Kukreja	-	-	-
Mr. Vivek Chaand Sehgal	5,50,000	20,00,000	25,50,000

PERFORMANCE EVALUATION CRITERIA FOR INDEPENDENT DIRECTORS

A formal evaluation of performance of the Board, its Committees, the Chairman and individual Directors was carried out by the Nomination & Remuneration Committee for FY 2020-21, details of which are provided in the Board's Report.

STAKEHOLDERS RELATIONSHIP COMMITTEE

Pursuant to the provisions of sub-section (5) of section 178 of the Companies Act, 2013 and rules made thereunder, your Board of Directors had constituted Stakeholders Relationship Committee to specifically look into the debenture holders', shareholders' and investors' complaints on matters relating to transfer/transmission of shares, non-receipt of annual report, non-receipt of dividend, payment of unclaimed dividends, payment of interest/ principal amount to debenture holders, other lenders etc. Mr. Shivendra Suman, Head – Compliance and Company Secretary of the Company acts as Secretary of the Stakeholders Relationship Committee. The Terms of

Reference of Stakeholders Relationship Committee is as per the following details:

- To consider and resolve the grievances of shareholders, debenture holders and other security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of balance sheet and non- receipt of declared dividends, non-receipt of interest/ principal on debt instruments.
- To look into matters that can facilitate better security-holders services and relations.

During the year under review, the Stakeholders Relationship Committee met on May 25, 2020

and the Constitution of the Committee is as under:

Name of the Members	Position Held	No. of Meetings held	No. of Meetings attended
Mr. Pradeep Dinodia	Chairman	1	1
Mrs. Renu Munjal	Member	1	1
Mr. Abhimanyu Munjal	Member	1	1

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In pursuance to the provisions of Section 135 of the Companies Act, 2013 and Rules made thereunder, the Company has a duly constituted Corporate Social Responsibility Committee responsible for formulation, recommendation and execution of the CSR Policy of the Company.

The terms of reference of the CSR Committee, inter-alia, include the following:

- Formulation of CSR Policy as specified in Schedule VII of the Companies Act, 2013 indicating the activities, projects, timelines and expenditure thereon;
- Recommendation of CSR Policy to the Board;
- Recommendation of expenditure to be incurred on the activities referred above; and
- Monitoring & oversight the implementation of the Policy.

During the year under review, the members of the Corporate Social Responsibility Committee met 2 (Two) times i.e. on May 25, 2020 and January 28, 2021 respectively. The constitution of the Committee and the attendance record of members in the Committee Meetings are as under:

Name of the Members	Position Held	No. of Meetings held	No. of Meetings attended
Mrs. Renu Munjal	Chairperson	2	2
Dr. Pawan Munjal	Member	2	2
Mr. Pradeep Dinodia	Member	2	2
Mr. Abhimanyu Munjal	Member	2	2

IT STRATEGY COMMITTEE

Pursuant to RBI Master Direction-Information Technology Framework for the NBFC sector dated June 08, 2017, the Company has constituted an IT Strategy Committee on August 29, 2017 to review the IT strategies in line with the corporate strategies, board policy reviews, cyber security arrangements and any other matter related to IT governance.

During the year under review, the members of the IT Strategy Committee met 3 (Three) times on July 23, 2020, October 20, 2020 and January 28, 2021 respectively. The constitution of the IT Strategy Committee and the attendance record of members in the Committee Meetings are as under:

Name of the Members	Position Held	No. of Meetings held	No. of Meetings attended
Mr. Pradeep Dinodia	Chairman	3	3
Mr. Abhimanyu Munjal	Member	3	3
Mr. Sanjay Kukreja	Member	3	3
Mr. Sajin Mangalathu	Member	3	3
Mr. Subhransu Mandal*	Member	3	2

* Mr. Subhransu Mandal had left the organization w.e.f. April 01, 2021.

COMMITTEE OF DIRECTORS

The Committee of Directors deals with routine matters of the Company on day to day basis and the matters relating to allotment, transfer, transmission, transposition, issue of new/duplicate share certificates, matters relating to borrowing, investment of surplus funds, opening and closure of Bank accounts, allotment of NCDs, issue of commercial paper (CP) & other debt instrument and all other matters as prescribed and delegated to the Committee by the Board from time to time. The Committee comprises of Dr. Pawan Munjal, Mrs. Renu Munjal and Mr. Abhimanyu Munjal as its members.

This Committee generally meets as and when required to deal with day to day affairs of the Company. During the year under review, 23 (Twenty-Three) meetings of the Committee of Directors were held.

DISCLOSURES

RELATED PARTY TRANSACTIONS

In terms of Section 188(1) of the Companies Act, 2013, all related party transactions entered into by the Company during FY 2020-21 were duly approved by the Audit Committee. No approval of the Board was required as all the transactions were on arm's length basis and in the ordinary course of business. Disclosure of related party transactions as required under Indian Accounting Standard 24 (Ind AS-24) were, however, disclosed to the Board.

The transactions with the Related Parties are on arm's length basis and in the ordinary course of business of the Company and do not have any potential conflict with the interests of the Company at large.

The policy on dealing with related party transactions is disclosed on the Company' website, link for which is https://www.herofincorp.com/company-policies.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

In compliance with the applicable provisions of the Companies Act, 2013 and other applicable regulations, the Audit Committee of the Company approved the policy/mechanism on dealing with whistle blowers. The Audit Committee reviews the same as and when required. During the year, no individual was denied access to the Audit Committee for reporting concerns, if any. The said policy/mechanism is disclosed on the Company' website, link for which is https://www.herofincorp.com/company-policies.

The Company has put in place a whistle blower policy to support the Code of Conduct. The details about the vigil mechanism forms part of the Board's report.

ACCOUNTING TREATMENT IN PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015.

GENERAL BODY MEETINGS

Details of location, day, date and time of the General Meetings held during the last three years and resolutions passed there at are given below.

DETAILS OF GENERAL MEETINGS

Financial Year	Location	Day & Date & Time	Summary of Special Resolution(s) Passed
Annual General Meeting			
2019-20	Video Conferencing (VC) / Other Audio Visual Means (OAVM)/(e-AGM)	Tuesday, September 15, 2020 at 3:00 P.M	-
2018-19	Jacaranda, India Habitat Centre, Lodhi Road, New Delhi -110003	Friday, September 6, 2019 at 3:00 P.M	**Special Resolution(s):** • Enhancement in the limit of Borrowings • To provide the security for securing the Borrowings
2017-18	Hotel The Grand, Nelson Mandela Road, Vasant Kunj, Phase-II, New Delhi-110070	Friday, September 21, 2018 Time: 11:30 A.M.	**Special Resolution(s):** • Keeping of register of members and index of members at a place other than the registered office • Enhancement in the limit of Borrowings • To provide the security for securing the Borrowings • Issuance of Non- Convertible Debentures on Private Placement Basis

The shareholders who participated at the last e-AGM sought clarifications on wide-ranging subjects such as retail financing segment, cash flow, dividend payouts, impact of pandemic on businesses, new digital initiatives, contribution to PM CARES Fund, cost of borrowings, etc.

Resolution(s) passed last year through postal ballot – details of voting pattern and the procedure thereof:

During the year, the Company has passed the following resolution through Postal Ballot:

Financial Year	Date of Postal Ballot Notice	Date of Postal Ballot Result	Summary of Resolution(s) Passed
2020-21	May 25, 2020	June 28, 2020	1. Adoption of Restated Articles of Association of the Company 2. Amendment in the "Hero Fincorp Employee Stock Option Plan 2017 3. Re-Appointment of Mrs. Renu Munjal (Din: 00012870) as Managing Director for the Period of 5 (Five) years and Fixation of Remuneration Thereof

FINANCIAL CALENDAR

For the financial year ended March 31, 2021, the financial results of the Company were announced on:

a. First quarter ended June 30, 2020	July 24, 2020
b. Second quarter ended September 30, 2020	October 21, 2020
c. Third quarter ended December 31, 2020	January 28, 2021
d. Fourth quarter ended March 31, 2021	April 29, 2021

For the year ending March 31, 2022, the financial results of the Company are likely to be announced on (Tentative and Subject to Change):

a) First quarter ending on June 30, 2021	Third week of July, 2021
b) Second quarter ending on September 30, 2021	Second week of October, 2021
c) Third quarter ending on December 31, 2021	Third week of January, 2022
d) Fourth quarter ending on March 31, 2022	Second week of April, 2022

MEANS OF COMMUNICATION

(a) Results:

The Company publishes limited reviewed un-audited standalone financial results on a half yearly basis. In respect of the last half year, the Company publishes the audited financial results for the complete financial year.

(b) Newspapers wherein results normally published:

The half-yearly/ annual financial results were published in 'Financial Express (English) Newspaper & Jansatta (Hindi) Newspaper.

(c) Website, where displayed:

The financial results and the official news releases are also placed on the Company's website www.herofincorp.com in the 'Investors' section on the following link - https://www.herofincorp.com/investor-relations/financial-performance.

(d) Annual Report

The Annual Report containing, inter-alia, the audited financial statements (standalone & consolidated), Board's Report, Auditors' Report, Management Discussion and Analysis (MDA) report and other important information is circulated to shareholders and other stakeholders and is also available on the Company's website at www.herofincorp.com in the 'Investors' section on the following link - https://www.herofincorp.com/investor-relations/financial-performance

(e) Reminder to Investors

Periodical reminders for unclaimed shares and unpaid dividends are sent to shareholders as per records of the Company. These details are also uploaded on website of the Company at www.herofincorp.com in the 'Investors' section on the following link - https://www.herofincorp.com/investor-relations/financial-performance.

GENERAL SHAREHOLDERS' INFORMATION

i) Annual General Meeting - date, time and venue:

Annual General Meeting (for the Financial Year 2020-21)

Day: Tuesday

Date: September 14, 2021

Time: 5:00 P.M.

Venue: The Company will conduct the meeting through VC / OAVM, relevant details of which have been provided in the notice of AGM

The Ministry of Corporate Affairs (MCA) through its circulars dated 8 April 2020, 13 April 2020, 5 May 2020 and 13 January 2021, read with SEBI circulars dated 12 May 2020 and 15 January 2021, have provided an option to companies to conduct AGM during the calendar year 2021 through 'VC or OAVM' and send financial statements (including Board's report, Auditors' Report and other documents to be attached therewith) through email.

Accordingly, the Annual Report of the Company for FY2021 along with the Notice of AGM are being sent by email to the members and all other persons/entities entitled to receive the same. As stated above, 30th AGM of the Company will be convened through VC or OAVM.

ii) Financial Year:

The Financial Year of the Company starts from 1st April of a year and ends on 31st March of the following year.

iii) Listing on Stock Exchange

The Non-Convertible Debentures issued on private placement basis and the Commercial Papers of the Company are listed on –

National Stock Exchange of India Limited (NSE) Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051

The Company has paid Annual Listing Fees for FY 2021-22 to the exchange within the stipulated time.

iv) Credit Rating:

The list of credit ratings for all instruments has been provided in the Directors' Report.

v) Dates of book closure:

The register of members and share transfer books of the Company will remain closed from Saturday, September 04, 2021 to Tuesday, September 14, 2021 (both days inclusive) for the purpose of payment of dividend.

vi) Dividend Payment:

The Board has recommended dividend @10% i.e. Re. 1/- per equity share of Rs. 10 each for the financial year 2020-21. This dividend as recommended by the Board, if approved by the shareholders at their 30th Annual General Meeting, shall be paid to those members, as under:

a) to all those members holding shares in physical form, as per the details provided to the Company by the share transfer agent of the Company, i.e. Link Intime, as on closing hours on Friday, September 03, 2021; and
b) to all those beneficial owners holding shares in electronic form as per beneficial ownership details provided to the Company by National Securities Depository Ltd. and Central Depository Services (India) Ltd., as of the end of the day on Friday, September 03, 2021.

PAYMENT OF DIVIDEND

SEBI Listing Regulations read with SEBI circular dated 20 April 2018, require companies to use any electronic mode of payment approved by the Reserve Bank of India (RBI) for making payment to shareholders. Accordingly, dividend, if declared in ensuing AGM, will be paid through electronic mode, where the bank account details of the shareholders are available. Where the dividend is paid through electronic mode, intimation regarding such remittance would be sent separately to the shareholders. In cases where the dividend cannot be paid through electronic mode, it will be paid by account payee/non-negotiable instruments/warrants with bank account details printed thereon. In case of non-availability of bank account details, address of the members will be printed on such payment instruments.

To enable payment of dividend for the year 2020-21 through electronic mode, members holding shares in physical form are requested to furnish updated particulars of their bank account to Link Intime India Private Limited (RTA) along with a photocopy of a cancelled cheque of the bank account and self-attested copy of PAN card. Members holding shares in electronic form are requested to furnish their bank account details to their respective depository participants and ensure that such changes are recorded by them.

TAX DEDUCTED AT SOURCE ON DIVIDEND

As per the amended Income Tax Act, 1961, there will be no Dividend Distribution Tax payable by the Company. The dividend, if declared will be taxable in hands of the shareholders. For details, members are requested to refer to the Notice of AGM.

UNCLAIMED DIVIDENDS

As per section 124(5) of the Companies Act, 2013 (the 'Act'), any money transferred by the Company to the unpaid dividend account and remaining unclaimed for a period of seven years from the date of such transfer shall be transferred to the Investor Education and Protection Fund (the 'Fund') set up by the Central Government. Accordingly, the unpaid/unclaimed dividend for the previous financial years has already been transferred by the Company to the said Fund from September 2015 onwards.

Unpaid/unclaimed dividend for the year 2013-14 shall be due for transfer to the Fund in October 2021. Members are requested to verify their records and send their claim, if any, for 2013-14, before such amounts become due for transfer.

Communications are being sent to members who have not yet claimed dividend for 2013-14, requesting them to claim the same as well as unpaid dividend, if any, for subsequent years.

The followings are the details of unclaimed dividends which are due to be transferred to the Fund in the coming years including current year. Once again, members who have not claimed the dividends till date are requested to verify their records and send their claim, if any, before the same becomes due for transfer to IEPF:

TABULAR DISTRIBUTION OF DIVIDEND PAYMENT SINCE 2013-14

Year	Dividend % age	Date of Declaration	Date of Payment	Last Date of claiming Unpaid Dividend
2019-20	25.5	15/09/2020	18/09/2020	15/10/2027
2018-19	42.50	06/09/2019	09/09/2019	06/10/2026
2017-18	28	21/09/2018	24/09/2018	21/10/2025
2016-17	15	29/09/2017	03/10/2017	29/10/2024
2015-16	10	15/09/2016	16/09/2016	15/10/2023
2014-15	20	15/09/2015	21/09/2015	15/10/2022
2013-14	30	19/09/2014	23/09/2014	19/10/2021

The Company has uploaded the details of unclaimed dividend on the Company's website **https://www.herofincorp.com/** and also on website specified by the Ministry of Corporate Affairs **http://www.iepf.gov.in/IEPF/services.html**

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2021

Categories	No. of shares held			Percentage of Shareholding (%)
	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	Total nos. shares held	
1) Promoters' Holding	10,12,56,432	0	10,12,56,432	79.54
2) Non- Promoters' Holding	2,60,49,436	806	2,60,50,242	20.46
Grand Total			**12,73,06,674**	**100.00**

SHARE TRANSFER SYSTEM

The Share transfer job is being handled by the Registrar and Transfer Agent of the Company i.e. M/s. Link Intime India Private Limited. During the year 2020-21, 49270 shares were transferred (including transmission) and the said transfers were affected within the prescribed period. Shares under objection were returned to respective shareholder.

Company's Registrar Details

Equity Shares

M/s Link Intime India Pvt. Ltd.

Plot Number NH-2, Noble Height, C1 Block, LSC Near Savitari Market,
Janakpuri, New Delhi-110058

Phone No. 011-41410592-94; Fax No. 011-41410591

Non-Convertible Debentures and Commercial Papers

M/s KFin Technologies Private Limited

Selenium Tower B, Plot Nos. 31 & 32,

Financial District Nanakramguda, Serilingampally Mandal, Hyderabad – 500032

Phone: 040 -67162222, Fax: 040- 23001153

TRANSFER / TRANSMISSION / TRANSPOSITION OF SHARES

The Securities and Exchange Board of India (SEBI), vide its Circular No. MRD/DoP/Cir-05/2009 dated 20th May, 2009 and Circular No. MRD/DoP/SE/RTA/Cir-03/2010 dated 7th January, 2010 made it mandatory that a copy of the PAN Card is to be furnished to the Company in the following cases:

- deletion of name of deceased shareholder(s) where shares are held jointly in the name of two or more shareholders;
- transmission of shares to the legal heirs where shares are held solely in the name of deceased shareholder; and
- transposition of shares where order of names of shareholders are to be changed in the physical shares held jointly by two or more shareholders.

Investors, therefore, are requested to furnish the self-attested copy of PAN card, at the time of sending the physical share certificate(s) to the Company, for effecting any of the above stated requests.

Shareholders are also requested to keep record of their specimen signature before lodgment of shares with the Company to avoid probability of signature mismatch at a later date.

CONSOLIDATION OF MULTIPLE FOLIOS

Shareholder(s) of the Company who have multiple accounts in identical name(s) or holding more than one Share Certificate in the same name under different Ledger Folio(s) are requested to apply for consolidation of such Folio(s) and send the relevant Share Certificates to the Company.

NOMINATION FACILITY

Provision of Section 72 of the Companies Act, 2013 read with rule 19(1) of the rules made thereunder extends nomination facility to individuals holding shares in the physical form. To help the legal heirs/ successors get the shares transmitted in their favour, shareholder(s) are requested to furnish the particulars of their nomination in the prescribed Nomination Form. Shareholder(s) holding shares in Dematerialized form are requested to register their nominations directly with their respective DPs.

UPDATE YOUR CORRESPONDENCE ADDRESS / BANK MANDATE/ EMAIL ID

To ensure all communications/ monetary benefits received promptly, all shareholders holding shares in physical form are requested to notify to the Company, change in their address / bank details / email Id instantly by written request under the signatures of sole/ first joint holder.

Shareholder(s) holding shares in dematerialized form are requested to notify change in bank details / address / email Id directly with their respective DPs.

QUOTE FOLIO NO. / DP ID NO.:

Shareholders/Beneficial Owners are requested to quote their Folio Nos./DP ID Nos., as the case may be, in all correspondence with the Company.

Shareholders are also requested to quote their Email IDs, Contact/Fax numbers (landline/ cell phone) for prompt reply to their correspondence.

TRANSFER OF UNCLAIMED SHARES TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules 2016 (the 'Rules') notified by the Ministry of Corporate Affairs effective September 7, 2016, as amended, all shares in respect of which dividend has remained unclaimed by the shareholders for seven consecutive years or more are required to be transferred to the Investor Education and Protection Fund (IEPF).

During the year, notices were sent to the concerned shareholders whose shares were liable to be transferred to IEPF/Suspense Account under the said Rules for taking appropriate action and full details of such shareholders and shares due for transfer to IEPF Authority/Suspense Account have also been uploaded on Company's website at link https://www.herofincorp.com/investor-relations/unclaimed-unpaid-dividend

An option to claim from IEPF Authority, all unpaid/unclaimed dividends or other amounts and the unclaimed shares transferred to IEPF, is available to members. Members may make their claim by following the due procedure for refund as prescribed under the said rules. Details of refund process are also available on website of the Company at https://www.herofincorp.com/investor-relations/unclaimed-unpaid-dividend.

Details of dividends remaining unpaid/unclaimed have been duly uploaded on the website of the Company at www.herofincorp.com and at the website of IEPF authority at www.iepf.gov.in.

DEMATERIALIZATION OF SHARES AND LIQUIDITY

As per the notification dated September 10, 2018 issued by Ministry of Corporate Affairs (MCA), made compulsory for every holder of the securities of unlisted public companies who intends to transfer such securities on or after October 2, 2018 shall get such securities dematerialized before the transfer or who subscribes to any securities of an unlisted public company (whether by way of private placement or bonus shares or rights offer) on or after October 02, 2018 shall ensure that all his existing securities are held in dematerialized form before such subscription.

The shares of the Company are traded in compulsory demat segment. As on March 31, 2021, 12,52,07,160 (98.35%) of the total share capital was held in dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

VOTING THROUGH ELECTRONIC MEANS

In accordance with the Companies (Management and Administration) Rules, 2014 and MCA circulars, the Company will also provide e-voting facility for members attending the ensuing AGM through VC or OAVM. Shareholders who are attending the AGM through VC or OAVM and who have not already cast their votes by remote e-voting shall be able to exercise their right of voting at the meeting. The cut-off date, as per the said Rules, shall be Tuesday, September 07, 2021 and the remote e-voting shall be open for a period of 3 (three) days, from Saturday, September 11, 2021 (9.00 a.m. IST) till Monday, September 13, 2021 (5.00 p.m. IST) (both days inclusive).

Detailed procedure is given in the Notice of AGM and is also placed on the Company's website www.herofincorp.com

Shareholders may get in touch with the Company Secretary at investors@herofincorp.com for further assistance.

The Company has appointed Mr. Devesh Kumar Vasisht (FCS-8488, CP No. 13700), Partner of M/s Sanjay Grover & Associates, failing him, Ms. Priyanka, (Membership No. F10898, CP No. 16187) Partner of M/s Sanjay Grover & Associates, Practice Company Secretaries, New Delhi (Firm Registration No. P2001DE052900) as the Scrutinizer for to scrutinizing the remote e-voting & e-voting process to insure that the process is carried out in a fair and transparent manner.

ADDRESS FOR CORRESPONDENCE

Shareholders/investors can correspond with the Company at the following address:

Registered Office
34, Community Centre, Basant Lok,
Vasant Vihar, New Delhi - 110 057
Phone: 011-4604 4100, 011-4948 7150;
Fax: 011-2614 3321, 011-4948 7197
Company Identification No. (CIN): U74899DL1991PLC046774
Permanent Account Number (PAN): AAACH0157J
Tax Identification Number (TIN): 07850173974
GST Number (GSTIN): 07AAACH0157J1ZS

Company Secretary and Compliance Officer
Mr. Shivendra Suman
Tel No: 011-46044100; 011-49487150
Email: investors@herofincorp.com
Website: www.herofincorp.com

Or

Any query relating to the financial statements of the Company can be addressed to:
Mr. Jayesh Jain, Chief Financial Officer

ANNEXURE – C

ANNUAL REPORT ON CSR ACTIVITIES FOR THE FY 2020-21

PURSUANT TO RULE 8 OF COMPANIES
(CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014

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

The Board of Directors (the "Board") of Hero FinCorp Ltd. ("HFCL") has adopted the CSR policy which has following key points:

A) HFCL's CSR Programme, inter alia, includes achieving one or more of the following - enhancing environmental and natural capital; supporting rural development; promoting education including skill development; providing preventive healthcare, providing sanitation and drinking water; creating livelihoods for people especially those from disadvantaged sections of society in rural and urban India and preserving and promoting sports.;

B) To develop the required capability and self-reliance of beneficiaries at the grass roots, in the belief that these are pre-requisites for social and economic development;

C) To carry out CSR Programme in relevant local areas to fulfill commitments arising from requests by government/regulatory authorities and to earmark amounts of monies and to spend such monies through such administrative bodies of the government and/or directly by way of developmental works in the local areas around which the Company operates;

2. **Composition of CSR Committee:**

Sl No.	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mrs. Renu Munjal	MD & Chairperson	2	2
2	Dr. Pawan Munjal	Chairman - Board of Directors & Member	2	2
3	Mr. Pradeep Dinodia	Independent Director & Member	2	2
4	Mr. Abhimanyu Munjal	Jt. MD & CEO and Member	2	2

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

The policy is available on the Company's website, **www.herofincorp.com** on the following link: **https://www.herofincorp.com/investor-relations/company-policies** and the projects or programs are available on the Company's website, **www.herofincorp.com** on the following link: **https://www.herofincorp.com/csr/**

The Composition of CSR Committee is available on the Company's website, **www.herofincorp.com** on the following link: **https://www.herofincorp.com/csr/**

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

Not applicable. Average CSR obligation for the three immediately preceding financial years has been lesser than Rs. 10 crore.

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

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in Rs.)	Amount required to be set-off for the financial year, if any (in Rs)
(1)	**2020-21**	10 crore	6.96 crore
	Total	10 crore	6.96 crore

Note: A contribution of Rs. 10 crore was made towards PM Cares Fund with respect to Ministry of Corporate Affairs vide Office Memorandum No. CSR-05/1/2020-CSR-MCA dated 28.03.2020. This contribution was made on March 31, 2020, which can be set-off towards CSR obligation arising in subsequent years. Rs. 6.96 Cr. was adjusted from the payment to PM Care Fund which was surplus from previous financial year. Details for the balance amount of Rs. 0.06 Cr. are as given below.

6. **Average net profit of the company as per section 135(5)**.

2017-18	Rs. 244.65 crore
2018-19	Rs. 369.48 crore
2019-20	Rs. 439.01 crore
Total	**Rs. 1053.14 crore**
Average Net Profit	**Rs. 351.05 crore**

7. (a) Two percent of average net profit of the company as per section 135(5) – Rs. 7.02 crore

(b)Surplus arising out of the CSR projects or programmers or activities of the previous financial years. – NIL

(c) Amount required to be set off for the financial year, if any – Rs. 6.96 crore

(d) Total CSR obligation for the financial year (7a+7b- 7c). – Rs. 0.06 crore

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

Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)				
7.02 crore (6.96 crore set off from excess contribution for FY20)	**Total Amount transferred to Unspent CSR Account as per section 135(6).**		**Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)**		
	Amount.	Date of transfer.	Name of the Fund	Amount.	Date of transfer.
	NIL	N.A.	N.A.	N.A.	N.A.

(b) Details of CSR amount spent against ongoing projects for the financial year: **Not Applicable**

(1) Sl. NO.	(2) Name of the Project	(3) Item from the list of activities in Schedule VII to the Act	(4) Local area (Yes /No).	(5) Location of the project.		(6) Project duration	(7) Amount allocated for the project (in Rs.).	(8) Amount spent in the current financial Year (in Rs.).	(9) Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.).	(10) Mode of Implementation- Direct (Yes / No).	(11) Mode of Implementation – Through Implementing Agency	
				State	District						Name	CSR Reg.No.
1.												
	Total											

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

(1) S. No	(2) Name of the Project	(3) Item from the list of activities in schedule VII to the Act	(4) Local area (Yes/ No)	(5) Location of the project.		(6) Amount spent for the project (in Rs.).	(7) Mode of implementation - Direct (Yes/ No)	(8) Mode of implementation - Through implementing agency	
				State	District			Name	CSR Reg. No.
1.	Raman Munjal Vidya Mandir students' fee sponsorship	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Yes	Haryana	Sidhrawali	0.045 Cr.	No	Raman Kant Munjal Foundation	Under Process
2.	Shanti Memorial Society	Eradicating hunger, poverty and malnutrition, ["promoting health care including preventive health care"] and sanitation [including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water.	Yes	Chanakyapuri	New Delhi	0.015 Cr.	No	Shanti Memorial Society	-
	Total					**0.06 Cr.**			

- Raman Kant Munjal Foundation is dedicated to enriching and energizing lives by helping the less privileged and thus enabling to build a happier and healthier community and society. Central to our belief is the relentless commitment towards empowering women in rural and under privileged parts of the country by encouraging and enabling them to not only be equipped with skills that allow financial independence but also holistic development that allows them to become better citizens. With its key focus areas of Education, Skill Development, Women Empowerment and Community Development, the foundation has so far touched and positively impacted hundreds of lives in the backward regions of rural Haryana thereby putting women from these areas back into the mainstream. From its inception in 1992, coupled with the strong leadership of the Hero group, the foundation continues to thrive in bringing about a positive and sustainable change to the society and community.

- Shanti Memorial Society is rallying with the hotels under Shanti Hospitality. Shanti Memorial Society deliver medical supplies and food to those who are in need. The least fortunate communities in various cities of India are finding it difficult to get basic day to day food supplies and the required hygiene equipment to ensure their families have the basic protection against the rampant spreading virus and Shanti Memorial Society is directly helping local communities to the best of their ability.

(d) Amount spent in Administrative Overheads **– Nil**

(e) Amount spent on Impact Assessment, if applicable **– NA**

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) **– Rs. 0.06 crore**

(g) Excess amount for set off, if any

Sl. No.	**Particular**	**Amount (in Rs.)**
(i)	Two percent of average net profit of the company as per section 135(5)	**7.02 Cr.**
(ii)	Total amount spent for the Financial Year (FY 20-21)	**0.06 Cr.**
(iii)	Excess amount spent for the financial year [(ii)-(i)]	**6.96 Cr.**
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	**NIL**
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	**3.04 Cr.**

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

Sl. No.	**Preceding Financial Year.**	**Amount transferred to Unspent CSR Account under section 135 (6) (in Rs.)**	**Amount spent in the reporting Financial Year (in Rs.).**	**Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.**			**Amount remaining to be spent in succeeding financial years. (in Rs.)**
				Name of the Fund	Amount. (in Rs.)	Date of transfer.	
1.							
	Total						

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

(1) Sl. No.	(2) Project ID	(3) Name of the Project	(4) Financial Year in which the project was commenced.	(5) Project Duration	(6) Total amount allocated for the project (in Rs.).	(7) Amount spent on the project in the reporting Financial Year (in Rs)	(8) Cumulative amount spent at the end of reporting Financial Year. (in Rs.)	(9 Status of the project - Completed /Ongoing.
1.								
	Total							

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: **Nil (asset-wise details).**

    (a) Date of creation or acquisition of the capital asset(s).

    (b) Amount of CSR spent for creation or acquisition of capital asset.

    (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.

    (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset

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**

For **Hero Fincorp Limited**

Sd/-
Renu Munjal
Chairperson, CSR Committee &
Managing Director
DIN: 00012870

Place: New Delhi
Date: April 29, 2021

ANNEXURE – D

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2021

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

To,
The Members
HERO FINCORP LIMITED
(CIN: U74899DL1991PLC046774)
34, Community Centre, Basant Lok, Vasant Vihar, New Delhi - 110057

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Hero FinCorp Limited (hereinafter called the Company), which is an unlisted public company but listed on debt segment on National Stock Exchange. 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.

We report that-

a) Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
b) 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.
c) We have not verified the correctness and appropriateness of the financial statements of the Company.
d) Wherever required, we have obtained the Management Representation about the compliances of laws, rules and regulations and happening of events etc.
e) The compliance of the provisions of the corporate and other applicable laws, rules, regulations and standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.
f) 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.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2021("Audit Period") complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

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

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

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

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings, where applicable;

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

(a) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(b) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with clients;

(c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(d) The Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015; (SEBI Listing Regulations)

We have also examined compliance with the applicable clauses of the Secretarial Standard on Meetings of the Board of Directors and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India which is generally complied with. Further, the Company is generally regular in filings with the Registrar of Companies, Reserve Bank of India relating to NBFC Compliance and National Stock Exchange.

During the Audit Period, the Company has complied with the provisions of the Acts, Rules, Regulations and Guidelines listed above, to the extent applicable, except that, as informed by the management of the Company payment of remuneration to the executive directors during the financial year 2020-21 is subject to the approval of the shareholders which will be taken in the ensuing Annual General Meeting the Company.

The Company primarily provides two-wheeler financing, pre-owned car financing, inventory funding, loan against property, loans to SMEs and emerging corporate housing loan and Reserve Bank of India Act, 1934 and rules, regulations & directions issued by RBI from time to time, are the laws specifically applicable to the Company.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent directors. No Changes in the composition of the Board of Directors that took place during the period.

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

Board decisions are carried out with unanimous consent and therefore, no dissenting views were required to be captured and recorded as part of the minutes.

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

We further report that during the audit period-

- The Company has passed a Special Resolution for alteration Articles of Association through Postal Ballot on June 28, 2020.
- The Committee of Directors in its meeting held on 24th day of December, 2020 has converted 989 partly paid equity shares into fully paid equity shares of Rs. 10 each by receiving the balance call money on equity share on right basis.
- The Committee of Directors in its meeting held on 24th day of December, 2020 has converted 2,500 partly paid non-convertible debentures of Rs. 10,00,000 each from paid up value of Rs. 4,00,000 each to paid up value of Rs. 6,00,000 each issued on private placement basis.

- The Committee of Directors in its meeting held on 18th day of February, 2021 has converted 1,31,09,753 partly paid equity shares into fully paid equity shares of Rs. 10 each by receiving the balance call money of Rs 360 including face value per Equity share of Rs. 4.4 and premium of Rs 355.60 per equity share on preferential basis through private placement.
- the Committee of Directors has made the following allotments:

  i. Allotment of 3500 Secured, Rated, Redeemable NCDs of Face value Rs. 10 lakh (Rupees Ten Lakh) each in the meeting held on April 27, 2020.

  ii. Allotment of 250 Secured, Rated, Redeemable NCDs of Face value Rs. 10 lakh (Rupees Ten Lakh) each in the meeting held on July 24, 2020.

  iii. Allotment of 1500 Secured, Rated, Redeemable NCDs of Face value Rs. 10 lakh (Rupees Ten Lakh) each in the meeting held on September 10, 2020.

  iv. Allotment of 1250 Secured, Rated, Redeemable NCDs of Face value Rs. 10 lakh (Rupees Ten Lakh) each in the meeting held on November 03, 2020.

  v. Allotment of 450 Unsecured Rated Redeemable Subordinated (tier-II) NCDs of face value of Rs. 10 lakh (Rupees Ten Lakh) each in the meeting held on December 11, 2020.

  vi. Allotment of 250 Secured, Rated, Redeemable NCDs of Face value Rs. 10 lakh (Rupees Ten Lakh) each in the meeting held on January 19, 2021.

  vii. Allotment of 1000 Secured, Rated, Redeemable NCDs of Face value Rs. 10 lakh (Rupees Ten Lakh) each in the meeting held on March 19, 2021.

For Sanjay Grover & Associates
Company Secretaries
Firm Registration No.: P2001DE052900

Vijay K. Singhal
Partner
ACS No.: A21089, CP No.: 10385
UDIN: A021089C000207693

Date: April 29, 2021
Place: New Delhi

ANNEXURE-E

RELATED PARTY TRANSACTIONS POLICY

1. Introduction

Hero FinCorp Ltd. (hereinafter referred to as HFCL or the company) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company and its shareholders' best interests and in compliance to the provisions of the Companies Act, 2013.

The Board of Directors of the Company has adopted the following policy and procedures with regard to materiality of Related Party Transactions and also on dealing with them as defined below. The Audit Committee will review and may amend this policy from time to time subject to the approval of the Board.

The objective of this policy is to regulate transactions between the Company and its Related Parties based on the Companies Act 2013 and other laws and regulations applicable to the Company.

2. Definitions

"Act" means the Companies Act, 2013

"Arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest

"Ordinary course of business" means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down principles for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

"Company" means Hero FinCorp Ltd.

"Relative" with reference to a Director or KMP means the person as defined in Section 2(77) of the Act and rules prescribed thereunder.

"Related Party" means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act.

"Related party transaction" is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged, including but not limited to the following:

(a) sale, purchase or supply of any goods or materials;

(b) selling or otherwise disposing of, or buying, property of any kind;

(c) leasing of property of any kind;

(d) availing or rendering of any services;

(e) appointment of any agent for purchase or sale of goods, materials, services or property;

(f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and

(g) Underwriting the subscription of any securities or derivatives thereof, of the Company

A transaction shall be construed to include a single transaction or a group of transactions in a contract.

"Key Managerial Personnel" shall mean the officers/employees of the Company as defined in Section 2(51) of the Companies Act, 2013

"Employees" shall mean the employees and office-bearers of the Company, including but not limited to Directors

"Director" means a person as defined in Section 2(34) of the Companies Act, 2013

"Audit Committee" means the Committee of the Board formed under Section 177 of the Act.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013.

3. Related party transactions under the policy

Applicability

The new regime under Companies Act, 2013 covers in its ambit almost all the dealings and transactions with related parties. Any transfer of resources, services or obligations between a company and a related party, would get covered as a 'related party transaction', whether or not, there is an element of consideration, price or cash-flow.

Approval Process - Normal

All related party transactions shall be entered into generally with prior approval of Audit Committee. However, in case of related party transactions in the nature of ordinary course of business, same shall be ratified or approved by the Audit Committee. Based on the terms and conditions of a transaction, and applicable regulatory requirements, the Audit Committee will have the discretion to recommend / refer it for the approval of Board of Directors or Shareholders.

In the event such transaction, contract or arrangement is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act 2013 and the Rules framed thereunder and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.

The Audit Committee will have the discretion to seek opinion / report of an independent expert in case of any related party transaction.

Approval Process – Omnibus

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
c. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;

   Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approvalgiven.

e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

4. Board Approval

Any related party transaction mentioned in Section 188 and rules made thereunder which is not in the ordinary course of business and/or not on arm's length basis will require Board approval.

5. Shareholder's Approval

Any related party transaction which is not in the ordinary course of business and/or not on arm's length basis, and crosses prescribed threshold limit as per Companies Act, 2013 will require prior approval of the Shareholders by way of ordinary resolution.

6. Transaction at arm's length

The Company has laid out a framework to assess whether transactions with related parties are done at an arm's length. Globally accepted practices and principles have been incorporated in the framework. Tests to determine that transactions are in "ordinary course of business" and on an "arms' length basis" are conducted on an ongoing basis.

7. Disclosure

- All Directors/KMP are required to disclose the parties in which they are deemed to be interested in prescribed form.
- Further, each Director and KMP of the Company shall promptly notify the Secretarial Department of any related party transaction or Relationship that could reasonably be expected to give rise to a conflict of interest.
- Every related party transaction, if required under law/Listing Agreement shall be referred to in the Board's report along with the justification for entering into such contract or arrangement. The Company shall also maintain Register in the prescribed form.
- The company shall disclose the policy on dealing with Related Party Transactions on its website and a web-link thereto shall be provided in the Annual Report.

8. Whistle blower for any Related Party Transaction entered by company in non-compliance of such policy

Any officer or employee, can approach access / approach the vigil mechanism or Company Secretary to report a fraudulent related party transaction.

9. Guidance Principles for approval of a Related Party Transaction by the Board/Committee thereof

To review a Related Party Transaction, the Board/Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other relevant matters. In determining whether to approve or a Related Party Transaction, the Board/ Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;

- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would impair the independence of an otherwise Independent Director or Nominee of a Director;
- Whether the Related Party Transaction would present an improper conflict of interest for any Director, Nominee for Director or KMP of the Company, taking into account the size of the transaction, the overall interest of the Director, Nominee for Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's Nominee, Executive Officer's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/ Committee deems relevant.

10. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case where either the Board/Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Board/Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Board/Committee has authority to modify or waive any procedural requirements of this Policy.

11. Consequences of non-compliance of such policy for any Related party transaction

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the Employee. Details of such disciplinary proceedings will form part of the personal file of such employee and will be considered as a default on his or her key responsibilities. The above would be over and above the prescribed penal consequences under Companies Act.

ANNEXURE - F

NOMINATION AND REMUNERATION POLICY

I. PREAMBLE

Pursuant to Section 178 of the Companies Act, 2013 (the Act), the Board of Directors is required to constitute the Nomination and Remuneration Committee. The Company has already constituted Nomination & Remuneration Committee.

The Nomination & Remuneration Committee determines and recommends to the Board the compensation payable to Directors. Remuneration for the Executive Directors consists of a fixed component and a variable component linked to the long term vision, medium term goals and annual business plans.

The company had set-up a Remuneration Committee on April 18, 2005 to review and recommend the quantum and payment of annual salary and commission and finalize service agreements and other employment conditions of the Executive Directors. The Committee takes into consideration the best remuneration practices being followed in the industry while fixing appropriate remuneration packages. As per the guidelines of Companies Act, 2013, the committee has been renamed as the Nomination and Remuneration Committee ("NR Committee").

Section 178 of the Act provides that the Committee shall recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees, further the Committee shall also formulate the criteria for determining qualifications, positive attributes and independence of a director.

This Committee and the Policy is formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto.

II. OBJECTIVE

The Key Objectives of the Committee would be:

a) To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.

b) To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation.

c) To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

III. DEFINITIONS

- Board of Directors" or "Board", in relation to a company, means the collective body of the Directors of the company;
- The expression "senior management" means personnel of the company who are members of its core management team other than the Board of Directors. This would include all members of management one level below the executive directors, including all the functional heads.
- "Company" means "Hero FinCorp Limited."

- "Independent Director" means a director referred to in Section 149 (6) of the Companies Act, 2013.
- "Key Managerial Personnel" (KMP) means
  - (i) Chief Executive Officer or the Managing Director or the Manager,
  - (ii) Company Secretary,
  - (iii) Whole-time Director,
  - (iv) Chief Financial Officer and
  - (v) Such other officer as may be prescribed.

Hero FinCorp Ltd. has the following individuals assuming key positions in the company:

- "Nomination and Remuneration Committee" shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013.
- "Policy or This Policy" means, "Nomination and Remuneration Policy."
- "Remuneration" means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.

IV. INTERPRETATION

Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013, as amended from time to time.

V. GUIDING PRINCIPLES

The Policy ensures that

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks and
- Aligning key executive and board remuneration with the longer term interests of the company and its shareholders;
- Minimize complexity and ensure transparency;
- Link to long term strategy as well as annual business performance of the company;
- Promotes a culture of meritocracy and is linked to key performance and business drivers; and
- Reflective of line expertise, market competitiveness so as to attract the best talent

VI. ROLE OF THE COMMITTEE

The role of the Committee inter alia will be the following:

1. To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and/ or removal.
2. To carry out evaluation of every director's performance.
3. To formulate the criteria for determining qualifications, positive attributes and independence of a director, and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
4. To formulate the criteria for evaluation of Independent Directors and the Board.
5. To recommend/review remuneration of the Managing Director(s) and Whole-time Director(s) based on their performance and defined assessment criteria.

6. To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.
7. To perform such other functions as may be necessary or appropriate for the performance of its duties.

VII. MEMBERSHIP

a) The Committee shall comprise at least three (3) Directors, all of whom shall be non- executive Directors and at least half shall be Independent.

b) The Board shall reconstitute the Committee as and when required to comply with the provisions of the Companies Act, 2013 and applicable statutory requirement.

c) Membership of the Committee shall be disclosed in the Annual Report.

d) Term of the Committee shall be continued unless terminated by the Board of Directors.

VIII. CHAIRMAN

a) Committee shall be chaired by an Independent Director.

b) Chairman of the Company, if any, may be appointed as a member of the Committee but shall not Chair the Committee.

c) Members of the Committee present at the meeting shall choose one amongst them to act as Chairman.

d) Chairman of the Nomination and Remuneration Committee could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

IX. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

X. COMMITTEE MEMBERS' INTERESTS

a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

XI. VOTING

a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

XII. APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

- Appointment criteria and qualifications:
    1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
    2. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
    3. The Company shall appoint/ re-appoint as Managing Director/Whole-time Director/Manager in Compliance with the provisions of the Companies Act, 2013, Guidelines issued by Reserve Bank of India, Listing Obligations and Disclosure Requirement issued by Securities & Exchange Board of India and other Regulatory Authorities from time to time. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

- Term / Tenure:

    1. Managing Director/Whole-time Director/Manager (Managerial Person)
        - The Company shall appoint or re-appoint any person as its Managerial Person for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

    2. Independent Director
        - An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for reappointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
        - No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. - At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company.

- Evaluation: The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management at regular interval (yearly).

- Removal: Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the said Act, rules and regulations.

- Retirement: The Director, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

XIII Remuneration paid to Executive Directors

- The remuneration paid to Executive Directors is recommended by the Nomination and Remuneration Committee and approved by the Board in the Board meeting, subject to the subsequent approval by the shareholders at the general meeting and such other authorities, as the case may be.

- At the Board meeting, only the Non-Executive and Independent Directors participate in approving the remuneration paid to the Executive Directors. The remuneration is arrived by considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry and the financial position of the company. The elements of the remuneration and limits are pursuant to the clause 178, 197 and Section V of the Companies Act 2013.

1 Remuneration Policy Structure

The remuneration structure for the Executive Directors would include the following components:

(i) Basic Salary

- Provides for a fixed, per month, base level remuneration to reflect the scale and dynamics of business to be competitive in the external market.
- Are normally set in the home currency of the Executive Director and reviewed annually.
- Will be subject to an annual increase as per recommendations of the Nomination and Remuneration committee and approval of the Board of Directors.

Basic Salary

(ii) Commission

- Executive Directors will be allowed remuneration, by way of commission which is in addition to the Basic Salary, Perquisites and any other Allowances, benefits and amenities.
- Subject to the condition that the amount of commission shall not exceed 5% of net profit of the company in a particular financial year in the manner referred in Section 197 & 198 of Companies Act 2013.
- The amount of commission shall be paid subject to recommendation of the Nomination and Remuneration committee and approval of the Board of Directors.

(iii) Perquisites and Allowances

A basket of Perquisites and Allowances would also form a part of the remuneration structure.

(iv) Contribution to Provident and Other funds

In addition to the above, the remuneration would also include:

- Contribution to Provident and Superannuation Funds

- Gratuity

(v) Minimum Remuneration

If in any financial year during the tenure of the Executive Directors, the company has no profits or its profits are inadequate, they shall be entitled to, by way of Basic Salary, Perquisites, allowances, not exceeding the ceiling limit of 2,00,000 per month, and in addition hereto, they shall also be eligible for perquisites not exceeding the limits specified under Part IV of Schedule V of the Companies Act, 2013 Remuneration payable to Non-Executive & Independent Directors or other such limits as prescribes by the Government from time to time as Minimum Remuneration, whichever is higher.

XIV Remuneration payable to Non-Executive & Independent Directors

The Non-Executive Directors of the company would be paid sitting fees of INR 50,000 for each meeting of the Committees and Board.

XV Remuneration payable to Non-Executive Directors

The Remuneration to the Non-Executive Directors would be as per recommendations of the Nomination and Remuneration committee and approval of the Board of Directors. It would be pursuant to the provisions of sections 197,198 of the Companies Act 2013.

Remuneration payable to Non-Executive & Independent Directors

XVI Remuneration Philosophy for Key managerial personnel, senior management & staff

The compensation for the Key managerial personnel, senior management and staff at Hero FinCorp would be guided by the external competitiveness and internal parity through annual benchmarking surveys.

Internally, performance ratings of all Hero FinCorp Employees would be spread across a normal distribution curve. The rating obtained by an employee will be used as an input to determine Variable and Merit Pay increases. Variable and Merit pay increases will be calculated using a combination of individual performance and organizational performance. Grade wise differentiation in the ratio of variable and fixed pay as well as in increment percentage must be made.

Compensation can also be determined based on identified skill sets critical to success of Hero FinCorp. It is determined as per management's review of market demand and supply.

1 Grade Structure (Leadership Pyramid)

Since HFCL is an evolving organization in the Financial Services Space and aspire to be one of the leading financial service organization in the field of the Two Wheeler and Corporate Finance. The Grade Structure of HFCL has been aligned as per the work value of jobs and degree of responsibility and accountability involved. The Classification of each grade is based on the level of the work undertaken, and encompasses the elements of decision making, communication, knowledge and proficiency.

The Grade Structure will help an employee to understand about their current level and career progression path in the organization.

Employee Group	Parameters to Focus (Compensation Mix)
Top Management (Impact Level 1)	High weightage to company performance & Emphasis on Long term incentives and Benefits
Middle management (Impact Level 2)	High weightage on individual performance & lesser variable component.
Junior Management	No Variable, Fixed Income & some social Security
Individual Contributor	No Variable, Fixed Income. Better then industry pay. Focus on providing necessary and statutory benefits

Grade Structure (Leadership Pyramid)

2 Performance Framework

In HFCL Meritocracy is the backbone of the performance and potential recognition framework, driven on principles of the Balanced Score Card approach. The Performance Management Policy revolves around the three 'P' approach:

- People
- Performance
- Potential

HFCL recognizes its People as an Asset and believes in recognizing and supporting employee's duties done in the best interest of the organization and compensate appropriately. The PMS policy also clearly distinguishes between the Performance & Potential by:

- Pay to Performance
- Promote to the potential

Performance planning is the process of setting goals and objectives at the start of the year. The process of "GOAL SETTING" needs to be conducted in the month of May / June every year. Goal Setting should include a discussion between the Appraise & Appraiser and should be mutually decided. Targets set during the process should be SMART.

(S-Specific, M–Measurable, A–Attainable, R–Realistic and T–Time bound).

3 Mid Year Review

HFCL encourages constant review culture. However, midyear review is the process of taking stock of the performance after 6 months of goal setting. This would be conducted in the month of October every year.

This discussion would summarize accomplishments to date, identify what goals have been added, eliminated or changed, review priorities and clarify performance expectations going forward with a condition that no changes in salary and grade will take place. It is strictly a review of performance.

XVII. MINUTES OF COMMITTEE MEETING

Proceedings of all Meetings must be recorded in the Minutes book and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting. Minutes of the Committee meeting will be tabled at the subsequent Board and Committee meeting.

XVIII. DEVIATIONS FROM THIS POLICY

Deviations on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

ANNEXURE - G

INFORMATION TO BE DISCLOSED PURSUANT TO PROVISIONS OF SECTION 62(1)(B) OF THE COMPANIES ACT, 2013 READ WITH COMPANIES (SHARE CAPITAL AND DEBENTURES) RULES ON ESOP DISCLOSURES FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

S. No.	Particulars	ESOP Scheme 2017
1.	Options Granted	18,62,205
2.	Options Vested	NA
3.	Options Exercised	NA
4.	The total no. of shares arising as a result of exercise of option	NA
5.	Options Lapsed	3,89,386
6.	The Exercise Price	NA
7.	Variation of terms of Options	NA
8.	Total No. of Options in Force	14,72,819
9.	Employee wise details:	
	i) Key Managerial Personnel	1,41,485
	ii) any other employee who receives a grant of options in any one year of option amounting to five per cent or more of option granted during that year.	Nil
	iii) Identified employees who were granted option, during any one year, equal to or exceeding one per cent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	Nil

ANNEXURE - H

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

1. The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial Year:

Name of Directors/ KMP and Designation	Remuneration of Director/ KMP for FY 2020-21 (Rs. crore)	Percentage (%) increase in Remuneration in FY 2020-21	Ratio of the remuneration to the median employee's remuneration
Executive Directors			
Mrs. Renu Munjal - Managing Director	17.12#	9.81	239
Mr. Abhimanyu Munjal – Joint Managing Director & CEO	13.10#	6.67	183
Non-Executive Directors^			
Dr. Pawan Munjal	0.04	(22.22)	1
Mr. Sanjay Kukreja	-	-	-
Non-Executive and Independent Directors^			
Mr. Pradeep Dinodia	0.33	14.03	5
Mr. Vivek Chaand Sehgal@	0.26	1,175	4
Employees & KMP			
Mr. Jayesh Jain – Chief Financial Officer	1.98	(0.65)*	27.63
Mr. Shivendra Suman- Company Secretary	0.84	13.00	11.76

@ Appointed w.e.f. December 6, 2019

 # Including Variable pay pertaining to FY 2019-20 and which was paid in FY 2020-21.

^Includes sitting fees and commission

**Change in remuneration is due to change in Variable pay paid during the Financial Year*

***Change is due to Variable pay paid in last FY was on pro-rata basis, as employee had joined in Sep'18*

2. Independent Directors are entitled to sitting fees and commission as per the statutory provisions and within the limits approved by shareholders. Remuneration details for Independent Directors in the above table, is comprised of sitting fees and commission.
3. Mr. Sanjay Kukreja, Non-Executive Director, did not receive any sitting fees or any other remuneration.
4. The median remuneration of employees of the Company during the the Financial Year was Rs. 7.15 lacs.
5. Median salary of employees in current year has increased by (1.4%) in comparison to the previous year.
6. The number of permanent employees on the rolls of Company as on March 31, 2021 was 1829 (previous year 1883).
7. Average percentage increase made in the salary of employees other than the managerial personnel in last FY i.e. 2020-21 was Nil.
8. It is hereby affirmed that remuneration to Key Managerial Personnel and Employees of the Company are in line with the Remuneration Policy of the Company.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERO FINCORP LIMITED

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Hero FinCorp Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2021, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information

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

Basis for Opinion

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

Key Audit Matters

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

The Key audit matter	**How the matter was addressed in our audit**

Impairment on loans to customers

Charge: Rs. 1,399.04 crores for year ended 31 March 2021

Provision: Rs. 1,248.89 crores at 31 March 2021

Refer to the accounting policies in "Note 3 to the standalone financial statements: Impairment of financial assets", "Note 2.4 to the standalone financial statements: Significant Accounting Policies- use of estimates and judgements" and "Note 7 to the standalone financial statements: Loans"

Subjective estimate

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

- Data inputs - The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model.
- Model estimations – Inherently judgmental models are used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD and the LGD are the key drivers of estimation complexity in the ECL and as a result are considered the most significant judgmental aspect of the Company's modelling approach.
- Economic scenarios – Ind AS 109 requires the Company to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the economic scenarios used and the probability weights applied to them [(including changes to methodology) – where applicable] especially when considering the current uncertain economic environment arising from COVID-19.
- Restructuring – the Company has restructured loans in the current year on account of COVID-19 related regulatory measures. This has resulted in increased management estimation over determination of losses for such restructured loans.

Our key audit procedures included:

Design / controls

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

Key aspects of our controls testing involved the following:

- Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs, data and assumptions into the Ind AS 109 impairment models.
- Testing the design and operating effectiveness of the key controls over the application of the staging criteria.
- For specifically assessed non-homogeneous loans, testing controls over credit file review processes, approval of external collateral valuation vendors and review controls over the approval and computation of significant individual impairments.
- Testing key controls relating to selection and implementation of material macro-economic variables and the controls over the scenario selection and application of probability weights.
- Testing management's controls on compliance with Ind AS 109 disclosures related to ECL.
- Testing key controls operating over the information technology in relation to loan impairment management systems, including system access and system change management, program development and computer operations.

Involvement of specialists - we involved financial risk modelling specialists for the following:

- Evaluating the appropriateness of the Company's Ind AS 109 impairment methodologies and reasonableness of assumptions used.

- The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers, including off balance sheet elements, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Disclosures

The disclosures regarding the Company's application of Ind AS 109 are key to explaining the key judgements and material inputs to the Ind AS 109 ECL results. Further, disclosures to be provided as per RBI circulars with regards to non-performing assets and provisions will also be an area of focus, particularly as this will be the first year some of these disclosures will be presented and are related to an area of significant estimate.

- For models which were changed or updated during the year, evaluating whether the changes were appropriate by assessing the updated model methodology.
- The reasonableness of the Company's considerations of the impact of the current economic environment due to COVID-19 on the ECL determination.

Test of details

Key aspects of our testing included:

- Sample testing over key inputs, data and assumptions impacting ECL calculations to assess the completeness, accuracy and relevance of data and reasonableness of economic forecasts, weights, and model assumptions applied.

  Assessing disclosures - We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the ECL. As part of this, we assessed the sensitivity analysis that is disclosed. In addition, we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear.

IT Systems and Controls

The Company's key financial accounting and reporting processes are highly dependent on the information systems including automated controls in system, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated.

We have identified "IT systems and controls" as key audit matter because of high level of automation, significant number of systems being used by the management and complexity of the IT systems.

Our key audit procedures included:

- We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations.
- We have also tested design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, completeness and accuracy of reports. Further, tested key control over user access management around various IT automated controls.
- Other areas that were independently assessed included password policies, security configurations, controls over changes to applications and databases and other business users, developers and production support did not have access to change applications, the operating system or databases in the production environment.

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

2. (A) As required by Section 143(3) of the Act, we report that:
   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

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

d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act;

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

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

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

i. The Company has disclosed the impact of pending litigations as at 31 March 2021 on its financial position in its standalone financial statements - Refer Note 36.2 to the standalone financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. Further, the Company did not have derivative contracts for which there were any material foreseeable losses - Refer Note 36.3 to the standalone financial statements;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and

iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2021.

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

We draw attention to Note 37.1 to the standalone financial statements for the year ended 31 March 2021 according to which the managerial remuneration paid to Managing Director and Joint Managing Director & Chief Executive Officer of the Company (amounting to Rs. 16.12 crores) exceed the prescribed limits under Section 197 read with Schedule V to the Companies Act, 2013 by Rs. 11.81 crores. As per the provisions of the Act, the excess remuneration is subject to approval of the shareholders which the Company proposes to obtain in the forthcoming Annual general Meeting. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

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

Manish Gupta
Partner
(Membership No. 095037)
UDIN: 21095037AAAABB3460

Place: New Delhi
Date: 29 April 2021

Annexure A referred to in our Independent Auditor's Report to the members of Hero FinCorp Limited on the standalone financial statements for the year ended 31 March 2021

(i) (a) According the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) According the information and explanations given to us, the Company has a regular programme of physical verification of its fixed assets by which all the fixed assets verified in a phased manner at least once in three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its fixed assets. Pursuant to the programme, certain fixed assets were physically verified by the management during the year. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

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

(ii) The Company is a service company, primarily in the business of providing loans to its customers. Accordingly it does not hold any physical inventories. Thus, the provision of clause 3(ii) of the Order is not applicable to the Company.

(iii) According to the information and explanations given to us, the Company has granted loans, secured or unsecured, to companies and firms covered in the register maintained under section 189 of the Act. The Company has not granted any loans, secured or unsecured, to other parties covered in the register maintained under section 189 of the Act.

(a) The terms and conditions of the grant of above-mentioned loans are not prejudicial to the interest of the Company.

(b) The schedule for repayment of principal and interest on the loans are stipulated at the time of sanction of these loans, and accordingly, the principal and interest for these loans have been received regularly during the year; and

(c) There are no overdue amounts in respect of the loans granted to the parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3(iii) (c) of the order is not applicable.

(iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not undertaken any transaction in respect of loan, guarantees and securities covered under section 185 of the Act. The Company has not made any investment as referred in section 186 (1) of the Act, other requirements relating to section 186 of the Act do not apply to the Company.

(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed there under apply. Accordingly, the provision of clause 3(v) of the Order is not applicable to the Company.

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

(vii) (a) According to the information and explanations given to us and on the basis of our examination of records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, income-tax, cess, goods and services tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As informed to us, there were no dues for employees' state insurance and duty of customs during the year.

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

(c) According to the information and explanations given to us, following dues of Income-tax, cess and Value Added Tax have not been deposited with the appropriate authorities on account of dispute. According to the information and explanations given to us, there are no dues of goods and services tax and cess which have not been deposited with the appropriate authorities on account of dispute. Further, there were no dues payable in respect of duty of customs.

Name of the statute	Name of the dues	Forum where dispute is pending	Period to which amount relates (FY)	Amount involved (INR in crores)	Amount unpaid (INR in crores)
Income tax Act, 1961	Income tax	Commissioner (Appeals)	2013-14 2014-15	9.11	5.43
Income tax Act, 1961	Income tax	High Court, Delhi	2006-07 2009-10	0.33	0.18
Income tax Act, 1961	Income tax	Commissioner (Appeal)	2016-17	202.87	177.68
Delhi Value added tax Act	Value added tax	Objection hearing authority (Trade and Tax department)	2013-14 2014-15 2015-16	0.32	0.32

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks or debenture holders. Further, the Company did not have any outstanding loans or borrowings from the government during the year.

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

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, and as explained in note 37.1 to the financial statements, the managerial remuneration paid or provided by the Company (amounting to Rs. 16.12 crores) exceeds the prescribed limits under Section 197 read with Schedule V to the Act by Rs. 11.81 crores. *As per the provisions of the Act, the excess remuneration is subject to approval of the shareholders which the Company proposes to obtain in the forthcoming Annual general Meeting.*

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

(xiii) According to the information and explanations given to us and on the basis of our examination of the records, the Company is in compliance with section 188 and 177 of the Act, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the standalone financial statements etc. as required by the applicable Ind AS.

(xiv) According to the information and explanation given to us, the Company has not made preferential allotment of shares or fully or partly debentures during the year. However, during the previous year ended 31 March 2020, the Company had issued and allotted partly paid equity shares on preferential basis through private placement. Further, during the year, balance amount has been received as first and final call money and consequently the Company has converted partly paid equity shares into fully paid up equity shares. According to the information and explanation given to us, amount received has been used for the purpose for which funds were raised, to the extent utilized.

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

(xvi) According to the information and explanation given to us, the Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained the registration.

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

Manish Gupta
Partner
(Membership No. 095037)
UDIN: 21095037AAAABB3460

Place: New Delhi
Date: 29 April 2021

Annexure B to the Independent Auditors' report on the standalone financial statements of Hero FinCorp Limited for the year ended 31 March 2021

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph [2(A)(f))] und er 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

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

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

Management's and Board of Directors' Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial controls with Reference to Financial Statements

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

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

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

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

Manish Gupta
Partner
(Membership No. 095037)
UDIN: 21095037AAAABB3460

Place: New Delhi
Date: 29 April 2021

Standalone Balance Sheet as at March 31, 2021
(All amounts are in Rupees Crore except share data and unless otherwise stated)

Particulars	Note	As at March 31, 2021	As at March 31, 2020
Assets			
Financial assets			
Cash and cash equivalents	4	880.34	2,213.23
Bank balance other than cash and cash equivalents	5	116.13	0.52
Trade receivables	6	7.98	7.87
Loans	7	23,856.85	22,482.69
Investments	8	2,211.35	451.83
Other financial assets	9	110.71	30.28
Non-financial assets			
Current tax assets (net)	10	41.89	40.26
Deferred tax assets (net)	11	340.82	254.33
Property, plant and equipment	12	47.64	67.46
Right-of-use assets	12.1	36.50	49.98
Intangible assets	12.2	16.60	13.76
Other non-financial assets	13	32.36	24.20
Total assets		**27,699.17**	**25,636.41**
Liabilities and equity			
Liabilities			
Financial liabilities			
Trade payables	14		
- Total outstanding dues of micro enterprises and small enterprises; and		0.12	0.91
- Total outstanding dues of creditors other than micro enterprises and small enterprises		248.76	160.63
Debt securities	15	4,080.85	5,231.98
Borrowings (other than debt securities)	16	17,142.27	14,610.11
Subordinated liabilities	17	593.31	548.35
Lease liabilities	18	40.40	51.99
Other financial liabilities	19	471.99	376.60
Non-financial liabilities			
Current tax liabilities (net)	20	8.60	60.14
Provisions	21	37.44	32.14
Other non-financial liabilities	22	33.89	36.09
Total liabilities		**22,657.63**	**21,108.94**

Equity			
Equity share capital	23	127.31	121.54
Other equity	24	4,914.23	4,405.93
Total equity		**5,041.54**	**4,527.47**
Total liabilities and equity		**27,699.17**	**25,636.41**
Significant accounting policies	**3**		
Notes to the standalone financial statements	**1 to 47**		

The notes referred to above form an integral part of the standalone financial statements

As per our report of even date attached

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

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Manish Gupta	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**Pradeep Dinodia**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 095037	(DIN: 00004223)	(DIN: 00012870)	(DIN: 02822641)	(DIN: 00027995)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: New Delhi
Date: April 29, 2021

Place: New Delhi
Date: April 29, 2021

Standalone Statement of Profit and Loss for the year ended March 31, 2021 (All amounts are in Rupees Crore except share data and unless otherwise stated)

Particulars	Note	For the year ended March 31, 2021	For the year ended March 31, 2020
Income			
Revenue from operations	25		
Interest income		3,653.43	3,287.80
Dividend income		0.74	0.74
Profit on sale of investments		19.98	53.06
Rental income		6.48	12.03
Net gain on fair value changes		21.39	-
Insurance commission		13.17	11.09
Others charges		330.74	298.48
Total revenue from operations		**4,045.93**	**3,663.20**
Other income	26	45.71	39.42
Total income		**4,091.64**	**3,702.62**
Expenses			
Finance costs	27	1,550.49	1,539.84
Impairment allowance on loans	28	1,399.04	638.44
Employee benefits expenses	29	236.89	251.94
Depreciation and amortization	12	30.67	33.02
Other expenses	30	784.48	758.45
Total expenses		**4,001.57**	**3,221.69**
Profit before tax		**90.07**	**480.93**
Tax expense:	11		
(i) Current tax		109.15	248.48
(ii) Tax adjustment relating to earlier year		(3.17)	(0.12)
(iii) Deferred tax (credit) (net)		(86.53)	(77.60)
Total tax expense		**19.45**	**170.76**
Profit after tax		**70.62**	**310.17**
Other comprehensive income/ (loss)			
Items that will not be reclassified to profit or loss :			
Remeasurement of (losses) on defined benefit plans	33	0.15	(1.27)
Income tax impact on above	11	(0.04)	0.32
Other comprehensive income/ (loss) for the year, net of tax		**0.11**	**(0.95)**
Total comprehensive income/ (loss) for the year, net of tax		**70.73**	**309.22**

Earnings per equity share	31		
Basic (Rs.)		5.78	26.98
Diluted (Rs.)		5.77	26.79
Significant accounting policies	**3**		
Notes to the standalone financial statements	**1 to 47**		

The notes referred to above form an integral part of the standalone financial statements

As per our report of even date attached

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

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Manish Gupta	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**Pradeep Dinodia**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 095037	(DIN: 00004223)	(DIN: 00012870)	(DIN: 02822641)	(DIN: 00027995)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: New Delhi
Date: April 29, 2021

Place: New Delhi
Date: April 29, 2021

Standalone Statement of Changes in Equity for the year ended March 31, 2021 (All amounts are in Rupees Crore except share data and unless otherwise stated)

A. Equity share capital

Particulars	Number of shares	Amount
Equity share of Rs. 10 each, issued, subscribed and fully paid		
As at April 1, 2019	**114,098,182**	**114.10**
Converted into fully paid up shares	96,944	0.10
As at March 31, 2020	**114,195,126**	**114.20**
Converted into fully paid up shares	13,110,742	13.11
As at March 31, 2021	**127,305,868**	**127.31**
Equity share of Rs. 10 each, issued, subscribed and partly paid (Rs. 5 each called up and paid up)		
As at April 1, 2019	**98,739**	**0.05**
Converted into fully paid up shares	96,944	0.05
As at March 31, 2020	**1,795**	**0.00**
Converted into fully paid up shares	989	0.00
As at March 31, 2021 *	**806**	**0.00**
Equity share of Rs. 10 each, issued, subscribed and partly paid (Rs. 5.60 each called up and paid up)		
As at April 1, 2019	**-**	**-**
Issued during the year	13,109,753	7.34
Converted into fully paid up shares	-	-
As at March 31, 2020	**13,109,753**	**7.34**
Issued during the year	**-**	-
Converted into fully paid up shares	13,109,753	7.34
As at March 31, 2021	**-**	**-**
As at March 31, 2021	**127,306,674**	**127.31**

* Absolute amount of Rs. 4,030 (March 31, 2020: Rs. 8,975) received towards partly paid up shares

Standalone Statement of Changes in Equity for the year ended March 31, 2021
(All amounts are in Rupees Crore except share data and unless otherwise stated)

B. Other Equity

Particulars	Reserves and surplus				Other comprehensive income/ (loss)	Stock options outstanding account	Share application money pending allotment*	Total
	Statutory reserve	Securities premium	General reserve	Retained earnings	Remeasurements of defined benefit plans			
As at April 1, 2019	**189.20**	**2,883.72**	**92.94**	**372.11**	**-**	**14.39**	**-**	**3,552.36**
Profit for the year	-	-	-	310.17	-	-	-	310.17
Other comprehensive income/ (loss) for the year, net of tax	-	-	-	-	(0.95)	-	-	(0.95)
Transfer to retained earnings	-	-	-	(0.95)	0.95	-	-	-
Total comprehensive income/ (loss) for the year	-	-	-	309.22	-	-	-	309.22
Dividend paid on equity shares	-	-	-	(48.53)	-	-	-	(48.53)
Dividend distribution tax	-	-	-	(9.98)	-	-	-	(9.98)
Transfer from retained earnings to statutory/ general reserve	62.03	-	31.02	(93.05)	-	-	-	-
Share issue expenses	-	(1.08)	-	-	-	-	-	(1.08)
Share application money received	-	-	-	-	-	-	0.00	0.00
Securities premium received	-	599.32	-	-	-	-	-	599.32
Share based payment charge	-	-	-	-	-	4.62	-	4.62
As at March 31, 2020	**251.23**	**3,481.96**	**123.96**	**529.77**	**-**	**19.01**	**0.00**	**4,405.93**
Profit for the year	-	-	-	70.62	-	-	-	70.62
Other comprehensive income/ (loss) for the year, net of tax	-	-	-	-	0.11	-	-	0.11
Transfer to retained earnings	-	-	-	0.11	(0.11)	-	-	-
Total comprehensive income/ (loss) for the year	-	-	-	70.73	-	-	-	70.73

Dividend paid on equity shares	-	-	-	(30.99)	-	-	-	(30.99)
Transfer from retained earnings to statutory/ general reserve	14.12	-	7.06	(21.18)	-	-	-	0.00
Share issue expenses	-	(1.88)	-	-	-	-	-	(1.88)
Securities premium received	-	466.22	-	-	-	-	-	466.22
Share based payment charge	-	-	-	-	-	4.22	-	4.22
As at March 31, 2021	**265.35**	**3,946.30**	**131.02**	**548.33**	**-**	**23.23**	**0.00**	**4,914.23**

* Absolute amount of Rs. Nil (March 31, 2020: Rs. 40,475) received towards partly paid up shares

Significant accounting policies **3**

Notes to the standalone financial statements **1 to 47**

The notes referred to above form an integral part of the standalone financial statements

As per our report of even date attached

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

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Manish Gupta
Partner
Mem. No: 095037

Pawan Munjal
Chairman
(DIN: 00004223)

Renu Munjal
Managing Director
(DIN: 00012870)

Abhimanyu Munjal
Jt.Managing Director & CEO
(DIN: 02822641)

Pradeep Dinodia
Director
(DIN: 00027995)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: New Delhi
Date: April 29, 2021

Place: New Delhi
Date: April 29, 2021

Standalone Statement of Cash Flow for the year ended March 31, 2021 (All amounts are in Rupees Crore except share data and unless otherwise stated)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
A. Cash flow from operating activities		
Profit before tax	**90.07**	**480.93**
Adjustment for:		
Depreciation and amortization	30.67	33.02
Impairment allowance on loans	368.14	449.31
Dividend income from investments	(0.74)	(0.74)
Discount on commercial paper	147.10	276.74
Settlement loss and bad debts written off	1,030.90	189.13
Employee share based payment expense	4.24	5.06
Net loss on sale of property, plant and equipment	3.67	4.19
Interest on investments	(43.24)	(5.93)
Interest on lease liability	3.98	4.64
Net loss/ (gain) on fair value changes	(21.39)	12.66
Profit on sale of investments	(19.98)	(53.06)
Operating profit before working capital changes	**1,593.42**	**1,395.95**
(Increase) in trade receivables	(0.11)	(3.53)
(Increase) in loans	(2,773.19)	(3,905.45)
(Increase)/ decrease in bank balance other than cash and cash equivalents	(115.61)	0.03
(Increase)/ decrease in other financial assets	(80.44)	21.16
(Increase) in other non financial assets	(10.40)	(3.67)
Increase/ (decrease) in other financial liabilities	96.45	(80.78)
Increase in trade payables	87.35	45.35
Increase/ (decrease) in other non financial liabilities	(2.20)	4.25
Increase in provisions	5.45	7.78
Net cash flow (used in) operating activities before income tax	**(1,199.28)**	**(2,518.91)**
Income tax paid (net of refund)	(159.15)	(245.78)
Net cash flow (used in) operating activities (A)	**(1,358.43)**	**(2,764.69)**
B. Cash flow from investing activities		
Purchase of property, plant and equipment and other intangible assets	(12.35)	(21.74)
Proceeds from sale of property, plant and equipment	5.30	8.69
Dividend received	0.74	0.74
Interest on investments	43.24	5.93
Purchase of investments	(25,919.56)	(34,709.29)
Sale of investments	24,301.41	35,409.74
Investment in subsidiary	(100.00)	(150.00)
Net cash flow (used in)/ from investing activities (B)	**(1,681.22)**	**544.07**

C.	**Cash flow from financing activities**		
	Proceeds from shares issue (including securities premium)	470.10	605.63
	Proceeds from debt securities	5,916.77	12,477.99
	Repayment of debt securities	(7,215.00)	(14,304.00)
	Proceeds from borrowings (other than debt securities)	14,841.79	12,068.27
	Repayment of borrowings (other than debt securities)	(12,309.64)	(6,575.67)
	Proceeds from subordinated liabilities	44.96	124.25
	Repayment of lease liability	(11.23)	(10.76)
	Dividend paid	(30.99)	(48.53)
	Dividend distribution tax	-	(9.98)
	Net cash flow from financing activities (C)	**1,706.76**	**4,327.20**
D.	**Net increase / (decrease) in cash and cash equivalents (A+B+C)**	**(1,332.89)**	**2,106.57**
	Cash and cash equivalents at the beginning of the year	2,213.23	106.66
	Cash and cash equivalents at the end of the year*	**880.34**	**2,213.23**
	*Components of cash and cash equivalents		
	Balances with banks (current accounts)	55.14	212.20
	Deposit with banks (original maturity less than three months)	825.20	2,001.03
		880.34	**2,213.23**

(i) The Cash Flow Statement has been prepared in accordance with 'Indirect method' as set out in Ind AS - 7 on 'Statement of Cash Flows', as notified under Section 133 of the Companies Act 2013, read with the relevant rules thereunder. The borrowing from cash credit is revolving in nature and is disclosed on net basis under financing activities.

As per our report of even date attached

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

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Manish Gupta	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**Pradeep Dinodia**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 095037	(DIN: 00004223)	(DIN: 00012870)	(DIN: 02822641)	(DIN: 00027995)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: New Delhi
Date: April 29, 2021

Place: New Delhi
Date: April 29, 2021

Notes Forming Part of the Financial Statements
(All amounts are in Rupees Crore except share data and unless otherwise stated)

Note 1: Corporate information

Hero FinCorp Limited ("the Company") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on December 16, 1991. The Company is registered as a Non-Banking financial (Non deposit accepting) Company, engaged in the business of financing, leasing, bill discounting and related financial services, with the Reserve Bank of India (Registration No. 14.00266). The address of the Company's registered office is 34, Community Centre, Basant Lok, Vasant Vihar, New Delhi - 110057, India.

Note 2: Basis of preparation

2.1 Statement of Compliance

These Standalone financial statements (herein after referred to as 'financial statements') have been prepared in accordance with the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) notified under Section 133 of Companies Act, 2013 (the 'Act') and other relevant provisions of the Act and Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('the NBFC Master Directions') issued by RBI. Further, the Company has complied with all the directions related to Implementation of Indian Accounting Standards prescribed for Non-Banking Financial Companies (NBFCs) in accordance with the RBI notification no. RBI/2019-20/170 DOR NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020.

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

The financial statements were authorized for issue by the Company's Board of Directors on April 29, 2021.

2.2 Basis of measurement and presentation

These financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair value (refer to accounting policies) such as Net defined (asset)/ liability present value of defined benefit obligations, investments carried at fair value through profit or loss and share-based payments. The method used to measured fair value are discussed further in notes to financial statements.

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

2.3 Functional and presentation currency

These financial statements are prepared in Indian Rupees (INR), which is the Company's functional currency. All financial information presented in INR has been rounded to the nearest crores and two decimals thereof, except as stated otherwise.

2.4 Use of estimates and judgments

In the preparation of these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may not be in line with these estimates. The estimates and underlying assumptions are under ongoing consideration. Revisions to accounting estimates are recognized prospectively.

Judgements, assumptions and estimation uncertainties

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

Business model assessment

Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes 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 amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Impairment of financial assets: The Company establishes criteria for determining whether credit risk of the financial assets has increased significantly since initial recognition, determines methodology for incorporating forward looking information into the measurement of expected credit loss ('ECL') and selection of models used to measure ECL.

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 carried out in establishing fair values. Judgments and estimates take into account liquidity and model inputs associated with such items as credit risk (own and counterparty), funding value adjustments, correlation and volatility.

Impairment of financial instruments:

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

Effective Interest Rate (EIR) method

The Company's EIR methodology, recognizes interest income/ expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans given / taken and recognizes the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behavior and lifecycle of the instruments, as well expected changes to India's base rate and other fee income/expense that are integral parts of the instrument.

Measurement of defined benefit obligations: key actuarial assumptions.

The measurement of obligations related to defined benefit plans requires to use several statistical and other factors that attempt to anticipate future events. These factors include assumptions about the discount rate, the rate of future compensation increases, withdrawal rate, mortality rates etc. The management has used the past trends and future expectations in determining the assumptions which are used in measurements of obligations.

Recognition of deferred tax assets: The Company has recognized deferred tax assets/ (liabilities) and concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the experience and future projections. The Company is expected to generate adequate taxable income for liquidating these assets in due course of time.

2.5 Measurement of fair value

The Company's accounting policies and disclosures require/ may require fair value measurement, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Company measures financial instruments, such as, investments, at fair value on each reporting date. In addition, the fair value of financial instruments measured at amortized cost and FVTPL is disclosed in Note 41.

Note 3: Significant accounting policies

(a) Financial instruments

Initial recognition and measurement

Financial assets and liabilities are initially recognized at the trading date, i.e., which is the date on which the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets - Classification

On initial recognition, a financial asset is classified as measured at either of:

- Amortized cost
- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL).

Financial assets are not reclassified after initial recognition, except if and during the period in which the Company changes its financial asset management model.

A financial asset being 'debt instrument' is measured at the amortized cost, only if both of the following conditions are met and is not designated as at FVTPL:

- The financial asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

A financial asset being 'debt instrument' is measured at the FVTOCI if both of the following criteria are met and is not designated as at FVTPL:

- The asset is held within the business model, whose objective is achieved both by collecting contractual cash flows and selling the financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment by investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

If cash flows after initial recognition are realized 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.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in Statement of Profit and Loss.

Financial assets at amortized cost

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

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognized in Statement of Profit and Loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to Statement of Profit and Loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in Statement of Profit and Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to Statement of Profit and Loss.

Investment in subsidiaries

Investment in subsidiaries is recognized at cost and are not adjusted to fair value at the end of each reporting period. Cost of investment represents amount paid for acquisition of the said investment.

The Company assesses at the end of each reporting period, if there are any indications that the said investment may be impaired. If so, the Company estimates the recoverable value/amount of the investment and provides for impairment, if any i.e. the deficit in the recoverable value over cost.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in Statement of Profit and Loss. Any gain or loss on derecognition is also recognized in Statement of Profit and Loss. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Derecognition

Financial asset – derecognition due to substantial modification of terms and conditions

The Company derecognizes 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 recognized as derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

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.

Financial asset – derecognition other than due to substantial modification

A financial asset, such as a loan to a customer, is derecognized only when:

- the Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Company has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the Company has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

Where the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

Derecognition - Financial liability

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are amended and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in Statement of Profit and Loss.

Offsetting

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

Derivative financial instruments

The Company uses derivative financial instruments to hedge its certain foreign currency risks. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each period. Any gains or losses arising from changes in the fair value of derivatives are directly recognized in the profit & loss.

(b) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost and financial assets measured at FVOCI- debt investments. At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is an "impaired credit" where one or more events that adversely impact the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer; or
- breach of contract such as a default or being past due.

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

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

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

The expected credit loss is a product of exposure at default ('EAD'), probability of default ('PD') and loss given default ('LGD'). Accordingly, the financial assets have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial asset. The Company categories financial assets at the reporting date into stages based on the days past due ('DPD') status as under:

- Stage 1: Low credit risk, i.e. 0 to 30 days past due
- Stage 2: Significant increase in credit risk, i.e. 31 to 90 days past due
- Stage 3: Impaired assets, i.e. more than 90 days past due.

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

The Company incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

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

The amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized as an impairment gain or loss in profit or loss,

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

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to Statement of Profit and Loss and is recognized in OCI.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(c) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the standalone statement of cash flows, cash and cash equivalents consist of cash and short term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

(d) Property, plant and equipment

Initial recognition and measurement

The cost of an item of Property, plant and equipment is recognized as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

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 cost of dismantling and removing the item and restoring the site on which it is located.

Gains or losses arising from the retirement or disposal of a property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized as income or expense in the Statement of Profit and Loss.

The cost of fixed assets not ready for their intended use is recorded as capital work-in-progress before such date. Cost of construction that relate directly to specific fixed assets and that are attributable to construction activity in general and can be allocated to specific fixed assets are included in capital work-in-progress.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation methods, estimated useful lives and residual value

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method as per useful life prescribed in Schedule II of the Act, and is generally recognized in the statement of profit and loss. Depreciation/ amortization is charged on a pro-rata basis for assets acquired/sold during the year from/to the date of acquisition/sale.

Based on technical evaluation and assessment of useful lives, the management believes that its estimate of useful lives represent the period over which management expects to use these assets.

Depreciation method, assets residual values and useful lives are reviewed at each financial year end considering the physical condition of the assets for review and adjusted residual life prospectively.

(e) Intangible assets

Initial recognition and measurement

Intangible assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. The cost of such assets includes purchase price, licensee fee, import duties and other taxes and any directly attributable expenditure to bring the assets to their working condition for intended use. The Company's other intangible assets mainly include the value of computer software.

Amortization methods, estimated useful lives and residual value

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expense of intangible assets with finite lives is presented as a separate line item in the statement of profit and loss.

Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

- Computer software – 6 years

Subsequent expenditure is recognized as an increase in the carrying amount of the assets are carried when it is probable that future economic benefit deriving from the cost incurred will flow to the enterprise and the cost of the item can be measured reliably.

(f) Impairment of non–financial assets

The Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are reduced from the carrying amounts of the assets of the CGU.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Provisions and contingencies

A provision is recognized if, as a result of a past event, the Company has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as finance cost.

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc are recognized when it is probable that a liability has been incurred, and the amount can be estimated reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of an outflow of resources is remote.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the year in which the change occurs.

(h) Revenue recognition

Interest income

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

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets (regarded as 'Stage 3') the interest income is calculated by applying the EIR to the amortized cost of the credit-impaired financial assets (i.e the gross carrying amount less the allowance for ECLs). If the financial asset is no longer credit impaired, the company reverts to calculating interest income on a gross basis.

Other financial charges

Penal interest or other overdue charges which are not included in EIR are recognized on receipt basis.

Dividend income

Dividend income is recognized at the time of establishment of the right to receive income. Usually, this is the ex-dividend date of quoted equity securities. This is generally when the shareholders approve the dividend.

Lease rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in rental income in the statement of profit or loss, unless the increase is in line with expected general inflation, in which case lease income is recognized based on contractual terms.

Other Income

The Company recognizes revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial Instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue from contracts with customers. The Company identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognizes revenue only on satisfactory completion of performance obligations. Revenue is measured at fair value of the consideration received or receivable.

Net gain on fair value changes

Financial assets are subsequently measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI), as applicable. The Company recognizes gains/losses on fair value change of financial assets measured as FVTPL and realized gains/losses on derecognition of financial asset measured at FVTPL and FVOCI.

(i) Employee benefits

Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Benefits such as salaries, wages and bonuses etc., are recognized in the Statement of Profit and Loss in the period in which the employee provides the related service.

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Provident Fund: Provident fund is a defined contribution plan. The Company expenses its contributions towards provident fund which are being deposited with the Regional Provident Fund Commissioner.

Superannuation Fund: Contributions are made to a scheme administered by the Life Insurance Corporation of India to discharge superannuating liabilities to the employees, a defined contribution plan, and the same is expensed to the Statement of Profit and Loss. The Company has no liability other than its annual contribution.

Defined benefit plans

The Company's gratuity scheme is an unfunded defined benefit plan. The Company pays gratuity to employees who retire or resign after a minimum period of five years of continuous service. The present value of obligations under such defined benefit plans are based on actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognize each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of estimated future cash flows. The discount rate used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity period approximating to the terms of related obligations.

The change in defined benefit plan liability is split into changes arising out of service, interest cost and re-measurements. Changes due to service cost and net interest cost / income is recognized in the statement of profit and loss. Re-measurements of net defined benefit liability / (asset) which comprise of actuarial gains and losses are recognized in other comprehensive income:

Other long term employee benefits

Benefits under compensated absences constitute other employee benefits. Employee entitlements to annual leave are recognized when they accrue to the eligible employees. An accrual is made for the estimated liability for annual leave as a result of services provided by the eligible employees up to the Balance Sheet date. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

Expenses are recognized immediately in the Statement of Profit and Loss.

Share based payments

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

The cost is recognized in employee benefits expenses together with a corresponding increase in employee stock option outstanding account in other equity, over the period in which the service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has not expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

Service conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Non– market performance conditions are reflected within the grant date fair value.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions are not met.

(j) Leases

Determining whether an arrangement contains a lease

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. At inception of an arrangement, it is determined whether the arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values.

Company as a lessee

The Company's lease asset classes primarily consist of leases for land and buildings. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using incremental borrowing rates. Lease liability and ROU asset have been separately presented in the Balance Sheet.

Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in rental income in the statement of profit or loss, unless the increase is in line with expected general inflation, in which case lease income is recognized based on contractual terms. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(k) Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Company operates and generates taxable income.

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Current tax comprises the tax payable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Company:

- has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously

Deferred tax

Deferred tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognized for all deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized 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 recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised.

Deferred tax assets – unrecognized or recognized, are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

(l) Foreign Currency Transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates prevailing on the date of the transaction. Exchange differences arising due to the differences in the exchange rate between the transaction date and the date of settlement of any monetary items are taken to the statement of profit and loss. Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet and resultant gain/ loss is taken to the Statement of Profit and Loss.

(m) Dividends on ordinary shares

The Company recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is allowed when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

(n) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs).

All other borrowing costs are charged to expenses in the period in which they arise.

(o) Earnings per share

Basic earnings per share are computed by dividing the profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares, expect where the results are anti-dilutive.

(p) Segment reporting

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. The Company is engaged in the business of financing, leasing and related financial services. Accordingly, the Company's activities/ business is reviewed regularly by the Jt. Managing Director assisted by an executive committee from an overall business perspective, rather than reviewing its products/ services as individual standalone components. Based on the dominant source and nature of Company's risk and return, management has identified its business segment as its primary reporting format.

(q) Statement of Cash flows

The Statement of Cash Flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

(r) Standards issued but not yet effective

On March 24, 2021, the Ministry of Corporate Affairs ('MCA') through a notification, amended Schedule III of the Companies Act, 2013.The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021.

Note 4: Cash and cash equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
Balances with banks (current accounts)	55.14	212.20
Deposit with banks (original maturity less than three months)	825.20	2,001.03
Total	**880.34**	**2,213.23**

Note 5: Bank balance other than cash and cash equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
Dividend accounts (earmarked accounts)	0.53	0.52
Deposit with banks (original maturity more than three months and less than twelve months)	15.20	-
In deposit accounts*	100.40	-
Total	**116.13**	**0.52**

*Includes Rs. 100 on which lien has been created in favour of debenture trustee against the non-convertible debentures issued during the period.

Note 6: Trade receivables

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Receivables considered good - secured	-	-
(ii) Receivables considered good - unsecured	7.98	7.87
(iii) Receivables which have significant increase in credit risk	-	-
(iv) Receivables - credit impaired	-	-
	7.98	7.87
Less : Impairment loss allowance	-	-
Total	**7.98**	**7.87**

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

Refer note 37 for receivables from related parties

Note 7: Loans

Particulars	As at March 31, 2021	As at March 31, 2020
A. Loans - Amortised cost		
Loans other than bill purchased and bill discounted	24,521.51	22,660.58
Bills purchased and bills discounted	581.37	698.59
Loans to employees	2.86	4.27
Total- Gross (A)	25,105.74	23,363.44
Less : Impairment loss allowance on loans	(1,248.89)	(880.75)
Total - Net (A)	**23,856.85**	**22,482.69**
B. Secured/ Unsecured		
(a) Secured by tangible assets	17,106.45	17,735.59
(b) Secured by other assets	1,265.33	2,075.85

(c) Unsecured	6,733.96	3,552.00
Total - Gross (B)	25,105.74	23,363.44
Less : Impairment loss allowance on loans	(1,248.89)	(880.75)
Total - Net (B)	**23,856.85**	**22,482.69**
C. Loans in India		
(a) Public sector	-	-
(b) Others	25,105.74	23,363.44
Total - Gross (C)	25,105.74	23,363.44
Less : Impairment loss allowance on loans	(1,248.89)	(880.75)
Total - Net (C)	**23,856.85**	**22,482.69**

Loans includes Rs. 362.29 (March 31, 2020: Rs. 342.78) receivable from private companies in which a director is a director or a member (also refer note 37).

Note 8: Investments

Particulars	As at March 31, 2021	As at March 31, 2020
A) In India		
At fair value through profit and loss account		
Equity instruments (quoted)		
1,370 (March 31, 2020: 1,370) shares of Rs. 2 each fully paid up in Hero MotoCorp Ltd	0.40	0.22
Equity instruments (unquoted)		
7,482,251 (March 31, 2020: 7,482,251) shares of Rs. 10 each fully paid up in Forum I Aviation Ltd	6.98	6.98
Preference instruments(quoted)		
18,000,000 (March 31, 2020: 18,000,000) 8% preference shares of Rs. 5 each fully paid up in Kotak Mahindra Bank Limited	9.00	9.00
Alternative investment Fund (unquoted)		
296,872 (March 31, 2020: 542,626) units of Rs. 1,000 each of KKR India Debt Opportunity Fund II	19.21	35.63
Commercial paper (quoted)		
3,000 (March 31, 2020: Nil) units of Rs. 500,000 each of Housing Development Finance Corporation Ltd 162D CP 28May21	149.21	-
1,000 (March 31, 2020: Nil) units of Rs. 500,000 each of Reliance Industries Limited 90D CP 27Apr21	49.88	-
2,000 (March 31, 2020: Nil) units of Rs. 500,000 each of Reliance Industries Limited 179D CP 13Aug21	98.68	-
2,000 (March 31, 2020: Nil) units of Rs. 500,000 each of Reliance Retail Venture Limited 89D CP 05May21	99.67	-
2,000 (March 31, 2020: Nil) units of Rs. 500,000 each of Ultratech Cement Limited 180D CP 11May21	99.63	-
Certificate of deposits (unquoted)		
20,000 (March 31, 2020: Nil) units of Rs. 100,000 each of Axis Bank Limited CD 28May21	198.96	-
20,000 (March 31, 2020: Nil) units of Rs. 100,000 each of Bank of Baroda Bank CD 28May21	198.98	-
10,000 (March 31, 2020: Nil) units of Rs. 100,000 each of IDFC First Bank Limited CD 14May21	99.61	-

Treasury bills (quoted)		
7,000,000 (March 31, 2020: Nil) units of Rs. 100 each 24/06/2021 Maturing 364 DTB	69.47	-
12,500,000 (March 31, 2020: Nil) units of Rs. 100 each 24/06/2021 Maturing 182 DTB	124.05	-
10,000,000 (March 31, 2020: Nil) units of Rs. 100 each 17/02/2022 Maturing 364 DTB	96.70	-
Government securities (quoted)		
10,000,000 (March 31, 2020: Nil) units of Rs. 100 each 7.80% Govt. Stock 2021	103.81	-
5,000,000 (March 31, 2020: Nil) units of Rs. 100 each 8.79% Govt. Stock 2021	53.27	-
10,000,000 (March 31, 2020: Nil) units of Rs. 100 each 7.94% Govt. Stock 2021	103.46	-
10,000,000 (March 31, 2020: Nil) units of Rs. 100 each 8.20% Govt. Stock 2022	104.83	-
Corporate bonds (quoted)		
250 (March 31, 2020: Nil) units of Rs. 1,000,000 each of REC Limited SR 190B 6.32 BD 31DC21 FVRS10LAC Bond	25.55	-
Others (Refer note 8.1 below)		
Equity instruments (unquoted) (at cost)		
458,333,333 (March 31, 2020: 250,000,000) shares of face value Rs. 10 each fully paid up in subsidiary (Hero Housing Finance Limited)	500.00	250.00
Nil (March 31, 2020: 208,333,333) shares of face value of Rs. 10 each Rs. 6 paid up in subsidiary (Hero Housing Finance Limited)	-	150.00
Total- Gross	2,211.35	451.83
Less: Allowance for impairment	-	-
Total- Net	**2,211.35**	**451.83**
Aggregate amount of quoted investments	1,187.61	9.22
Aggregate amount of unquoted investments	1,023.74	442.61
Aggregate book value of quoted investments	1,187.61	9.22

8.1 The Company has elected to account for investment in subsidiary at cost in accordance with Ind AS 27.

Note 9: Other financial assets

Particulars	As at March 31, 2021	As at March 31, 2020
Security deposits (at amortised cost)	2.52	3.80
Receivable from collection agency	100.18	2.71
Other receivable	8.01	23.77
Total	**110.71**	**30.28**

Note 10: Current tax assets (net)

Particulars	As at March 31, 2021	As at March 31, 2020
Advance income tax [net of provision for tax Rs. 844.61 (March 31, 2020: Rs. 599.30)]	41.89	40.26
Total	**41.89**	**40.26**

Note 11: Deferred tax assets (net)

A. Amounts recognised in Statement of profit and loss

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Current tax (a)		
Current year	109.15	248.48
Tax adjustment relating to earlier year	(3.17)	(0.12)
Deferred tax (b)		
Attributable to–		
Origination and reversal of temporary differences	(86.53)	(77.60)
Tax expense recognised in Statement of profit and loss	**19.45**	**170.76**

B. Income tax recognised in other comprehensive income

Particulars	For the year ended March 31, 2021			For the year ended March 31, 2020		
	Before tax	Deferred tax expense/ (benefit)	Net of tax	Before tax	Deferred tax expense/ (benefit)	Net of tax
Remeasurements of defined benefit liability	0.15	(0.04)	0.11	(1.27)	0.32	(0.95)

C. Reconciliation of effective tax expense

	For the year ended March 31, 2021	For the year ended March 31, 2020
Profit before tax	**90.07**	**480.93**
Other comprehensive income/ (loss) for the year	0.15	(1.27)
Tax using the Company's domestic tax rate	22.71	120.72
Effect of:		
Opening due to change in rates	-	49.35
Non-deductible expenses and exempt income	0.10	0.75
Others	(3.32)	(0.38)
Effective tax expense	**19.49**	**170.44**

D. Recognised deferred tax assets/ (liabilities)

Deferred tax assets/ (liabilities) are attributable to the following:

	Deferred tax assets		Deferred tax liabilities		Net deferred tax asset/ (liabilities)	
	As at March 31, 2021	**As at March 31, 2020**	**As at March 31, 2021**	**As at March 31, 2020**	**As at March 31, 2021**	**As at March 31, 2020**
Provisions for employee benefit	9.51	8.18	-	-	9.51	8.18
Depreciation*	1.62	0.73	-	-	1.62	0.73
Impairment allowance on loans	308.47	208.41	-	-	308.47	208.41
Effect of EIR on interest income	21.00	31.56	-	-	21.00	31.56
Other temporary differences	11.34	13.42	11.12	7.97	0.22	5.45
Net deferred tax (assets)/ liabilities	**351.94**	**262.30**	**11.12**	**7.97**	**340.82**	**254.33**

E. Movement in deferred tax on temporary differences

	Balance as at April 1, 2019	Recognised in profit or loss during 2019-20	Recognised in OCI during 2019-20	Balance as at March 31, 2020	Recognised in profit or loss during 2020-21	Recognised in OCI during 2020-21	Balance as at March 31, 2021
Provisions for employee benefit	8.13	(0.27)	0.32	8.18	1.37	(0.04)	9.51
Depreciation*	(0.28)	1.01	-	0.73	0.89	-	1.62
Impairment allowance on loans	140.28	68.13	-	208.41	100.06	-	308.47
Effect of EIR on interest income	31.15	0.41	-	31.56	(10.56)	-	21.00
Other temporary differences	(2.87)	8.32	-	5.45	(5.23)	-	0.22
Net deferred tax (assets)/ liabilities	**176.41**	**77.60**	**0.32**	**254.33**	**86.53**	**(0.04)**	**340.82**

* Difference between Written Down Value (WDV) of property, plant and equipment and other intangible assets as per books and under Income Tax Act 1961.

Note 12: Property, plant and equipment

Particulars	Own use						Assets given on operating lease		Total
	Building	Plant and equipment	Furniture and fixtures	Vehicles	Data processing equipment	Office equipment	Computers	Vehicles	
Cost									
As at April 1, 2019	**3.58**	**0.83**	**1.52**	**20.04**	**33.07**	**3.11**	**0.07**	**47.93**	**110.15**
Additions during the year	-	0.11	0.28	9.95	9.14	0.87	-	-	20.35
Disposals during the year	-	-	-	1.51	0.02	0.01	0.07	18.31	19.92
As at March 31, 2020	**3.58**	**0.94**	**1.80**	**28.48**	**42.19**	**3.97**	**-**	**29.62**	**110.58**
Additions during the year	-	-	1.17	1.11	2.59	0.41	-	-	5.28
Disposals during the year	-	-	0.01	1.85	1.00	0.00	-	15.40	18.26
As at March 31, 2021	**3.58**	**0.94**	**2.96**	**27.74**	**43.78**	**4.38**	**-**	**14.22**	**97.60**
Depreciation									
As at April 1, 2019	**0.12**	**0.14**	**0.13**	**4.17**	**13.40**	**0.65**	**-**	**13.23**	**31.84**
Disposals during the year	-	-	-	0.42	0.02	-	-	6.61	7.05
Depreciation charge for the year	0.05	0.07	0.17	3.28	8.77	0.71	-	5.28	18.33
As at March 31, 2020	**0.17**	**0.21**	**0.30**	**7.03**	**22.15**	**1.36**	**-**	**11.90**	**43.12**
Disposals during the year	-	-	0.00	0.60	0.88	0.00	-	7.82	9.30
Depreciation charge for the year	0.06	0.07	0.29	3.54	8.40	0.77	-	3.01	16.14
As at March 31, 2021	**0.23**	**0.28**	**0.59**	**9.97**	**29.67**	**2.13**	**-**	**7.09**	**49.96**
Net carrying amount									
As at March 31, 2020	**3.41**	**0.73**	**1.50**	**21.45**	**20.04**	**2.61**	**-**	**17.72**	**67.46**
As at March 31, 2021	**3.35**	**0.66**	**2.37**	**17.77**	**14.11**	**2.25**	**-**	**7.13**	**47.64**

12.1. Right-of-use assets

Particulars	Building
Cost	
As at April 1, 2019	**-**
Reclassified on account of adoption of Ind AS 116	49.96
Additions during the year	9.78
Disposals during the year	0.16
As at March 31, 2020	**59.58**
Additions during the year	6.04
Disposals during the year	12.79
As at March 31, 2021	**52.83**
Accumulated amortization	
As at April 1, 2019	**-**
Disposals during the year	0.01
Amortization charge for the year	9.61
As at March 31, 2020	**9.60**
Disposals during the year	3.07
Amortization charge for the year	9.80
As at March 31, 2021	**16.33**
Net carrying amount	
As at March 31, 2020	**49.98**
As at March 31, 2021	**36.50**

12.2. Intangible assets

Particulars	Computer software
Cost	
As at April 1, 2019	**26.27**
Additions during the year	2.22
Disposals during the year	-
As at March 31, 2020	**28.49**
Additions during the year	7.57
Disposals during the year	-
As at March 31, 2021	**36.06**
Accumulated amortization/ impairment	
As at April 1, 2019	**9.66**
Disposals during the year	-
Amortization charge for the year	5.07
As at March 31, 2020	**14.73**
Disposals during the year	-
Amortization charge for the year	4.73
As at March 31, 2021	**19.46**
Net carrying amount	
As at March 31, 2020	**13.76**
As at March 31, 2021	**16.60**

Note 13: Other non-financial assets

Particulars	As at March 31, 2021	As at March 31, 2020
Capital advances	2.75	4.31
Prepaid expenses	16.58	15.38
Others	13.03	4.51
Total	**32.36**	**24.20**

Note 14: Trade payables

Particulars	As at March 31, 2021	As at March 31, 2020
Trade payables		
(i) Total outstanding dues of micro enterprises and small enterprises; and	0.12	0.91
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	248.76	160.63
Total	**248.88**	**161.54**

14.1 Disclosures relating to Micro, Small and Medium Enterprises Development Act, 2006 are as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	0.12	0.91
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-
Total	**0.12**	**0.91**

14.2 Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

Note 15: Debt securities

Particulars	As at March 31, 2021	As at March 31, 2020
Debt securities (at amortised cost)		
Secured		
Redeemable non-convertible debentures (refer note 15.1, 15.2, 15.3, 15.4 and 15.5 below)	1,481.21	2,381.34
Unsecured		
Commercial papers (refer note 15.6 and 15.7 below)	2,599.64	2,850.64
Total	**4,080.85**	**5,231.98**

15.1 12,020 (March 31, 2020: 22,170) privately placed secured redeemable fully paid non-convertible debentures of Rs. 1,000,000 each aggregating Rs. 1,202.00 (March 31, 2020: Rs 2,217.00) carry interest rate ranging from 6.38% p.a. to 9.25% p.a. (March 31, 2020: 7.60% p.a. to 9.60%). The debentures are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

15.2 1,000 (March 31, 2020: Nil) privately placed secured redeemable fully paid non-convertible debentures of Rs. 1,000,000 each aggregating Rs. 100.00 (March 31, 2020: Nil) carry interest rate of 6.50% p.a. (March 31, 2020: Nil). The debentures are secured by way of interim security in the form of current assets which may include cash & cash equivalents, including current investments of the Company in the form of Fixed Deposit or Mutual Funds or any short-term treasury investments ("Interim Security"). It is hereby clarified that this Interim Security will be maintained by the Company only till the period the Receivables are not 100% as the Primary Security and not at all times until maturity. The Interim Security will be only for the interim period of the issue size.

15.3 1,000 (March 31, 2020: 1,000) privately placed secured redeemable fully paid non-convertible debentures of Rs.3,00,000 each aggregating Rs. 30.00 (March 31, 2020: Rs. 65.00 [paid up value - 6,50,000]) carry interest rate of 9.23% p.a. (March 31, 2020: 9.23%). The debentures are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

15.4 3,000 (March 31, 2020: 2,500) privately placed secured redeemable partly paid non-convertible debentures of Rs.1,000,000 each paid up to the extent of Rs. 5,00,000 aggregating Rs. 150.00 (March 31, 2020: paid up to the extent of Rs. 4,00,000 aggregating Rs. 100.00) carry interest rate of 9.55% p.a. (March 31, 2020: 9.55% p.a.). The debentures are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

15.5 Terms of privately placed secured redeemable non convertible debentures

Tenor from the date of Balance Sheet	Periodicity	As at March 31, 2021	As at March 31, 2020
> 60 months	Bullet payment	150.00	100.00
>48 < = 60 months	Bullet payment	150.00	-
>36 < = 48 months	Bullet payment	175.00	-
>24 < = 36 months	Bullet payment	450.00	295.00
>12 < = 24 months	Bullet payment	295.00	232.00
>12 < = 24 months	Annual	-	30.00
Up to 12 months	Bullet payment	232.00	1,690.00
Up to 12 months	Annual	30.00	35.00
Less: Adjustments towards EIR		(0.79)	(0.66)
Total		**1,481.21**	**2,381.34**

15.6 Commercial papers are repayable within 12 months and issued at a discount rate ranging from 3.80% p.a. to 4.93% p.a. (March 31, 2020: 5.70% p.a. to 8.15% p.a.)

15.7 Pursuant to SEBI Circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019, the Company has listed all the Commercial Papers on National Stock Exchange (NSE) outstanding as on January 1, 2020, within the timelines as given in the circular.

15.8 No non-convertible debentures and commercial papers is guaranteed by directors and / or others.

15.9 During the period presented there were no defaults in the repayment of principal and interest.

Note 16: Borrowings (other than debt securities)

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Term loan from banks (Secured) (refer note 16.1 and 16.2)	15,442.83	12,176.36
External commercial borrowing (Secured) (refer note 16.4)	200.00	200.00
Loan repayable on demand from banks		
- Cash credit (Secured) (refer note 16.3)	129.06	833.75
- Working capital demand loans (Secured) (refer note 16.3)	1,370.38	1,325.00
- Working capital demand loans (Unsecured) (refer note 16.3)	-	75.00
Total	**17,142.27**	**14,610.11**
Borrowing in India	16,942.27	14,410.11
Borrowing outside India	200.00	200.00
Total	**17,142.27**	**14,610.11**

16.1 Secured term loans from banks aggregating Rs. 15,215.75 (March 31, 2020: Rs. 12,180.83) carrying interest rate ranging from 6.05% p.a. to 9.00% p.a (March 31, 2020: 7.80% p.a.to 9.50% p.a.) are secured by a first pari-passu charge by way of hypothecation of book debts and receivables.

16.2 Secured term loans from banks aggregating Rs. 233.30 (March 31, 2020: Nil) carrying interest rate of 7.15% p.a. (March 31, 2020: Nil) are secured by a first exclusive charge by way of hypothecation of book debts and receivables.

Tenor from the date of balance sheet	Periodicity	As at March 31, 2021	As at March 31, 2020
>48 < = 60 months	Bullet	-	100.00
>48 < = 60 months	Annual	40.00	165.00
>48 < = 60 months	Semi annually	222.22	442.78
>48 < = 60 months	Quarterly	161.11	211.11
>48 < = 60 months	Monthly	199.12	105.26
>36 < = 48 months	Bullet	132.90	190.00
>36 < = 48 months	Annual	205.00	225.00
>36 < = 48 months	Semi annually	815.00	1,040.69
>36 < = 48 months	Quarterly	433.33	438.89
>36 < = 48 months	Monthly	365.79	105.26
>24 < = 36 months	Bullet	256.80	430.00
>24 < = 36 months	Annual	265.00	225.00
>24 < = 36 months	Semi annually	1,422.92	1,265.69
>24 < = 36 months	Quarterly	1,193.69	930.56
>24 < = 36 months	Monthly	365.79	105.26
>12 < = 24 months	Bullet	496.80	580.00
>12 < = 24 months	Annual	265.00	175.00
>12 < = 24 months	Semi annually	1,468.75	1,311.53
>12 < = 24 months	Quarterly	1,983.08	1,218.06
>12 < = 24 months	Monthly	365.79	105.26
Up to 12 months	Bullet	646.80	400.00
Up to 12 months	Annual	215.00	100.00
Up to 12 months	Semi annually	1,406.81	1,046.81
Up to 12 months	Quarterly	2,206.56	1,184.72
Up to 12 months	Monthly	315.79	78.95
Less: Adjustments towards EIR		(6.22)	(4.47)
Total		**15,442.83**	**12,176.36**

16.3 The cash credit facilities are repayable on demand and carry interest rates ranging from 5.95% p.a. to 7.65% p.a. (March 31, 2020: 7.50% p.a. to 9.75% p.a). Working capital demand loans are repayable on demand and carrying interest rates ranging from 4.60% p.a. to 8.10% p.a. (March 31, 2020: 7.00% p.a to 8.75% p.a.). As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature. The secured facilities are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

16.4 External commercial borrowings carry interest rate of 8.71% p.a.(March 31, 2020: 8.71% p.a.) are secured by a first pari-passu charge by way of hypothecation of book debts and receivables.

Tenor from the date of balance sheet	Periodicity	As at March 31, 2021	As at March 31, 2020
>12 < = 24 months	Bullet	-	200.00
Up to 12 months	Bullet	200.00	-

16.5 No term loans, cash credit, working capital demand from banks and any other borrowing is guaranteed by directors and / or others.

16.6 During the periods presented, there were no defaults in the repayment of principal and interest.

Note 17: Subordinated liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Subordinated liabilities (unsecured) in India		
Redeemable non-convertible debentures-Tier II (refer note 17.1 and 17.2 below)	593.31	548.35
Total	**593.31**	**548.35**

17.1 Terms of privately placed unsecured redeemable non-convertible debentures-Tier II .

Tenor from the date of balance sheet	As at March 31, 2021	As at March 31, 2020
>60 months*	495.00	550.00
48-60 months*	100.00	-
Less: Adjustments towards EIR	(1.69)	(1.65)
Total	**593.31**	**548.35**

* Term of repayment is bullet

17.2 5,950 (March 31, 2020: 5,500) privately placed unsecured redeemable non-convertible debentures Tier II of Rs. 1,000,000 each aggregating Rs. 595.00 (March 31, 2020: Rs. 550.00) carrying interest ranging from 7.65% p.a. to 9.81% p.a. (March 31, 2020: 8.49% p.a. to 9.81% p.a.) and are subordinated in nature of claim.

17.3 No subordinate debts is guaranteed by directors and /or others.

17.4 During the period presented there were no defaults in the repayment of principal and interest.

Note 18: Lease liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Lease liabilities (Refer note 40)	40.40	51.99
Total	**40.40**	**51.99**

Note 19: Other financial liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Interest accrued but not due on :		
- Debt securities	100.13	219.97
- Borrowings	34.02	17.81
- Subordinated liabilities	24.10	23.13
Unclaimed dividend (refer note 19.1)	0.53	0.52
Book overdrafts	135.53	1.01
Other payables		
Payable on purchase of property, plant and equipment and other intangible assets	-	1.07
Salaries and wages payable	10.89	35.94
Security deposits	0.27	0.30
Loans pending disbursement	65.91	14.48
Margin money from customers	22.08	25.08
Others	78.53	37.29
Total	**471.99**	**376.60**

19.1 Unclaimed dividend does not include any amount outstanding as on March 31, 2021 and March 31, 2020 which are required to be credited to the Investor Education and Protection Fund.

Note 20: Current tax liabilities (net)

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for income tax [net of advance tax Rs.100.55 (March 31, 2020: Rs.188.34)]	8.60	60.14
Total	**8.60**	**60.14**

Note 21: Provisions

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
- Provision for gratuity (refer note 33.2)	20.63	17.00
- Provision for compensated absences (refer note 33.3)	16.81	15.14
Total	**37.44**	**32.14**

Note 22: Other non-financial liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Unamortised interest on margin money deposits	7.34	11.02
Statutory dues payable	26.55	25.07
Total	**33.89**	**36.09**

Note 23: Equity share capital

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of shares	Amount	Number of shares	Amount
Authorised				
Equity shares of Rs.10 each	150,000,000	150.00	150,000,000	150.00
	150,000,000	**150.00**	**150,000,000**	**150.00**
Issued				
Equity shares of Rs.10 each	127,306,674	127.31	127,306,674	127.31
	127,306,674	**127.31**	**127,306,674**	**127.31**
Subscribed				
Equity shares of Rs. 10 each (fully paid up)	127,305,868	127.31	114,195,126	114.20
Equity shares of Rs. 10 each (partly paid up: Rs. 5 each)*	806	0.00	1,795	0.00
Equity shares of Rs. 10 each (partly paid up: Rs. 5.60 each)	-	-	13,109,753	7.34
Total	**127,306,674**	**127.31**	**127,306,674**	**121.54**

* Absolute amount of Rs. 4,030 (March 31, 2020: Rs. 8,975) received towards partly paid up shares

23.1 Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of Shares	Amount	Number of Shares	Amount
Equity shares of Rs. 10 each (Fully Paid up)				
Opening balance	114,195,126	114.20	114,098,182	114.10
Converted into fully paid up during the year (fully paid up)	13,110,742	13.11	96,944	0.10
Equity shares of Rs. 10 each (partly paid up: Rs. 5 each)				
Opening balance	1,795	0.00	98,739	0.05
Converted into fully paid up share during the year Rs. 10 each	(989)	(0.00)	(96,944)	(0.05)
Equity shares of Rs. 10 each (partly paid up: Rs. 5.60 each)				
Opening balance	13,109,753	7.34	-	-
Issued during the year Rs.10 each (partly paid up: Rs. 5.60 each)	-	-	13,109,753	7.34
Converted into fully paid up share during the year Rs. 10 each	(13,109,753)	(7.34)	-	-
Outstanding at the end of the year	**127,306,674**	**127.31**	**127,306,674**	**121.54**

23.2 During the previous year ended March 31, 2020, the Company had issued and allotted 13,109,753 partly paid equity shares having face value of Rs. 10.00 each at a price of Rs. 820.00 per equity share including a premium of Rs. 810.00 per equity share on preferential basis through private placement and had received an application & allotment money of Rs. 460 per equity share. Balance amount of Rs. 360 per equity share has been received as first and final call money during the year ended March 31, 2021 and consequently the Company has converted 13,109,753 partly paid equity shares into fully paid up equity shares.

23.3 Terms/ rights, preference and restriction attached to equity shares of Rs. 10 each

(i) The Company has only one class of equity share having face value of Rs. 10 per share. Each holder of equity share is entitled to one vote per share held.

(ii) The dividend proposed by the Board of Directors which is subject to approval of shareholders in the Annual General Meeting shall be in the same proportion as the capital paid upon such equity share.

(iii) In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amount, in proportion to capital paid upon such equity share.

23.4 Detail of shareholder holding more than 5% shares in the Company:

Name of Shareholder	As at March 31, 2021		As at March 31, 2020	
	Number of Shares held	% of Holding	Number of Shares held	% of Holding
Equity shares				
Hero MotoCorp Ltd.	52,431,893	41.19	52,431,893	41.19
Bahadur Chand Investment Pvt. Ltd.	25,896,764	20.34	25,896,764	20.34
Otter Limited	12,882,170	10.12	12,882,170	10.12
Mr. Pawan Munjal (refer note 23.5 below)	3,608,812	2.83	3,608,812	2.83
Ms. Renu Munjal (refer note 23.5 below)	4,094,737	3.22	4,094,737	3.22
Ms. Santosh Munjal (refer note 23.5 below)	3,23,600	0.25	3,23,600	0.25
Mr. Suman Kant Munjal (refer note 23.5 below)	4,094,737	3.22	4,094,737	3.22
Total Brijmohan Lall Om Parkash (Partnership firm)	**12,121,886**	**9.52**	**12,121,886**	**9.52**

23.5 Holding shares on behalf of Brijmohan Lall Om Prakash (partnership firm)

23.6 There are no shares issued by way of bonus shares or issued for consideration other than cash and no shares were bought back during the period of 5 years immediately preceding the reporting date.

23.7 Employee stock options

Terms attached to stock options granted to employees are described in Note-45 regarding share-based payments.

Note 24: Other equity

Particulars	As at March 31, 2021	As at March 31, 2020
Securities premium		
Opening balance as at reporting date	**3,481.96**	**2,883.72**
Add: Additions during the year	466.22	599.32
Less: Share issue expenses	(1.88)	(1.08)
Closing balance as at reporting date	**3,946.30**	**3,481.96**
Statutory reserve		
Opening balance as at reporting date	**251.23**	**189.20**
Add: Transferred from retained earnings	14.12	62.03
Closing balance as at reporting date	**265.35**	**251.23**

Stock options outstanding account		
Opening balance as at reporting date	**19.01**	**14.39**
Add: Charge during the year	4.22	4.62
Closing balance as at reporting date	**23.23**	**19.01**
General reserve		
Opening balance as at reporting date	**123.96**	**92.94**
Add: Transfer from retained earning	7.06	31.02
Closing balance as at reporting date	**131.02**	**123.96**
Other comprehensive income/ (loss)		
Opening balance as at reporting date	**-**	**-**
Add: Other comprehensive income/ (loss) for the year	0.11	(0.95)
Less: Transferred to retained earnings	(0.11)	0.95
Closing balance as at reporting date	**-**	**-**
Share application money pending allotment		
Opening balance as at reporting date	0.00	-
Add: Amount received during the year *	-	0.00
Less: Issuance of shares	0.00	-
Closing balance as at reporting date	**-**	**0.00**
Retained earnings		
Opening balance as at reporting date	**529.77**	**372.11**
Add: Profit for the year	70.62	310.17
Add: Other comprehensive income/ (loss) for the year	0.11	(0.95)
Less: Dividend paid on equity shares	(30.99)	(48.53)
Less: Dividend distribution tax	-	(9.98)
Less: Transfers to general reserves	(7.06)	(31.02)
Less: Transfers to statutory reserve	(14.12)	(62.03)
Closing balance as at reporting date	**548.33**	**529.77**
Total	**4,914.23**	**4,405.93**

* Absolute amount of Rs. Nil (March 31, 2020: Rs. 40,475) received towards partly paid up shares.

Nature of other equity:

Securities premium:

Securities premium is used to record the premium on issuance of shares. Securities premium can be utilised as per the provision of the Companies Act, 2013.

Statutory reserve:

Statutory reserve is used to record reserve in accordance with section 45-IC of the Reserve Bank of India Act, 1934. The statutory reserves can be utilised for the purpose as specified by the RBI from time to time.

Stock options outstanding account:

Stock option outstanding account is created as required by Ind AS 102 'Share Based Payments' on the Employee Stock Option Scheme operated by the company for employees of the group. The reserve is used to recognise the fair value of the options issued to employees under Company's employee stock option plan. Refer note 45 for further detail of this plan.

General reserve:

Free reserve to be utilized as per provision of the Companies Act, 2013.

Share application money pending allotment:

Share application money pending allotment represents application money received on account of right issue.

Retained earnings:

Retained earnings is used to record profit for the year. This amount is utilised as per the provision of Companies Act, 2013.

Note 25: Revenue from operations

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest on:		
- Loans (at amortised cost)	3,610.19	3,280.63
- Fixed deposits	37.88	2.34
- Investments	5.36	4.83
Dividend income	0.74	0.74
Profit on sale of investments	19.98	53.06
Rental income	6.48	12.03
Net gain on fair value changes	21.39	-
Insurance commission	13.17	11.09
Others charges	330.74	298.48
Total	**4,045.93**	**3,663.20**

Note 26: Other income

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Fees on value added services	45.71	39.42
Total	**45.71**	**39.42**

Note 27: Finance costs

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest expense on financial liabilities measured at amortised cost		
- Interest on debt securities	290.03	493.05
- Interest on borrowings (other than debt securities)	1,202.46	1,000.78
- Interest on subordinated liabilities	50.96	40.88
- Interest on lease liabilities	3.98	4.64
- Others	3.06	0.49
Total	**1,550.49**	**1,539.84**

Note 28: Impairment allowance on loans

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Impairment allowance on loans	368.14	449.31
Settlement loss and bad debts written off	1,030.90	189.13
Total	**1,399.04**	**638.44**

Note 29: Employee benefits expenses

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries and wages	212.79	225.43
Contribution to provident and other funds (refer note 33.1)	12.57	11.17
Employee share based payment expense (refer note 45)	4.24	5.06
Gratuity expense (refer note 33.2)	4.39	3.85
Staff welfare expenses	2.90	6.43
Total	**236.89**	**251.94**

Note 30: Other expenses

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Rent	1.88	4.86
Rates and taxes	2.29	0.21
Insurance	7.33	7.38
Repairs and maintenance		
-Building	2.30	3.47
-Vehicle	0.21	0.22
Contractual staff cost	126.64	105.08
Recruitment and training	3.33	7.61
Loan processing fee	5.02	7.57
Communication	10.69	13.46
Printing and stationery	7.26	7.31
Bank charges	39.15	39.59
Travelling and conveyance	8.00	27.82
Loss on sale of property, plant and equipment (net)	3.67	4.19
Advertisement and marketing	5.71	4.20
Information technology	66.01	51.54
Loan collection charges	465.49	406.92
Legal and professional (refer note 30.1 for auditor's remuneration)	13.30	15.27
Net loss on fair value changes	-	12.66
Expenditure towards corporate social responsibility (CSR) (refer note 30.2)	0.06	15.52
Miscellaneous	16.14	23.57
Total	**784.48**	**758.45**

30.1: Auditor's remuneration

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Audit fee*	0.68	0.52
Limited review	0.14	0.14
Tax audit fee#	0.03	0.06
Certification fees	0.19	0.07
Group reporting	0.14	0.14
Out of pocket expenses	0.05	0.02
Total	**1.23**	**0.95**

* Includes over run fees of Rs. 0.16 (March 31, 2020: Rs. Nil)

\# Indicates amount paid to other than statutory auditor for the year ended March 31, 2021 amounting to Rs. 0.03 (March 31, 2020: Rs. Nil)

30.2: Expenditure on Corporate Social Responsibility (CSR)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
(a) Gross amount required to be spent by the company during the year	7.02	5.43
(b) Amount approved by the Board to be spent during the year	7.02	5.43
(c) Amount spent during the year on:		
i) Construction/acquisition of any assets	-	-
ii) On purpose other than (i) above	0.06	15.52
(d) Amount carried forward from previous year for setting off in the current year	10.00	-
(e) Excess amount spend during the year carried forward to subsequent year	-	10.00

(f) The company has spent excess amount and details of the same are as follows:-

Financial Year	Opening Balance	Amount required to be spent during the year	Amount spent during the year	Balance not carried forward to next year	Balance carried forward to next year
2019-20	-	5.43	15.52	0.09	10.00*
2020-21*	10.00	7.02	0.06	-	3.04

* The Company had contributed Rs. 10.00 in the previous year towards PM Cares fund which was carried forward for set-off in the current financial year, based on communication released by Ministry of Corporate affairs.

Note 31: Earnings per equity share

The basic earnings per share is computed by dividing the net profit attributable to Equity Shareholders for the year by the weighted average number of Equity Shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of Equity Shares and also the weighted average number of Equity Shares that could have been issued on the conversion of all dilutive potential Equity Shares. The dilutive potential Equity Shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value.

The following table shows the income and share data used in the basic and diluted EPS calculations:

Particulars	As at March 31, 2021	As at March 31, 2020
Net profit for the year **(A)**	70.62	310.17
Calculation of weighted average number of equity shares		
Number of equity shares outstanding at the beginning of the year	12,73,06,674	11,41,96,921
Number of equity shares issued during the year	-	1,31,09,753
Number of equity shares outstanding at the end of the year	12,73,06,674	12,73,06,674
Nominal value of equity share (in Rs.)	10	10

Weighted average number of equity shares outstanding during the year **(B)**	122,185,562	114,972,472
Basic earnings per share of face value of Rs. 10 each **(A) / (B)**	5.78	26.98
Weighted average number of potential dilutive equity shares **(C)**	122,333,747	115,790,562
Dilutive earnings per share of face value of Rs. 10 each **(A) / (B+C)**	5.77	26.79
Weighted average number of equity shares (diluted)		
Weighted average number of equity shares outstanding during the year	122,185,562	114,972,472
Add: Number of potential equity share in respect of employee stock option scheme and partly paid up shares	1,48,185	8,18,090
Weighted average number of potential dilutive equity shares	122,333,747	115,790,562

Note 32: Operating segment

An operating segment is a component 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. The Company is engaged in the business of financing, leasing and related financial services. Accordingly, the Company's activities/ business is regularly reviewed by the Company's Jt. Managing Director assisted by an executive committee from an overall business perspective, rather than reviewing its product/ services as individual standalone components. Thus, the Company has only one operating segment, and no reportable segments in accordance with Ind AS 108 Operating Segments.

a) The Entity wide disclosures as required by Ind AS 108 are as follows ;

Information about products and services:

The Company provides a wide portfolio of financial products including two-wheeler loan, pre-owned car loan, loyalty personal loan, inventory funding, loan against property, loans to small, medium and emerging corporates etc.

The break-up of revenue from interest income and other income is provided in note 25.

b) Revenue from external customers

The entire income of the Company is generated from customers who are domiciled in India.

c) Revenue from external customer

The Company does not derives revenues, from any single customer, amounting to ten per cent or more of Company's revenues.

Note 33: Retirement benefit plan

33.1 Defined contribution plans

The Company makes periodic contribution towards provident fund, superannuation fund and national pension scheme which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to the statement of profit and loss as they accrue. The amount recognized as expense towards such contribution are as follows:

	For the year ended March 31, 2021	For the year ended March 31, 2020
Employer's contribution to provident fund	11.19	10.10
Employer's contribution to superannuation fund	0.72	0.67
Employer's contribution to national pension scheme	0.66	0.40

33.2 Defined benefit plan

The Company operates an unfunded gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, or death, whichever is earlier. The benefit vests after five year of continuous service. The benefit to employees is as per the plan rules or as per the Payment of Gratuity Act, 1972, whichever is earlier.

i) Reconciliation of the net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components:

Particulars	As at March 31, 2021	As at March 31, 2020
Balance at the beginning of the year	17.00	12.09
Included in statement of profit and loss account :		
Current service cost	3.37	2.96
Interest expense	1.02	0.89
Benefits paid	(0.61)	(0.21)
	3.78	**3.64**
Remeasurement gains/(losses) in other comprehensive income (OCI)		
Actuarial loss/(gain) arising from :		
- demographic assumptions	-	(0.51)
- financial assumptions	0.95	0.67
- experience adjustment	(1.10)	1.11
	(0.15)	**1.27**
Other		
Contributions paid by the employer	-	-
Balance at the end of the year	**20.63**	**17.00**
Current liability	**8.70**	**7.84**
Non-current liability	**11.93**	**9.16**
	20.63	**17.00**

Since the liability is not funded, Therefore information with regards to the plan assets has not been furnished.

ii) Expense recognised in statement of profit and loss account :

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Current service cost	3.37	2.96
Net interest expense/ (income)	1.02	0.89
Total	**4.39**	**3.85**

iii) Expense recognised in Other comprehensive income/ (loss):

Particulars	As at March 31, 2021	As at March 1, 2020
Remeasurement gains/(losses)		
Actuarial loss (gain)/arising from :		
- demographic assumptions	-	(0.51)
- financial assumptions	0.95	0.67
- experience adjustment	(1.10)	1.11
Total	**(0.15)**	**1.27**

iv) Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	As at March 31, 2021	As at March 31, 2020
Discount rate	6.15%	6.05%
Withdrawal rate		
Up to 30 years	24.00%	24.00%
31 - 44 years	22.00%	22.00%
Above 44 years	2.00%	2.00%
Mortality rate	100% of IALM 2012-14	100% of IALM 2012-14
Retirement age (years)	58	58
Future salary growth*	7-12%	7-12%

*The estimate of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and relevant factors such as supply and demand in the employment market etc.

v) Sensitivity analysis of significant assumptions

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

	As at March 31, 2021		As at March 31, 2020	
	Increase	**Decrease**	**Increase**	**Decrease**
Discount rate (- / + 1%)	19.57	21.83	16.18	17.92
Salary growth rate (- / + 1%)	21.79	19.58	17.90	16.18
Attrition rate (- / + 50%)	19.63	21.96	16.13	18.21
Mortality rate (- / + 10%)	20.63	20.63	16.99	17.00

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.

vi) Expected contribution during the next annual reporting period

Since the scheme is managed on unfunded basis, the next year contribution is taken as Nil (March 31, 2020: Nil)

vii) Expected maturity analysis of the defined benefit plans in future years (valued on undiscounted basis)

Duration (years)	As at March 31, 2021	As at March 31, 2020
within the next 12 months	8.70	7.84
Between 2 to 5 years	5.35	4.23
Above 5 years	16.90	12.64

As at March 31, 2021, the weighted-average duration of the defined benefit obligation was 5 years (March 31, 2020: 5 years)

33.3 Other long term employee benefit plan

Other long term employee benefit plans comprises compensated absences. The Company operates compensated absences plan (earned leaves), where in every employee is entitled to the benefit equivalent to 13 days salary for every completed year of service which is subject to maximum of 90 days accumulation of leaves. The same is payable during early retirement, withdrawal of scheme, resignation by employee and upon death of employee. The Company also recognises sick leave provision, where in every employee is entitled to the benefit equivalent to 6 days salary for every completed year of service which is subject to maximum of 20 days accumulation of leaves. The salary for calculation of earned leave and sick leaves are last drawn basic salary. The amount of the provision is Rs. 16.81 (March 31, 2020: Rs. 15.14) as per the actuarial report.

Note 34: Maturity analysis of assets and liabilities

The table below shows a maturity analysis of assets and liabilities. Loans is net of impairment loss allowance on loans considering realizability, the amount recoverable from Stage 3 assets is classified under after 12 months.

Assets	As at March 31, 2021			As at March 31, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Financial assets						
Cash and cash equivalents	880.34	-	880.34	2,213.23	-	2,213.23
Bank balance other than cash and cash equivalents	116.13	-	116.13	0.52	-	0.52
Trade receivables	7.98	-	7.98	7.87	-	7.87
Loans	11,442.09	12,414.76	23,856.85	11,246.93	11,235.76	22,482.69
Investments	1,675.77	535.58	2,211.35	-	451.83	451.83
Other financial assets	108.91	1.80	110.71	27.29	2.99	30.28
Non financial assets						
Current tax assets (net)	-	41.89	41.89	-	40.26	40.26
Deferred tax assets (net)	-	340.82	340.82	-	254.33	254.33
Property, plant and equipment	-	47.64	47.64	-	67.46	67.46
Right-of-use assets	-	36.50	36.50	-	49.98	49.98
Intangible assets	-	16.60	16.60	-	13.76	13.76
Other non-financial assets	28.67	3.69	32.36	19.76	4.44	24.20
Total assets	**14,259.89**	**13,439.28**	**27,699.17**	**13,515.60**	**12,120.81**	**25,636.41**

Liabilities	As at March 31, 2021 Within 12 months	After 12 months	Total	As at March 31, 2020 Within 12 months	After 12 months	Total
Liabilities						
Financial liabilities						
Trade Payables						
(i) Total outstanding dues of micro enterprise and small enterprise	0.12	-	0.12	0.91	-	0.91
(ii) Total outstanding dues of creditors other than micro enterprise and small enterprise	248.76	-	248.76	160.63	-	160.63
Debt securities	2,861.33	1,219.52	4,080.85	4,575.51	656.47	5,231.98
Borrowing (other than debt securities)	6,487.29	10,654.98	17,142.27	5,043.63	9,566.48	14,610.11
Subordinated liabilities	-	593.31	593.31	-	548.35	548.35
Lease Liabilities	7.90	32.50	40.40	8.36	43.63	51.99
Other financial liabilities	457.20	14.79	471.99	325.67	50.93	376.60
Non financial liabilities						
Current tax liabilities (net)	8.60	-	8.60	60.14	-	60.14
Provisions	14.56	22.88	37.44	13.65	18.49	32.14
Other non - financial liabilities	28.39	5.50	33.89	28.06	8.03	36.09
Total liabilities	**10,114.15**	**12,543.48**	**22,657.63**	**10,216.56**	**10,892.38**	**21,108.94**
Net	**4,145.74**	**895.80**	**5,041.54**	**3,299.04**	**1,228.43**	**4,527.47**

Note 35: Change in liabilities arising from financing activities

Particulars	April 01, 2020	Cash flows	Others	March 31, 2021
Debt securities*	5,231.98	(1,298.24)	147.11	4,080.85
Borrowings other than debt securities	14,610.11	2,532.16	-	17,142.27
Subordinated liabilities	548.35	44.96	-	593.31
Lease Liabilities	51.99	(11.23)	(0.36)	40.40
Total liabilities from financing activities	**20,442.43**	**1,267.65**	**146.75**	**21,856.83**

Particulars	April 01, 2019	Cash flows	Others	March 31, 2020
Debt securities*	6,781.25	(1,826.01)	276.74	5,231.98
Borrowings other than debt securities	9,117.52	5,492.59	-	14,610.11
Subordinated liabilities	424.10	124.25	-	548.35
Lease Liabilities	-	(10.76)	62.75	51.99
Total liabilities from financing activities	**16,322.87**	**3,780.07**	**339.49**	**20,442.43**

*Others debt securities represent discount on commercial paper amortised during the year.

Note 36: Contingent liabilities, commitments and leasing arrangements

Particulars	As at March 31, 2021	As at March 31, 2020
36.1 Capital commitment		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid amounting to Rs. 2.75 (March 31, 2020: Rs. 4.31)	0.35	4.32
(ii) Undrawn committed credit lines	240.28	183.95
Total	**240.63**	**188.27**

36.2 Contingent liability

(i) The Company's pending tax litigations comprises claims against the Company pertaining to proceedings pending with income tax authorities and Sales tax/ VAT authorities amounting to Rs. 212.64 (March 31, 2020: Rs. 214.09). The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

(ii) The Hon'ble Supreme Court of India, vide their ruling dated 28 February 2019, set out the principles based on which certain allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution. Subsequently, a review petition against this decision has been filed by a third party and is pending before the Supreme court for disposal. In view of the management, pending decision on the subject review petition and directions from the EPFO, the management has a view that the applicability of the decisions is prospective. Further, the impact for the past period, if any, is not practically ascertainable in view of various interpretation issues.

(iii) The Company has provided bank guarantee amounting to Rs. 0.25 (March 31, 2020: Rs. Nil) to National Stock Exchange for the purpose of meeting margin requirements.

(iv) The Parliament has approved the Code on Social Security, 2020 ('Code') which may impact the contribution by the Company towards Provident Fund and Gratuity. The effective date from which the Code and its provisions would be applicable is yet to be notified and the rules which would provide the details based on which financial impact can be determined are yet to be framed after which the financial impact can be ascertained. The Company will complete its evaluation and will give appropriate impact, if any, in the financial result following the Code becoming effective and the related rules being framed and notified.

36.3 The Company has made provisions as required under the applicable laws or accounting standards for material foreseeable losses, if any, long term contracts.

Note 37: Related party transactions

List of Related parties:

A. Related party where control exists irrespective whether transactions have occurred or not

(a) Subsidiary of the Company:

Hero Housing Finance Limited

B. Other related parties where transactions have occurred during the year

(a) Parties in respect of which the Company is an associate:

Hero MotoCorp Limited

Bahadur Chand Investment Pvt. Ltd.

(b) Key managerial personnel (KMP):

Mr. Pawan Munjal – Chairman

Ms. Renu Munjal – Managing Director

Mr. Abhimanyu Munjal – Joint Managing Director & Chief Executive Officer

Mr. D.N Davar - Non-Executive Director (Upto September 6, 2019)

Mr. Pradeep Dinodia - Non-Executive Director

Mr. Sanjay Kukreja - Non-Executive Director

Mr. Vivek Chaand Sehgal - Non-Executive Director (Effective December 6, 2019)

Mr. Shivendra Suman – Company Secretary

Mr. Jayesh Jain – Chief Financial Officer

(c) Enterprises over which key management personnel and their relatives are able to exercise significant influence:

Hero Future Energies Private Limited

Hero Investcorp Private Limited

Hero Solar Energy Private Limited

Brijmohan Lall Om Parkash (Partnership Firm)

Munjal Acme Packaging Systems Private Limited

Cosmic Kitchen Private Limited

A.G. Industries Private Limited

Raman Kant Munjal Foundation (RKMF)

Ather Energy Private Limited

Tessolve Semiconductor Private Limited

Hero Wind Energy Private Limited

Clean Solar Power (Jaipur) Private Limited

Clean Wind Power (Anantapur) Private Limited

Clean Wind Power (Jaisalmer) Private Limited

Clean Wind Power (Bhavnagar) Private Limited

SR Dinodia & Co. LLP

Hero Mind Mine Institute Private limited
BML Munjal University
Motherson Auto Limited (Effective December 6, 2019)
Spirited Auto Cars (I) Limited (Effective December 6, 2019)

Transactions with related parties during the year :

(a) Transaction with subsidiary

	For the year ended March 31, 2021	For the year ended March 31, 2020
Hero Housing Finance Limited		
Investment in equity shares	100.00	150.00
Reimbursement of expenses (received)	-	0.04
ESOP cross charge received	0.53	-
ESOP cross charge paid	0.15	-
Rental income	0.64	1.14
Sale of property, plant and equipment	0.16	-

(b) Transaction with parties in respect of which the Company is an Associate

	For the year ended March 31, 2021	For the year ended March 31, 2020
Hero MotoCorp Limited		
Dividend received	0.01	0.01
Dividend paid	12.76	19.99
Lease rental received	5.90	11.02
Recovery of Insurance expense	0.40	-
Proceeds against share issued (including share premium)	194.38	248.37
Rent paid	-	0.07
Subvention income	5.72	3.94
Reimbursement for sale of operating lease vehicles	3.85	7.84
Bahadur Chand Investment Pvt. Ltd.		
Dividend paid	6.30	9.87
Proceeds against share issued (including share premium)	96.59	123.41
Loan given	-	920.00
Loan repaid	-	920.00
Interest received/accrued	-	8.92
Processing fees received	-	6.87

(c) Enterprises over which key management personnel and their relatives are able to exercise significant influence

	For the year ended March 31, 2021	For the year ended March 31, 2020
Hero Future Energies Private Limited		
Loan given	55.00	50.00
Loan repaid	55.00	225.00
Interest received/accrued	3.38	4.94
Processing fees received	0.41	0.08
A.G. Industries Private Limited		
Interest income	-	0.04
Loan repaid	-	8.00

Cosmic Kitchen Private Limited		
Staff welfare expense and others	0.15	1.27
Hero Solar Energy Private Limited		
Loan repaid	-	50.00
Interest income	-	0.36
BrijMohan Lall Om Prakash (Partnership firm)		
Loan given	232.50	100.00
Loan repaid	232.50	100.00
Interest received/accrued	4.94	1.32
Processing fees received	6.75	-
Dividend Paid	3.09	5.15
Hero Investcorp Private Limited		
Proceeds against share issued (including share premium)	5.27	6.73
Dividend paid	0.86	1.40
Raman Kant Munjal Foundation (RKMF)		
Contribution made for corporate Social Responsibility	0.05	5.25
Business Promotion expense	0.12	0.13
Munjal Acme Packaging Systems Private Limited		
Dividend paid	0.49	0.82
Ather Energy Private Limited		
Loan given (including interest capitalisation)	5.27	75.00
Loan repaid	20.30	10.56
Processing fees received	0.75	0.56
Interest received/accrued	16.23	12.21
Tessolve Semiconductor Private Limited		
Loan given	-	22.50
Loan repaid	15.00	7.50
Processing fees received	0.15	0.30
Interest received/accrued	0.44	0.57
Hero Wind Energy Private Limited		
Loan given	350.00	125.00
Loan repaid	100.58	125.00
Processing fees received	1.47	0.19
Interest received/accrued	23.44	3.44
Clean Solar Power (Jaipur) Private Limited		
Loan given	-	200.00
Loan repaid	-	200.00
Processing fees received	-	1.00
Interest received/accrued	-	9.13

Clean Wind Power (Anantapur) Private Limited		
Loan given	-	300.00
Loan repaid	150.00	150.00
Processing fees received	-	1.43
Interest received/accrued	7.27	11.68
Clean Wind Power (Jaisalmer) Private Limited		
Loan given	-	75.00
Loan repaid	-	75.00
Processing fees received	-	0.75
Interest received/accrued	-	2.16
Clean Wind Power (Bhavnagar) Private Limited		
Loan given	-	150.00
Loan repaid	50.00	100.00
Processing fees received	-	0.75
Interest received/accrued	3.20	4.39
Motherson Auto Limited		
Loan repaid	7.92	-
Interest received/accrued	5.56	2.23
Hero Mind Mine Institute Private limited		
Employee's training expense	0.21	0.08
SR Dinodia & Co. LLP		
Professional fees	-	0.04
Spirited Auto Cars (I) Limited		
Purchase of vehicles	-	0.26
BML Munjal University		
Employee's training expense	-	0.15

(d) Transactions with key management personnel and their relatives:

	For the year ended March 31, 2021	For the year ended March 31, 2020
Short term employee benefits*#	32.93	30.60
Post–employment benefits#	-	-
Other long-term benefits#	-	-
Dividend paid	0.92	1.30
Director sitting fee/commission	0.62	0.50
Employee share based payment expense	0.54	0.85

* Includes variable pay/ commission on payment basis since accruals are made at the Company level and are subject to requisite approvals.

\# Does not include gratuity and compensated absences as these are provided based on the Company as a whole.

Outstanding balances at the year end :

(a) Parties in respect of which the Company is an Associate

	As at March 31, 2021	As at March 31, 2020
Hero MotoCorp Limited		
Amount receivable as at year end	5.86	7.43

(b) Enterprises over which key management personnel and their relatives are able to exercise significant influence

	As at March 31, 2021	As at March 31, 2020
Ather Energy Private Limited		
Loan outstanding at the year end (receivable)	111.53	126.70
Tessolve Semiconductor Private Limited		
Loan outstanding at the year end (receivable)	-	15.13
Clean Wind Power (Anantapur) Private Limited		
Loan outstanding at the year end (receivable)	-	150.76
Clean Wind Power (Bhavnagar) Private Limited		
Loan outstanding at the year end (receivable)	-	50.19
Motherson Auto Limited		
Loan outstanding at the year end (receivable)	71.65	79.70
Hero Wind Energy Private Limited		
Loan outstanding at the year end (receivable)	250.77	-
Cosmic Kitchen Private Limited		
Amount outstanding at the year end (payable)	-	0.09
Hero Mind Mine Institute Private limited		
Amount outstanding at the year end (payable)	-	0.04
SR Dinodia & Co. LLP		
Amount outstanding at the year end (payable)	-	0.04

(c) Outstanding balance due to key management personnel and their relatives as at year end:

	As at March 31, 2021	As at March 31, 2020
Salary and wages payable*	-	-
Post–employment benefits#	-	-
Other long-term benefits#	-	-

* Does not include amount of variable pay/ commission since accruals are made at the Company level and are subject to requisite approvals.

Does not include gratuity and compensated absences as these are provided based on the Company as a whole.

37.1 The managerial remuneration paid to the Managing Director and Joint Managing Director & Chief Executive Officer amounts to Rs. 16.12 crores. In view of inadequacy of profits for the year, the total remuneration for the financial year exceeds the prescribed limits under section 197 read with Schedule V to the Act by Rs. 11.81 crores. As per the provisions of the Act, managerial remuneration paid to the Managing Director and Joint Managing Director & Chief Executive Officer of the Company has been ratified by Nomination and Remuneration Committee and approved by the Board of Directors subject to approval of the shareholders which the Company proposes to obtain in the forthcoming Annual General Meeting.

Note 38: 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 Reserve Bank of India (RBI) of India. The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI. The Company has complied in full with all its externally imposed capital requirements over the reported period.

38.1 Capital management

The primary objectives of the Company's capital management policy are to ensure that the Company complies with regulatory capital requirements. The Company ensures adequate capital at all time and manages its business in a way in which capital is protected, satisfactory business growth is ensured, cash flow are monitored, borrowing covenants are honoured and ratings are maintained. Regulatory capital- related information is presented as part of the RBI mandated disclosures. The RBI norms require capital to be maintained at prescribed level. In accordance with such norms, Tier I capital of the Company comprises of share capital, share premium, retained earnings, general reserve, statutory reserve, employee stock options outstanding account less deferred revenue expenditure, deferred tax assets and other intangible assets (excluding right-of-use assets). The other component of regulatory capital is Tier II Capital Instruments, which include subordinate debt and impairment allowance on loans for stage 1 to the extent the same does not exceed 1.25 % of Risk Weight Assets. There were no changes in capital management process during the period presented.

38.2 Regulatory Capital

Refer note no 46.1 for regulatory capital.

NOte 39: Events after balance sheet date

There have been no events after the reporting date that requires disclosure in these financial statements.

Note 40: Leases

The Company had total cash outflows for leases of Rs. 13.11 for the year ended March 31, 2021 (March 31, 2020: Rs.15.63) including expense of Rs. 1.88 for the year ended March 31, 2021 (March 31, 2020: Rs. 4.86) relating to short term leases. The Company does not have any lease restrictions and commitment towards variable rent as per the contract.

The maturity analysis of lease liabilities are disclosed in Note 34.

Note 41: Financial instruments

(a) Financial instruments by category and 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 values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

As at March 31, 2021	Carrying amount					Fair value		
	FVTPL	FVTOCI	Amortised Cost	At Cost	Total	Level 1	Level 2	Level 3
Financial assets								
Cash and cash equivalents*	-	-	880.34	-	**880.34**	-	-	-
Bank balance other than cash and cash equivalents*	-	-	116.13	-	**116.13**	-	-	-
Trade receivables*	-	-	7.98	-	**7.98**	-	-	-
Loans	-	-	23,856.85	-	**23,856.85**	-	-	23,854.62
Investments#	1,711.35	-	-	500.00	**2,211.35**	208.23	994.61	508.51
Other financial assets*	-	-	110.71	-	**110.71**	-	-	-
	1,711.35	-	**24,972.01**	**500.00**	**27,183.36**	**208.23**	**994.61**	**24,363.13**
Financial liabilities								
Trade payable								
(i) Total outstanding dues of micro enterprises and small enterprises; and	-	-	0.12	-	**0.12**	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	248.76	-	**248.76**	-	-	-
Debt securities	-	-	4,080.85	-	**4,080.85**	-	-	4,132.73
Borrowing (other than debt securities)	-	-	17,142.27	-	**17,142.27**	-	-	17,148.49
Subordinated liabilities	-	-	593.31	-	**593.31**	-	-	630.28
Lease Liabilities*	-	-	40.40	-	**40.40**	-	-	-
Other financial liabilities*	-	-	471.99	-	**471.99**	-	-	-
	-	-	**22,577.70**	-	**22,577.70**	-	-	**21,911.50**

As at March 31, 2020	Carrying amount					Fair value		
	FVTPL	FVTOCI	Amortised Cost	At Cost	Total	Level 1	Level 2	Level 3
Financial assets								
Cash and cash equivalents*	-	-	2,213.23	-	**2,213.23**	-	-	-
Bank balance other than cash and cash equivalents*	-	-	0.52	-	**0.52**	-	-	-
Trade receivables*	-	-	7.87	-	**7.87**	-	-	-
Loans	-	-	22,482.69	-	**22,482.69**	-	-	22,554.33
Investments#	51.83	-	-	400.00	**451.83**	9.22	-	42.61
Other financial assets*	-	-	30.28	-	**30.28**	-	-	-
	51.83	**-**	**24,734.59**	**400.00**	**25,186.42**	**9.22**	**-**	**22,596.94**
Financial liabilities								
Trade payable*								
(i) Total outstanding dues of micro enterprises and small enterprises; and	-	-	0.91	-	**0.91**	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	160.63	-	**160.63**	-	-	-
Debt securities	-	-	5,231.98	-	**5,231.98**	-	-	5,234.87
Borrowing (other than debt securities)	-	-	14,610.11	-	**14,610.11**	-	-	14,614.59
Subordinated liabilities	-	-	548.35	-	**548.35**	-	-	554.40
Lease Liabilities*	-	-	51.99	-	**51.99**	-	-	-
Other financial liabilities*	-	-	376.60	-	**376.60**	-	-	-
	-	**-**	**20,980.57**	**-**	**20,980.57**	**-**	**-**	**20,403.86**

* The carrying amount of cash and cash equivalents, bank balance other than cash and cash equivalents, trade receivables, other financial assets, trade payable, lease liabilities and other financial liabilities approximates the fair value, due to their short-term nature except for security deposit, margin money received from customer for which fair value was calculated based on the discounted EIR.

\# The fair values disclosed are only in respect of investment carried at FVTPL.

(b) Valuation framework

The finance department of the Company includes personnel that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO).

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Company develops Level 3 inputs based on the best information available in the circumstances.

The Company uses suitable valuation models to determine the fair value of common and simple financial instruments, that use only observable market data and require little management judgement and estimation.

Loans

The fair value of loan and advances are estimated by discounted cash flow models. For fixed rate loans, the fair value represent the discounted value of the expected future cash flow. For floating rate interest loans, the carrying amount of loans represent fair market value of loans. Fair value is then reduced by the impairment loss allowance on loans which is already calculated incorporating probability of default and loss given defaults.

Debt securities, borrowings (other than debt securities) and subordinated liabilities

Fair value is estimated at portfolio level by a discounted cash flow model incorporating market interest rates and the company's own credit risk or based on market-observable data such as secondary market prices for its traded debt. Further, for floating rate interest bearing borrowings, the carrying amount of borrowings represent fair market value of borrowings.

Investments

Investment in alternate investment fund is recorded at fair value determined by third party using discounted cash flow method. However, in case of stressed, fair value is determined using expected recovery method. Investment in government securities, commercial paper, treasury bills, certificate of deposits, corporate bonds etc. are fair valued using NAV at reporting date. For rest of the investments, based on the information available from external sources, management believes that the carrying value of the investments approximates the fair value.

There were no transfers between levels during the year.

Note 42: Risk management framework

42.1 *Risk profile and risk mitigation*

(a) Risk management structure and Company's risk profile

The Company's Board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of directors has established the Risk Management Advisory Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

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 audit 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.

Measure taken for COVID-19

The Coronavirus (COVID-19) is impacting businesses globally/domestically by disrupting supply chains, travel, production and consumption, threatening operations as well as financial markets. The Company has been cognizant of the need for enhanced risk management during these COVID times. The various risk management strategies put in place include:

1) Review and close monitoring of portfolio – assessing the impact by sector, segment, ticket size, geography, collateral availability and security cover, type of facility etc.
2) Stress testing existing portfolio to identify credit risk impact in various possible scenarios and defining risk management strategies around the same
3) Engaging with Borrowers to understand short/long term impact on their businesses and action plan to remediate the same
4) Keeping a vigil on dynamically changing macro-economic factors, through data and insights from multiple research reports for gaining views on the changes that will need to be in place for lending in future - in terms of lending policies and processes, insurance covers, sectoral exposure etc.
5) Redefining risk management norms in view of continuity of business and with greater focus towards digital means of lending and recovery.

42.2 *Credit risk*

Credit risk arises from loans, cash and cash equivalents, bank balance other than cash and cash equivalents, investments and other financial assets. 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 asset on finance and trade receivables from customers; loans and investments. The carrying amounts of financial assets represent the maximum credit risk exposure.

(a) Credit risk management

Financial assets measured on a collective basis

The Company splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristics, as described below in the following order:

- Secured/unsecured i.e. based on whether the loans are secured
- Nature of security i.e. the nature of the security if the loans are determined to be secured
- Nature of loan i.e. based on the nature of loan

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. 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. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan by the Company on terms that the Company would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial re-organization;

The risk management committee has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, background verification, financial statements, income tax returns, credit agency information, industry information, etc. Portfolio review is performed every quarter and is reviewed by the management on quarterly basis.

(b) Definition of default

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

The Company considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. Following indicators are incorporated:

- DPD analysis as on each reporting date
- significant changes in expected performance and behaviour of the borrower including changes in payment status of borrowers.

(c) Probability of default (PD)

Day past dues (DPD) analysis is the preliminary inputs in the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by type of product and borrowers as well as by DPD. The Company analyses the data collected and generates estimates of the PD of exposures and how these are expected to change as result of passage of time.

The month-on-month outstanding balances in each DPD bucket are assessed to estimate the historic probability of default for each bucket; this probability is then combined with a macro-economic variables to compute the final PD estimate.

(d) Exposure at default

The exposure at default (EAD) represents the gross carrying amount (in addition to the interest to be earned during the next year) 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. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

(e) Loss given default

Loss given default (LGD) represent estimated financial loss the Company is likely to suffer in the event of default and it is used to calculate provision requirement on EAD along with probability of default. LGD values are assessed, reviewed and approved by the Company. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held.

(f) Significant increase in credit risk

The Company continuously monitor all the assets subject to ECL 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 significant increase in credit risk since initial recognition. The Company also applies a secondary qualitative methods for triggering a significant increase in credit risk for an asset, such as moving customer/ facilities to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than one month overdue, the credit risk is deemed to have increase significantly since initial recognition. 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. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

(g) Expected credit loss on Loans

The Company assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, date of initial recognition, remaining term to maturity, collateral type, and other relevant factors. For the assessment, each financial asset (after segmentation based on the nature), is then clubbed into the following DPD cohorts:

- Current (0 DPD)
- 1-30 DPD
- 31-60 DPD
- 61-90 DPD
- >90 DPD

The Company considers defaulted assets as those which are contractually past due 90 days, other than those assets where there is empirical evidence to the contrary. Financial assets which are contractually past due 30 days but less than 90 days are classified under Stage 2. An asset migrates down the ECL stage based on the change in the risk of a default occurring since initial recognition. If in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision stage reverses to 12-months ECL from lifetime ECL.

The Company considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the statistical models and other historical data.

42.2.1 *Inputs, assumptions and estimation techniques used to determine expected credit loss*

The Company's loan loss provision are made on the basis of the Company's historical loss experience and future expected credit loss, after factoring in various macro-economic parameters such as Interest Rate (%), Real Manufacturing , Unemployment Rate (%), Real GDP, Agriculture (% real change pa) and Consumer prices (% change pa; av).The selection of these variables was made purely based on business sense. The macro- economic variables were regressed using a regression model against the log-odds of the weighted average PD's to forecast the forward-looking PD's with macro-economic overlay incorporated.

Best, base and worst scenarios were created for all the variables and default rates were estimated for all the scenarios. These default rates were then used with the same LGD and EAD to arrive at the expected credit loss for all three cases. The three cases were then assigned weights and a final probability-weighted expected credit loss estimate was computed.

Macro economic indicator	Scenario	2022	2023	2024	2025	2026
Interest Rate (%)	Base	8.80	8.70	8.90	9.30	9.40
	Best	7.92	7.83	8.01	8.37	8.46
	Worst	11.44	11.31	11.57	12.09	12.22
Real Manufacturing (Amt. in billions)	Base	24,018.90	25,676.20	27,345.20	29,122.60	31,015.60
	Best	26,420.79	28,243.82	30,079.72	32,034.86	34,117.16
	Worst	16,813.23	17,973.34	19,141.64	20,385.82	21,710.92
Unemployment Rate (%)	Base	8.00	7.80	7.30	7.00	6.50
	Best	7.20	7.02	6.57	6.30	5.85
	Worst	10.40	10.14	9.49	9.10	8.45
Real GDP (Amt. in billions)	Base	1,53,093	1,59,960	1,68,758	1,77,624	1,88,000
	Best	1,68,402	1,75,956	1,85,634	1,95,387	2,06,800
	Worst	1,07,165	1,11,972	1,18,131	1,24,337	1,31,600
Agriculture (% real change pa)	Base	4.2	3.1	3.3	3.0	3.5
	Best	4.6	3.4	3.6	3.3	3.9
	Worst	2.9	2.2	2.3	2.1	2.5
Consumer prices (% change pa; av)	Base	5.0	4.7	4.3	3.9	4.1
	Best	4.5	4.2	3.9	3.5	3.7
	Worst	6.5	6.1	5.6	5.1	5.3

42.2.2 *Analysis of risk concentration*

The Company's concentrations of risk are managed by client/counterparty and industry sector. The maximum credit exposure to any individual client or counterparty was Rs. 288.56 and Rs. 364.23 as at March 31, 2021 and March 31, 2020 respectively.

42.2.3 Analysis of portfolio

An analysis of changes in gross carrying amount in relation to Loan portfolio is as follows:

Particulars	For the year ended March 31, 2021				For the year ended March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	20,765.78	1,073.76	1,523.90	23,363.44	17,997.71	819.46	879.88	19,697.05
New assets originated (refer note 1and 2 below)	12,470.62	318.54	72.57	12,861.73	13,213.88	302.96	140.34	13,657.18
Assets repaid (excluding write offs) (refer note 2 below)	(9,342.85)	(518.98)	(311.66)	(10,173.49)	(9,115.19)	(420.78)	(380.61)	(9,916.58)
Transfers from Stage 1	(3,178.66)	2,193.00	985.66	-	(1,467.67)	897.25	570.42	-
Transfers from Stage 2	135.83	(677.44)	541.61	-	120.34	(526.52)	406.18	-
Transfers from Stage 3	11.93	2.76	(14.69)	-	16.71	1.39	(18.10)	-
Amounts written off	(0.18)	(16.27)	(929.49)	(945.94)	-	-	(74.21)	(74.21)
Gross carrying amount closing balance	**20,862.47**	**2,375.37**	**1,867.90**	**25,105.74**	**20,765.78**	**1,073.76**	**1,523.90**	**23,363.44**

Reconciliation of Impairment loss allowance in relation to Loan portfolio is as follows:

Particulars	For the year ended March 31, 2021				For the year ended March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment allowance- opening balance	123.68	169.60	587.47	880.75	92.22	90.83	298.32	481.37
New assets originated (refer note 1 and 2 below)	70.42	42.24	28.67	141.33	74.38	54.75	57.78	186.91
Effect of change in estimate/repayment	504.67	20.92	(298.78)	226.81	(51.98)	76.23	188.22	212.47
Transfers from Stage 1	(594.00)	306.86	287.14	-	(8.84)	5.05	3.79	-
Transfers from Stage 2	10.44	(152.84)	142.40	-	12.52	(57.87)	45.35	-
Transfers from Stage 3	0.66	0.45	(1.11)	-	5.38	0.61	(5.99)	-
Impairment allowance- Closing balance	**115.87**	**387.23**	**745.79**	**1,248.89**	**123.68**	**169.60**	**587.47**	**880.75**

Assets amounting to Rs. 459.07 (March 31, 2020: Nil) , wherein company has offered one time resolution plan to borrowers as per RBI Circular dated August 06, 2020 has a days past due (DPD) bucket of upto 30. Considering the significant increase in credit risk, these have been included and disclosed under Stage 2 assets. The corresponding provision on these assets, including additional provisions amounting to Rs. 76.83 (March 31, 2020: Nil) have been disclosed under Stage 2 provision.

An analysis of Expected credit loss rate:

Particulars	For the year ended March 31, 2021				For the year ended March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Expected credit loss rate*	0.56%	16.30%	39.93%	4.97%	0.60%	15.80%	38.55%	3.77%

* Expected credit loss rate is computed ECL divided by EAD

Note 1: New assets originated represents fresh disbursals made during the year. Classification of new assets originated in stage1, 2,3 is based on year end staging.

Note 2 : Assets originated and repaid during the year have not been disclosed in the movement of gross carrying amount. However, the loss incurred on settled cases is included in assets repaid during the year.

Note 3: The contractual amount of financial assets that has been written off by the Company during the year ended March 31, 2020 and that were still subject to enforcement activity was Rs. 945.94 (March 31, 2020: Rs. 74.21).

Note 4: The Company recognize expected credit loss (ECL) on collective basis that takes into account comprehensive credit risk information.

Expected credit loss (ECL) has increased from Rs. 481.37 to Rs. 880.75 as at March 31, 2020. Further, the same has been increased to Rs. 1,248.89 by March 31, 2021. Primarily reason for increase is increase in Exposure at Default. EAD has been increased by 18.61% for the year ended March 31, 2020 as compared to year ended March 31, 2019 and further the same has been increased by 7.46% for the year ended March 31, 2021 as compared to year ended March 31, 2020.

In addition to EAD, ECL has also increased due to increase in stage III assets as compared to previous year and change in mix of stage I and II assets. Other changes which have contributed increase in ECL is increase in the % of probability of default in current as compared to previous year because of significant change in macro-economic overlays due to COVID-19, increase in Loss given default on account of increase in losses determined based on historical trend, collateral valuation etc.

During the year ended March 31, 2021, expected credit loss rate in stage III is increased from 38.55% to 39.93% and overall expected credit loss rate is increased from 3.77% to 4.97% as compared to year ended March 31, 2020.

RBI COVID-19 Regulatory Package

RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020 and Press Release: 2019-2020/2392 dated May 22, 2020 relating to 'COVID-19 - Regulatory Package', the Company, as per its Board approved policy and ICAI advisories, has granted moratorium upto six months on the payment of installments which became due between March 01, 2020 and August 31, 2020 to all eligible borrowers. This relaxation did not automatically trigger a significant increase in credit risk. The Company continued to recognize interest income during the moratorium period and in the absence of other credit risk indicators, the granting of a moratorium period did not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria and accordingly, the staging of such accounts of borrowers as at March 31, 2021 is based on days past due status considering the benefit of moratorium period.

Impact of COVID-19

The COVID-19 outbreak and its effect on the economy has impacted our customers and our performance, and the future effects of the outbreak remain uncertain. The outbreak necessitated government to respond at unprecedented levels to protect public health, local economies and livelihoods. There remains a risk of subsequent waves of infection, as evidenced by the recently emerged variants of the virus.

Economic forecasts are subject to uncertainty in the current environment, hence, requiring greater reliance on management judgement in determining the appropriate level of ECL estimates. The reliability of ECL models under these circumstances has also been impacted by the unprecedented response from governments to provide a variety of economic stimulus packages to support livelihoods and businesses. Historical observations on which the models were built do not reflect these unprecedented support measures. We continue to monitor credit performance against the level of government support and customer relief program.

The calculation of ECL under Ind AS 109 involves significant judgements, assumptions and estimates, including:

- the selection and weighting of economic scenarios,
- estimating the economic effects of those scenarios on ECL, where there is no observable historical trend that can be reflected in the models that will accurately represent the effects of the economic changes of the severity and speed brought about by the COVID-19 outbreak.; and
- the identification of customers experiencing significant increases in credit risk and credit impairment.

While preparing the financial results for the year ended March 31, 2021, the Company has separately incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated support packages in the measurement of impairment loss allowance. The final impact of this pandemic and the Company's impairment loss allowance estimates are inherently uncertain, and hence, the actual impact may be different than that estimated based on the conditions prevailing as at the date of approval of these financial results. The management will continue to closely monitor the material changes in the macro-economic factors impacting the operations of the Company.

42.2.4 *Collateral and other credit enhancements*

The loan portfolio of the Company has both secured and unsecured loans and they vary with the type of funding. Products like loan against property, machinery term loan, medical equipment financing, corporate loan, two wheeler loan and pre owned car loan are all secured loans whereas products like business loan and loyalty program generally do not carry any collateral security.

For loan against property, properties (residential, commercial, industrial, mixed use, etc.) are generally acceptable collateral. Machinery term loan and medical equipment financing are given against the collateral of the equipment being funded. For corporate loan there is usually a collateral basket comprising of properties, rated securities, current assets (including stock and book debts), plant and machinery, and deposits. For two wheeler loan and pre owned car loan, the respective vehicle against which the loan been offered is taken as a collateral security.

The Company has a pre-defined loan to value norms in the policy and the same is disbursed to control the risk of the Company. For loan against property, the loan to value ('LTV') is in the range of 50 to 75%. For machinery term loan the loan to value range is between 65 to 80%. For corporate loan, the funding is secured by way of a collateral basket – the overall security cover is generally maintained in the range of 1.1 times to 3 times and above. For loan against shares, a minimum cover of 2 times is maintained.

For pre-owned car and two wheeler loan, the Company maintains a loan to value range of 75 to 90% depending upon tenure and model.

Valuation of the collateral, wherever applicable, is done by empanelled valuers who carry the necessary experience and expertise in the area. The guidelines governing these valuation have been clearly laid out for each collateral class. For two wheeler loan since the asset is new no valuation is has been carried out by the Company. Valuation of the collateral for pre-owned car is done by empanelled valuers who carry the necessary experience and expertise in the area. Valuation of the credit impaired assets (stage 3 assets) are carried out by our empanelled valuers and for all assessment /provisioning purposes, distress value is considered. The Company has an in-house team of technical managers who manage property valuation activity.

42.3 *Liquidity risk*

Liquidity risk arises as the Company has contractual financial liabilities that are required to be serviced and redeemed as per committed timelines and in the business of lending where funds are required for the disbursement and creation of financial assets to address the going concern of Company. Liquidity risk management is imperative to the Company as this allows covering the core expenses, market investment / creation of financial assets, timely repayment of debt commitments and continuing with its operations. The Company uses various liquidity monitoring tools to measure and gauge the liquidity risk as per necessary guidelines stipulated by the RBI. The Company with the help of the Asset and Liability Committee (ALCO), ALM policy and Liquidity Desk, monitors the Liquidity risk and uses structural, dynamic liquidity statements and cash flow statements as a mechanism to address this.

The Company aims to maintain the level of its cash equivalents, un-utilized borrowing lines and cash inflow at an amount in excess of expected cash outflows on financial liabilities over the next one year. At March 31, 2021, the net of expected cash inflows and outflows within 12 months are Rs. 4,235.20 (March 31, 2020: Rs. 3,448.21).

42.3.1 *Contractual maturities of financial instruments*

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at reporting date.

As at March 31, 2021	On demand	Less than 1 year	1-5 years	More than 5 years	Total
Financial assets					
Cash and cash equivalents	55.14	825.20	-	-	880.34
Bank balance other than cash and cash equivalents	-	116.13	-	-	116.13
Trade receivables	-	7.98	-	-	7.98
Loans*	-	11,752.71	11,416.31	2,020.15	25,189.17
Investments	-	1,675.77	-	535.58	2,211.35
Other financial assets	-	109.19	1.34	1.81	112.34
Total undiscounted financial assets	**55.14**	**14,486.98**	**11,417.65**	**2,557.54**	**28,517.31**
Financial liabilities					
Trade payables					
- Total outstanding dues of micro enterprises and small enterprises; and	-	0.12	-	-	0.12
- Total outstanding dues of creditors other than micro enterprises and small enterprises	-	248.76	-	-	248.76
Debt securities	-	2,861.64	1,070.00	150.00	4,081.64
Borrowings (other than debt securities)	-	6,490.40	10,658.10	-	17,148.50
Subordinate liabilities	-	-	100.00	495.00	595.00
Lease liabilities	-	7.90	23.70	8.80	40.40
Other financial liabilities	-	457.47	15.95	6.52	479.94
Total undiscounted financial liabilities	**-**	**10,066.29**	**11,867.75**	**660.32**	**22,594.36**
Net undiscounted financial assets/(liabilities)	**55.14**	**4,420.69**	**(450.10)**	**1,897.22**	**5,922.95**
Total Commitments	240.63	**-**	**-**	**-**	240.63

As at March 31, 2020	On demand	Less than 1 year	1-5 years	More than 5 years	Total
Financial assets					
Cash and cash equivalents	212.20	2,001.03	-	-	2,213.23
Bank balance other than cash and cash equivalents	-	0.52	-	-	0.52
Trade receivables	-	7.87	-	-	7.87
Loans*	-	11,507.41	9,408.37	2,573.06	23,488.84
Investments	-	-	-	451.83	451.83
Other financial assets	-	27.52	2.37	1.94	31.83
Total undiscounted financial assets	**212.20**	**13,544.35**	**9,410.74**	**3,026.83**	**26,194.12**
Financial liabilities					
Payables					
- Total outstanding dues of micro enterprises and small enterprises; and	-	0.91	-	-	0.91
- Total outstanding dues of creditors other than micro enterprises and small enterprises	-	160.63	-	-	160.63
Debt securities	-	4,575.63	557.00	100.00	5,232.63
Borrowings (other than debt securities)	-	5,044.23	9,570.35	-	14,614.58
Subordinate liabilities	-	-	-	550.00	550.00
Lease liabilities	-	12.79	38.63	55.69	107.11
Other financial liabilities	-	325.88	55.74	6.61	388.23
Total undiscounted financial liabilities	**-**	**10,120.07**	**10,221.72**	**712.30**	**21,054.09**
Net undiscounted financial assets/(liabilities)	**212.20**	**3,424.28**	**(810.98)**	**2,314.53**	**5,140.03**
Total Commitments	188.27	**-**	**-**	**-**	188.27

* This represents contractual maturities of loans without expected credit loss and EIR adjustments. For stage 3 assets, maturity pattern is as per RBI master directions.

42.4 *Market risk*

Market risk is the risk that the fair value or future cash flow of financial instrument will fluctuate due to changes in market variables such as interest rates, foreign exchange rates etc. The objective of market risk management is to manage and control market risk exposure within acceptable parameters. while maximising the return.

Interest rate risk

A major portion of The Company's assets and liabilities are interest bearing - which could be either at a fixed or a floating rate. Interest rate risk is managed by way of regular monitoring of all interest rate bearing assets and liabilities. The same also forms part of the ALCO and ALM policy.

The exposure of Company's financial assets and liabilities to interest rate risk is as follows:

Financial assets	Floating rate instruments	Fixed rate instruments
March 31, 2021	6,225.07	18,880.67
March 31, 2020	7,968.44	15,395.00
Financial liabilities		
March 31, 2021	16,542.28	5,274.15
March 31, 2020	14,090.13	6,300.32

The table below illustrates the impact of a 1.00% movement in interest rates on interest income and interest expense on floating loans and floating borrowings respectively for next one year, assuming that the changes occur at the reporting date and has been calculated based on risk exposure outstanding as of date. The year end balances are not necessarily representative of the average loans and borrowings outstanding during the year.

Impact on profit before tax

Movement in interest rates	For the year ended March 31, 2021	For the year ended March 31, 2020
1.00%	(79.94)	(46.06)
(1.00%)	79.94	46.06

Note 43: Expenditure in foreign currency (on accrual basis)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Travelling and conveyance	1.32	0.98
Legal and professional	1.30	1.35
Information technology	12.50	9.29
Recruitment and training	0.30	3.02
Other expenses	0.02	1.67
Total	**15.44**	**16.31**

Note 44: Dividend paid and proposed

	As at March 31, 2021	As at March 31, 2020
Declared and paid during the year		
Dividends on ordinary shares:		
Final dividend for the year ended March 31, 2020: Rs. 2.55* per share (March 31, 2019: Rs.4.25 per share)	30.99	48.53
Dividend distribution tax on final dividend declared and paid	-	9.98
Total dividends paid (including dividend distribution tax)	**30.99**	**58.51**

After the reporting dates the following dividends were proposed by the Board of Directors subject to the approval of the shareholders at Annual General Meeting. Accordingly, the dividends have not been recognised as liabilities.

Dividend on ordinary shares:

Proposed for approval at Annual General Meeting March 31, 2021: Rs 1.00# per share (March 31, 2020: Rs 2.55* per share)	12.73	30.99
	12.73	**30.99**

* On May 25, 2020, the Board of Directors has proposed a final dividend on equity shares of Rs. 2.55 per share for the financial year ended March 31, 2020 and the same was approved by the shareholders at the Annual General Meeting held on September 15, 2020.

\# On April 29, 2021, the Board of Directors has proposed a final dividend on equity shares of Rs. 1.00 per share for the financial year ended March 31, 2021 subject to the approval of the shareholders at Annual General Meeting.

Note 45: Employee Stock Option Scheme

The Employee Stock Options Scheme titled "ESOP Scheme 2017" or "the Scheme" was approved by the shareholders of the Company through postal ballot on June 09, 2017. The Scheme covered 2,639,703 options. The Scheme allows the issue of options to employees of the Company which are convertible to one equity share of the Company. As per the Scheme, the Nomination and Remuneration Committee grants the options to the employees deemed eligible. The options granted vest over a period of 4 years from the date of the grant in proportions specified in the ESOP Plan. Options may be exercised by the employees after vesting period within 4.5 years from the date of grant. The fair value as on the date of the grant of the options, representing Stock compensation charge, is expensed over the vesting period.

Plan	Number of Options Granted	Grant date	Vesting condition and vesting period	Exercise price (Rs.)	Weighted average fair value of the options at grant date (Rs.)
ESOP 2017	9,62,590	July 1, 2017	10% on completion of first year, 20% on completion of second year, 30% on completion of third year and 40% on completion of fourth year	495	240.60
	25,000	December 1, 2017		495	329.09
	49,000	December 5, 2017		495	329.21
	93,215	January 8, 2018		495	327.95
	30,000	December 6, 2019		780	345.68
	1,15,000	April 1, 2020		780	345.68
ESOP 2017#	6,78,600	July 1, 2020	10% on completion of first year, 25% on completion of second year, 30% on completion of third year and 35% on completion of fourth year	780	306.80
	17,400	October 1, 2020		780	306.80
	6,400	January 1, 2021		780	306.80

\# As amended vide shareholders' special resolution dated June 28, 2020

Fair value of share options granted

The fair value of options granted is estimated using the Black Scholes Option Pricing Model after applying the key assumption which are tabulated below:

Inputs in to the pricing model

ESOP 2017	Particulars						
	Weighted average fair value of option (Rs.)	Weighted average share price (Rs.)	Exercise price (Rs.)	Expected volatility**	Option life (Years)	Dividend yield (%)	Risk-free interest rate (%)*
July 1, 2017	240.60	616.30	495.00	Nil	4.5	0.26	6.58
December 1, 2017	329.09	647.40	495.00	38.18	4.5	0.82	6.60
December 5, 2017	329.21	647.40	495.00	38.22	4.5	0.82	6.60
January 8, 2018	327.95	647.40	495.00	37.80	4.5	0.82	6.60
December 6, 2019	345.68	820.70	780.00	38.55	4.5	1.75	6.28
April 1, 2020	345.68	820.70	780.00	38.55	4.5	1.75	6.28
July 1, 2020	306.80	740.90	780.00	43.40	4.5	0.32	5.20
October 1, 2020	306.80	740.90	780.00	43.40	4.5	0.32	5.20
January 1, 2021	306.80	740.90	780.00	43.40	4.5	0.32	5.20

*The risk free interest rate being considered for the calculation is interest rate applicable to the implied yield of zero coupon government securities.

**Expected volatility calculation is based on volatility of similar listed enterprises.

Movement in share options during the year

Particular	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Number of options	Weighted average fair value of the options at grant date (Rs. per share)	Number of options	Weighted average fair value of the options at grant date (Rs. per share)
(i) Outstanding at the beginning of the year	10,11,198	256.06	10,25,890	254.93
(ii) Granted during the year	8,17,400	312.27	30,000	345.68
(iii) Forfeited/ cancelled during the year	3,55,779	274.57	44,692	290.10
(iv) Exercised during the year	-	-	-	-
(v) Outstanding at the end of the year	14,72,819	282.79	10,11,198	256.06
(vi) Exercisable at the end of the year	4,47,251	258.05	2,94,359	253.32

Weighted average remaining contractual life of options outstanding as at year end is 14 months (March 31, 2020: 8 months)

During the year ended March 31, 2021, the Company recorded an employee stock compensation expense of Rs. 4.24 (March 31, 2020: Rs. 5.06) in the statement of profit and loss (refer note 29).

Note 46:

With effect from April 1, 2018, as per the roadmap issued by the Ministry of Corporate Affairs for Non-Banking Finance Companies vide notification no. G.S.R 365(E) dated March 30, 2016, for financial reporting purposes, the Company has followed the Accounting Standards as specified under Section 133 of the Companies Act, 2013, read with Rule 3 of the Companies (Indian Accounting Standard) Rules, 2015 (Ind AS). Accordingly, the information given below is disclosed by the Company based on Ind AS financial statements and other records maintained by the Company for the year ended March 31, 2021. For the purpose of these disclosures "Non-performing assets (NPA) represents Stage 3 loans and "Standard assets" represents "Stage 1" and "Stage 2" as defined in Ind AS financial statements.

Following information is disclosed in terms of the Master Direction-Non Banking Financial Company-Systematically Important, Non deposit taking and Deposit taking Company (Reserve Bank) Directions' 2016 dated September 1, 2016 as amended time to time.

46.1 Capital to risk assets ratio (CRAR)

Particulars	As at March 31, 2021	As at March 31, 2020
CRAR %	19.74	19.55
CRAR – Tier I capital (%)	16.93	16.63
CRAR – Tier II capital (%)	2.81	2.92
Amount of subordinated debts raised as Tier-II Capital	593.31	548.35
Amount raised by issue of perpetual instruments	-	-

46.2 Investments

Particulars	As at March 31, 2021	As at March 31, 2020
Value of investments		
Gross value of investments		
(a) In India	2,211.35	451.83
(b) Outside India	-	-
Provisions for depreciation		
(a) In India	-	-
(b) Outside India	-	-
Net value of investments		
(a) In India	2,211.35	451.83
(b) Outside India	-	-
Movement of provisions held towards depreciation on investments.		
(a) Opening balance	-	-
(b) Add : Provisions made during the year	-	-
(c) Less : Write-off / write-back of excess provisions during the year	-	-
(d) Closing balance	-	-

46.3 Disclosure on Un-hedged Foreign Currency Exposure

The Company has no unhedged foreign currency exposure as on March 31, 2021 and March 31, 2020.

46.4 Disclosure on Derivatives (Forward Rate Agreement / Interest Rate Swap/ Exchange Traded Interest Rate (IR) Derivatives)

The Company has not entered into any derivatives contract during the year.

46.5 Securitization/ assignment

There is no securitization/assignment transaction entered by the Company during the year.

46.6 Asset Liability Management Maturity pattern of certain items of assets and liabilities

As at March 31, 2021	1 to 7 days	8 to 14 days	15 days to 30/31 days	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total
Liabilities											
Borrowing from banks (excluding book overdrafts)*	30.82	87.83	306.76	75.28	731.90	1,296.04	3,994.85	8,080.43	2,572.38	-	17,176.29
Market borrowings*	-	147.89	274.76	523.34	230.72	508.18	1,298.35	744.61	427.42	643.12	4,798.39
Assets											
Advances	180.28	667.90	135.20	1,260.43	1,019.60	3,374.76	4,803.92	7,972.43	2,607.05	1,835.28	23,856.85
Investments	-	103.81	49.88	1,266.74	255.34	-	-	-	-	535.58	2,211.35

As at March 31, 2020	1 to 7 days	8 to 14 days	15 days to 30/31 days	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total
Liabilities											
Borrowing from banks (excluding book overdrafts)*	15.82	200.01	50.41	134.91	297.14	734.01	3,629.15	6,544.09	3,022.38	-	14,627.92
Market borrowings*	-	-	270.57	1,030.88	1,051.92	588.96	1,848.16	584.80	-	648.14	6,023.43
Assets											
Advances #	197.10	787.10	464.27	1,104.97	1,076.07	2,905.04	4,712.38	6,893.52	2,015.26	2,326.98	22,482.69
Investments	-	-	-	-	-	-	-	-	-	451.83	451.83

*Includes interest accrued but not due of Rs. 158.25 (March 31, 2020: Rs. 260.91)

1. In accordance with the RBI Circulars dated March 27, 2020 and other clarifications given by RBI, the Company has offered a moratorium to eligible borrowers in accordance with its Board approved policy. For the purpose of above disclosure, the Company has considered the impact for the customers to whom Moratorium is given as at March 31, 2020.

2. For roll over facility, impact of future cash flows in given based on contractual maturity only since every roll over is subject to fresh credit appraisal.

46.7 Exposure to real estate sector

Direct exposure	As at March 31, 2021	As at March 31, 2020
(i) Residential mortgages	**790.84**	**818.94**
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	790.84	818.94
(ii) Commercial real estate -	**779.39**	**1,107.08**
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family, residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based limits	779.39	1,107.08
(iii)Investments in Mortgage Backed Securities (MBS) and other securitized exposures -	-	-
a) Residential	-	-
b) Commercial Real Estate	-	-
Total Exposure to Real Estate Sector	**1,570.23**	**1,926.02**

Classification of exposures as commercial real estate exposure (cre) is based on circular no DBOD. No. BP. 11021/08.12.015/208-09

46.8 Exposure to capital market

Particulars	As at March 31, 2021	As at March 31, 2020
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	526.58	442.83
(ii) advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	1,265.33	2,075.85
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi) loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows / issues;	-	-
(viii) all exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	**1,791.91**	**2,518.68**

46.8A Since there is no parent company, hence reporting on financing of parent company products is not applicable.

46.8B The Company has not made advances against intangible collaterals of the borrowers, which are classified as "Unsecured" in its financial statements.

46.8C Registration obtained from other financial regulators.

The Company is not registered under any other regulator other than Reserve Bank of India and Insurance Regulatory and Development Authority of India(IRDAI).

46.8D No penalty were levied by any authority during the current year and previous year.

46.9 Ratings assigned by credit rating agencies and migration of ratings during the year

Facility	CRISIL	ICRA	Standard & Poor's	Moody's
Secured non-convertible debentures	AA+/Stable	AA+/Stable	-	-
Unsecured sub-ordinated Tier-II non-convertible debentures	AA+/Stable	AA+/Stable	-	-
Bank facilities			-	-
Long term banking facilities	AA+/Stable	AA+/Stable		
Short term banking facilities	-	A1+		
Commercial papers	A1+	A1+	-	-
Entity Level	-	-	(BB+) Long term stable (B) Short term stable	Ba1/ Negative
Migration during the year	Nil	Nil	Refer note 46.9A	Refer note 46.9B

46.9A There is no change in the ratings of Standard & Poor's (S&P) as compare to the previous year ended March 31, 2020. However, initially S&P has assigned the entity level long-term rating of "BBB-/Stable" and short-term rating of "A-3" to the Company. Subsequently, S&P has revised the long-term rating to "BB+/Stable" and short-term rating to "B stable".

46.9B Moody's has revised the long term rating of the Company from "Baa3/Under review for downgrade" to "Ba1/Negative".

46.10 Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of Profit and Loss	For the year ended March 31, 2021	For the year ended March 31, 2020
(i) Provision for depreciation on investments	-	-
(ii) Provision towards NPA	158.32	339.08
(iii) Provision made towards income tax (including deferred tax assets)	19.49	170.44
(iv) Provision for leave encashment	2.82	5.35
(v) Provision for gratuity (including OCI)	4.24	5.12
(vi) Other provision and contingencies	-	-
(vii) Provision for standard assets	209.82	110.23

46.10A The Company has made no draw down from existing reserves.

46.11 Concentration of advances

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Total advances to twenty largest borrowers/ customers	3,110.14	3,363.15
(ii) Percentage of advances to twenty largest borrowers/ customers to total advances	12.39%	14.39%

46.12 Concentration of exposure (including off-balance sheet exposure)*

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Total exposure to twenty largest borrowers/ customers	3,177.90	3,412.56
(ii) Percentage of exposure to twenty largest borrowers/ customers to total exposure	12.54%	14.49%

* Represents outstanding amount as per contract with borrowers.

46.13 Concentration of NPAs

Particulars	As at March 31, 2021	As at March 31, 2020
Total exposure to top four NPA accounts	330.10	213.64

46.14 Sector-wise NPAs

Sector	Percentage of Stage 3 assets to total advances in that sector	
	As at March 31, 2021	As at March 31, 2020
(i) Agriculture & allied activities	-	-
(ii) MSME	-	-
(iii) Corporate borrowers *	8.12%	8.23%
(iv) Services	-	-
(v) Unsecured personal loans	4.13%	2.41%
(vi) Auto loans	7.93%	5.24%
(vii) Other personal loans	-	-

* Includes MSME

46.15 Movement of NPAs

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
(i) Net NPAs to net advances (%)	4.61%	4.11%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	1,523.90	879.88
(b) Additions during the year	1,599.84	1,116.94
(c) Reductions during the year	1,255.84	472.92
(d) Closing balance	1,867.90	1,523.90
(iii) Movement of Net NPAs		
(a) Opening balance	936.43	581.56
(b) Additions during the year	1,440.41	821.80

(c) Reductions during the year	1,254.73	466.93
(d) Closing balance	1,122.11	936.43
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	587.47	298.32
(b) Provisions made during the year	159.43	295.14
(c) Write-off / write-back of excess provisions	1.11	5.99
(d) Closing balance	745.79	587.47

46.16 Customer Complaints

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
(a) No. of complaints pending at the beginning of the year	214	160
(b) No. of complaints received during the year	8,067	4,076
(c) No. of complaints redressed during the year	7,338	4,022
(d) No. of complaints pending at the end of the year	943	214

46.17 There are no NPA assets purchased / sold during the year.

46.18 Disclosures on frauds pursuant to RBI Master direction

No material fraud have been identified during the current year and previous year.

46.19 Details of Single Borrower Limits (SBL)/Group Borrower Limits (GBL) exceeded

The Company has not exceeded the single borrower limits/group borrower limits as set by Reserve Bank of India.

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

There are no overseas assets owned by the Company.

46.21 Off-balance sheet SPVs sponsored

The are no off balance sheet SPVs sponsored Company.

46.22 Prior period items

There are no prior period items.

46.23 Revenue recognition

Refer note 3(h) under summary of significant accounting policies.

46.24 Consolidated financial statements

The company prepares consolidated financial statements.

46.25 Disclosure of restructured accounts

S. No.	Type of Restructuring Asset Classification DetailStandard		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY (opening figures excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable))	No. of Borrowers	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	1.00	-	-	1.00	-	1.00	-	-	1.00
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	8.02	-	-	8.02	-	8.02	-	-	8.02
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	2.69	-	-	2.69	-	2.69	-	-	2.69
3	Upgradations to restructured standard category during the FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

5	Downgradations of restructured accounts during the FY (net of receipt during the year)*	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31 of the FY (closing figures excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable))	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	1.00	-	-	1.00	-	1.00	-	-	1.00
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	8.02	-	-	8.02	-	8.02	-	-	8.02
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	2.69	-	-	2.69	-	2.69	-	-	2.69

*Classified to credit impaired assets (NPA accounts) from restructuring asset considering continuing default.

46.26 Liquidity Coverage Ratio (LCR)

As per the RBI guidelines DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated November 04, 2019 and Master Directions for NBFCs vide RBI/DNBR/2016-17/45 dated February 17, 2020, the LCR requirement shall be binding on all non-deposit taking systemically important NBFCs with asset size of ₹ 10,000 crore and above and all deposit taking NBFCs irrespective of the asset size from December 1, 2020, with the minimum LCR to be 50%, progressively increasing, till it reaches the required level of 100%, by December 1, 2024, as per the timeline given below:

From	December 1, 2020	December 1, 2021	December 1, 2022	December 1, 2023	December 1, 2024
Minimum LCR	50%	60%	70%	85%	100%

(i) Main LCR drivers and evolution of the contribution of inputs in LCR calculation over time

The numerator of LCR is driven by the quantum and composition of High Quality Liquid Assets (HQLA). The denominator of LCR is driven by various components of the stressed cash flows.

(a) Composition of HQLA

The Company has made sufficient investments in the securities which are regarded as High Quality Liquid Assets (HQLA) in the form of Government securities (G Sec), Treasury Bills (T-Bills) and Commercial papers of AAA rated entities. The components of HQLA for the quarters is as under:

Particulars	For the quarter ended March 31, 2021 (weighted average)	For the quarter ended December 31, 2020 (weighted average)
T-Bills	381.84	378.49
G Sec	250.14	102.76
AAA rated securities	206.59	-
Cash & cash equivalent	74.86	182.52
Total	**913.43**	**663.77**

(b) Unsecured and secured wholesale funding

Borrowing Maturities falling due in the next 30 days form a major component of Cash Outflows. Commercial Papers form the major portion of unsecured funding. Bank Term loans and NCDs form the majority of secured wholesale funding maturities.

(c) Outflows related to derivative exposures and other collateral requirements

During the reporting period, the Company did not have any derivative exposure.

(d) Other contractual funding obligations

Other contractual funding obligations are taken from Trade Payable, Other financial liabilities, Current tax liabilities (net) and Other non-financial liabilities shown in the Balance Sheet which are expected to be paid in the next 30 days. Interest accrued on borrowings but not due, Trade payables, Book Overdrafts and Loans pending disbursement form a major portion of other contractual funding obligations.

(e) Other contingent funding obligations

Undrawn committed credit lines loans form a part of other contingent funding obligations.

(f) Secured lending

There is no secured lending transaction backed by HQLA during the reporting period and margin lending backed by all other collateral is included in the fully performing exposures.

(g) Inflows from fully performing exposures

Principal inflows and interest accrued from advances with no overdues due in the next 30 days are taken.

(h) Other inflows

For the LCR calculation, under other inflows, the major components are sanctioned but undrawn lines, non-HQLA investments maturing in next 30 days and receivables from collection agencies.

(ii) Intra period changes and changes over time

The Company endeavors to maintain a healthy level of LCR at all points of time. The LCR table shows the movement of changes in each component over the reporting period. The average LCR moved from 203% for the quarter ended December 31, 2020 to 229% for the quarter ended March 31, 2021.

(iii) Concentration of funding sources

The Company has a diversified funding profile in the form of Bank term loans, Non-convertible debentures and External Commercial Borrowings which are long-term in nature and Commercial papers which are short term in nature. Also, the Company has availed Working Capital Demand loan (WCDL) and Cash credit (CC) lines from various Banks. The Company is a non-deposit taking NBFC and hence, reporting nil deposits. The Company has a wide array of investors / bankers who have funded the Company through various funding instruments.

(iv) Derivative exposures and collateral calls

The Company did not indulge in derivative trading activities and hence was not exposed to derivative and collateral call risk during the reporting period.

(v) Currency mismatches

The Company was not exposed to any major currency risk during the reporting period.

S. No.	Particulars	For the quarter ended March 31, 2021 Total unweighted value (average)	March 31, 2021 Total weighted value (average)	December 31, 2020 Total unweighted value (average)	December 31, 2020 Total weighted value (average)
High Quality Liquid Assets (HQLA)					
1	Total High Quality Liquid Assets (HQLA)	913.43	882.45	663.77	663.77
Cash Outflows					
2	Deposits (for deposit taking companies)	-	-	-	-
3	Unsecured wholesale funding	410.00	471.50	355.00	408.25
4	Secured wholesale funding	366.46	421.43	314.04	361.15
5	Additional requirements, of which				
	(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-
	(ii) Outflows related to loss of funding on debt products	-	-	-	-
	(iii)Credit and liquidity facilities	-	-	-	-
6	Other contractual funding obligations	436.65	502.15	419.68	482.64

7	Other contingent funding obligations	126.35	145.30	50.68	58.28
Total Cash Outflows		**1,339.46**	**1,540.38**	**1,139.40**	**1,310.32**
Cash Inflows					
8	Secured lending				
9	Inflows from fully performing exposures	1,082.97	812.23	872.67	654.51
10	Other cash inflows	3,263.40	2,447.55	3,799.41	2,849.56
Total Cash Inflows		**4,346.37**	**3,259.78**	**4,672.08**	**3,504.07**
			Total Adjusted Value		**Total Adjusted Value**
11	**Total HQLA**	913.43	882.45	663.77	663.77
12	**Total Net Cash Outflows**	3,006.91	385.10	3,532.68	327.58
13	**Liquidity Coverage Ratio (%)**		**229%**		**203%**

Notes:

1. The data is provided for quarter ended March 31, 2021 and quarter ended December 31, 2020 since the LCR was applicable from December 1, 2020 as per the RBI guidelines mentioned above.
2. The quarterly average is calculated as the average of opening and closing balances of the relevant months of the respective quarters. Since the LCR was made applicable from December 1, 2020, the average for quarter ended December 31, 2020 was arrived by taking the average of opening and closing numbers for the month of December 2020.
3. The components of LCR is arrived at by taking a stock approach whereby from the month end outstanding of each component (as financial records), the portion expected to be paid in the next 30 days is considered.
4. The components of HQLA are taken as per the Ind AS accounting standard. If the month-end falls on a non-working day, valuation of the HQLAs is as per the previous working day.
5. Given the revolving nature of CC and WCDL, utilized portion of CC and WCDL has not been considered as outflows.
6. Interest accrued but not due to be paid for the subsequent month is considered.

46.27 Public disclosure on liquidity risk in accordance with Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies as per RBI Circular dated RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated November 4, 2019.

(i) Funding Concentration based on significant counterparty (both deposits and borrowings)

Sr. No.	Number of Significant Counterparties	As at March 31, 2021		
		Amount	% of Total deposits	% of Total Liabilities
1	17	17,877.29	Not Applicable	78.90%

Note: Significant counterparty is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated November 4, 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies.

(ii) Top 20 large deposits

Particulars	As at March 31, 2021
Total deposits to twenty largest deposit holders	Not Applicable
Percentage of deposits to twenty largest deposit holders to Total deposits	Not Applicable

(iii) Top 10 borrowings

Particulars	As at March 31, 2021
Amount of top ten borrowings	15,562.97
Percentage of top ten borrowings to total borrowings	71.34%

(iv) Funding Concentration based on significant instrument/product

Sr. No.	Name of the instrument/product Amount	As at March 31, 2021	
		% of Total Liabilities	
1	Bank/FI Borrowing	16,942.27	74.78%
2	Non-Convertible Debentures	1,481.21	6.54%
3	Tier II NCD	593.31	2.62%
4	Commercial Paper	2,599.64	11.47%
	Total	**21,616.43**	**95.41%**

Note: Significant instrument/product is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated November 4, 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies.

(v) Stock Ratios

Sr. No.	Particulars	Total Public Funds	Total Liabilities	Total Assets
(a)	Commercial papers as a % of	11.92%	11.47%	9.39%
(b)	Non-convertible debentures (original maturity of less than one year) as a % of	Nil	Nil	Nil
(c)	Other short-term liabilities as a % of	34.44%	33.17%	27.13%

Note:

1. Other Short-term Liabilities is computed as current maturities of long-term debt, short-term bank borrowings including outstanding CC/WCDL and other short-term liabilities has been considered, but excludes commercial paper and Non-convertible debentures (original maturity of less than one year).
2. Public funds are as defined in Master Direction - Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Direction, 2016.

(vi) Institutional set-up for liquidity risk management

The Board through the Asset-Liability Management Committee (ALCO) shall have the overall responsibility for management of liquidity risk. The ALCO shall decide the strategy, policies and procedures to manage liquidity risk in accordance with the liquidity risk tolerance/limits decided by it from time to time.

Further, the Company has constituted Asset Liability sub-Committee (“ALsCO”). The ALsCO is headed by Jt. Managing Director & Chief Executive Officer and consisting of the top management of the Company. It shall be responsible for framing, implementing and monitoring the risk management framework including the ALM framework. It is also responsible for ensuring adherence to the limits set by the RBI / Board as well as for deciding the business strategies of the Company.

46.28 i) Disclosure as per RBI Circular Number RBI/2020-21/16/DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020.

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal loans	-	-	-	-	-
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	1.00	1.93	-	-	0.65
Total	-	-	-	-	-

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

ii) Disclosure as per format prescribed under notification no. RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 (for restructuring of accounts of Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances having exposure less than or equal to Rs. 25.00) for the year ended March 31, 2021.

No. of Accounts Restructured	Amount
270	254.63

46.29 Comparison between provisions required under IRACP and impairment allowances made under Ind AS 109 (as required in terms of Appendix to RBI Circular RBI/2019-20/170/DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020 applicable on Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies:

As at March 31, 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	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)= (3)-(4)	(6)	(7)= (4)-(6)
Performing Assets						
Standard	Stage 1	20,862.47	115.20	20,747.27	83.45	31.75
	Stage 2	2,375.37	387.23	1,988.14	22.14	365.09
Subtotal		23,237.85	502.43	22,735.41	105.59	396.84
Non-Performing Assets (NPA)						
Substandard	Stage 3	1,475.70	598.22	877.48	147.57	450.65
Doubtful - up to 1 year	Stage 3	350.20	128.75	221.45	100.10	28.65
1 to 3 years	Stage 3	23.48	9.23	14.25	10.74	(1.51)
More than 3 years	Stage 3	18.52	9.59	8.93	17.96	(8.37)
Subtotal for doubtful		392.20	147.57	244.63	128.80	18.77
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		1,867.90	745.79	1,122.11	276.37	469.42
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	240.28	0.67	-	-	0.67
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		240.28	0.67	-	-	0.67
Total	**Stage 1**	21,102.75	115.87	20,746.61	83.45	32.42
	Stage 2	2,375.37	387.23	1,988.14	22.14	365.09
	Stage 3	1,867.90	745.79	1,122.11	276.37	469.42
	Total	**25,346.02**	**1,248.89**	**23,856.86**	**381.96**	**866.93**

As at March 31, 2020

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	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)= (3)-(4)	(6)	(7)= (4)-(6)
Performing Assets						
Standard	Stage 1	20,765.78	123.68	20,642.11	83.06	40.61
	Stage 2	1,073.76	169.60	904.16	14.53	155.07
Subtotal		21,839.54	293.28	21,546.27	97.59	195.68
Non-Performing Assets (NPA)						
Substandard	Stage 3	924.68	341.31	583.37	92.47	248.84
Doubtful - up to 1 year	Stage 3	293.70	113.94	179.76	88.91	25.03
1 to 3 years	Stage 3	273.81	114.59	159.22	120.27	(5.68)
More than 3 years	Stage 3	31.71	17.63	14.08	18.07	(0.44)
Subtotal for doubtful		599.22	246.16	353.06	227.25	18.91
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		1,523.90	587.47	936.43	319.72	267.75
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	183.95	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		183.95	-	-	-	-
Total	**Stage 1**	20,949.74	123.68	20,642.11	83.06	40.61
	Stage 2	1,073.76	169.60	904.16	14.53	155.07
	Stage 3	1,523.90	587.47	936.43	319.72	267.75
	Total	**23,547.40**	**880.75**	**22,482.70**	**417.31**	**463.44**

Since the total impairment allowances under Ind AS 109 is higher than the total provisioning required under IRACP (including standard asset provisioning) as at March 31, 2021 and March 31, 2020, no amount is required to be transferred to 'Impairment Reserve' for both the financial years.

46.30 Disclosure as per RBI Circular Number RBI/2019-20/220/DOR.No.BP BC.63/21.04.048/2020-21 dated April 17, 2020.

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended (Refer note 1)	1,706.82	1,013.43
(ii) Respective amount where asset classification benefits is extended (refer note 1 & 2)	Nil	222.41
(iii) Provisions made during the Q4 FY 2020 and Q1 FY 2021 (refer note 3)	-	-
(iv) Provisions adjusted during the respective accounting periods against slippages and the residual provisions	N.A.	N.A.

Note 1: Amounts represents accounts in default but standard where moratorium benefit is extended by the Company including the loans included in (ii) where asset classification benefit is also extended as per IRAC norms.

Note 2: There are NIL accounts where asset classification benefit is extended till March 31, 2021. Post the moratorium period, the movement of aging has been at actuals.

Note 3: The Company is carrying provision more than 5% as at March 31, 2021 on the loans wherein asset classification benefit as per IRAC norms is extended, hence no additional provision is required to be created by the company.

46.31 Disclosure as per RBI Circular Number RBI/2021-22/17/DOR.STR.REC.4/21.04.048/2021-22 dated April 7, 2021.

The Honourable Supreme Court of India vide order dated March 23, 2021 has stated that interim relief granted vide an interim order dated September 3, 2020 stands vacated. Accordingly, the Company has classified and recognised provision as at 31 March 2021 in accordance with the Company's Expected Credit Loss Policy.

RBI circular dated April 7, 2021 advised all lending institutions to immediately put in place a Board-approved policy to refund/ adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 in conformity with the above judgement. Further, the circular stated that in order to ensure that the Supreme Court judgement dated March 23, 2021 is implemented uniformly in letter and spirit by all lending institutions, methodology for calculation of the amount to be refunded/ adjusted for different facilities shall be finalised by the Indian Bank Association (IBA) in consultation with other industry participants/ bodies, which shall be adopted by all lending institutions and also advised all lending institutions to disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ended March 31, 2021. The Company has made a provision in the financial statements as at March 31, 2021 basis proforma calculation based on the eligibility criteria laid down by the IBA via its advisory dated April 19, 2021.

Scheme of Grant of Ex-gratia payment

The Government of India, Ministry of Finance, vide its notification dated October 23, 2020, had announced a scheme for COVID-19 Relief for grant of ex-gratia payment of difference between compound interest and simple interest for six months (during the moratorium period, i.e. March 1, 2020 to August 31, 2020) to borrowers in specified loan accounts. The Company had implemented the ex-gratia scheme and credited the ex-gratia amount to all eligible borrower's statement of account.

46.32 Schedule to the Balance Sheet of a non-deposit taking Non-Banking Financial company (as required in terms of Annex II as amended from time to time of Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016)

S. No.	Particulars	As at March 31, 2021		As at March 31, 2020	
	Liabilities side:	**Amount outstanding**	**Amount overdue**	**Amount outstanding**	**Amount overdue**
1	**Loans and advances availed by the non- banking financials company inclusive of interest accrued there on but not paid**				
	(a) Debentures:				
	Secured	1,581.34	-	2,601.32	-
	Unsecured	617.41	-	571.48	-
	(other than falling within the meaning of public deposits)				
	(b) Deferred credits	-	-	-	-
	(c) Term loans	15,476.86	-	12,194.17	-
	(d) Inter-corporate loans and borrowing	-	-	-	-
	(e) Commercial paper	2,599.64	-	2,850.64	-
	(f) Public deposits	-	-	-	-
	(g) Others:				
	External commercial borrowing	200.00	-	200.00	-
	Secured Cash Credit from bank (excluding book overdrafts)	129.06	-	833.75	-
	Other loan from banks	-	-	-	-
	Secured- working capital demand loan	1,370.38	-	1,325.00	-
	Unsecured – working capital demand loan and cash credit	-	-	75.00	-

	Assets side:	**As at March 31, 2021**	**As at March 31, 2020**
2	**Break-up of loans and advances including bills receivables [other than those included in (4) below] (Net off provision on NPA)**		
	(a) Secured	17,715.68	19,266.97
	(b) Unsecured	6,644.27	3,509.00
3	**Break up of leased assets and stock on hire and hypothecation loans counting towards Asset Finance Company (AFC) activities**		
	(i) Lease assets including lease rentals under sundry debtors:		
	(a) Financial lease	-	-
	(b) Operating lease	0.77	0.98
	(ii) Stock on hire including hire charges under sundry debtors:		
	(a) Assets on hire	-	-
	(b) Repossessed Assets	-	-
	(iii) Other loans counting towards AFC activities		
	(a) Loans where assets have been repossessed	-	-
	(b) Loans other than (a) above	-	-

4 Break-up of Investments:	As at March 31, 2021	As at March 31, 2020
Current Investments :		
1. Quoted :		
(i) Shares :		
(a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	25.55	-
(iii) Units of mutual funds	-	-
(iv) Government Securities*	655.59	-
(v) Others: Commercial paper	497.07	-
2. Unquoted :		
(i) Shares :		
(a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others: Certificate of deposits	497.55	-
Long Term investments :		
1. Quoted :		
(i) Shares :		
(a) Equity	0.40	0.22
(b) Preference	9.00	9.00
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (please specify)	-	-
2. Unquoted :		
(i) Shares :		
(a) Equity	506.98	406.98
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (alternative investment fund)	19.21	35.63

* Includes treasury bills

5 Borrower group-wise classification of assets financed as in (2) and (3) above (net of provisions):

	Category	As at March 31, 2021			As at March 31, 2020		
		Secured	**Unsecured**	**Total**	**Secured**	**Unsecured**	**Total**
5.1	Related Parties						
	(a) Subsidiaries	-	-	-	-	-	-
	(b) Companies in the same group	-	-	-	-	-	-
	(c) Other related parties	183.17	250.77	433.94	357.15	65.32	422.47
5.2	Other than related parties	17,532.51	6,393.50	23,926.01	18,909.82	3,443.68	22,353.50
	Total*	**17,715.68**	**6,644.27**	**24,359.95**	**19,266.97**	**3,509.00**	**22,775.97**

*Net of provision on NPA assets

6 Investor group-wise classification of all investments (current and long term) in shares and securities both (quoted and unquoted):

	Category	As at March 31, 2021		As at March 31, 2020	
		Market value / break up or fair value or NAV	Book value (net of provisions)	Market value / break up or fair value or NAV	Book value (net of provisions)
6.1	Related Parties				
	(a) Subsidiaries	500.00	500.00	400.00	400.00
	(b) Companies in the same Group	0.40	0.40	0.22	0.22
	(c) Other related parties				
6.2	Other than related parties	1,710.95	1,710.95	51.61	51.61
	Total	**2,211.35**	**2,211.35**	**451.83**	**451.83**

7	**Other Information** **Particulars**	**As at March 31, 2021**	**As at March 31, 2020**
7.1	Gross non-performing assets		
	(a) Related parties	-	-
	(b) Other than related parties	1,867.90	1,523.90
7.2	Net non-performing assets		
	(a) Related parties		
	(b) Other than related parties	1,122.11	936.43
7.3	Assets acquired in satisfaction of debt	-	-

Note 47: There are no loan against gold portfolio as at March 31, 2021 and March 31, 2020.

As per our report of even date attached

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

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Manish Gupta	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**Pradeep Dinodia**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 095037	(DIN: 00004223)	(DIN: 00012870)	(DIN: 02822641)	(DIN: 00027995)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: New Delhi
Date: April 29, 2021

Place: New Delhi
Date: April 29, 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERO FINCORP LIMITED

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hero FinCorp Limited (hereinafter referred to as the "Holding Company") and its subsidiary (Holding Company and its subsidiary together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 March 2021, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements"). In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2021, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group, in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us, is sufficient and appropriate to provide a basis for our opinion on the consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key audit matter	How the matter was addressed in our audit

Impairment on loans to customers

Charge: Rs. 1,417.74 Crores for year ended 31 March 2021

Provision: Rs. 1,280.24 Crores at 31 March 2021

Refer to the accounting policies in "Note 3 to the consolidated financial statements: Impairment of financial assets", "Note 2.5 to the consolidated financial statements: Significant Accounting Policies- use of estimates and judgements" and "Note 7 to the consolidated financial statements: Loans"

Subjective estimate

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

- Data inputs - The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model.
- Model estimations – Inherently judgmental models are used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD and the LGD are the key drivers of estimation complexity in the ECL and as a result are considered the most significant judgmental aspect of the Group's modelling approach.
- Economic scenarios – Ind AS 109 requires the Group to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the economic scenarios used and the probability weights applied to them [(including changes to methodology) – where applicable] especially when considering the current uncertain economic environment arising from COVID-19.
- Restructuring – the Group has restructured loans in the current year on account of COVID-19 related regulatory measures. This has resulted in increased management estimation over determination of losses for such restructured loans
- The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers, including off balance sheet elements, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Our key audit procedures included:

Design / controls

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

Key aspects of our controls testing involved the following:

- Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs, data and assumptions into the Ind AS 109 impairment models.
- Testing the design and operating effectiveness of the key controls over the application of the staging criteria.
- For specifically assessed non-homogeneous loans, testing controls over credit file review processes, approval of external collateral valuation vendors and review controls over the approval and computation of significant individual impairments.
- Testing key controls relating to selection and implementation of material macro-economic variables and the controls over the scenario selection and application of probability weights.
- Testing management's controls on compliance with Ind AS 109 disclosures related to ECL.
- Testing key controls operating over the information technology in relation to loan impairment management systems, including system access and system change management, program development and computer operations.

Disclosures

The disclosures regarding the Group's application of Ind AS 109 are key to explaining the key judgements and material inputs to the Ind AS 109 ECL results. Further, disclosures to be provided as per RBI circulars with regards to non-performing assets and provisions will also be an area of focus, particularly as this will be the first year some of these disclosures will be presented and are related to an area of significant estimate.

Involvement of specialists - we involved financial risk modelling specialists for the following:

- Evaluating the appropriateness of the Group's Ind AS 109 impairment methodologies and reasonableness of assumptions used.
- For models which were changed or updated during the year, evaluating whether the changes were appropriate by assessing the updated model methodology.
- The reasonableness of the Group's considerations of the impact of the current economic environment due to COVID-19 on the ECL determination.

Test of details

Key aspects of our testing included:

- Sample testing over key inputs, data and assumptions impacting ECL calculations to assess the completeness, accuracy and relevance of data and reasonableness of economic forecasts, weights, and model assumptions applied.

Assessing disclosures - We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the ECL. As part of this, we assessed the sensitivity analysis that is disclosed. In addition, we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear.

IT Systems and Controls

The Group's key financial accounting and reporting processes are highly dependent on the information systems including automated controls in system, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated.

We have identified "IT systems and controls" as key audit matter because of high level of automation, significant number of systems being used by the respective management's and complexity of the IT systems.

Our key audit procedures included:

- We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations.
- We have also tested design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, completeness and accuracy of reports. Further, tested key control over user access management around various IT automated controls.
- Other areas that were independently assessed included password policies, security configurations, controls over changes to applications and databases and other business users, developers and production support did not have access to change applications, the operating system or databases in the production environment.

Other Information

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the holding Company's annual report, but does not include the financial statements and our auditors' report thereon.

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

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

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

The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The respective Management and Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company. and for preventing and detecting frauds and other irregularities; the 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 accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and Board of Directors of the companies included in the Group are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group is responsible for overseeing the financial reporting process of each company.

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

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

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

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

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entity included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

A. As required by Section 143(3) of the Act, based on our audit , we report, to the extent applicable, that:

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

   b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.

   c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

   d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.

   e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2021 taken on record by the Board of Directors of the Holding Company and its subsidiary company, none of the directors of the Group companies incorporated in India is disqualified as on 31 March 2021 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, its subsidiary company incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

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

   i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2021 on the consolidated financial position of the Group. Refer Note 37.2 to the consolidated financial statements;

   ii. Provision has been made in the consolidated financial statements, as required under the applicable law or Ind AS, for material foreseeable losses, on long-term contracts. Further, the Group did not have derivative contracts for which there were any material foreseeable losses. Refer Note 37.3 to the consolidated financial statements in respect of such items as it relates to the Group;

   iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company during the year ended 31 March 2021. Further, there are no amounts which are required to be transferred to the Investor Education and Protection Fund by the its subsidiary company incorporated in India during the year ended 31 March 2021; and

   iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the financial statements since they do not pertain to the financial year ended 31 March 2021.

C. With respect to the matter to be included in the Auditor's report under section 197(16):

   We draw attention to Note 38.1 to the consolidated financial statements for the year ended 31 March 2021 according to which the managerial remuneration paid to Managing Director and Joint Managing Director & Chief Executive Officer of the Holding Company (amounting to Rs. 16.12 crores) exceed the prescribed limits under Section 197 read with Schedule V to the Companies Act, 2013 by Rs. 11.81 crores. As per the provisions of the Act, the excess remuneration is subject to approval of the shareholders which the Holding Company proposes to obtain in the forthcoming Annual General Meeting.

Further, the remuneration paid by the subsidiary company to its director during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act.

The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us

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

Manish Gupta
Partner
(Membership No. 095037)
UDIN: 21095037AAAABD9714

Place: New Delhi
Date: 29 April 2021

Annexure A to the Independent Auditors' report on the consolidated financial statements of Hero FinCorp Limited for the period ended 31 March 2021

Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

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

Opinion

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2021, we have audited the internal financial controls with reference to consolidated financial statements of Hero FinCorp Limited (hereinafter referred to as "the Holding Company") and such company incorporated in India under the Companies Act, 2013 which is its subsidiary company, as of that date.

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

Management's and Board of Directors' Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

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

Inherent Limitations of Internal Financial controls with Reference to consolidated Financial Statements

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

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

Manish Gupta
Partner
(Membership No. 095037)
UDIN: 21095037AAAABD9714

Place: New Delhi
Date: 29 April 2021

Consolidated Balance Sheet as at March 31, 2021
(All amounts are in Rupees Crores except share data and unless otherwise stated)

Particulars	Note	As at March 31, 2021	As at March 31, 2020
Assets			
Financial assets			
Cash and cash equivalents	4	1,106.87	2,343.94
Bank balance other than cash and cash equivalents	5	116.13	0.52
Trade receivables	6	7.98	7.87
Loans	7	26,194.69	24,263.09
Investments	8	1,917.24	78.84
Other financial assets	9	113.11	32.74
Non-financial assets			
Current tax assets (net)	10	42.43	40.84
Deferred tax assets (net)	11	341.04	254.55
Property, plant and equipment	12	53.05	72.27
Right-of-use assets	12.1	40.15	56.90
Capital work-in-progress	12.2	-	0.04
Intangible assets	12.3	22.54	19.32
Intangible assets under development	12.3	0.62	0.61
Other non-financial assets	13	40.18	27.60
Total assets		**29,996.03**	**27,199.13**
Liabilities and equity			
Liabilities			
Financial liabilities			
Trade payables	14		
- Total outstanding dues of micro enterprises and small enterprises; and		0.88	1.30
- Total outstanding dues of creditors other than micro enterprises and small enterprises		256.79	167.36
Debt securities	15	4,235.94	5,253.94
Borrowings (other than debt securities)	16	19,156.51	16,130.76
Subordinated liabilities	17	642.91	573.06
Lease liabilities	18	44.37	59.02
Other financial liabilities	19	595.58	405.62
Non-financial liabilities			
Current tax liabilities (net)	20	8.60	60.14
Provisions	21	41.69	34.31
Other non-financial liabilities	22	45.00	42.28
Total liabilities		**25,028.27**	**22,727.79**

Equity			
Equity share capital	23	127.31	121.54
Other equity	24	4,840.45	4,349.80
Total equity		**4,967.76**	**4,471.34**
Total liabilities and equity		**29,996.03**	**27,199.13**
Significant accounting policies	**3**		
Notes to the consolidated financial statements	**1 to 46**		

The notes referred to above form an integral part of the consolidated financial statements

As per our report of even date attached

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

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Manish Gupta	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**Pradeep Dinodia**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 095037	(DIN: 00004223)	(DIN: 00012870)	(DIN: 02822641)	(DIN: 00027995)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: New Delhi
Date: April 29, 2021

Place: New Delhi
Date: April 29, 2021

Consolidated Statement of Profit and Loss for the year ended March 31, 2021
(All amounts are in Rupees Crores except share data and unless otherwise stated)

Particulars	Note	For the year ended March 31, 2021	For the year ended March 31, 2020
Income			
Revenue from operations	25		
Interest income		3,877.79	3,417.56
Dividend income		0.74	0.74
Profit on sale of investments		23.94	58.16
Rental income		5.84	10.89
Net gain on fair value changes		22.66	-
Insurance commission		13.17	11.09
Others charges		333.94	301.42
Total revenue from operations		**4,278.08**	**3,799.86**
Other income	26	55.44	55.32
Total income		**4,333.52**	**3,855.18**
Expenses			
Finance costs	27	1,710.31	1,629.22
Impairment allowance on loans	28	1,417.74	649.86
Employee benefits expenses	29	285.61	302.76
Depreciation and amortization	12	35.21	36.33
Other expenses	30	813.58	788.22
Total expenses		**4,262.45**	**3,406.39**
Profit before tax		**71.07**	**448.79**
Tax expense:	11		
(i) Current tax		109.15	248.48
(ii) Tax adjustment relating to earlier year		(3.17)	(0.12)
(iii) Deferred tax (credit) (net)		(86.53)	(77.60)
Total tax expense		**19.45**	**170.76**
Profit after tax		**51.62**	**278.03**
Other comprehensive income/ (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurement of (losses) on defined benefit plans		(0.12)	(1.05)
Income tax impact on above		(0.04)	0.32
Other comprehensive income/ (loss) for the year, net of tax		**(0.16)**	**(0.73)**
Total comprehensive income/ (loss) for the year, net of tax		**51.46**	**277.30**

Profit for the year attributable to			
Equity shareholder of the parent		51.62	278.03
Total comprehensive income for the year, net of tax			
Equity shareholder of the parent		51.46	277.30
Earning per equity share	31		
Equity shareholder of parent for the year:			
Basic (Rs.)		4.23	24.18
Diluted (Rs.)		4.22	24.01

Significant accounting policies **3**

Notes to the consolidated financial statements **1 to 46**

The notes referred to above form an integral part of the consolidated financial statements

As per our report of even date attached

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

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Manish Gupta	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**Pradeep Dinodia**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 095037	(DIN: 00004223)	(DIN: 00012870)	(DIN: 02822641)	(DIN: 00027995)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: New Delhi
Date: April 29, 2021

Place: New Delhi
Date: April 29, 2021

Consolidated Statement of Changes in Equity for the year ended March 31, 2021
(All amounts are in Rupees Crores except share data and unless otherwise stated)

A. Equity share capital

Particulars	Number of shares	Amount
Equity share of Rs. 10 each, issued, subscribed and fully paid		
As at April 1, 2019	**114,098,182**	**114.10**
Converted into fully paid up shares	96,944	0.10
As at March 31, 2020	**114,195,126**	**114.20**
Converted into fully paid up shares	13,110,742	13.11
As at March 31, 2021	**127,305,868**	**127.31**
Equity share of Rs. 10 each, issued, subscribed and partly paid (Rs. 5 each called up and paid up)		
As at April 1, 2019	**98,739**	**0.05**
Converted into fully paid up shares	(96,944)	(0.05)
As at March 31, 2020	**1,795**	**0.00**
Converted into fully paid up shares	989	0.00
As at March 31, 2021*	**806**	**0.00**
Equity share of Rs. 10 each, issued, subscribed and partly paid (Rs. 5.60 each called up and paid up)		
As at April 1, 2019	**-**	**-**
Issued during the year	13,109,753	7.34
Converted into fully paid up shares	-	-
As at March 31, 2020	**13,109,753**	**7.34**
Issued during the year	-	-
Converted into fully paid up shares	13,109,753	7.34
As at March 31, 2021	**-**	**-**
As at March 31, 2021	**127,306,674**	**127.31**

* Absolute amount of Rs. 4,030 (March 31, 2020: Rs. 8,975) received towards partly paid up shares

Consolidated Statement of Changes in Equity for the year ended March 31, 2021
(All amounts are in Rupees Crores except share data and unless otherwise stated)

B. Other Equity

Particulars	Reserves and surplus				Other comprehensive income/ (loss)	Stock options outstanding account	Share application money pending allotment*	Total attributable to equity shareholder of the parent	Total
	Statutory reserve	Securities premium	General reserve	Retained earnings	Remeasurments of defined benefit plans				
As at April 1, 2019	**189.20**	**2,883.72**	**92.94**	**346.05**	**-**	**15.80**	**-**	**3,527.71**	**3,527.71**
Profit for the year	-	-	-	278.03	-	-	-	278.03	278.03
Other comprehensive income/ (loss) for the year, net of tax	-	-	-	-	(0.73)	-	-	(0.73)	(0.73)
Transfer to retained earnings	-	-	-	(0.73)	0.73	-	-	-	-
Total comprehensive income/ (loss) for the year	-	-	-	277.30	-	-	-	277.30	277.30
Dividend paid on equity shares	-	-	-	(48.53)	-	-	-	(48.53)	(48.53)
Dividend distribution tax	-	-	-	(9.98)	-	-	-	(9.98)	(9.98)
Transfer from retained earnings to statutory/ general reserve	62.03	-	31.02	(93.05)	-	-	-	-	-
Share issue expenses	-	(1.08)	-	-	-	-	-	(1.08)	(1.08)
Share application money received	-	-	-	-	-	-	0.00	0.00	0.00
Securities premium received	-	599.32	-	-	-	-	-	599.32	599.32
Share based payment charge	-	-	-	-	-	5.06	-	5.06	5.06
As at March 31, 2020	**251.23**	**3,481.96**	**123.96**	**471.79**	**-**	**20.86**	**0.00**	**4,349.80**	**4,349.80**
Profit for the year	-	-	-	51.62	-	-	-	51.62	51.62
Other comprehensive income/ (loss) for the year, net of tax	-	-	-	-	(0.16)	-	-	(0.16)	(0.16)
Transfer to retained earnings	-	-	-	(0.16)	0.16	-	-	-	-
Total comprehensive income/ (loss) for the year	-	-	-	51.46	-	-	-	51.46	51.46

Dividend paid on equity shares	-	-	-	(30.99)	-	-	-	(30.99)	(30.99)
Transfer from retained earnings to statutory/ general reserve	14.12	-	7.06	(21.18)	-	-	-	-	-
Share issue expenses	-	(1.88)	-	-	-	-	-	(1.88)	(1.88)
Securities premium received	-	466.22	-	-	-	-	-	466.22	466.22
Share based payment charge	-	-	-	-	-	5.84	-	5.84	5.84
As at March 31, 2021	**265.35**	**3,946.30**	**131.02**	**471.08**	**-**	**26.70**	**-**	**4,840.45**	**4,840.45**

* Absolute amount of Rs. Nil (March 31, 2020: Rs. 40,475) received towards partly paid up shares

Significant accounting policies **3**
Notes to the consolidated financial statements **1 to 46**

The notes referred to above form an integral part of the consolidated financial statements

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

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Manish Gupta
Partner
Mem. No: 095037

Pawan Munjal
Chairman
(DIN: 00004223)

Renu Munjal
Managing Director
(DIN: 00012870)

Abhimanyu Munjal
Jt.Managing Director & CEO
(DIN: 02822641)

Pradeep Dinodia
Director
(DIN: 00027995)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: New Delhi
Date: April 29, 2021

Place: New Delhi
Date: April 29, 2021

Consolidated Statement of Cash Flow for the year ended March 31, 2021
(All amounts are in Rupees Crores except share data and unless otherwise stated)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
A. Cash flow from operating activities		
Profit before tax	**71.07**	**448.79**
Adjustment for:		
Depreciation and amortization	35.21	36.33
Impairment allowance on loans	386.83	460.73
Dividend income from investments	(0.74)	(0.74)
Discount on commercial paper	147.19	276.74
Settlement loss and bad debts written off	1,030.91	189.13
Employee share based payment expense	5.86	5.50
Net loss on sale of property, plant and equipment	3.52	4.33
Interest on investments	(47.80)	(5.97)
Interest on lease liability	4.51	5.15
Net loss/ (gain) on fair value changes	(22.66)	12.65
Profit on sale of investments	(23.94)	(58.16)
Operating profit before working capital changes	**1,589.96**	**1,374.48**
(Increase) in trade receivables	(0.11)	(3.53)
(Increase) in loans	(3,349.34)	(5,141.77)
(Increase)/ decrease in bank balance other than cash and cash equivalents	(115.61)	0.03
(Increase)/ decrease in other financial assets	(80.30)	18.74
(Increase) in other non financial assets	(15.50)	(5.47)
Increase/ (decrease) in other financial liabilities	191.03	(163.34)
Increase in trade payables	89.02	49.06
Increase in other non financial liabilities	2.72	8.43
Increase in provisions	7.25	9.19
Net cash flow (used in) operating activities before income tax	**(1,680.88)**	**(3,854.18)**
Income tax paid	(159.12)	(246.19)
Net cash flow (used in) operating activities (A)	**(1,840.00)**	**(4,100.37)**
B. Cash flow from investing activities		
Purchase of property, plant and equipment and other intangible assets	(15.82)	(26.69)
Proceeds from sale of property, plant and equipment	5.30	9.11
Dividend received	0.74	0.74
Interest on investments	47.79	5.97
Purchase of investments	(27,527.13)	(36,330.48)
Sale of investments	25,735.35	37,109.13
Net cash flow (used in) from investing activities (B)	**(1,753.77)**	**767.78**

C.	**Cash flow from financing activities**		
	Proceeds from shares issue (including securities premium)	470.10	605.63
	Proceeds from debt securities	6,049.80	12,477.99
	Repayment of debt securities	(7,215.00)	(14,353.74)
	Proceeds from borrowings (other than debt securities)	15,335.38	13,408.27
	Repayment of borrowings (other than debt securities)	(12,309.62)	(6,622.19)
	Proceeds from subordinated liabilities	69.85	124.28
	Repayment of lease liability	(12.82)	(11.88)
	Dividend paid	(30.99)	(48.53)
	Dividend distribution tax	-	(9.98)
	Net cash flow from financing activities (C)	**2,356.70**	**5,569.85**
D.	**Net increase/ (decrease) in cash and cash equivalents (A+B+C)**	**(1,237.07)**	**2,237.26**
	Cash and cash equivalents at the beginning of the year	2,343.94	106.68
	Cash and cash equivalents at the end of the year*	**1,106.87**	**2,343.94**
	*Components of cash and cash equivalents		
	Balances with banks (current accounts)	61.92	217.91
	Deposit with banks (original maturity less than three months)	1,044.95	2,126.03
		1,106.87	**2,343.94**

(i) The Cash Flow Statement has been prepared in accordance with 'Indirect method' as set out in Ind AS - 7 on 'Statement of Cash Flows', as notified under Section 133 of the Companies Act 2013, read with the relevant rules thereunder. The borrowing from cash credit is revolving in nature and is disclosed on net basis under financing activities.

As per our report of even date attached

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

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Manish Gupta	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**Pradeep Dinodia**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 095037	(DIN: 00004223)	(DIN: 00012870)	(DIN: 02822641)	(DIN: 00027995)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: New Delhi
Date: April 29, 2021

Place: New Delhi
Date: April 29, 2021

Notes Forming Part of the Consolidated Financial Statements

(All amounts are in Rupees Crores except share data and unless otherwise stated)

Note 1: Corporate information

Hero FinCorp Limited ("the Holding Company" or "the Company") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on December 16, 1991. The Holding Company is registered as a Non-Banking financial (Non deposit accepting) Company, engaged in the business of financing, leasing, bill discounting and related financial services, with the Reserve Bank of India (Registration No. 14.00266). The address of the Holding Company's registered office is 34, Community Centre, Basant Lok, Vasant Vihar, New Delhi - 110057, India.

Note 2: Basis of preparation

2.1 Statement of Compliance

These consolidated financial statements (herein after referred to as "consolidated financial statements" or "financial statements") of Hero FinCorp Limited and its subsidiary ("the Group") have been prepared in accordance with the Indian Accounting Standard (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) notified under Section 133 of Companies Act, 2013 (the 'Act') and other relevant provisions of the Act and Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('the NBFC Master Directions') issued by RBI.

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on April 29, 2021.

2.2 Basis of measurement and presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair value (refer to accounting policies) such as Net defined (asset)/ liability present value of defined benefit obligations, investments carried at fair value through profit or loss and share-based payments. The method used to measured fair value are discussed further in notes to consolidated financial statements.

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

2.3 Basis of consolidation

The Company is able to exercise control over the operating decisions of the investee company, resulting in variable returns to the Company, and accordingly, the same has been classified as investment in subsidiary and line by line by consolidation has been carried under the principles of consolidation. The Consolidated financial statements of the Group have been prepared on the following basis:

a) The financial statements of the subsidiary used in the consolidation are drawn up to the same reporting date as that of the Holding Company i.e. March 31, 2021.

b) The Financial statements of the Holding Company and its subsidiary have been combined on a line-by-line basis by adding together like items of asset, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealized profit or losses, unless cost cannot be recovered.

c) Non-controlling interest (NCI) in the net assets of the subsidiary consist of the amount of equity attributable to the minority shareholders at the date on which investment in the subsidiary were made and further movement in their share in the equity, subsequent to the dates of investments. Net profit/ loss for the year of subsidiary attributable to NCI is identified and adjusted against the profit after tax of the Group to arrive at the profit attributable to shareholders of the Group.

d) Following subsidiary company has been considered in the presentation of the consolidated financial statements:

Name of the entity	Relationship	Country of incorporation	Ownership held by	% of shareholding
Hero Housing Finance Limited	Subsidiary	India	Company	100%

e) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are prepared to the extent possible, for all significant matters in the same manner as the Company's separate financial statements.

2.4 Functional and presentation currency

These consolidated financial statements are prepared in Indian Rupees (INR), which is the Group functional currency. All financial information presented in INR has been rounded to the nearest crores and two decimals thereof, except as stated otherwise.

2.5 Use of estimates and judgments

In the preparation of these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may not be in line with these estimates. The estimates and underlying assumptions are under ongoing consideration. Revisions to accounting estimates are recognized prospectively.

Judgements, assumptions and estimation uncertainties

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

Business model assessment

Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

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

Impairment of financial assets: The Group establishes criteria for determining whether credit risk of the financial assets has increased significantly since initial recognition, determines methodology for incorporating forward looking information into the measurement of expected credit loss ('ECL') and selection of models used to measure ECL.

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 carried out in establishing fair values. Judgments and estimates take into account liquidity and model inputs associated with such items as credit risk (own and counterparty), funding value adjustments, correlation and volatility.

Impairment of financial instruments:

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

Effective Interest Rate (EIR) method

The Group EIR methodology, recognizes interest income/ expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans given / taken and recognizes the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behavior and lifecycle of the instruments, as well expected changes to India's base rate and other fee income/expense that are integral parts of the instrument.

Measurement of defined benefit obligations: key actuarial assumptions.

The measurement of obligations related to defined benefit plans requires to use several statistical and other factors that attempt to anticipate future events. These factors include assumptions about the discount rate, the rate of future compensation increases, withdrawal rate, mortality rates etc. The management has used the past trends and future expectations in determining the assumptions which are used in measurements of obligations.

Recognition of deferred tax assets: The Holding Company has recognized deferred tax assets/ (liabilities) and concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the experience and future projections. The Company is expected to generate adequate taxable income for liquidating these assets in due course of time.

The Subsidiary Company while determining whether deferred tax assets should be recognized the Company do the assessment based on the taxable projections whether future taxable income will be available against which unused tax losses and tax credits will be used. Considering existence of unused tax losses / credits, the Subsidiary Company has done the assessment and recognized deferred tax assets/ (liabilities) only to the extent it is probable that future taxable profits will be made available against unused tax losses and credits can be used.

2.6 Measurement of fair value

The Group's accounting policies and disclosures require/ may require fair value measurement, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values.

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

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Group measures financial instruments, such as, investments, at fair value on each reporting date. In addition, the fair value of financial instruments measured at amortized cost and FVTPL is disclosed in Note 42.

Note 3: Significant accounting policies

(a) Financial instruments

Initial recognition and measurement

Financial assets and liabilities are initially recognized at the trading date, i.e., which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets - Classification

On initial recognition, a financial asset is classified as measured at either of:

- Amortized cost
- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL)

Financial assets are not reclassified after initial recognition, except if and during the period in which the Group changes its financial asset management model.

A financial asset being 'debt instrument' is measured at the amortized cost, only if both of the following conditions are met and is not designated as at FVTPL:

- The financial asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

A financial asset being 'debt instrument' is measured at the FVTOCI if both of the following criteria are met and is not designated as at FVTPL:

- The asset is held within the business model, whose objective is achieved both by collecting contractual cash flows and selling the financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment by investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

If cash flows after initial recognition are realized in a way that is different from the original expectations, the Group 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.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Group claim to cash flows from specified assets (e.g. non- recourse features).

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated Statement of Profit and Loss.

Financial assets at amortized cost

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

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognized in Statement of Profit and Loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated Statement of Profit and Loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in Statement of Profit and Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to the consolidated Statement of Profit and Loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in Statement of Profit and Loss. Any gain or loss on derecognition is also recognized in the consolidated Statement of Profit and Loss. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Derecognition

Financial asset – Derecognition due to substantial modification of terms and conditions

The Group derecognizes 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 recognized as derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

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 Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Financial asset – Derecognition other than due to substantial modification

A financial asset, such as a loan to a customer, is derecognized only when:

- the Group has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Group has transferred an asset, the Group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the Group has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

Where the Group has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

Derecognition - Financial liability

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are amended and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the consolidated Statement of Profit and Loss.

Offsetting

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

Derivative financial instruments

The Group uses derivative financial instruments to hedge its certain foreign currency risks. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each period. Any gains or losses arising from changes in the fair value of derivatives are directly recognized in the consolidated Statement of profit or loss.

(b) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost and financial assets measured at FVOCI- debt investments. At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is an "impaired credit" where one or more events that adversely impact the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer; or
- breach of contract such as a default or being past due.

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

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

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

The expected credit loss is a product of exposure at default ('EAD'), probability of default ('PD') and loss given default ('LGD'). Accordingly, the financial assets have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial asset. The Group categories financial assets at the reporting date into stages based on the days past due ('DPD') status as under:

- Stage 1: Low credit risk, i.e. 0 to 30 days past due
- Stage 2: Significant increase in credit risk, i.e. 31 to 90 days past due
- Stage 3: Impaired assets, i.e. more than 90 days past due

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

The Group incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

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

The amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized as an impairment gain or loss in profit or loss, After initial recognition, trade receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. The Group follows the simplified approach required by Ind AS 109 for recognition of impairment loss allowance on trade receivables, which requires lifetime ECL to be recognized at each reporting date, right from initial recognition of the receivables.

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to the Consolidated Statement of Profit and Loss and is recognized in OCI.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the procedures for recovery of amounts due.

(c) Cash and cash equivalents

Cash and cash equivalent in the consolidated balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the cash management.

(d) Property, plant and equipment

Initial recognition and measurement

The cost of an item of Property, plant and equipment is recognized as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Items of property, plant and equipment are measured at cost, which includes capitalized 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 cost of dismantling and removing the item and restoring the site on which it is located.

Gains or losses arising from the retirement or disposal of a property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized as income or expense in the Consolidated Statement of Profit and Loss.

The cost of fixed assets not ready for their intended use is recorded as capital work-in-progress before such date. Cost of construction that relate directly to specific fixed assets and that are attributable to construction activity in general and can be allocated to specific fixed assets are included in capital work-in-progress.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation methods, estimated useful lives and residual value

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method as per useful life prescribed in Schedule II of the Act, and is generally recognized in the statement of profit and loss. Depreciation/ amortization is charged on a pro-rata basis for assets acquired/sold during the year from/to the date of acquisition/sale.

Based on technical evaluation and assessment of useful lives, the management believes that its estimate of useful lives represent the period over which management expects to use these assets.

Depreciation method, assets residual values and useful lives are reviewed at each financial year end considering the physical condition of the assets for review and adjusted residual life prospectively.

(e) Intangible assets

Initial recognition and measurement

Intangible assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. The cost of such assets includes purchase price, licensee fee, import duties and other taxes and any directly attributable expenditure to bring the assets to their working condition for intended use. The Group other intangible assets mainly include the value of computer software.

Amortization methods, estimated useful lives and residual value

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expense of intangible assets with finite lives is presented as a separate line item in the consolidated statement of profit and loss.

Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

- Computer software – 6 years

Subsequent expenditure is recognized as an increase in the carrying amount of the assets are carried when it is probable that future economic benefit deriving from the cost incurred will flow to the enterprise and the cost of the item can be measured reliably.

(f) Impairment of non–financial assets

The Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of profit and loss. Impairment losses recognized in respect of CGUs are reduced from the carrying amounts of the assets of the CGU.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Provisions and contingencies

A provision is recognized if, as a result of a past event, the Group has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as finance cost.

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc are recognized when it is probable that a liability has been incurred, and the amount can be estimated reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of an outflow of resources is remote.

Contingent assets are not recognized in the consolidated financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the year in which the change occurs.

(h) Revenue recognition

Interest income

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

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets (regarded as 'Stage 3') the interest income is calculated by applying the EIR to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs). If the financial asset is no longer credit impaired, the company reverts to calculating interest income on a gross basis.

Other financial charges

Penal interest or other overdue charges which are not included in EIR are recognized on receipt basis.

Dividend income

Dividend income is recognized at the time of establishment of the right to receive income. Usually, this is the ex-dividend date of quoted equity securities. This is generally when the shareholders approve the dividend.

Lease rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in rental income in the consolidated statement of profit or loss, unless the increase is in line with expected general inflation, in which case lease income is recognized based on contractual terms.

Other Income

The Group recognizes revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial Instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue from contracts with customers. The Group identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognizes revenue only on satisfactory completion of performance obligations. Revenue is measured at fair value of the consideration received or receivable.

Net gain on fair value changes

Financial assets are subsequently measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI), as applicable. The Group recognizes gains/losses on fair value change of financial assets measured as FVTPL and realised gains/losses on derecognition of financial asset measured at FVTPL and FVOCI.

(i) Employee benefits

Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Benefits such as salaries, wages and bonuses etc., are recognized in the Statement of Profit and Loss in the period in which the employee provides the related service.

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Provident Fund: Provident fund is a defined contribution plan. The Group expenses its contributions towards provident fund which are being deposited with the Regional Provident Fund Commissioner.

Superannuation Fund: Contributions are made to a scheme administered by the Life Insurance Corporation of India to discharge superannuating liabilities to the employees, a defined contribution plan, and the same is expensed to the Consolidated Statement of Profit and Loss. The Group has no liability other than its annual contribution.

Defined benefit plans

The Group's gratuity scheme is an unfunded defined benefit plan. The Group pays gratuity to employees who retire or resign after a minimum period of five years of continuous service. The present value of obligations under such defined benefit plans are based on actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognize each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of estimated future cash flows. The discount rate used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity period approximating to the terms of related obligations.

The change in defined benefit plan liability is split into changes arising out of service, interest cost and re-measurements. Changes due to service cost and net interest cost / income is recognized in the statement of profit and loss. Re-measurements of net defined benefit liability/ (asset) which comprise of actuarial gains and losses are recognized in other comprehensive income:

Other long term employee benefits

Benefits under compensated absences constitute other employee benefits. Employee entitlements to annual leave are recognized when they accrue to the eligible employees. An accrual is made for the estimated liability for annual leave as a result of services provided by the eligible employees up to the Balance Sheet date. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

Expenses are recognized immediately in the Consolidated Statement of Profit and Loss.

Share based payments

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

The cost is recognized in employee benefits expenses together with a corresponding increase in employee stock option outstanding account in other equity, over the period in which the service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has not expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Non– market performance conditions are reflected within the grant date fair value.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions are not met.

(j) Leases

Determining whether an arrangement contains a lease

The Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. At inception of an arrangement, it is determined whether the arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values.

Group as a lessee

The Group's lease asset classes primarily consist of leases for land and buildings. The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: (i) the contract involves the use of an identified asset (ii) the Group has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Group has the right to direct the use of the asset.

At the date of commencement of the lease, the Group recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using incremental borrowing rates. Lease liability and ROU asset have been separately presented in the Balance Sheet.

Group as a lessor

Leases where the Group does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in rental income in the Consolidated statement of profit or loss, unless the increase is in line with expected general inflation, in which case lease income is recognized based on contractual terms. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognize over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(k) Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Group operates and generates taxable income.

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Current tax comprises the tax payable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Minimum alternative tax ('MAT') under the provisions of the Income Tax Act, 1961 is recognized as current tax in the statement of profit and loss.

Current tax assets and liabilities are offset only if, the Group:

- has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group has elected to exercise the option permitted under Section II5BAA of the income-tax Act, 1961,as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Group has recognized provision for income tax for the year and re-measured its deferred tax assets basis the rate prescribed in the said section. The impact of change in tax rate is spread over the year via an adjustment to the estimated annual effective income tax rate.

Deferred tax

Deferred tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized for all deductible temporary differences only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized 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 Holding Company and its subsidiary has recognized deferred tax asset only to the extent that they have sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized.

Deferred tax assets – unrecognized or recognized, are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

(l) Foreign Currency Transactions

Transactions in foreign currencies are translated into the functional currency of the Group at the exchange rates prevailing on the date of the transaction. Exchange differences arising due to the differences in the exchange rate between the transaction date and the date of settlement of any monetary items are taken to the statement of profit and loss. Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet and resultant gain/ loss is taken to the Consolidated Statement of Profit and Loss.

(m) Dividends on ordinary shares

The Group recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws in India, a distribution is allowed when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

(n) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs).

All other borrowing costs are charged to expenses in the period in which they arise.

(o) Earnings per share

Basic earnings per share are computed by dividing the profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares, expect where the results are anti-dilutive.

(p) Segment reporting

An operating segment is a component of the Group 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 Group other components, and for which discrete financial information is available. The Group is engaged in the business of financing, leasing and related financial services. Based on the dominant source and nature of Group's risk and return, management has identified its business segment as its primary reporting format.

(q) Statement of Cash flows

The Consolidated Statement of Cash Flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

Note 4: Cash and cash equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
Balances with banks (current accounts)	61.92	217.91
Deposit with banks (original maturity less than three months)	1,044.95	2,126.03
Total	**1,106.87**	**2,343.94**

Note 5: Bank balance other than cash and cash equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
Dividend accounts (earmarked accounts)	0.53	0.52
Deposit with banks (original maturity more than three months and less than twelve months)	15.20	-
In deposit accounts*	100.40	-
Total	**116.13**	**0.52**

* Includes Rs. 100 on which lien has been created in favour of debenture trustee against the non-convertible debentures issued during the period.

Note 6: Trade receivables

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Receivables considered good - secured	-	-
(ii) Receivables considered good - unsecured	7.98	7.87
(iii) Receivables which have significant increase in credit risk	-	-
(iv) Receivables - credit impaired	-	-
	7.98	7.87
Less : Impairment loss allowance	-	-
Total	**7.98**	**7.87**

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

Refer note 38 for receivables from related parties.

Note 7: Loans

Particulars	As at March 31, 2021	As at March 31, 2020
A. Loans - Amortised cost		
Loans other than bill purchased and bill discounted	26,890.70	24,453.64
Bills purchased and bills discounted	581.37	698.59
Loans to employees	2.86	4.27
Total- Gross (A)	27,474.93	25,156.50
Less: Impairment loss allowance on loans	(1,280.24)	(893.41)
Total - Net (A)	**26,194.69**	**24,263.09**
B. Secured/ Unsecured		
(a) Secured by tangible assets	19,450.87	19,523.37
(b) Secured by other assets	1,265.33	2,075.85
(c) Unsecured	6,758.73	3,557.28
Total - Gross (B)	27,474.93	25,156.50
Less: Impairment loss allowance on loans	(1,280.24)	(893.41)
Total - Net (B)	**26,194.69**	**24,263.09**

C. Loans in India		
(a) Public sector	-	-
(b) Others	27,474.93	25,156.50
Total - Gross (C)	**27,474.93**	**25,156.50**
Less: Impairment loss allowance on loans	(1,280.24)	(893.41)
Total - Net (C)	**26,194.69**	**24,263.09**

Loans includes Rs. 375.44 (March 31, 2020: Rs. 350.94) receivable from key management personnel or private companies in which a director is a director or a member (also refer note 38).

Note 8: Investments

Particulars	As at March 31, 2021	As at March 31, 2020
A) In India		
At fair value through profit and loss account		
Equity instruments (quoted)		
1,370 (March 31, 2020: 1,370) shares of Rs. 2 each fully paid up in Hero MotoCorp Ltd	0.40	0.22
Equity instruments (unquoted)		
7,482,251 (March 31, 2020: 7,482,251) shares of Rs. 10 each fully paid up in Forum I Aviation Ltd	6.98	6.98
Preference instruments(quoted)		
18,000,000 (March 31, 2020: 18,000,000) 8% preference shares of Rs. 5 each fully paid in Kotak Mahindra Bank Limited	9.00	9.00
Alternative investment Fund (unquoted)		
296,872 (March 31, 2020: 542,626) units of Rs. 1,000 KKR India Debt Opportunity Fund II	19.21	35.63
Commercial paper (quoted)		
3,000 (March 31, 2020: Nil) units of Rs. 500,000 each of Housing Development Finance Corporation Ltd 162D CP 28May21	149.21	-
1,000 (March 31, 2020: Nil) units of Rs. 500,000 each of Reliance Industries Limited 90D CP 27Apr21	49.88	-
2,000 (March 31, 2020: Nil) units of Rs. 500,000 each of Reliance Industries Limited 179D CP 13Aug21	98.68	-
2,000 (March 31, 2020: Nil) units of Rs. 500,000 each of Reliance Retail Venture Limited 89D CP 05May21	99.67	-
2,000 (March 31, 2020: Nil) units of Rs. 500,000 each of Ultratech Cement Limited 180D CP 11May21	99.63	-
1,000 (March 31, 2020: Nil) units of Rs. 5,00,000 each of HDFC Limited	49.74	-
1,000 (March 31, 2020: Nil) units of Rs. 5,00,000 each of Reliance Industries Limited	49.90	-
1,000 (March 31, 2020: Nil) units of Rs. 5,00,000 each of Mangalore Refinery & Petrochemicals Limited	49.77	-
Certificate of deposits (unquoted)		
20,000 (March 31, 2020: Nil) units of Rs. 100,000 each of Axis Bank Limited CD 28May21	198.96	-
20,000 (March 31, 2020: Nil) units of Rs. 100,000 each of Bank of Baroda Bank CD 28May21	198.98	-

10,000 (March 31, 2020: Nil) units of Rs. 100,000 each of IDFC First Bank Limited CD 14May21	99.61	-
Treasury bills (quoted)		
7,000,000 (March 31, 2020: Nil) units of Rs. 100 each 24/06/2021 Maturing 364 DTB	69.47	-
12,500,000 (March 31, 2020: Nil) units of Rs. 100 each 24/06/2021 Maturing 182 DTB	124.05	-
10,000,000 (March 31, 2020: Nil) units of Rs. 100 each 17/02/2022 Maturing 364 DTB	96.70	-
Government securities (quoted)		
10,000,000 (March 31, 2020: Nil) units of Rs. 100 each 7.80% Govt. Stock 2021	103.81	-
5,000,000 (March 31, 2020: Nil) units of Rs. 100 each 8.79% Govt. Stock 2021	53.27	-
10,000,000 (March 31, 2020: Nil) units of Rs. 100 each 7.94% Govt. Stock 2021	103.46	-
10,000,000 (March 31, 2020: Nil) units of Rs. 100 each 8.20% Govt. Stock 2022	104.83	-
Corporate bonds (quoted)		
250 (March 31, 2020: Nil) units of Rs. 1,000,000 each of REC Limited SR 190B 6.32 BD 31DC21 FVRS10LAC Bond	25.55	-
Mutual funds (unquoted)		
Nil (March 31, 2020: 23,054.27) units of face value Rs. 1,000 each of HDFC Liquid Fund - Direct Plan - Growth Option	-	9.01
17,331.08 (March 31, 2020: 28,958.31) units of face value Rs. 1,000 each of SBI Liquid Fund - Direct Plan - Growth	5.58	9.00
13,946.62 (March 31, 2020: 28,746.64) units of face value Rs. 1,000 each of Tata Liquid Fund - Direct Plan - Growth	4.53	9.00
168,933.27 (March 31, 2020: Nil) units of face value Rs 100 each of Aditya Birla Sun Life Liquid Fund-Growth-Direct	5.60	-
26,833.32 (March 31, 2020: Nil) units of face value Rs. 100 each of Axis Liquid Fund - Direct Growth	6.13	-
4,671,034.20 (March 31, 2020: Nil) units of face value Rs. 100 each of Axis Arbitrage Fund - Direct Growth	7.21	-
8,569.86 (March 31, 2020: Nil) units of face value Rs. 100 each of DSP Liquidity Fund- Direct Plan- Growth	2.52	-
117,688.63 (March 31, 2020: Nil) units of face value Rs. 100 each of ICICI Prudential Liquid Fund - Direct Plan - Growth	3.59	-
7,660.41 (March 31, 2020: Nil) units of face value Rs. 100 each of Kotak Liquid Fund - Direct Plan Growth	3.19	-
9,981.82 (March 31, 2020: Nil) units of face value Rs. 1000 each of Nippon India Liquid Fund- Direct Plan Growth Plan	5.03	-
157,494.02 (March 31, 2020: Nil) units of face value Rs. 100 each of PGIM India Insta Cash Fund - Direct Plan - Growth	4.22	-
926,930.67 (March 31, 2020: Nil) units of face value Rs. 100 each of Sundaram Money Fund - Direct Growth (MFDG)	4.02	-
14,404.97 (March 31, 2020: Nil) units of face value Rs. 1,000 each of UTI Liquid Cash Plan - Direct Growth Plan	4.86	-
Total- Gross	1,917.24	78.84
Less: Allowance for impairment	-	-
Total- Net	**1,917.24**	**78.84**

Aggregate amount of quoted investments	1,337.02	9.22
Aggregate amount of unquoted investments	580.22	69.62
Aggregate book value of quoted investments	1,337.02	9.22

Note 9: Other financial assets

Particulars	As at March 31, 2021	As at March 31, 2020
Security deposits (at amortised cost)	3.10	4.17
Receivable from collection agency	101.77	4.79
Other receivable	8.24	23.78
Total	**113.11**	**32.74**

Note 10: Current tax assets (net)

Particulars	As at March 31, 2021	As at March 31, 2020
Advance income tax [net of provision for tax Rs. 844.61 (March 31, 2020: Rs. 599.30)]	42.43	40.84
Total	**42.43**	**40.84**

Note 11: Deferred tax assets (net)

A. Amounts recognised in Statement of profit and loss

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Current tax (a)		
Current year	109.15	248.48
Tax adjustment relating to earlier year	(3.17)	(0.12)
Deferred tax (b)		
Attributable to–		
Origination and reversal of temporary differences	(86.53)	(77.60)
Tax expense recognised in statement of profit and loss	**19.45**	**170.76**

B. Income tax recognised in other comprehensive income

Particulars	For the year ended March 31, 2021			For the year ended March 31, 2020		
	Before tax	Deferred tax expense/ (benefit)	Net of tax	Before tax	Deferred tax expense/ (benefit)	Net of tax
Remeasurements of defined benefit liability	(0.12)	(0.04)	(0.16)	(1.05)	0.32	(0.73)

C. Reconciliation of effective tax expense

	For the year ended March 31, 2021	For the year ended March 31, 2020
Profit before tax	**71.07**	**448.79**
Other comprehensive income/ (loss) for the year	(0.12)	(1.05)
Tax using the Company's domestic tax rate	17.70	112.43
Effect of:		
Unrecognized deferred tax assets	5.01	8.23
Non-deductible expenses and exempt income	0.10	0.82
Change in tax rate	-	49.35
Others	(3.32)	(0.38)
Effective tax expense	**19.49**	**170.45**

D. Recognised deferred tax assets and liabilities (Group)

Deferred tax assets and liabilities are attributable to the following in the books of the Holding Company

	Deferred tax assets		Deferred tax liabilities		Net deferred tax asset / (liabilities)	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Provisions for employee benefit	9.51	8.18	-	-	9.51	8.18
Depreciation *	1.62	0.73	-	-	1.62	0.73
Impairment allowance on loans	308.47	208.41	-	-	308.47	208.41
Effect of EIR on interest income	21.00	31.56	-	-	21.00	31.56
Other temporary differences	11.34	13.42	11.12	7.97	0.22	5.45
Net deferred tax (assets)/ liabilities	**351.94**	**262.30**	**11.12**	**7.97**	**340.82**	**254.33**
Deferred tax assets (net) recognized in the books of the Subsidiary Company					0.22	0.22
Total deferred tax assets (net) in the books of Group					**341.04**	**254.55**
Deferred tax assets (net) unrecognized in the books of the Subsidiary Company.					19.29	14.27

Considering future taxable income, the Subsidiary Company has recognized deferred tax assets (net of liabilities) only to the extent it is probable that future taxable income will be available against which unused tax credits / losses will be adjusted.

E. Deferred tax assets/(liabilities) of subsidiary company

	Deferred tax assets		Deferred tax liabilities		Net deferred tax asset / (liabilities)	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits	1.12	0.69	-	-	1.12	0.69
Depreciation*	-	-	(0.82)	(0.70)	(0.82)	(0.70)
Impairment allowance on loans	8.15	3.29	-	-	8.15	3.29
Unamortized loan origination cost	-	-	(1.74)	(0.55)	(1.74)	(0.55)
Fair valuation of investment	-	-	(0.33)	(0.00)	(0.33)	(0.00)
Unamortized borrowing cost	-	-	(0.85)	(0.90)	(0.85)	(0.90)
Leases	0.11	0.08	-	-	0.11	0.08
Unabsorbed losses	13.82	12.47	-	-	13.82	12.47
Temporary difference u/s 35D of the Income Tax Act, 1961	0.05	0.11	-	-	0.05	0.11
Net deferred tax (assets)/ liabilities	**23.25**	**16.64**	**(3.74)**	**(2.15)**	**19.51**	**14.49**
Recognized deferred tax assets (net)					**0.22**	**0.22**
Unrecognized deferred tax assets (net)					**19.29**	**14.27**

F. Movement in deferred tax on temporary differences (recognised)

-In respect of Holding Company

	Balance as at March 31, 2019	Recognised in profit or loss during 2019-20	Recognised in OCI during 2019-20	Balance as at March 31, 2020	Recognised in profit or loss during 2020-21	Recognised in OCI during 2020-21	Balance as at March 31, 2021
Provisions for employee benefit	8.13	(0.27)	0.32	8.18	1.37	(0.04)	9.51
Depreciation*	(0.28)	1.01	-	0.73	0.89	-	1.62
Impairment allowance on loans	140.28	68.13	-	208.41	100.06	-	308.47
Effect of EIR on interest income	31.15	0.41	-	31.56	(10.56)	-	21.00
Other temporary differences	(2.87)	8.32	-	5.45	(5.23)	-	0.22
Net deferred tax assets/ (liabilities) - A	**176.41**	**77.60**	**0.32**	**254.33**	**86.53**	**(0.04)**	**340.82**
-In respect of Subsidiary Company - B	0.22	-	-	0.22	-	-	**0.22**
Net deferred tax assets/ (liabilities) - (A+B)	**176.63**	**77.60**	**0.32**	**254.55**	**86.53**	**(0.04)**	**341.04**

* Difference between Written Down Value (WDV) of property, plant and equipment and other intangible assets as per books and under Income Tax Act 1961.

Note 12: Property, plant and equipment

Particulars	Own use						Assets given on operating lease		
	Building	Plant and equipment	Furniture and fixtures	Vehicles	Data processing equipment	Office equipment	Computers	Vehicles	Total
Cost									
As at April 1, 2019	**3.58**	**0.83**	**1.59**	**21.75**	**35.55**	**3.12**	**0.07**	**47.93**	**114.42**
Additions during the year	0.03	0.11	0.36	11.28	10.63	0.91	-	-	23.32
Disposals during the year	-	-	-	2.24	0.03	0.02	0.07	18.31	20.67
As at March 31, 2020	**3.61**	**0.94**	**1.95**	**30.79**	**46.15**	**4.01**	**-**	**29.62**	**117.07**
Additions during the year	0.34	-	1.39	1.27	4.26	0.50	-	-	7.76
Disposals during the year	0.02	-	0.01	1.85	1.03	0.00	-	15.40	18.31
As at March 31, 2021	**3.93**	**0.94**	**3.33**	**30.21**	**49.38**	**4.51**	**-**	**14.22**	**106.52**
Depreciation									
As at April 1, 2019	**0.12**	**0.14**	**0.13**	**4.36**	**13.71**	**0.65**	**-**	**13.23**	**32.34**
Disposals during the year	-	-	-	0.60	0.02	-	-	6.60	7.22
Depreciation charge for the year	0.05	0.07	0.18	3.55	9.82	0.71	-	5.30	19.68
As at March 31, 2020	**0.17**	**0.21**	**0.31**	**7.31**	**23.51**	**1.36**	**-**	**11.93**	**44.80**
Disposals during the year	0.00	-	0.00	0.60	0.90	0.00	-	7.83	9.33
Depreciation charge for the year	0.18	0.07	0.32	3.82	9.81	0.79	-	3.01	18.00
As at March 31, 2021	**0.35**	**0.28**	**0.63**	**10.53**	**32.42**	**2.15**	**-**	**7.11**	**53.47**
Net carrying amount									
As at March 31, 2020	**3.44**	**0.73**	**1.64**	**23.48**	**22.64**	**2.65**	**-**	**17.69**	**72.27**
As at March 31, 2021	**3.58**	**0.66**	**2.70**	**19.68**	**16.96**	**2.36**	**-**	**7.11**	**53.05**

12.1. Right-of-use assets

Particulars	Building
Cost	
As at April 1, 2019	**-**
Reclassified on account of adoption of Ind AS 116	52.07
Additions during the year	15.63
Disposals during the year	0.30
As at March 31, 2020	**67.40**
Additions during the year	6.22
Disposals during the year	15.30
As at March 31, 2021	**58.32**
Accumulated amortization/ impairment	
As at April 1, 2019	-
Disposals during the year	0.05
Amortization charge for the year	10.55
As at March 31, 2020	**10.50**
Disposals during the year	3.50
Amortization charge for the year	11.17
As at March 31, 2021	**18.17**
Net carrying amount	
As at March 31, 2020	**56.90**
As at March 31, 2021	**40.15**

12.2. Capital work-in-progress

Particulars	Leasehold Improvements
Cost	
As at April 1, 2019	**-**
Additions during the year	0.04
Capitalized during the year	-
As at March 31, 2020	**0.04**
Additions during the year	-
Capitalized during the year	0.04
As at March 31, 2021	**-**

12.3. Other intangible assets and intangible assets under development

Particulars	Computer software	Intangible assets under development
Cost		
As at April 1, 2019	**31.70**	**0.16**
Additions during the year	3.73	0.45
Disposals during the year	-	-
As at March 31, 2020	**35.43**	**0.61**
Additions during the year	9.27	0.01
Disposals during the year	-	-
As at March 31, 2021	**44.70**	**0.62**
Accumulated amortization/ impairment		
As at April 1, 2019	**10.01**	**-**
Disposals during the year	-	-
Amortization charge for the year	6.10	-
As at March 31, 2020	**16.11**	**-**

Disposals during the year	-	-
Amortization charge for the year	6.05	-
As at March 31, 2021	**22.16**	**-**
Net carrying amount		
As at March 31, 2020	**19.32**	**0.61**
As at March 31, 2021	**22.54**	**0.62**

Note 13: Other non-financial assets

Particulars	As at March 31, 2021	As at March 31, 2020
Capital advances	2.75	4.31
Prepaid expenses	17.51	16.51
Balance with government authorities	5.64	2.19
Others	14.28	4.59
Total	**40.18**	**27.60**

Note 14: Trade payables

Particulars	As at March 31, 2021	As at March 31, 2020
Trade payables		
(i) Total outstanding dues of micro enterprises and small enterprises; and	0.88	1.30
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	256.79	167.36
Total	**257.67**	**168.66**

14.1 Disclosures relating to Micro, Small and Medium Enterprises Development Act, 2006 are as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	0.88	1.30
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-
Total	**0.88**	**1.30**

14.2 Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the management. This has been relied upon by the auditors.

Note 15: Debt securities

Particulars	As at March 31, 2021	As at March 31, 2020
Debt securities (at amortised cost)		
Secured		
Redeemable non-convertible debentures (refer note 15.1, 15.2, 15.3, 15.4 and 15.5)	1,602.82	2,403.30
Unsecured		
Commercial papers (refer note 15.6 and 15.7)	2,633.12	2,850.64
Total	**4,235.94**	**5,253.94**

15.1 13,240 (March 31, 2020: 22,390) privately placed secured redeemable fully paid non-convertible debentures of Rs. 1,000,000 each aggregating Rs. 1,324.00 (March 31, 2020: Rs 2,239.00) carry interest rate ranging from 6.38% p.a. to 9.25% p.a. (March 31, 2020: 7.60% p.a. to 9.60%). The debentures are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

15.2 1,000 (March 31, 2020: Nil) privately placed secured redeemable fully paid non-convertible debentures of Rs. 1,000,000 each aggregating Rs. 100.00 (March 31, 2020: Nil) carry interest rate of 6.50% p.a. (March 31, 2020: Nil). The debentures are secured by way of interim security in the form of current assets which may include cash & cash equivalents, including current investments of the Holding Company in the form of Fixed Deposit or Mutual Funds or any short-term treasury investments ("Interim Security"). It is hereby clarified that this Interim Security will be maintained by the Holding Company only till the period the Receivables are not 100% as the Primary Security and not at all times until maturity. The Interim Security will be only for the interim period of the issue size.

15.3 1,000 (March 31, 2020: 1,000) privately placed secured redeemable fully paid non-convertible debentures of Rs.3,00,000 each aggregating Rs. 30.00 (March 31, 2020: Rs. 65.00 [paid up value - 6,50,000]) carry interest rate of 9.23% p.a. (March 31, 2020: 9.23%). The debentures are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

15.4 3,000 (March 31, 2020: 2,500) privately placed secured redeemable partly paid non-convertible debentures of Rs.1,000,000 each paid up to the extent of Rs. 5,00,000 aggregating Rs. 150.00 (March 31, 2020: paid up to the extent of Rs. 4,00,000 aggregating Rs. 100.00) carry interest rate of 9.55% p.a. (March 31, 2020: 9.55% p.a.). The debentures are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

15.5 Terms of privately placed secured redeemable non convertible debentures.

Tenor from the date of Balance Sheet	Periodicity	As at March 31, 2021	As at March 31, 2020
> 60 months	Bullet payment	150.00	100.00
>48 < = 60 months	Bullet payment	150.00	-
>36 < = 48 months	Bullet payment	175.00	-
>24 < = 36 months	Bullet payment	550.00	317.00
>12 < = 24 months	Bullet payment	317.00	232.00
>12 < = 24 months	Annual	-	30.00
Up to 12 months	Bullet payment	232.00	1,690.00
Up to 12 months	Annual	30.00	35.00
Less: Adjustments towards EIR		(1.18)	(0.70)
Total		**1,602.82**	**2,403.30**

15.6 Commercial papers are repayable within 12 months and issued at a discount rate ranging from 3.80% p.a. to 4.93% p.a. (March 31, 2020: 5.70% p.a. to 8.15% p.a.)

15.7 Pursuant to SEBI Circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019, the Company has listed all the Commercial Papers on National Stock Exchange (NSE) outstanding as on January 1, 2020, within the timelines as given in the circular.

15.8 No non-convertible debentures and commercial papers is guaranteed by directors and / or others.

15.9 During the period presented there were no defaults in the repayment of principal and interest.

Note 16: Borrowings (other than debt securities)

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Term loan from banks (Secured) (refer note 16.1 and 16.2)	17,431.08	13,697.01
External commercial borrowing (Secured) (refer note 16.5)	200.00	200.00
Loan repayable on demand from banks (refer note 16.3)		
- Cash credit (Secured)	129.06	833.75
- Working capital demand loans (Secured)	1,370.37	1,325.00
- Working capital demand loans (Unsecured)	-	75.00
Additional special refinance facility from National Housing Bank (refer note 16.4)	26.00	-
Total	**19,156.51**	**16,130.76**
Borrowing in India	18,956.51	15,930.76
Borrowing outside India	200.00	200.00
Total	**19,156.51**	**16,130.76**

16.1 Secured term loans from banks aggregating Rs. 17,206.47 (March 31, 2020: Rs. 13,704.59) carrying interest rate ranging from 6.05% p.a. to 9.00% p.a. (March 31, 2020: 7.80% p.a.to 9.55% p.a.) are secured by a first pari-passu charge by way of hypothecation of book debts and receivables.

16.2 Secured term loans from banks aggregating Rs. 233.30 (March 31, 2020: Nil) carrying interest rate of 7.15% p.a. (March 31, 2020: Nil) are secured by a first exclusive charge by way of hypothecation of book debts and receivables.

Tenor from the date of balance sheet	Periodicity	As at March 31, 2021	As at March 31, 2020
> 60 months	Annual	25.00	-
> 60 months	Quarterly	152.61	87.50
>48 < = 60 months	Bullet	-	100.00
>48 < = 60 months	Annual	75.00	177.50
>48 < = 60 months	Semi annually	234.72	528.85
>48 < = 60 months	Quarterly	258.82	264.87
>48 < = 60 months	Monthly	199.12	105.26
>36 < = 48 months	Bullet	132.90	190.00
>36 < = 48 months	Annual	252.50	300.00
>36 < = 48 months	Semi annually	926.07	1,159.27
>36 < = 48 months	Quarterly	532.61	497.34
>36 < = 48 months	Monthly	365.79	105.26
>24 < = 36 months	Bullet	256.80	470.00
>24 < = 36 months	Annual	375.00	287.50

>24 < = 36 months	Semi annually	1,563.99	1,359.27
>24 < = 36 months	Quarterly	1,297.65	1,265.15
>24 < = 36 months	Monthly	365.79	105.26
>12 < = 24 months	Bullet	536.80	680.00
>12 < = 24 months	Annual	362.50	175.00
>12 < = 24 months	Semi annually	1,582.32	1,390.81
>12 < = 24 months	Quarterly	2,357.77	1,364.42
>12 < = 24 months	Monthly	365.79	105.26
Up to 12 months	Bullet	746.80	400.00
Up to 12 months	Annual	250.00	100.00
Up to 12 months	Semi annually	1,506.09	1,099.31
Up to 12 months	Quarterly	2,401.54	1,307.82
Up to 12 months	Monthly	315.79	78.95
Less: Adjustments towards EIR		(8.69)	(7.58)
Total		**17,431.08**	**13,697.01**

16.3 The cash credit facilities are repayable on demand and carry interest rates ranging from 5.95% p.a. to 8.10% p.a. (March 31, 2020: 7.50% p.a. to 9.75% p.a). Working capital demand loans are repayable on demand and carrying interest rates ranging from 4.60% p.a. to 8.10% p.a. (March 31, 2020: 7.00% p.a to 8.75% p.a.). As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature. The secured facilities are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

16.4 Secured Additional Special Refinance Facility from National Housing Bank aggregating Rs. 26.00 (March 31, 2020: Nil) carries interest at 5.40% p.a. (March 31, 2020: Nil) is secured by a first & exclusive charge by way of hypothecation of book debts and receivables. The same is repayable within 12 months.

16.5 External commercial borrowings carry interest rate of 8.71% p.a. (March 31, 2020: 8.71% p.a.) are secured by a first pari-passu charge by way of hypothecation of book debts and receivables.

Tenor from the date of balance sheet	Periodicity	As at March 31, 2021	As at March 31, 2020
>12 < = 24 months	Bullet	-	200.00
Up to 12 months	Bullet	200.00	-

16.6 No term loans, cash credit, working capital demand from banks and any other borrowing is guaranteed by directors and / or others.

16.7 During the period presented there were no defaults in the repayment of principal and interest.

Note: 17. Subordinated liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Subordinated liabilities (unsecured) in India		
Redeemable non-convertible debentures-Tier II (refer note 17.1 and 17.2)	642.91	573.06
Total	**642.91**	**573.06**

17.1 Terms of privately placed unsecured redeemable non-convertible debentures-Tier II.

Tenor from the date of balance sheet	As at March 31, 2021	As at March 31, 2020
>60 months*	545.00	575.00
48-60 months*	100.00	-
Less: Adjustments towards EIR	(2.09)	(1.94)
Total	**642.91**	**573.06**

* Term of repayment is bullet

17.2 6,450 (March 31, 2020: 5,750) privately placed unsecured redeemable non-convertible debentures Tier II of Rs. 1,000,000 each aggregating Rs. 645.00 (March 31, 2020: Rs. 575.00) carrying interest ranging from 7.65% p.a. to 9.81% p.a. (March 31, 2020: 8.49% p.a. to 9.81% p.a.) and are subordinated in nature of claim.

17.3 No subordinate debts is guaranteed by directors and /or others.

17.4 During the period presented there were no defaults in the repayment of principal and interest.

Note 18: Lease liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Lease liabilities (refer note 41)	44.37	59.02
Total	**44.37**	**59.02**

Note 19: Other financial liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Interest accrued but not due on:		
- Debt securities	110.66	222.35
- Borrowings	35.95	20.31
- Subordinated liabilities	24.86	23.75
Unclaimed dividend (refer note 19.1)	0.53	0.52
Book overdrafts	236.44	11.00
Other payables		
Payable on purchase of property, plant and equipment and other intangible assets	0.68	1.07
Salaries and wages payable	18.98	49.14
Security deposits	0.27	0.30
Loans pending disbursement	65.91	14.48
Margin money from customers	22.08	25.08
Others	79.22	37.62
Total	**595.58**	**405.62**

19.1 Unclaimed dividend does not include any amount outstanding as on March 31, 2021 and March 31, 2020 which are required to be credited to the Investor Education and Protection Fund.

Note 20: Current tax liabilities (net)

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for income tax [net of advance tax Rs. 100.55 (March 31, 2020: Rs. 188.34)]	8.60	60.14
Total	**8.60**	**60.14**

Note 21: Provisions

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
-Provision for gratuity (refer note 34.2)	22.34	17.68
-Provision for compensated absences (refer note 34.3)	19.35	16.63
Total	**41.69**	**34.31**

Note 22: Other non-financial liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Unamortised interest on margin money deposits	7.34	11.02
Statutory dues payable	29.46	27.14
Advance received from customers	8.20	4.12
Total	**45.00**	**42.28**

Note 23: Equity share capital

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of shares	Amount	Number of shares	Amount
Authorised				
Equity shares of Rs. 10 each	150,000,000	150.00	150,000,000	150.00
	150,000,000	**150.00**	**150,000,000**	**150.00**
Issued				
Equity shares of Rs. 10 each	127,306,674	127.31	127,306,674	127.31
	127,306,674	**127.31**	**127,306,674**	**127.31**
Subscribed				
Equity shares of Rs. 10 each (fully paid up)	127,305,868	127.31	114,195,126	114.20
Equity shares of Rs. 10 each (partly paid up: Rs. 5 each)*	806	0.00	1,795	0.00
Equity shares of Rs. 10 each (partly paid up: Rs. 5.60 each)	-	-	13,109,753	7.34
Total	**127,306,674**	**127.31**	**127,306,674**	**121.54**

* Absolute amount of Rs. 4,030 (March 31, 2020: Rs. 8,975) received towards partly paid up shares

23.1 Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year

Particulars	As at March 31, 2021 Number of Shares	As at March 31, 2021 Amount	As at March 31, 2020 Number of Shares	As at March 31, 2020 Amount
Equity shares of Rs. 10 each (Fully Paid up)				
Opening balance	114,195,126	114.20	114,098,182	114.10
Converted into fully paid up during the year (fully paid up)	13,110,742	13.11	96,944	0.10
Equity shares of Rs. 10 each (partly paid up: Rs. 5 each)				
Opening balance	1,795	0.00	98,739	0.05
Converted into fully paid up share during the year Rs. 10 each	(989)	(0.00)	(96,944)	(0.05)
Equity shares of Rs. 10 each (partly paid up: Rs. 5.60 each)				
Opening balance	13,109,753	7.34	-	-
Issued during the year Rs. 10 each (partly paid up: Rs. 5.60 each)	-	-	13,109,753	7.34
Converted into fully paid up share during the year Rs. 10 each	(13,109,753)	(7.34)	-	-
Outstanding at the end of the year	**127,306,674**	**127.31**	**127,306,674**	**121.54**

23.2 During the previous year ended March 31, 2020, the Holding Company had issued and allotted 13,109,753 partly paid equity shares having face value of Rs. 10.00 each at a price of Rs. 820.00 per equity share including a premium of Rs. 810.00 per equity share on preferential basis through private placement and had received an application & allotment money of Rs. 460 per equity share. Balance amount of Rs. 360 per equity share has been received as first and final call money during the year ended March 31, 2021 and consequently the Holding Company has converted 13,109,753 partly paid equity shares into fully paid up equity shares.

23.3 Terms/ rights, preference and restriction attached to equity shares of Rs. 10 each

(i) The Holding Company has only one class of equity share having face value of Rs. 10 per share. Each holder of equity share is entitled to one vote per share held.

(ii) The dividend proposed by the Board of Directors which is subject to approval of shareholders in the Annual General Meeting shall be in the same proportion as the capital paid upon such equity share.

(iii) In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Holding Company after distribution of all preferential amount, in proportion to capital paid upon such equity share.

23.4 Detail of shareholder holding more than 5% shares in the Holding Company:

Name of Shareholder	As at March 31, 2021 Number of Shares held	As at March 31, 2021 % of Holding	As at March 31, 2020 Number of Shares held	As at March 31, 2020 % of Holding
Equity shares				
Hero MotoCorp Ltd.	52,431,893	41.19	52,431,893	41.19
Bahadur Chand Investment Pvt. Ltd.	25,896,764	20.34	25,896,764	20.34
Otter Limited	12,882,170	10.12	12,882,170	10.12

Mr. Pawan Munjal (refer note 23.5 below)	3,608,812	2.83	3,608,812	2.83
Ms. Renu Munjal (refer note 23.5 below)	4,094,737	3.22	4,094,737	3.22
Ms. Santosh Munjal (refer note 23.5 below)	323,600	0.25	323,600	0.25
Mr. Suman Kant Munjal (refer note 23.5 below)	4,094,737	3.22	4,094,737	3.22
Total Brijmohan Lall Om Parkash (Partnership firm)	**12,121,886**	**9.52**	**12,121,886**	**9.52**

23.5 Holding shares on behalf of Brijmohan Lall Om Prakash (partnership firm).

23.6 There are no shares issued by way of bonus shares or issued for consideration other than cash and no shares were bought back during the period of 5 years immediately preceding the reporting date.

23.7 Employee stock options

Terms attached to stock options granted to employees are described in Note-44 regarding share-based payments.

Note 24: Other equity

Particulars	As at March 31, 2021	As at March 31, 2020
Securities premium		
Opening balance as at reporting date	**3,481.96**	**2,883.72**
Add: Additions during the year	466.22	599.32
Less: Share issue expenses	(1.88)	(1.08)
Closing balance as at reporting date	**3,946.30**	**3,481.96**
Statutory reserve		
Opening balance as at reporting date	**251.23**	**189.20**
Add: Transferred from retained earnings	14.12	62.03
Closing balance as at reporting date	**265.35**	**251.23**
Stock options outstanding account		
Opening balance as at reporting date	**20.86**	**15.80**
Add: Charge during the year	5.84	5.06
Closing balance as at reporting date	**26.70**	**20.86**
General reserve		
Opening balance as at reporting date	**123.96**	**92.94**
Add: Transfer from retained earning	7.06	31.02
Closing balance as at reporting date	**131.02**	**123.96**
Other comprehensive income/ (loss)		
Opening balance as at reporting date	**-**	**-**
Add: Other comprehensive income/ (loss) for the year	(0.16)	(0.73)
Less: Transferred to retained earnings	0.16	0.73
Closing balance as at reporting date	**-**	**-**
Share application money pending allotment		
Opening balance as at reporting date	0.00	**-**
Add: Amount received during the year*	-	0.00
Closing balance as at reporting date	**0.00**	**0.00**

Retained earnings		
Opening balance as at reporting date	**471.79**	**346.05**
Add: Profit for the year	51.62	278.03
Add: Other comprehensive income/ (loss) for the year	(0.16)	(0.73)
Less: Dividend paid on equity shares	(30.99)	(48.53)
Less: Dividend distribution tax	0.00	(9.98)
Less: Transfers to general reserves	(7.06)	(31.02)
Less: Transfers to statutory reserve	(14.12)	(62.03)
Closing balance as at reporting date	**471.08**	**471.79**
Total	**4,840.45**	**4,349.80**

* Absolute amount of Rs. Nil (March 31, 2020: Rs. 40,475) received towards partly paid up shares.

Nature of other equity:

Securities premium:

Securities premium is used to record the premium on issuance of shares. The securities premium can be utilised as per the provisions of the Companies Act, 2013.

Statutory reserve:

Statutory reserve is used to record reserve in accordance with section 45-IC of the Reserve Bank of India Act, 1934. The statutory reserves can be utilised for the purpose as specified by the RBI from time to time.

Stock options outstanding account:

Stock option outstanding account is created as required by Ind AS 102 'Share Based Payments' on the Employee Stock Option Scheme operated by the company for employees of the group. The reserve is used to recognise the fair value of the options issued to employees under Company's employee stock option plan. Refer note 44 for further detail of this plan.

General reserve:

Free reserve to be utilized as per provision of the Companies Act, 2013.

Share application money pending allotment:

Share application money pending allotment represents application money received on account of right issue.

Retained earnings:

Retained earnings is used to record profit for the year. This amount is utilised as per the provision of the Companies Act, 2013.

Note 25: Revenue from operations

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest on:		
- Loans (at amortised cost)	3,829.99	3,410.35
- Fixed deposits	42.25	5.97
- Investments	5.55	1.24
Dividend income	0.74	0.74
Profit on sale of investments	23.94	58.16
Rental income	5.84	10.89
Net gain on fair value changes	22.66	-
Insurance commission	13.17	11.09
Others charges	333.94	301.42
Total	**4,278.08**	**3,799.86**

Note 26: Other income

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Fees on value added services	45.71	39.42
Online advertising income	9.63	15.88
Miscellaneous	0.10	0.02
Total	**55.44**	**55.32**

Note 27: Finance costs

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest expense on financial liabilities measured at amortised cost		
- Interest on debt securities	298.41	499.95
- Interest on borrowings (other than debt securities)	1,350.81	1,080.34
- Interest on subordinated liabilities	53.52	43.29
- Interest on lease liability	4.51	5.15
- Others	3.06	0.49
Total	**1,710.31**	**1,629.22**

Note 28: Impairment allowance on loans

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Impairment allowance on loans	386.83	460.73
Settlement loss and bad debts written off	1,030.91	189.13
Total	**1,417.74**	**649.86**

Note 29: Employee benefits expenses

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries and wages	255.31	272.33
Contribution to provident and other funds (refer note 34.1)	14.74	12.94
Employee share based payment expense (refer note 44)	6.24	5.50
Gratuity expense (refer note 34.2)	5.14	4.46
Staff welfare expenses	4.18	7.53
Total	**285.61**	**302.76**

Note 30: Other expenses

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Rent	2.54	5.32
Rates and taxes	2.49	0.70
Insurance	7.40	7.43
Repairs and maintenance		
-Building	2.63	3.52
-Vehicle	0.21	0.22
Contractual staff cost	138.70	117.41

Recruitment and training	3.39	8.24
Loan processing fee	9.23	12.83
Communication	11.03	13.79
Printing and stationery	8.87	8.65
Bank charges	39.21	39.64
Travelling and conveyance	8.90	29.47
Loss on sale of property, plant and equipment (net)	3.52	4.33
Advertisement and marketing	6.80	4.61
Information technology	69.53	55.05
Loan collection charges	465.49	406.92
Legal and professional (refer note 30.1 for auditor's remuneration)	17.01	17.88
Net loss on fair value changes	-	12.65
Membership subscription	0.05	0.15
Expenditure towards corporate social responsibility (CSR) (refer note 30.2)	0.06	15.52
Miscellaneous	16.52	23.89
Total	**813.58**	**788.22**

30.1: Auditor's remuneration

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Audit fee*	0.99	0.68
Limited review	0.14	0.19
Tax audit fee#	0.06	0.09
Certification fees	0.35	0.11
Group reporting	0.14	0.14
Out of pocket expenses	0.06	0.03
Total	**1.74**	**1.24**

* Includes over run fees of Rs. 0.16 (March 31, 2020: Rs. Nil)

\# Indicates amount paid to other than statutory auditor for the year ended March 31, 2021 amounting to Rs. 0.06 (March 31, 2020: Rs. 0.02)

30.2: Expenditure on Corporate Social Responsibility (CSR)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
(a) Gross amount required to be spent by the Group during the year	7.02	5.43
(b) Amount approved by the Board to be spent during the year	7.02	5.43
(c) Amount spent during the year on:		
i) Construction/acquisition of any assets	-	-
ii) On purpose other than (i) above	0.06	15.52
(d) Amount carried forward from previous year for setting off in the current year	10.00	-
(e) Excess amount spend during the year carried forward to subsequent year	-	10.00

(f) The Group has spent excess amount and details of the same are as follows:

Financial Year	Opening Balance	Amount required to be spent during the year	Amount spent during the year	Balance not carried forward to next year	Balance carried forward to next year
2019-20	-	5.43	15.52	0.09	10.00*
2020-21*	10.00	7.02	0.06	-	3.04

* The Holding Company had contributed Rs. 10.00 in the previous year towards PM Cares Fund which was carried forward for set-off in the current financial year, based on communication released by Ministry of Corporate affairs.

Note 31: Earning per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity shares and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value.

The following table shows the income and share data used in the basic and diluted EPS calculations:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Net profit for the year **(A)**	51.62	278.03
Calculation of weighted average number of equity shares		
Number of equity shares outstanding at the beginning of the year	127,306,674	114,196,921
Number of equity shares issued during the year	-	13,109,753
Number of equity shares outstanding at the end of the year	127,306,674	127,306,674
Nominal value of equity share (in Rs.)	10	10
Weighted average number of equity shares outstanding during the year **(B)**	122,185,562	114,972,472
Basic earnings per share of face value of Rs. 10 each **(A)/ (B)**	4.23	24.18
Weighted average number of potential dilutive equity shares **(C)**	122,333,747	115,790,562
Dilutive earnings per share of face value of Rs. 10 each **(A)/ (B+C)**	4.22	24.01
Weighted average number of equity shares (diluted)		
Weighted average number of equity shares outstanding during the year	122,185,562	114,972,472
Add: Number of potential equity share in respect of employee stock option scheme and partly paid up shares	148,185	818,090
Weighted average number of potential dilutive equity shares	**122,333,747**	**115,790,562**

Note 32: Operating segments

An operating segment is a component 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 Group's other components, and for which discrete financial information is available. The Group is engaged in the business of financing, leasing and related financial services. The Group's activities/ business is reviewed from an overall business perspective, rather than reviewing its product/ services as individual standalone components. Thus, the Group has only one operating segment, and no reportable segments in accordance with Ind AS 108 Operating Segments.

a) The Group wide disclosures as required by Ind AS 108 are as follows;

Information about products and services:

The Group provides a wide portfolio of other financial products including two-wheeler loans, pre-owned car loans, loyalty personal loan, inventory funding, loan against property, housing loan, loans to SMEs and emerging corporates etc.

The break-up of revenue from interest income and other income is provided in note 25.

b) Revenue from external customers

The entire income of the Group is generated from customers who are domiciled in India.

c) Revenue from external customer

The Group does not derives revenues, from any single customer, amounting to ten per cent or more of Group's revenues.

Note 33: Investment in subsidiary

The consolidated financial statements include the financial statements of Holding Company and its subsidiary. Group does not have any joint ventures or associates.

	Net assets, i.e. total asset minus total liability			
	As at March 31, 2021		As at March 31, 2020	
	Amount	As % of consolidated net assets	Amount	As % of consolidated net assets
Parent				
Hero FinCorp Limited	5,041.54	101.48%	4,527.47	101.26%
Subsidiary				
Hero Housing Finance Limited	426.22	8.58%	343.87	7.69%
Elimination	(500.00)	(10.06%)	(400.00)	(8.95%)
Total	**4,967.76**	**100.00%**	**4,471.34**	**100.00%**

	Share in profit and loss			
	As at March 31, 2021		As at March 31, 2020	
	Amount	As % of consolidated profit & loss	Amount	As % of consolidated profit & loss
Parent				
Hero FinCorp Limited	70.62	136.80%	310.17	111.56%
Subsidiary				
Hero Housing Finance Limited	(19.00)	(36.80%)	(32.14)	(11.56%)
Total	**51.62**	**100.00%**	**278.03**	**100.00%**

	Share in other comprehensive income			
	As at March 31, 2021		As at March 31, 2020	
	Amount	As % of consolidated other comprehensive income	Amount	As % of consolidated other comprehensive income
Parent				
Hero FinCorp Limited	0.11	(68.53%)	(0.95)	130.85%
Subsidiary				
Hero Housing Finance Limited	(0.27)	168.53%	0.22	(30.85%)
Total	**(0.16)**	**100.00%**	**(0.73)**	**100.00%**

Note 34: Retirement benefit plan

34.1 Defined contribution plan

The Group makes periodic contribution towards provident fund, superannuation fund and national pension scheme which are defined contribution plans. The Group has no obligations other than to make the specified contributions. The contributions are charged to the consolidated statement of profit and loss as they accrue. The amount recognized as expense towards such contributions are as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
Employer's contribution to provident fund	13.36	11.87
Employer's contribution to superannuation fund	0.72	0.67
Employer's contribution to national pension scheme	0.66	0.40

34.2 Defined benefit plan

The Group operates an unfunded gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, or death, whichever is earlier. The benefit vests after five year of continuous service. The benefit to employees is as per the plan rules or as per the Payment of Gratuity Act, 1972, whichever is earlier.

i) Reconciliation of the net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components:

Particulars	As at March 31, 2021	As at March 31, 2020
Balance at the beginning of the year	17.68	12.39
Included in statement of profit and loss account :		
Current service cost	3.98	3.55
Interest expense	1.06	0.91
Acquisition Adjustment	0.10	-
Benefits paid	(0.61)	(0.22)
	4.54	**4.24**
Remeasurement gains/(losses) in other comprehensive income (OCI)		
Actuarial loss/(gain) arising from :		
- demographic assumptions	(0.09)	(0.51)
- financial assumptions	1.43	0.50
- experience adjustment	(1.22)	1.06
	0.12	**1.05**

Other		
Contributions paid by the employer	-	-
Balance at the end of the year	**22.34**	**17.68**
Current liability	8.71	7.84
Non-current liability	13.63	9.84
	22.34	**17.68**

Since the liability is not funded, therefore information with regards to the plan assets has not been furnished.

ii) Expense recognised in statement of profit and loss:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Current service cost	3.98	3.55
Net interest expense/(income)	1.06	0.91
Acquisition Adjustment	0.10	-
Total	**5.14**	**4.46**

iii) Expense recognised in other comprehensive income/(loss):

Particulars	As at March 31, 2021	As at March 31, 2020
Remeasurement gains/(losses)		
Actuarial loss (gain)/arising from :		
- demographic assumptions	(0.09)	(0.51)
- financial assumptions	1.43	0.50
- experience adjustment	(1.22)	1.06
Total	**0.12**	**1.05**

iv) Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages) of Holding Company:

Particulars	As at March 31, 2021	As at March 31, 2020
Discount rate	6.15%	6.05%
Withdrawal rate		
Up to 30 years	24.00%	24.00%
31 - 44 years	22.00%	22.00%
Above 44 years	2.00%	2.00%
Mortality rate	100% of IALM 2012-14	100% of IALM 2012-14
Retirement age (years)	58	58
Future salary growth*	7-12%	7-12%

*The estimate of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and relevant factors such as supply and demand in the employment market etc.

Principal actuarial assumptions at the reporting date (expressed as weighted averages) of Subsidiary Company:

Particulars	As at March 31, 2021	As at March 31, 2020
Discount rate	6.45%	6.55%
Withdrawal rate		
Upto 30 years	10.00%	10.00%
31 to 44 years	10.00%	9.00%
Above 44 years	10.00%	8.00%
Mortality rate	100% of IALM 2012-14	100% of IALM 2012-14
Retirement age (years)	58 years	58 years
Future salary growth*	10.00%	7.00%

*The estimate of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and relevant factors such as supply and demand in the employment market etc.

v) Sensitivity analysis of significant assumptions

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

Particulars	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (- / + 1%)	21.12	23.72	16.79	18.69
Salary growth rate (- / + 1%)	23.67	21.13	18.67	16.80
Attrition rate (- / + 50%)	21.07	24.07	16.72	19.00
Mortality rate (- / + 10%)	22.34	22.34	17.68	17.68

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.

vi) Expected contribution during the next annual reporting period

Since the scheme is managed on unfunded basis, the next year contribution is taken as Nil (March 31, 2020 : Nil)

vii) Expected maturity analysis of the defined benefit plans in future years (valued on undiscounted basis)

Duration (years)	As at March 31, 2021	As at March 31, 2020
within the next 12 months	8.71	7.84
Between 2 to 5 years	5.84	4.40
Above 5 years	20.01	14.02

As at March 31, 2021, the weighted-average duration of the defined benefit obligation was 5 years (March 31, 2020: 5 years) for the Holding Company, 10 years (March 31, 2020: 11 years) for the Subsidiary Company.

34.3 Other long term employee benefit plan

Other long term employee benefit plans comprises compensated absences. The Group operates compensated absences plan (earned leaves), where in every employee is entitled to the benefit equivalent to certain leaves for every completed year of service subject to maximum as prescribed in the policies. The same is payable during early retirement, withdrawal of scheme, resignation by employee and upon death of employee. The Holding Company also recognises sick leave provision, where in every employee is entitled to the benefit equivalent to 6 days salary for every completed year of service which is subject to maximum of 20 days accumulation of leaves. The salary for calculation of earned leave and sick leaves are last drawn basic salary. The amount of the provision is Rs. 19.35 (March 31, 2020: Rs. 16.63) as per the actuarial report.

Note 35: Maturity analysis of assets and liabilities

The table below shows a maturity analysis of assets and liabilities. Loans is net of impairment loss allowance on loans considering realisability, the amount recoverable from Stage 3 assets is classified under after 12 months.

Particulars	As at March 31, 2021			As at March 31, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	1,106.87	-	1,106.87	2,343.94	-	2,343.94
Bank balance other than cash and cash equivalents	116.13	-	116.13	0.52	-	0.52
Trade receivables	7.98	-	7.98	7.87	-	7.87
Loans	11,770.30	14,424.39	26,194.69	11,319.46	12,943.63	24,263.09
Investments	1,881.65	35.59	1,917.24	27.01	51.83	78.84
Other financial assets	111.01	2.10	113.11	29.43	3.31	32.74
Non financial assets						
Current tax assets (net)	-	42.43	42.43	-	40.84	40.84
Deferred tax assets (net)	-	341.04	341.04	-	254.55	254.55
Property, plant and equipment	-	53.05	53.05	-	72.27	72.27
Right-of-use assets	-	40.15	40.15	-	56.90	56.90
Capital work-in-progress	-	-	-	-	0.04	0.04
Intangible assets	-	22.54	22.54	-	19.32	19.32
Intangible assets under development	-	0.62	0.62	-	0.61	0.61
Other non-financial assets	36.46	3.72	40.18	23.02	4.58	27.60
Total assets	**15,030.40**	**14,965.63**	**29,996.03**	**13,751.25**	**13,447.88**	**27,199.13**

Liabilities						
Financial liabilities						
Trade Payables						
(i) Total outstanding dues of micro enterprise and small enterprise	0.88	-	0.88	1.30	-	1.30
(ii) Total outstanding dues of creditors other than micro enterprise and small enterprise	256.79	-	256.79	167.36	-	167.36
Debt securities	2,894.80	1,341.14	4,235.94	4,575.51	678.43	5,253.94
Borrowing (other than debt securities)	6,942.18	12,214.33	19,156.51	5,218.96	10,911.80	16,130.76
Subordinated liabilities	-	642.91	642.91	-	573.06	573.06
Lease Liabilities	8.96	35.41	44.37	9.45	49.57	59.02
Other financial liabilities	576.22	19.36	595.58	352.32	53.30	405.62
Non financial liabilities						
Current tax liabilities (net)	8.60	-	8.60	60.14	-	60.14
Provisions	14.79	26.90	41.69	13.90	20.41	34.31
Other non - financial liabilities	39.50	5.50	45.00	34.25	8.03	42.28
Total liabilities	**10,742.72**	**14,285.55**	**25,028.27**	**10,433.19**	**12,294.60**	**22,727.79**
Net	**4,287.68**	**680.08**	**4,967.76**	**3,318.06**	**1,153.28**	**4,471.34**

Note 36: Change in liabilities arising from financing activities

Particulars	As at March 31, 2020	Cash flows	Others	As at March 31, 2021
Debt securities*	5,253.94	(1,163.63)	145.63	4,235.94
Borrowings other than debt securities	16,130.76	3,026.01	(0.26)	19,156.51
Subordinated liabilities	573.06	69.21	0.64	642.91
Lease Liabilities	59.02	(12.82)	(1.83)	44.37
Total liabilities from financing activities	**22,016.78**	**1,918.77**	**144.18**	**24,079.73**

Particulars	As at March 31, 2019	Cash flows	Others	As at March 31, 2020
Debt securities*	6,852.95	(1,876.01)	277.00	5,253.94
Borrowings other than debt securities	9,344.69	6,788.38	(2.31)	16,130.76
Subordinated liabilities	448.78	124.25	0.03	573.06
Lease Liabilities	-	(11.88)	70.90	59.02
Total liabilities from financing activities	**16,646.42**	**5,024.74**	**345.62**	**22,016.78**

*Others debt securities represent discount on commercial paper amortised during the year.

Note 37: Contingent liabilities, commitments and leasing arrangements

37.1

Particulars	As at March 31, 2021	As at March 31, 2020
Capital commitment		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid amounting to Rs. 2.75 (previous year Rs. 4.31)	1.31	5.24
(ii) Undrawn committed credit lines	332.96	257.42
Total	**334.27**	**262.66**

37.2 Contingent liability

(i) The Holding Company's pending tax litigations comprises claims against the Holding Company pertaining to proceedings pending with income tax authorities and Sales tax/ VAT authorities amounting to Rs. 212.66 (March 31, 2020: Rs. 214.11). The Holding Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Holding Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

(ii) The Hon'ble Supreme Court of India, vide their ruling dated 28 February 2019, set out the principles based on which certain allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution. Subsequently, a review petition against this decision has been filed by a third party and is pending before the SC for disposal. In view of the management, pending decision on the subject review petition and directions from the EPFO, the management has a view that the applicability of the decisions is prospective. Further, the impact for the past period, if any, is not practically ascertainable in view of various interpretation issues. However, in case of the Subsidiary Company, in view of the fact that the Company has recently commenced its operations, the impact of this, if any, is expected to be insignificant.

(iii) The Holding Company has provided bank guarantee amounting to Rs. 0.25 (March 31, 2020: Rs. Nil) to National Stock Exchange for the purpose of meeting margin requirements.

(iv) The Parliament has approved the Code on Social Security, 2020 ('Code') which may impact the contribution by the Company towards Provident Fund and Gratuity. The effective date from which the Code and its provisions would be applicable is yet to be notified and the rules which would provide the details based on which financial impact can be determined are yet to be framed after which the financial impact can be ascertained. The Company will complete its evaluation and will give appropriate impact, if any, in the financial result following the Code becoming effective and the related rules being framed and notified.

37.3 The Group has made provisions as required under the applicable laws or accounting standards for material foreseeable losses, if any, long term contracts.

Note 38: Related party transactions

List of Related parties where transactions have occurred during the year:

(a) Parties in respect of which the Holding Company is an associate

Hero MotoCorp Limited

Bahadur Chand Investment Pvt. Ltd.

(b)Key managerial personnel (KMP):

Mr. Pawan Munjal – Chairman

Ms. Renu Munjal – Managing Director

Mr. Abhimanyu Munjal – Joint Managing Director & Chief Executive Officer

Mr. D.N Davar - Non-Executive Director (Upto September 6, 2019)
Mr. Pradeep Dinodia - Non-Executive Director
Mr. Sanjay Kukreja - Non-Executive Director
Mr. Vivek Chaand Sehgal - Non-Executive Director (Effective December 6, 2019)
Mr. Shivendra Suman – Company Secretary
Mr. Jayesh Jain – Chief Financial Officer

(c) Enterprises over which key management personnel and their relatives are able to exercise significant influence:

Hero Future Energies Private Limited
Hero Investcorp Private Limited
Hero Solar Energy Private Limited
Brijmohan Lall Om Parkash (Partnership Firm)
Munjal Acme Packaging Systems Private Limited
Cosmic Kitchen Private Limited
A.G. Industries Private Limited
Raman Kant Munjal Foundation (RKMF)
Ather Energy Private Limited
Tessolve Semiconductor Private Limited
Hero Wind Energy Private Limited
Clean Solar Power (Jaipur) Private Limited
Clean Wind Power (Anantapur) Private Limited
Clean Wind Power (Jaisalmer) Private Limited
Clean Wind Power (Bhavnagar) Private Limited
SR Dinodia & Co. LLP
Hero Mind Mine Institute Private limited
BML Munjal University
Motherson Auto Limited (Effective December 6, 2019)
Spirited Auto Cars (I) Limited (Effective December 6, 2019)

Transactions with related parties during the year:

(a) Transaction with parties in respect of which the Holding Company is an Associate

Hero MotoCorp Limited	**For the year ended March 31, 2021**	**For the year ended March 31, 2020**
Dividend received	0.01	0.01
Dividend paid	12.76	19.99
Lease rental received	5.90	11.02
Recovery of Insurance expense	0.40	-
Proceeds against share issued (including share premium)	194.38	248.37
Rent paid	-	0.07
Subvention income	5.72	3.94
Reimbursement for sale of operating lease vehicles	3.85	7.84
Bahadur Chand Investment Pvt. Ltd.		
Dividend paid	6.30	9.87
Proceeds against share issued (including share premium)	96.59	123.41
Loan given	-	920.00
Loan repaid	-	920.00
Interest received/accrued	-	8.92
Processing fees received	-	6.87

(b) **Enterprises over which key management personnel and their relatives are able to exercise significant influence**

	For the year ended March 31, 2021	For the year ended March 31, 2020
Hero Future Energies Private Limited		
Loan given	55.00	50.00
Loan repaid	55.00	225.00
Interest received/accrued	3.38	4.94
Processing fees received	0.41	0.08
A.G. Industries Private Limited		
Interest income	-	0.04
Loan repaid	-	8.00
Cosmic Kitchen Private Limited		
Staff welfare expense and others	0.15	1.27
Hero Solar Energy Private Limited		
Loan repaid	-	50.00
Interest income	-	0.36
Brijmohan Lall Om Prakash (Partnership firm)		
Loan given	232.50	100.00
Loan repaid	232.50	100.00
Interest received/accrued	4.94	1.32
Processing fees received	6.75	-
Dividend paid	3.09	5.15
Hero Investcorp Private Limited		
Proceeds against share issued (including share premium)	5.27	6.73
Dividend paid	0.86	1.40
Raman Kant Munjal Foundation (RKMF)		
Contribution made for Corporate Social Responsibility	0.05	5.25
Business Promotion expense	0.12	0.13
Munjal Acme Packaging Systems Private Limited		
Dividend paid	0.49	0.82
Ather Energy Private Limited		
Loan given (including interest capitalisation)	5.27	75.00
Loan repaid	20.30	10.56
Processing fees received	0.75	0.56
Interest received/accrued	16.23	12.21
Tessolve Semiconductor Private Limited		
Loan given	-	22.50
Loan repaid	15.00	7.50
Processing fees received	0.15	0.30
Interest received/accrued	0.44	0.57
Hero Wind Energy Private Limited		
Loan given	350.00	125.00
Loan repaid	100.58	125.00

Processing fees received	1.47	0.19
Interest received/accrued	23.44	3.44
Clean Solar Power (Jaipur) Private Limited		
Loan given	-	200.00
Loan repaid	-	200.00
Processing fees received	-	1.00
Interest received/accrued	-	9.13
Clean Wind Power (Anantapur) Private Limited		
Loan given	-	300.00
Loan repaid	150.00	150.00
Processing fees received	-	1.43
Interest received/accrued	7.27	11.68
Clean Wind Power (Jaisalmer) Private Limited		
Loan given	-	75.00
Loan repaid	-	75.00
Processing fees received	-	0.75
Interest received/accrued	-	2.16
Clean Wind Power (Bhavnagar) Private Limited		
Loan given	-	150.00
Loan repaid	50.00	100.00
Processing fees received	-	0.75
Interest received/accrued	3.20	4.39
Motherson Auto Limited		
Loan repaid	7.92	-
Interest received/accrued	5.56	2.23
Hero Mind Mine Institute Private limited		
Employee's training expense	0.21	0.08
SR Dinodia & Co. LLP		
Professional fees	-	0.04
Spirited Auto Cars (I) Limited		
Purchase of vehicles	-	0.26
BML Munjal University		
Employee's training expense	-	0.15

(c) Transactions with key management personnel and their relatives:

	For the year ended March 31, 2021	For the year ended March 31, 2020
Short term employee benefits*#	32.93	30.60
Post–employment benefits#	-	-
Other long-term benefits#	-	-
Dividend paid	0.92	1.30
Director sitting fee/commission	0.62	0.50
Employee share based payment expense	0.54	0.85
Loan given	4.95	8.11
Processing fees received	-	0.00
Interest received/accrued	1.11	0.24

* Includes variable pay/ commission on payment basis since accruals are made at the Company level and are subject to requisite approvals.

Does not include gratuity and compensated absences as these are provided based on the Group as a whole.

Outstanding balances at the year end:

(a) Parties in respect of which the Holding Company is an Associate

	As at March 31, 2021	As at March 31, 2020
Hero MotoCorp Limited		
Amount receivable as at year end	5.86	7.43

(b) Enterprises over which key management personnel and their relatives are able to exercise significant influence

	As at March 31, 2021	As at March 31, 2020
Ather Energy Private Limited		
Loan outstanding at the year end (receivable)	111.53	126.70
Tessolve Semiconductor Private Limited		
Loan outstanding at the year end (receivable)	-	15.13
Clean Wind Power (Anantapur) Private Limited		
Loan outstanding at the year end (receivable)	-	150.76
Clean Wind Power (Bhavnagar) Private Limited		
Loan outstanding at the year end (receivable)	-	50.19
Motherson Auto Limited		
Loan outstanding at the year end (receivable)	71.65	79.70
Hero Wind Energy Private Limited		
Loan outstanding at the year end (receivable)	250.77	-
Cosmic Kitchen Private Limited		
Amount outstanding at the year end (payable)	-	0.09
Hero Mind Mine Institute Private limited		
Amount outstanding at the year end (payable)	-	0.04
SR Dinodia & Co. LLP		
Amount outstanding at the year end (payable)	-	0.04

(c) Outstanding balance due to key management personnel and their relatives as at year end:

	As at March 31, 2021	As at March 31, 2020
Salary and wages payable*	-	-
Post–employment benefits#	-	-
Other long-term benefits#	-	-
Loan outstanding at the year end (receivable)	13.14	8.16

* Does not include amount of variable pay/ commission since accruals are made at the Company level and are subject to requisite approvals.

Does not include gratuity and compensated absences as these are provided based on the Group as a whole.

38.1 The managerial remuneration paid to the Managing Director and Joint Managing Director & Chief Executive Officer of the Holding Company amounts to Rs. 16.12 crores. In view of inadequacy of profits for the year, the total remuneration for the financial year exceeds the prescribed limits under section 197 read with Schedule V to the Act by Rs. 11.81 crores. As per the provisions of the Act, managerial remuneration paid to the Managing Director and Joint Managing Director & Chief Executive Officer of the Holding Company has been ratified by Nomination and Remuneration Committee and approved by the Board of Directors subject to approval of the shareholders which the Holding Company proposes to obtain in the forthcoming Annual General Meeting.

Note 39: Capital

The Group maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the Reserve Bank of India (RBI). The adequacy of the Group's capital is monitored using, among other measures, the regulations issued by RBI. The Group has complied in full with all its externally imposed capital requirements over the reported period.

39.1 Capital management

The primary objectives of Group's capital management policy are to ensure that the Group complies with regulatory capital requirements as prescribed by RBI for Holding Company i.e. 15.00% (March 31, 2020: 15.00%) and NHB for subsidiary company i.e. 14.00% (March 31, 2020: 13.00%). The Group ensures adequate capital at all time and manages its business in a way in which capital is protected, satisfactory business growth is ensured, cash flow are monitored, borrowing covenants are honoured and ratings are maintained. Regulatory capital- related information is presented as part of the RBI mandated disclosures. The RBI norms require capital to be maintained at prescribed level. In accordance with such norms, Tier I capital of the Group comprises of share capital, share premium, retained earnings, general reserve, statutory reserve, employee stock options outstanding account less deferred revenue expenditure, deferred tax assets and other intangible assets (excluding right-of-use assets). The other component of regulatory capital is Tier II Capital Instruments, which include subordinate debt and impairment allowance on loans for stage 1 to the extent the same does not exceed 1.25 % of Risk Weight Assets. There were no changes in capital management process during the period presented.

Note 40: Events after balance sheet date

There have been no events after the reporting date that requires disclosure in these consolidated financial statements.

Note 41: Leases

The Group had total cash outflows for leases of Rs. 15.36 for the year ended March 31, 2021 (March 31, 2020: Rs. 17.21) including expense of Rs. 2.54 for the year ended March 31, 2021 (for year ended March 31, 2020: Rs. 5.32) relating to short tem leases. The Group does not have any lease restrictions and commitment towards variable rent as per the contract.

The maturity analysis of lease liabilities are disclosed in Note 35.

Note 42: Financial instruments

(a) Financial instruments by category and 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 values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

As at March 31, 2021	Carrying amount				Fair value		
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3
Financial assets							
Cash and cash equivalents*	-	-	1,106.87	**1,106.87**	-	-	-
Bank balance other than cash and cash equivalents*	-	-	116.13	**116.13**	-	-	-
Trade receivables*	-	-	7.98	**7.98**	-	-	-
Loans	-	-	26,194.69	**26,194.69**	-	-	26,192.47
Investments#	1,917.24	-	-	**1,917.24**	264.70	1,144.02	508.51
Other financial assets*	-	-	113.11	**113.11**	-	-	-
	1,917.24	**-**	**27,538.78**	**29,456.02**	**264.70**	**1,144.02**	**26,700.98**
Financial liabilities							
Trade payable							
(i) Total outstanding dues of micro enterprises and small enterprises; and	-	-	0.88	**0.88**	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	256.79	**256.79**	-	-	-
Debt securities	-	-	4,235.94	**4,235.94**	-	-	4,292.07
Borrowing (other than debt securities)	-	-	19,156.51	**19,156.51**	-	-	19,162.73
Subordinated liabilities	-	-	642.91	**642.91**	-	-	682.89
Lease Liabilities*	-	-	44.37	**44.37**	-	-	3.97
Other financial liabilities*	-	-	595.58	**595.58**	-	-	-
	-	**-**	**24,932.98**	**24,932.98**	**-**	**-**	**24,141.66**

As at March 31, 2020	Carrying amount				Fair value		
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3
Financial assets							
Cash and cash equivalents*	**-**	**-**	2,343.94	**2,343.94**	-	-	-
Bank balance other than cash and cash equivalents*	**-**	**-**	0.52	**0.52**	-	-	-
Trade receivables*	**-**	**-**	7.87	**7.87**	-	-	-
Loans	**-**	**-**	24,263.09	**24,263.09**	-	-	24,336.95
Investments#	78.84	**-**	-	**78.84**	36.23	-	42.61
Other financial assets*	**-**	**-**	32.74	**32.74**	-	-	-
	78.84	**-**	**26,648.16**	**26,727.00**	**36.23**	**-**	**24,379.56**

Financial liabilities							
Trade payable							
(i) Total outstanding dues of micro enterprises and small enterprises; and	-	-	1.29	**1.29**	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	167.36	**167.36**	-	-	-
Debt securities	-	-	5,253.94	**5,253.94**	-	-	5,257.00
Borrowing (other than debt securities)	-	-	16,130.77	**16,130.77**	-	-	16,135.24
Subordinated liabilities	-	-	573.06	**573.06**	-	-	579.26
Lease Liabilities*	-	-	59.02	**59.02**	-	-	7.03
Other financial liabilities*	-	-	405.63	**405.63**	-	-	-
	-	**-**	**22,591.07**	**22,591.07**	**-**	**-**	**21,978.53**

* The carrying amount of cash and cash equivalents, bank balance other than cash and cash equivalents, trade receivables, other financial assets, trade payable, lease liabilities and other financial liabilities approximates the fair value, due to their short-term nature except for security deposit, margin money received from customer for which fair value was calculated based on the discounted EIR.

(b) Valuation framework

The finance department of the Group includes personnel that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO).

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Group develops Level 3 inputs based on the best information available in the circumstances.

The Group uses suitable valuation models to determine the fair value of common and simple financial instruments, that use only observable market data and require little management judgement and estimation.

Loans

The fair value of loan and advances are estimated by discounted cash flow models. For fixed rate loans, the fair value represent the discounted value of the expected future cash flow. For floating rate interest loans, the carrying amount of loans represent fair market value of loans. Fair value is then reduced by the impairment loss allowance on loans which is already calculated incorporating probability of default and loss given defaults.

Debt securities, borrowings (other than debt securities) and subordinated liabilities

Fair value is estimated at portfolio level by a discounted cash flow model incorporating market interest rates and the company's own credit risk or based on market-observable data such as secondary market prices for its traded debt. Further, for floating rate interest bearing borrowings, the carrying amount of borrowings represent fair market value of borrowings.

Investments

Investment in alternate investment fund is recorded at fair value determined by third party using discounted cash flow method. However, in case of stressed, fair value is determined using expected recovery method. Investment in government securities, commercial paper, treasury bills, certificate of deposits, corporate bonds etc are fair valued using NAV at reporting date. For rest of the investments, based on the information available from external sources, management believes that the carrying value of the investments approximates the fair value.

There were no transfers between levels during the year.

Note 43: Risk management framework

43.1 *Risk profile and risk mitigation*

(a) Risk management structure and Group's risk profile

The respective Company's Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The respective Board of directors has established the Risk Management Advisory Committee, which is responsible for developing and monitoring the risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, 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 audit committee of respective Companies oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the respective Companies.

Measures taken for COVID-19:

The Coronavirus (COVID-19) is impacting businesses globally/domestically by disrupting supply chains, travel, production and consumption, threatening operations as well as financial markets. The Group has been cognizant of the need for enhanced risk management during these COVID times. The various risk management strategies put in place include:

1) Review and close monitoring of portfolio – assessing the impact by sector, segment, ticket size, geography, collateral availability and security cover, type of facility etc.
2) Stress testing existing portfolio to identify credit risk impact in various possible scenarios and defining risk management strategies around the same
3) Engaging with borrowers to understand short/long term impact on their businesses and action plan to remediate the same
4) Keeping a vigil on dynamically changing macro-economic factors, through data and insights from multiple research reports for gaining views on the changes that will need to be in place for lending in future - in terms of lending policies and processes, insurance covers, sectoral exposure etc.
5) Redefining risk management norms in view of continuity of business and with greater focus towards digital means of lending and recovery.

43.2 *Credit risk*

Credit risk arises from loans, cash and cash equivalents, bank balance other than cash and cash equivalents, investments and other financial assets. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's asset on finance and trade receivables from customers; loans and investments. The carrying amounts of financial assets represent the maximum credit risk exposure.

a) Credit risk management

Financial assets measured on a collective basis

The Group splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristics, as described below in the following order:

- Secured/unsecured i.e. based on whether the loans are secured
- Nature of security i.e. the nature of the security if the loans are determined to be secured
- Nature of loan i.e. based on the nature of loan

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. 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. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan by the Group on terms that the Group would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial re-organization;

The risk management committee has established a credit policy under which each new customer is analyzed individually for credit worthiness before the Group standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, background verification, financial statements, income tax returns, credit agency information, industry information, etc. Portfolio review is performed every quarter and is reviewed by the management on quarterly basis.

(b) Definition of default

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

The Group considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. Following indicators are incorporated:

- DPD analysis as on each reporting date
- significant changes in expected performance and behavior of the borrower including changes in payment status of borrowers.

(c) Probability of default (PD)

Day past dues (DPD) analysis is the preliminary inputs in the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by type of product and borrowers as well as by DPD. The Group analyses the data collected and generates estimates of the PD of exposures and how these are expected to change as result of passage of time.

The month-on-month outstanding balances in each DPD bucket are assessed to estimate the historic probability of default for each bucket; this probability is then combined with a macro-economic variable to compute the final PD estimate.

(d) Exposure at default

The exposure at default (EAD) represents the gross carrying amount (in addition to the interest to be earned during the next year) of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12 months ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

(e) Loss given default

Loss given default (LGD) represent estimated financial loss the Holding Company is likely to suffer in the event of default and it is used to calculate provision requirement on EAD along with probability of default. LGD values are assessed, reviewed and approved by the Holding Company. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held.

LGD for the entire portfolio of subsidiary company has been computed using collateral realization approach. The market value of collateral is computed by applying a haircut (assumed) to the latest valuation available. The LGD is computed and compared against the floor given by RBI for mortgage loans. As the LGD across all portfolios falls well below the floor, we have considered a floor LGD in line with the RBI guidelines on LGD for retail mortgage loans.

(f) Significant increase in credit risk

The Group continuously monitor all the assets subject to ECL in order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assesses whether there has been significant increase in credit risk since initial recognition. The Group also applies a secondary qualitative methods for triggering a significant increase in credit risk for an asset, such as moving customer/ facilities to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than one month overdue, the credit risk is deemed to have increase significantly since initial recognition. The Group 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 Group assesses whether there has been a significant increase in credit risk since initial recognition. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

g) Expected credit loss on loans

The Group assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, date of initial recognition, remaining term to maturity, collateral type, and other relevant factors.

For the assessment, each financial asset (after segmentation based on the nature), is then clubbed into the following DPD cohorts:

- Current (0 DPD)
- 1-30 DPD
- 31-60 DPD
- 61-90 DPD

> 90 DPD

The Group considers defaulted assets as those which are contractually past due 90 days, other than those assets where there is empirical evidence to the contrary. Financial assets which are contractually past due 30 days but less than 90 days are classified under Stage 2. An asset migrates down the ECL stage based on the change in the risk of a default occurring since initial recognition. If in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision stage reverses to 12-months ECL from lifetime ECL.

The Group considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the statistical models and other historical data.

43.2.1 *Inputs, assumptions and estimation techniques used to determine expected credit loss*

The Holding Company's loan loss provision are made on the basis of the Holding Company's historical loss experience and future expected credit loss, after factoring in various macro-economic parameters such as Interest Rate (%), Real Manufacturing, Unemployment Rate (%), Real GDP, Agriculture (% real change pa) and Consumer prices (% change pa; av). The selection of these variables was made purely based on business sense.

The macro- economic variables were regressed using a regression model against the log-odds of the weighted average PD's to forecast the forward-looking PD's with macro-economic overlay incorporated.

Best, base and worst scenarios were created for all the variables and default rates were estimated for all the scenarios. These default rates were then used with the same LGD and EAD to arrive at the expected credit loss for all three cases. The three cases were then assigned weights and a final probability-weighted expected credit loss estimate was computed.

Macro economic indicator	Scenario	2022	2023	2024	2025	2026
Interest Rate (%)	Base	8.80	8.70	8.90	9.30	9.40
	Best	7.92	7.83	8.01	8.37	8.46
	Worst	11.44	11.31	11.57	12.09	12.22
Real Manufacturing (Amt. in billions)	Base	24,018.90	25,676.20	27,345.20	29,122.60	31,015.60
	Best	26,420.79	28,243.82	30,079.72	32,034.86	34,117.16
	Worst	16,813.23	17,973.34	19,141.64	20,385.82	21,710.92
Unemployment Rate (%)	Base	8.00	7.80	7.30	7.00	6.50
	Best	7.20	7.02	6.57	6.30	5.85
	Worst	10.40	10.14	9.49	9.10	8.45
Real GDP (Amt. in billions)	Base	1,53,093	1,59,960	1,68,758	1,77,624	1,88,000
	Best	1,68,402	1,75,956	1,85,634	1,95,387	2,06,800
	Worst	1,07,165	1,11,972	1,18,131	1,24,337	1,31,600
Agriculture (% real change pa)	Base	4.2	3.1	3.3	3.0	3.5
	Best	4.6	3.4	3.6	3.3	3.9
	Worst	2.9	2.2	2.3	2.1	2.5
Consumer prices (% change pa; av)	Base	5.0	4.7	4.3	3.9	4.1
	Best	4.5	4.2	3.9	3.5	3.7
	Worst	6.5	6.1	5.6	5.1	5.3

43.2.2 *Analysis of risk concentration*

The Group `s concentrations of risk are managed by client/counterparty and industry sector. The maximum credit exposure to any individual client or counterparty was Rs. 288.56 and Rs. 364.23 as at March 31, 2021 and March 31, 2020 respectively.

43.2.3 *Analysis of portfolio*

An analysis of changes in gross carrying amount in relation to loan portfolio is as follows:

Particulars	For the year ended March 31, 2021				For the year ended March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	22,531.76	1,099.76	1,524.98	25,156.50	18,554.46	819.46	879.88	20,253.80
New assets originated (refer note 1and 2 below)	13,425.05	320.18	72.87	13,818.10	14,591.45	302.96	140.34	15,034.75
Assets repaid (excluding write offs) (refer note 2 below)	(9,725.21)	(518.93)	(309.58)	(10,553.72)	(9,256.45)	(420.78)	(380.61)	(10,057.84)
Transfers from Stage 1	(3,284.64)	2,270.10	1,014.54	-	(1,467.67)	897.25	570.42	-
Transfers from Stage 2	136.26	(691.84)	555.58	-	94.34	(500.52)	406.18	-
Transfers from Stage 3	11.93	2.76	(14.69)	-	15.63	1.39	(17.02)	-
Amounts written off	(0.20)	(16.26)	(929.49)	(945.95)	-	-	(74.21)	(74.21)
Gross carrying amount closing balance	**23,094.95**	**2,465.77**	**1,914.21**	**27,474.93**	**22,531.76**	**1,099.76**	**1,524.98**	**25,156.50**

Reconciliation of Impairment loss allowance in relation to loan portfolio is as follows:

Particulars	For the year ended March 31, 2021				For the year ended March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment allowance- opening balance	132.79	172.94	587.68	893.41	93.45	90.83	298.32	482.60
New assets originated (refer note 1 and 2 below)	70.87	42.56	28.75	142.18	81.85	54.75	57.78	194.38
Effect of change in estimate/ repayment	496.23	31.09	(282.67)	244.65	(50.96)	79.07	188.32	216.43
Transfers from Stage 1	(594.64)	307.31	287.33	-	(8.84)	5.05	3.79	-
Transfers from Stage 2	10.53	(154.74)	144.21	-	12.02	(57.37)	45.35	-
Transfers from Stage 3	0.66	0.45	(1.11)	-	5.27	0.61	(5.88)	-
Impairment allowance- Closing balance	**116.44**	**399.61**	**764.19**	**1,280.24**	**132.79**	**172.94**	**587.68**	**893.41**

Assets amounting to Rs. 459.07 (March 31, 2020 : Nil) , wherein Holding Company has offered one time resolution plan to borrowers as per RBI Circular dated 6 August 2020 has a days past due (DPD) bucket of upto 30. Considering the significant increase in credit risk, these have been included and disclosed under Stage 2 assets. The corresponding provision on these assets, including additional provisions amounting to Rs. 76.83 (March 31, 2020 : Nil) have been disclosed under Stage 2 provision.

An analysis of Expected credit loss rate:

Particulars	For the year ended March 31, 2021				For the year ended March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Expected credit loss rate*	0.50%	16.21%	39.92%	4.66%	0.59%	15.73%	38.54%	3.55%

* Expected credit loss rate is computed ECL divided by EAD

Note 1: New assets originated represents fresh disbursals made during the year. Classification of new assets originated in stage1, 2,3 is based on year end staging.

Note 2: Assets originated and repaid during the year have not been disclosed in the movement of gross carrying amount. However the loss incurred on settled cases is included in assets repaid during the year.

Note 3: The contractual amount of financial assets that has been written off by the Group during the year ended 31 March 2020 and that were still subject to enforcement activity was Rs. 945.95 (March 31, 2020 Rs. 74.21)

Note 4: The Company recognize expected credit loss (ECL) on collective basis that takes into account comprehensive credit risk information.

Expected credit loss (ECL) has increased from Rs. 482.60 to Rs. 893.41 as at March 31, 2020. Further, the same has been increased to Rs. 1,280.24 by March 31, 2021. Primarily reason for increase is increase in Exposure at Default. EAD has been increased by 24.21% by the year ended March 31, 2020 as compared to year ended March 31, 2019 and the same has been increased by 9.22% by the year ended March 31, 2021 as compared to year ended March 31, 2020.

In addition to EAD, ECL has also increased due to increase in stage III assets as compared to previous year and change in mix of stage I and II assets. Other changes which have contributed increase in ECL is increase in the % of probability of default in current as compared to previous year because of significant change in macro-economic overlays due to COVID-19, increase in Loss given default on account of increase in losses determined based on historical trend, collateral valuation etc.

During the year ended March 31, 2021, expected credit loss rate in stage III is increased from 38.54% to 39.92% and overall expected credit loss rate is increased from 3.55% to 4.66% as compared to year ended March 31, 2020.

RBI COVID-19 Regulatory Package

RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020 and Press Release: 2019-2020/2392 dated May 22, 2020 relating to 'COVID-19 - Regulatory Package', the respective Company, as per its Board approved policy and ICAI advisories, has granted moratorium upto six months on the payment of installments which became due between March 01, 2020 and August 31, 2020 to all eligible borrowers. This relaxation did not automatically trigger a significant increase in credit risk. The Group continued to recognize interest income during the moratorium period and in the absence of other credit risk indicators, the granting of a moratorium period did not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria and accordingly, the staging of such accounts of borrowers as at March 31, 2021 is based on day past due status considering the benefit of moratorium period.

Impact of COVID-19

The COVID-19 outbreak and its effect on the economy has impacted our customers and our performance, and the future effects of the outbreak remain uncertain. The outbreak necessitated government to respond at unprecedented levels to protect public health, local economies and livelihoods. There remains a risk of subsequent waves of infection, as evidenced by the recently emerged variants of the virus.

Economic forecasts are subject to uncertainty in the current environment, hence, requiring greater reliance on management judgement in determining the appropriate level of ECL estimates. The reliability of ECL models under these circumstances has also been impacted by the unprecedented response from governments to provide a variety of economic stimulus packages to support livelihoods and businesses. Historical observations on which the models were built do not reflect these unprecedented support measures. We continue to monitor credit performance against the level of government support and customer relief program.

The calculation of ECL under Ind AS 109 involves significant judgements, assumptions and estimates, including:

- the selection and weighting of economic scenarios,
- estimating the economic effects of those scenarios on ECL, where there is no observable historical trend that can be reflected in the models that will accurately represent the effects of the economic changes of the severity and speed brought about by the COVID-19 outbreak.; and
- the identification of customers experiencing significant increases in credit risk and credit impairment.

While preparing the financial results for the year ended March 31, 2021, the Group has separately incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated support packages in the measurement of impairment loss allowance. The final impact of this pandemic and the Group's impairment loss allowance estimates are inherently uncertain, and hence, the actual impact may be different than that estimated based on the conditions prevailing as at the date of approval of these financial results. The management will continue to closely monitor the material changes in the macro-economic factors impacting the operations of the Group.

43.2.4 *Collateral and other credit enhancements*

The loan portfolio of the Holding Company has both secured and unsecured loans and they vary with the type of funding. Products like loan against property, machinery term loan, medical equipment financing, corporate loan, two wheeler loan and pre owned car loan are all secured loans whereas products like business loan and loyalty program generally do not carry any collateral security.

For loan against property, properties (residential, commercial, industrial, mixed use, etc.) are generally acceptable collateral. Machinery term loan and medical equipment financing are given against the collateral of the equipment being funded. For corporate loan there is usually a collateral basket comprising of properties, rated securities, current assets (including stock and book debts), plant and machinery, and deposits. For two wheeler loan and pre owned car loan, the respective vehicle against which the loan been offered is taken as a collateral security.

The Company has a pre-defined loan to value norms in the policy and the same is disbursed to control the risk of the Holding Company. For loan against property, the loan to value ('LTV') is in the range of 50% to 75%. For machinery term loan the loan to value range is between 65% to 80%. For corporate loan, the funding is secured by way of a collateral basket – the overall security cover is generally maintained in the range of 1.1 times to 3 times and above. For loan against shares, a minimum cover of 2 times is maintained.

For pre-owned car and two wheeler loan, the Holding Company maintains a loan to value range of 75% to 90% depending upon tenure and model.

Valuation of the collateral, wherever applicable, is done by empaneled valuers who carry the necessary experience and expertise in the area. The guidelines governing these valuation have been clearly laid out for each collateral class. For two wheeler loan since the asset is new no valuation is has been carried out by the Holding Company. Valuation of the collateral for pre-owned car is done by empanelled valuers who carry the necessary experience and expertise in the area. Valuation of the credit impaired assets (stage 3 assets) are carried out by our empanelled valuers and for all assessment /provisioning purposes, distress value is considered. The Holding Company has an in-house team of technical managers who manage property valuation activity.

The loan portfolio of the subsidiary company generally comprises housing loan and non-housing loan which are generally secured by land and building such as residential building, commercial building, industrial building, etc. The Subsidiary Company is regulated by National Housing Bank Directions (NHB Directions) and Reserve Bank of India Master Directions (RBI Master Directions) , the LTV ratios are in line with the NHB Directions and RBI Master Directions and the internal credit policy framework of the Subsidiary company.

43.3 *Liquidity risk*

Liquidity risk arises as Group has contractual financial liabilities that is required to be serviced and redeemed as per committed timelines and in the business of lending where money is required for the disbursement and creation of financial assets to address the going concern of Group. Liquidity risk management is imperative to Group as this allows covering the core expenses, market investment / creation of financial assets, timely repayment of debt commitments and continuing with their operations. The Group with the help of ALCO committee, ALM policy and Liquidity Desk, monitors the Liquidity risk and uses structural, dynamic liquidity statements and cash flow statements as a mechanism to address this.

The Companies in the group aim to maintain the level of its cash equivalents, un-utilized borrowing lines and cash inflow at an amount in excess of expected cash outflows on financial liabilities over the next one year. At March 31, 2021, the net of expected cash inflows and outflows within 12 months are Rs. 4,287.87 (March 31, 2020: Rs. 3,395.21).

43.3.1 *Maturities of financial instruments*

The table below summarizes the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at reporting date.

As at March 31, 2021	On demand	Less than 1 year	1-5 years	More than 5 years	Total
Financial assets					
Cash and cash equivalents	55.14	1,051.72	-	-	1,106.87
Bank balance other than cash and cash equivalents	-	116.13	-	-	116.13
Trade receivables	-	7.98	-	-	7.98
Loans*	-	12,083.99	12,418.43	3,047.89	27,550.30
Investments	-	1,881.65	-	35.59	1,917.24
Other financial assets	-	111.29	1.66	1.89	114.84
Total undiscounted financial assets	**55.14**	**15,252.76**	**12,420.09**	**3,085.37**	**30,813.36**
Financial liabilities					
Trade payables					
- Total outstanding dues of micro enterprises and small enterprises; and	-	0.88	-	-	0.88

- Total outstanding dues of creditors other than micro enterprises and small enterprises	-	256.79	-	-	256.79
Debt securities	-	2,896.64	1,192.00	150.00	4,238.64
Borrowings (other than debt securities)	-	6,945.66	12,041.94	177.61	19,165.21
Subordinate liabilities	-	-	100.00	545.00	645.00
Lease liabilities	-	9.29	26.94	9.09	45.32
Other financial liabilities	-	576.49	20.53	6.52	603.53
Total undiscounted financial liabilities	**-**	**10,685.75**	**13,381.41**	**888.22**	**24,955.38**
Net undiscounted financial assets/ (liabilities)	**55.14**	**4,567.00**	**(961.32)**	**2,197.15**	**5,857.98**
Total Commitments	334.27	-	-	-	334.27
As at March 31, 2020	**On demand**	**Less than 1 year**	**1-5 years**	**More than 5 years**	**Total**
Financial assets					
Cash and cash equivalents	212.20	2,131.74	-	-	2,343.94
Bank balance other than cash and cash equivalents	-	0.52	-	-	0.52
Trade receivables	-	7.87	-	-	7.87
Loans	-	11,580.03	9,681.19	4,018.56	25,279.78
Investments	-	27.01	-	51.83	78.84
Other financial assets	-	29.66	2.61	2.21	34.48
Total undiscounted financial assets	**212.20**	**13,776.83**	**9,683.80**	**4,072.60**	**27,745.43**
Financial liabilities					
Payables					
- Total outstanding dues of micro enterprises and small enterprises; and	-	1.30	-	-	1.30
- Total outstanding dues of creditors other than micro enterprises and small enterprises	-	167.36	-	-	167.36
Debt securities	-	4,575.63	579.00	100.00	5,254.63
Borrowings (other than debt securities)	-	5,219.83	10,831.02	87.50	16,138.35
Subordinate liabilities	-	-	-	575.00	575.00
Lease liabilities	-	14.51	44.02	58.04	116.57
Other financial liabilities	-	352.53	58.12	6.60	417.25
Total undiscounted financial liabilities	**-**	**10,331.16**	**11,512.16**	**827.14**	**22,670.46**
Net undiscounted financial assets/(liabilities)	**212.20**	**3,445.67**	**(1,828.36)**	**3,245.46**	**5,074.97**
Total Commitments	262.66	**-**	**-**	**-**	262.66

43.4 *Market risk*

Market risk is the risk that the fair value or future cash flow of financial instrument will fluctuate due to changes in market variables such as interest rates, foreign exchange rates etc The objective of market risk management is to manage and control market risk exposure within acceptable parameters. while maximising the return.

Interest rate risk

A major portion of the Group's assets and liabilities are interest bearing - which could be either at a fixed or a floating rate. Interest rate risk is managed by way of regular monitoring of all interest rate bearing assets and liabilities. The same also forms part of the ALCO and ALM policy.

The exposure of Group's financial assets and liabilities to interest rate risk is as follows:

Financial assets	Floating rate instruments	Fixed rate instruments
March 31, 2021	8,514.46	18,960.48
March 31, 2020	9,733.01	15,423.49
Financial liabilities		
March 31, 2021	18,530.52	5,504.84
March 31, 2020	15,610.78	6,346.99

The table below illustrates the impact of a 1.00% movement in interest rates on interest income and interest expense on floating loans and floating borrowings respectively for next one year, assuming that the changes occur at the reporting date and has been calculated based on risk exposure outstanding as of date. The year end balances are not necessarily representative of the average loans and borrowings outstanding during the year.

Movement in interest rates	Impact on profit before tax	
	For the year ended March 31, 2021	For the year ended March 31, 2020
1.00%	(75.61)	(43.41)
(1.00%)	75.61	43.41

43.5 *Foreign currency risk management*

The Subsidiary Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Subsidiary Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

(Amount in USD)

Foreign currency exposure	As at 31 March 2021	As at 31 March 2020
Trade Payables	-	11,811.00

Foreign currency sensitivity

The following table details the Subsidiary Company's sensitivity to a 5% increase and decrease in the INR against the relevant foreign currencies. (+)(-)5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the INR strengthens (+)(-)5% against the relevant currency. For a 5% weakening of the INR against the relevant currency, there would be a comparable impact on the profit and the balances below would be positive or negative.

Foreign currency exposure	For the year ended 31 March 2021		For the year ended 31 March 2020	
	5% increase	5% decrease	5% increase	5% decrease
Trade Receivable	-	-	-	-
Trade Payables	-	-	0.00	(0.00)
Forward cover-Bought	-	-	-	-
Impact on profit or loss as at the end of the reporting period	-	-	(0.00)	0.00

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year/ in future years.

Note 44: Employee Stock Option Scheme

The Employee Stock Options Scheme titled "ESOP Scheme 2017" in respect of holding company and "ESOP Scheme 2018" in respect of subsidiary company or "the Scheme" was approved by the shareholders of the holding Company and subsidiary company through postal ballot on June 09, 2017 and September 21, 2018 respectively. The Scheme covered 2,639,703 options of holding Company and 13,150,000 options of subsidiary company. The Scheme allows the issue of options to employees of the respective companies which are convertible to one equity share of the respective companies. As per the Scheme, the Nomination and Remuneration Committee grants the options to the employees deemed eligible. The options granted vest over a period of 4 years from the date of the grant in proportions specified in the ESOP Plan. Options may be exercised by the employees after vesting period within 4.5 years from the date of grant in respect of holding company and in respect of subsidiary company on each anniversary as and when the options get vested or thereafter or occurrence of any liquidity event, whichever is earlier, subject to maximum exercise period of 5 years from the date of vesting of such option. The fair value as on the date of the grant of the options, representing Stock compensation charge, is expensed over the vesting period.

<table>
<tr><th>Plan</th><th>Number of Options Granted</th><th>Grant date</th><th>Vesting condition and vesting period</th><th>Exercise price (Rs.)</th><th>Weighted average fair value of the options at grant date (Rs.)</th></tr>
<tr><td rowspan="6">ESOP 2017</td><td>962,590</td><td>July 1, 2017</td><td rowspan="6">10% on completion of first year, 20% on completion of second year, 30% on completion of third year and 40% on completion of fourth year</td><td>495</td><td>240.60</td></tr>
<tr><td>25,000</td><td>December 1, 2017</td><td>495</td><td>329.09</td></tr>
<tr><td>49,000</td><td>December 5, 2017</td><td>495</td><td>329.21</td></tr>
<tr><td>93,215</td><td>January 8, 2018</td><td>495</td><td>327.95</td></tr>
<tr><td>30,000</td><td>December 6, 2019</td><td>780</td><td>345.68</td></tr>
<tr><td>115,000</td><td>April 1, 2020</td><td>780</td><td>345.68</td></tr>
<tr><td rowspan="3">ESOP 2017^</td><td>678,600</td><td>July 1, 2020</td><td rowspan="3">10% on completion of first year, 25% on completion of second year, 30% on completion of third year and 35% on completion of fourth year</td><td>780</td><td>306.80</td></tr>
<tr><td>17,400</td><td>October 1, 2020</td><td>780</td><td>306.80</td></tr>
<tr><td>6,400</td><td>January 1, 2021</td><td>780</td><td>306.80</td></tr>
<tr><td>ESOP 2018-Tranche 1#</td><td>1,200,000</td><td>September 24, 2018</td><td rowspan="4">10% on completion of first year, 25% on completion of second year, 30% on completion of third year and 35% on completion of fourth year</td><td>10</td><td>4.69</td></tr>
<tr><td>ESOP 2018-Tranche 2#</td><td>3,000,000</td><td>September 24, 2018</td><td>10</td><td>5.34</td></tr>
<tr><td>ESOP 2018-Tranche 3#</td><td>3,600,000</td><td>September 24, 2018</td><td>10</td><td>5.87</td></tr>
<tr><td>ESOP 2018-Tranche 4#</td><td>4,200,000</td><td>September 24, 2018</td><td>10</td><td>6.33</td></tr>
</table>

ESOP 2018-Tranche 1##	850,000	July 01, 2020	10% on completion of first year, 25% on completion of second year, 30% on completion of third year and 35% on completion of fourth year	10	4.84
ESOP 2018-Tranche 2##	2,125,000	July 01, 2020		10	5.33
ESOP 2018-Tranche 3##	2,550,000	July 01, 2020		10	5.81
ESOP 2018-Tranche 4##	2,975,000	July 01, 2020		10	6.22

^ As amended by shareholders of Holding Company vide shareholders' special resolution dated June 28, 2020

Approved by shareholders of Subsidiary Company dated September 21, 2018

Amended and approved by shareholders of Subsidiary Company dated June 30, 2020

Fair value of share options granted

The fair value of options granted is estimated using the Black Scholes Option Pricing Model after applying the key assumption which are tabulated below:

Inputs in to the pricing model of holding Company

ESOP 2017	Particulars						
	Weighted average fair value of option (Rs.)	**Weighted average share price (Rs.)**	**Exercise price (Rs.)**	**Expected volatility****	**Option life (Years)**	**Dividend yield (%)**	**Risk-free interest rate (%)***
July 1, 2017	240.60	616.30	495.00	Nil	4.5	0.26	6.58
December 1, 2017	329.09	647.40	495.00	38.18	4.5	0.82	6.60
December 5, 2017	329.21	647.40	495.00	38.22	4.5	0.82	6.60
January 8, 2018	327.95	647.40	495.00	37.80	4.5	0.82	6.60
December 6, 2019	345.68	820.70	780.00	38.55	4.5	1.75	6.28
April 1, 2021	345.68	820.70	780.00	38.55	4.5	1.75	6.28
July 1, 2021	306.80	740.90	780.00	43.40	4.5	0.32	5.20
October 1, 2021	306.80	740.90	780.00	43.40	4.5	0.32	5.20
January 1, 2021	306.80	740.90	780.00	43.40	4.5	0.32	5.20

Inputs in to the pricing model of subsidiary Company

ESOP 2017	Particulars						
(For grant date September 24, 2018)	**Weighted average fair value of option (Rs.)**	**Weighted average share price (Rs.)**	**Exercise price (Rs.)**	**Expected volatility****	**Option life (Years)**	**Dividend yield (%)**	**Risk-free interest rate (%)***
Tranche 1	4.69	11.24	10.00	35.61	3.5	Nil	7.94
Tranche 2	5.34	11.24	10.00	36.29	4.5	Nil	8.03
Tranche 3	5.87	11.24	10.00	36.09	5.5	Nil	8.09
Tranche 4	6.33	11.24	10.00	35.69	6.5	Nil	8.13

ESOP 2017	Particulars						
(For grant date July 1, 2020)	**Weighted average fair value of option (Rs.)**	**Weighted average share price (Rs.)**	**Exercise price (Rs.)**	**Expected volatility****	**Option life (Years)**	**Dividend yield (%)**	**Risk-free interest rate (%)***
Tranche 1	4.84	11.46	10.00	43.4	3.5	Nil	4.81
Tranche 2	5.33	11.46	10.00	41.5	4.5	Nil	5.20
Tranche 3	5.81	11.46	10.00	40.5	5.5	Nil	5.51
Tranche 4	6.22	11.46	10.00	39.4	6.5	Nil	5.76

*The risk free interest rate being considered for the calculation is interest rate applicable to the implied yield of zero coupon government securities.

**Expected volatility calculation is based on volatility of similar listed enterprises.

Movement in share options during the year of Holding Company

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Number of options	**Weighted average fair value of the options at grant date (Rs. per share)**	**Number of options**	**Weighted average fair value of the options at grant date (Rs. per share)**
(i) Outstanding at the beginning of the year	1,011,198	256.06	1,025,890	254.93
(ii) Granted during the year	817,400	312.27	30,000	345.68
(iii) Forfeited/ cancelled during the year	355,779	274.57	44,692	290.10
(iv) Exercised during the year	-	-	-	-
(v) Outstanding at the end of the year	1,472,819	282.79	1,011,198	256.06
(vi) Exercisable at the end of the year	447,251	258.05	294,359	253.32

Weighted average remaining contractual life of options outstanding as at year end is 14 months (March 31, 2020: 8 months) of holding Company.

Movement in share options during the year of Subsidiary Company

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Number of options	Weighted average fair value of the options at grant date (Rs. per share)	Number of options	Weighted average fair value of the options at grant date (Rs. per share)
(i) Outstanding at the beginning of the year	5,750,000	5.78	12,000,000	5.78
(ii) Granted during the year	8,500,000	5.74	-	-
(iii) Forfeited/ cancelled during the year	1,435,000	-	6,250,000	-
(iv) Exercised during the year	-	-	-	-
(v) Outstanding at the end of the year	12,815,000	5.75	5,750,000	5.78
(vi) Exercisable at the end of the year	1,520,000	5.15	575,000	5.78

Weighted average remaining contractual life of options outstanding as at year end is 6.6 years (March 31, 2019: 6.4 years) of subsidiary Company.

During the year ended March 31, 2021, the Group has recorded an employee stock compensation expense of Rs. 6.24 (March 31, 2020: Rs. 5.50) in the consolidated statement of profit and loss (refer note 29).

Note 45: Expenditure in foreign currency (on accrual basis)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Travelling and conveyance	1.32	0.98
Legal and professional	1.30	1.35
Information technology	13.34	10.24
Recruitment and training	0.30	3.02
Other expenses	0.02	1.67
Total	**16.28**	**17.26**

Note 46: Dividend paid and proposed

	As at March 31, 2021	As at March 31, 2020
Declared and paid during the year		
Dividends on ordinary shares:		
Final dividend for the year ended March 31, 2020: Rs. 2.55* per share (March 31, 2019: Rs. 4.25 per share)	30.99	48.53
Dividend distribution tax on final dividend declared and paid	-	9.98
Total dividends paid (including dividend distribution tax)	**30.99**	**58.51**

After the reporting dates the following dividends were proposed by the Board of Directors subject to the approval of the shareholders at Annual General Meeting. Accordingly, the dividends have not been recognised as liabilities.

Dividend on ordinary shares:		
Proposed for approval at Annual General Meeting March 31, 2021: Rs.1.00 # per share (March 31, 2020: Rs. 2.55 per share)	12.73	30.99
Dividend distribution tax on above	-	-
	12.73	**30.99**

* On May 25, 2020, the Board of Directors has proposed a final dividend on equity shares of Rs. 2.55 per share for the financial year ended March 31, 2020 and the same was approved by the shareholders at the Annual General Meeting held on September 15, 2020.

On April 29, 2021, the Board of Directors has proposed a final dividend on equity shares of Rs. 1.00 per share for the financial year ended March 31, 2021 subject to the approval of the shareholders at Annual General Meeting.

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number:
101248W/ W-100022

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Manish Gupta	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**Pradeep Dinodia**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 095037	(DIN: 00004223)	(DIN: 00012870)	(DIN: 02822641)	(DIN: 00027995)

Jayesh Jain	**Shivendra Suman**
Chief Financial Officer	Company Secretary
(FCA: 110412)	(ACS: 018339)

Place: New Delhi
Date: April 29, 2021

Place: New Delhi
Date: April 29, 2021

Form AOC -1

Salient features of Financial Statements of Subsidiaries / Joint Ventures pusuant to provisions of Section 129(3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014

Part "A": Subsidiaries

Amount (INR In Crore)

Sl No.	Particulars	
1	Name of Subsidiary Company	Hero Housing Finance Limited
2	Reporting period	Year ended March 31, 2021
3	Reporting Currency and Exchange rate as on last date of financial year in case of foreign subsidiaries	-
4	Share Capital	458.33
5	Reserves & Surplus	(32.11)
6	Total Assets	2,796.86
7	Total Liabilities(i)	2,796.86
8	Investment other than Subsidiaries	205.88
9	Turnover(ii)	242.66
10	Profit/ (Loss) before Taxation	(19.00)
11	Provision for Taxation	-
12	Profit/ (Loss) after Taxation	(19.00)
13	Proposed Dividend	-
14	% of Shareholding	100.00%

Notes:

(i) Total liabilities are inclusive of share capital and reserves.

(ii) Turnover includes other income and other operating revenue.

Part "B": Associates

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies

Sl No.	Particulars	2020-21
1	Name of Associate	N.A.
2	Latest audited Balance Sheet Date	N.A.
3	Shares of Associates held by the company on the year end	
	Amount of Investment in Associate	N.A.
	Extend of Holding %	
4	Description of how there is significant influence	N.A.
5	Reason why the associate/joint venture is not consolidated	N.A.
6	Net worth attributable to shareholding as per latest audited Balance Sheet	N.A.
7	Profit / Loss for the year	
	i. Considered in Consolidation	N.A.
	ii. Not Considered in Consolidation	

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Pawan Munjal
Chairman
(DIN: 00004223)

Renu Munjal
Managing Director
(DIN: 00012870)

Abhimanyu Munjal
Jt.Managing Director & CEO
(DIN: 02822641)

Pradeep Dinodia
Director
(DIN: 00027995)

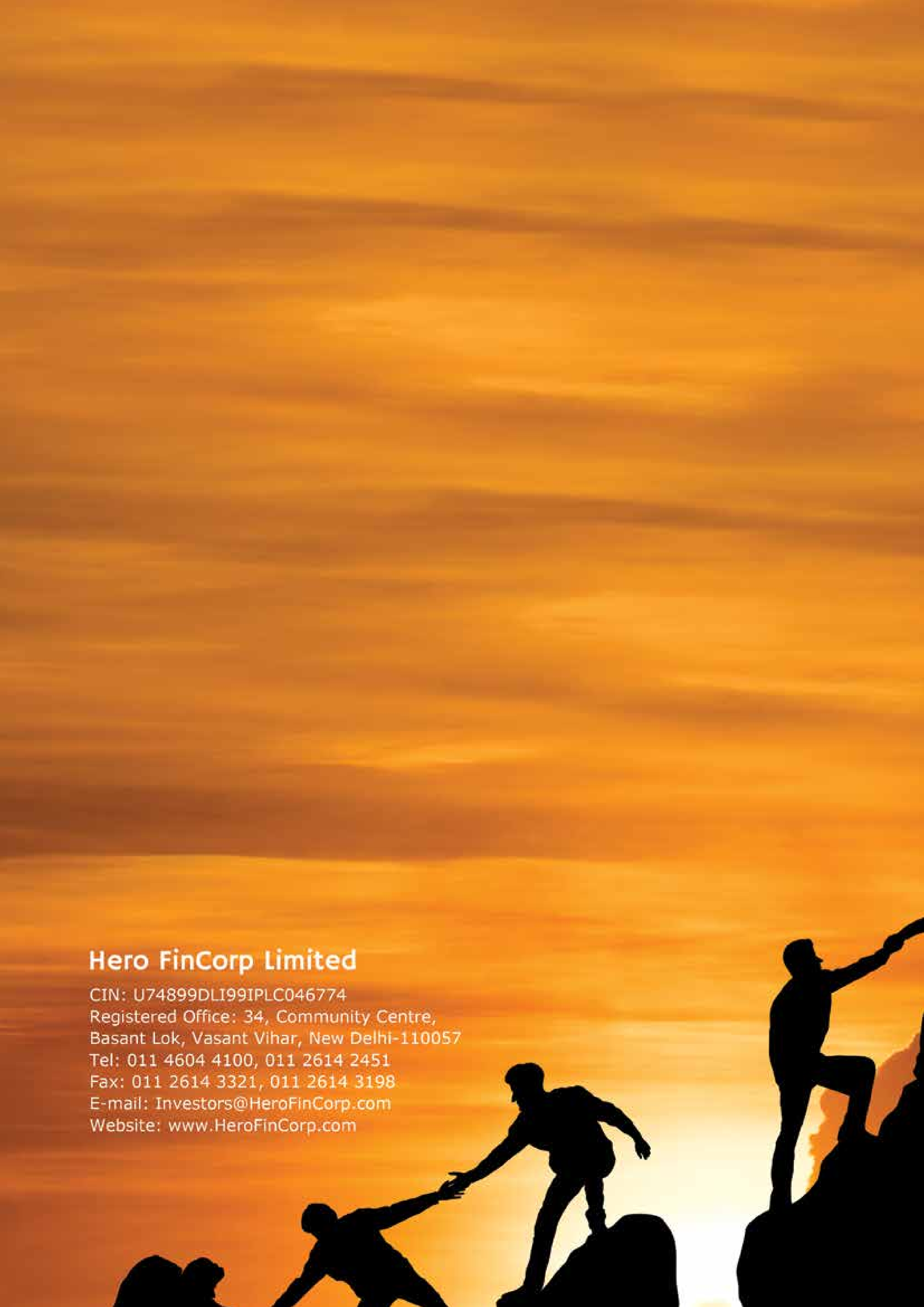
Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: New Delhi
Date: April 29, 2021

Notes

Notes



Hero FinCorp Limited

CIN: U74899DL1991PLC046774
Registered Office: 34, Community Centre,
Basant Lok, Vasant Vihar, New Delhi-110057
Tel: 011 4604 4100, 011 2614 2451
Fax: 011 2614 3321, 011 2614 3198
E-mail: Investors@HeroFinCorp.com
Website: www.HeroFinCorp.com