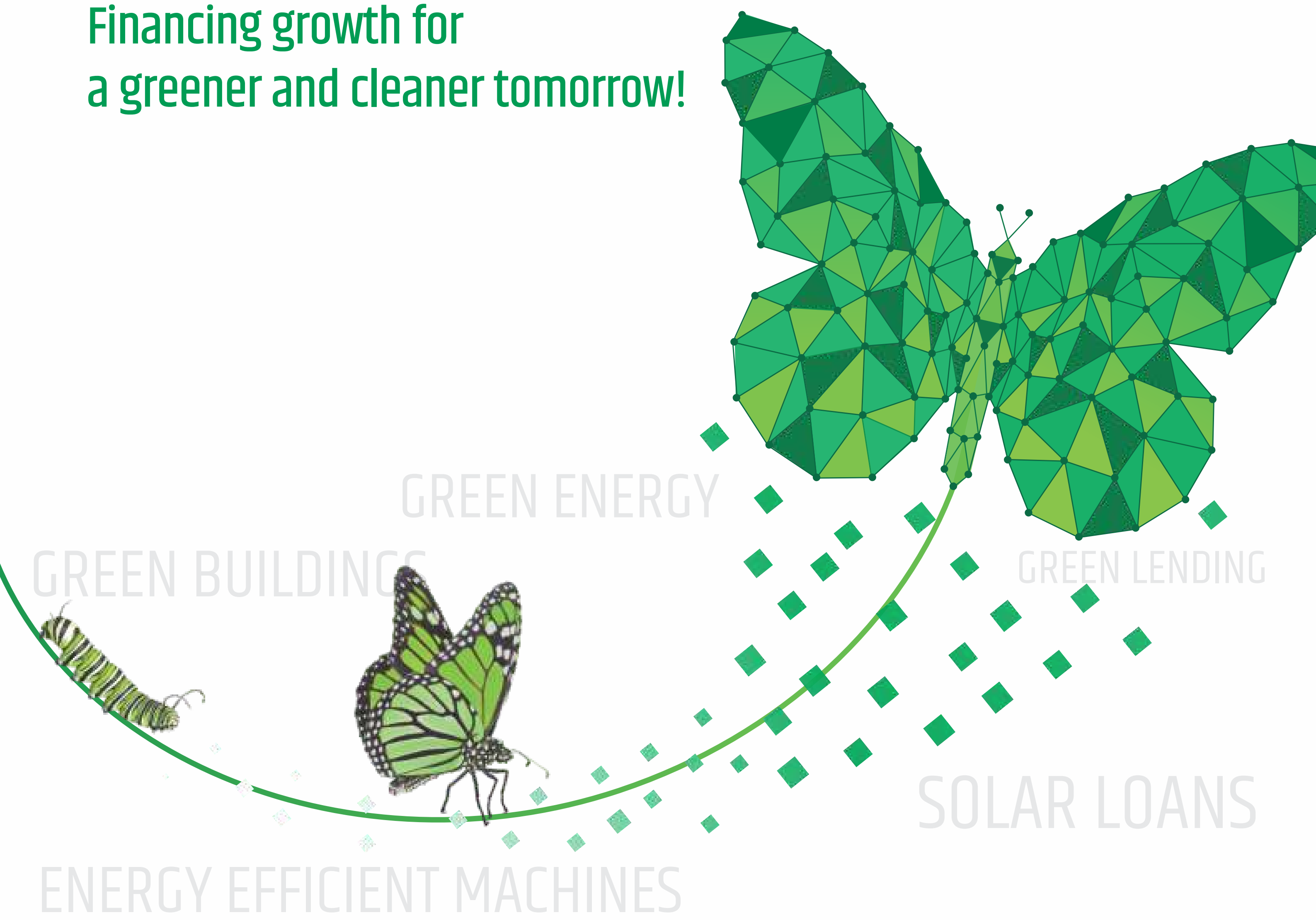
evolve
CHANGE 2.0

efl
... by your side

Financing growth for a greener and cleaner tomorrow!



30th ANNUAL REPORT
2019-2020

ELECTRONICA FINANCE LIMITED

CONTENT

Section 1

CORPORATE IDENTITY

Section 2

BOARD AND MANAGEMENT REPORTS

Section 3

FINANCIAL STATEMENT


efl

This page is intentionally kept blank

CORPORATE INFORMATION

BOARD OF DIRECTORS

1.	Mr. Shrikant Raghunath Pophale	Chairman Emeritus
2.	Ms. Shilpa Pophale	Managing Director
3.	Mr. Sujit Natekar	Additional Director
4.	Mr. Thallapaka Venkateswara Rao	Independent Director
5.	Mr. Milind Limaye	Independent Director
6.	Mr. Venkatesh Srinivasan	Independent Director

Chief Financial Officer	Mr. Mayank Thatte
Company Secretary & Compliance Officer	Ms. Khwahish Rawal

STATUTORY AUDITORS

For S. R. BATLIBOI & CO. LLP, Chartered Accountants
14th Floor, The Ruby, 29 Senapati Bapat Marg, Dadar (West),
Mumbai 400 028, India

OUR FINANCERS

- State Bank of India
- Indian Bank
- Syndicate Bank (Now Canara Bank)
- Bank Of India
- Bank Of Maharashtra
- United Bank of India (Now Punjab National Bank)
- HDFC Bank Limited
- Federal Bank Limited
- SBM Bank (India) Limited
- Saraswat Co-Operative Bank Ltd.
- Tata Capital Financial Services Limited
- Aditya Birla Finance Ltd
- Global Climate Partnership Fund SA SICAV SIF
- Unifi AIF
- Union Bank of India
- Corporation bank (Now Union Bank of India)
- Allahabad bank (Now Indian bank)
- Vijaya Bank (Now Bank of Baroda)
- IDBI Bank Ltd.
- SIDBI
- CSB Bank Limited
- The South Indian Bank Ltd.
- ICICI Bank Limited
- Bajaj Finance Limited
- Nabsamruddhi Finance Limited
- Fedbank Financial Services Ltd
- AAV SARL
- A K Capital Finance Pvt. Ltd.

OFFICE ADDRESS

Electronica Finance Limited
Regd Office : 101/1, Erandwane, Audumbar, Dr Ketkar Road, Pune 411004, Maharashtra, India
Email : secretarial@efl.co.in | **www.**efl.co.in | **(O) :** +91-20-67290700
Corporate Identification Number of EFL : U65910PN1990PLC057017

LETTER FROM THE MANAGING DIRECTOR

Dear Shareholders,

Your company has always been proud of the fact that it is seen as a trusted financial partner of MSMEs and the remarkable work done over the last 3 decades in this regard is a testimony to that. Our endeavor has always been to bring about meaningful change to the MSMEs and stay true to our vision of "Creating success stories for businesses".

The financial year 2019-20 started out with us continuing on these endeavors as also our journey of change which had begun in the year before that. We appropriately chose a theme of "Evolve-Change 2.0" for the year.

You would be glad to note that your company has managed to successfully execute multiple areas of change as under:

- Re-organizing the sales team in a vertical structure for higher growth
- Stabilizing and growing the Emerging Enterprise Loan franchise across Gujarat and then Rajasthan with 37 branches
- Launching the rooftop solar finance business
- Launching EFL Connections – a marketplace focused exclusively on and for MSMEs
- Use digital tools like Customer Portal to serve the customer seamlessly
- Shifting your company's Head Office to a spanking new "green building"

While all these areas of change are laudable in themselves, one change stands out, which is the successful equity raise from Encourage Capital.

Encourage Capital was formed through a partnership of Wolfensohn Fund Management, LP (founded by former World Bank President, Mr. James Wolfensohn) and EKO Asset Management Partners, LLC. Your company was able to raise Rs.107 crores through ESF Holdings, which is an impact fund floated by Encourage Capital.

Your company was also able to successfully transition to Indian Accounting Standards (Ind AS), the new accounting methodology, which brought about significant changes to the entire accounting process.

You would be happy to note that despite the economic turmoil experienced in the last financial year, your company was able to keep its NPA figures under 2% despite the industry average crossing double digits. Your company has been able to increase its capital base to more than Rs.250 crores ensuring a capital adequacy ratio of 27.16%.

The end of the last year was marked by the onset of a global pandemic, the likes of which have not been seen in over a century. The COVID-19 crisis effectively washed out the last month of business for your company. The present times are unprecedented with the pandemic taking lakhs of lives, impacting millions of livelihoods and also the way we live. On behalf of your company, let me take this opportunity to salute all the COVID warriors who have been serving our country tirelessly.

Your company also did its own bid to alleviate those effected by the pandemic. As a part of our Corporate Social Responsibility initiative we contributed towards procuring ventilators as well as providing food for the needy.

As we all know that every dark cloud has a silver lining, your company was successfully able to implement its Business Continuity Plan to be able to adapt to the new normal. We did this by implementing "work from home" for employees and provide training to them during the lockdown period and using digital assets to provide our customers efficient and contactless service.

The year 2020 is a major landmark in the life of your company as it successfully completed 30 years of what has been a remarkable journey. During these 3 decades the world and indeed your company has changed drastically and I feel extremely proud to be a part of this legacy. I also feel humbled that I have been given the opportunity to lead the company into the future.

As mentioned earlier, these are unprecedented times and the effect of the pandemic cannot be underestimated. Your company continues to be cautiously optimistic in these times. As such in the new financial year, your company plans to do the following:

- Green lending with an aggressive push in the rooftop solar finance business.
- Launch a new technology platform comprising of a feature oriented CRM module, efficient Loan Origination and Loan Management Systems
- Invest in identifying technology trends which will aid in future growth
- Grow the digital initiative of providing marketplace services for MSMEs through EFL Connections
- Explore new business areas and products keeping in mind our philosophy of customer centricity and also to capitalize on the maxim "Every crisis is an opportunity"

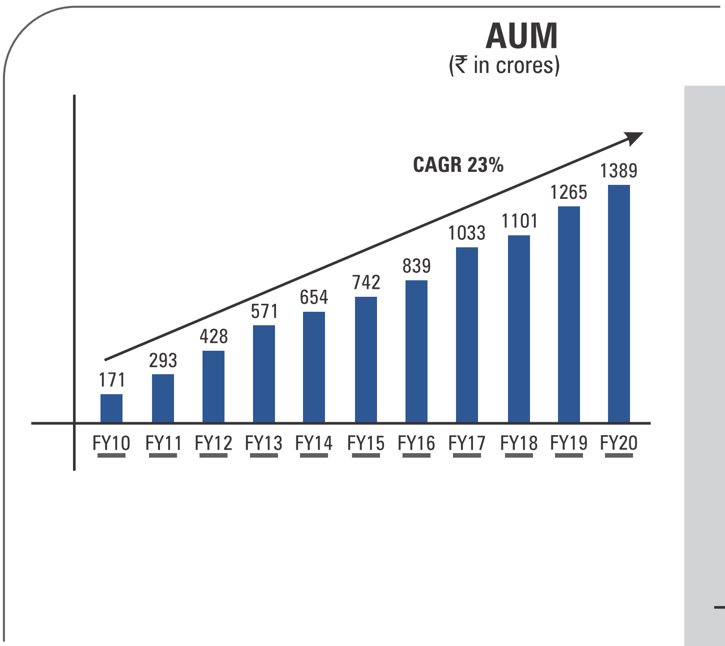
LETTER FROM THE MANAGING DIRECTOR

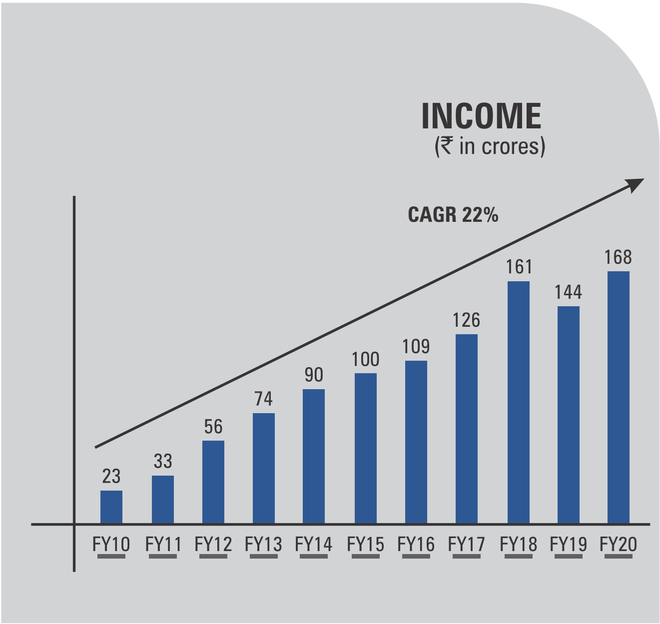
In the end, I wish to thank all our stakeholders (customers, employees, investors, banking partners, growth partners and shareholders) for their continuous support, commitment and engagement. Together we will overcome these challenges and emerge stronger so as to create long term value for all stakeholders.

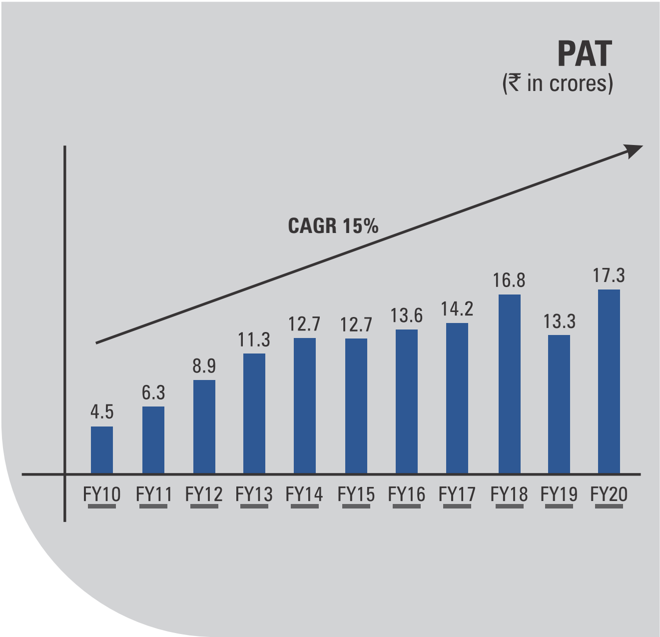
Shilpa Pophale

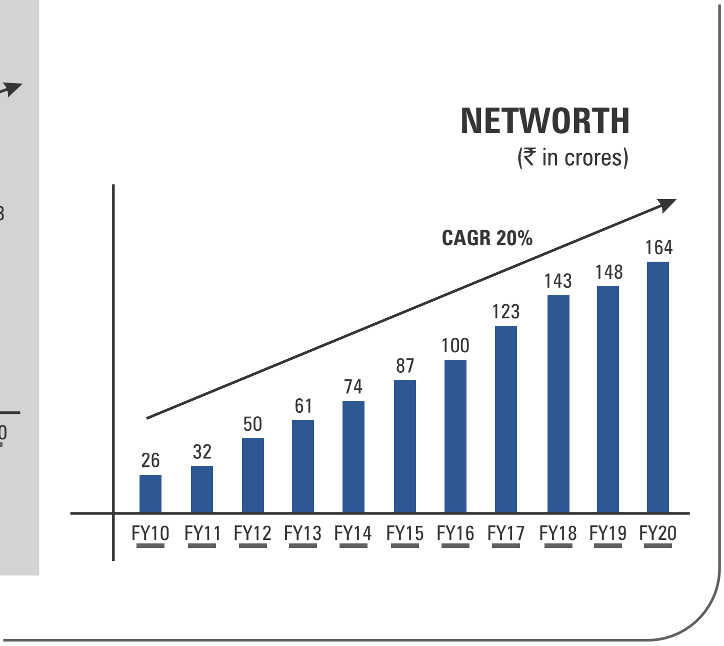
Managing Director

SNAPSHOT OF COMPANY PERFORMANCE









The figures for FY19 and FY20 are as per Ind AS.

VALUES THAT DRIVE US

CUSTOMER FIRST

PUT THE CUSTOMER AT THE CENTER OF EVERYTHING THAT YOU DO

LISTEN TO THEM AND UNDERSTAND THEIR BUSINESS

HELP THEM GROW

DEVELOP CUSTOMER RELATIONSHIPS AND GUIDE THEM

HELP SIMPLIFY PROCESSES FOR THEM

Customer First

CUSTOMER FIRST

WHEN THE CUSTOMER COMES FIRST, THE CUSTOMER WILL LAST

TO THE MEMBERS OF
ELECTRONICA FINANCE LIMITED

The Directors have pleasure in presenting the 30th Annual Report of the Company together with the Audited Financial Statements for the year ended 31st March, 2020.

1. **BACKGROUND:**

   Electronica Finance Limited was incorporated on June 26, 1990. The Company is Systematically Important Non Deposit taking Non-Banking Financial Company (NBFC-NDSI) registered with the Reserve Bank of India.

2. **ECONOMY & INDUSTRY OVERVIEW**

   The Indian economy faced several domestic and external headwinds for most part of the year under review due to protectionist trade policies, geopolitical uncertainties and slowdown in major trading partners. Weakness in the auto sector, lingering liquidity issues in the NBFC sector, and a moderation in private sector investments contributed to the slowdown. Although growth moderated to 4.2 per cent in FY 2019-20 from 6.1 per cent in FY 2018-19, India became the fifth largest economy in the world, surpassing the UK and France.

   During FY 2019-20, most NBFCs continued to face their own set of challenges: liquidity and solvency issues, rising borrowing costs and limited funding access. Therefore, lenders across all genres strongly preferred NBFCs with Strong fundamentals, such as your Company. Inspite of all these, the long-term prospects for good quality NBFCs remains robust, and the segment will continue to catalyse India's economic growth. The critical role of NBFC's in nation's economic development by providing a fillip to employment generation credit delivery even in the remotest corners of the country, and seamless funding for small businesses and MSMEs is undisputable.

   The outbreak of the coronavirus pandemic in Q4 of FY 2019-20, has clouded the growth outlook for the all the Industries across the world. The nationwide lockdown is likely to hit consumption of non-essential items and weigh on activity in the services (particularly in tourism, aviation, and hospitality) as well as the manufacturing sector. Moreover, lower global growth is likely to have a bearing on export demand. The World Bank expects the overall global economy to contract by 5.2 percent due to the coronavirus impact, significantly affecting the US, Eurozone and UK economies.

   The Government and the RBI have announced a host of measures to cushion the direct impact of the lockdown on the economy. The stimulus package (₹ 20 Lakh crore) announced by the GOI in five tranches had a clear focus on the MSME sector, a key provider of employment in both the organized and unorganized segments and a critical component of the domestic industrial supply chain.

   The MSME sector that encompasses a wide range of industries had been under considerable stress for a prolonged period before the incidence of COVID. This made them particularly vulnerable to the lockdown and its aftermath. The NBFC sector, a major provider of funding to the MSMEs had also been going through a period of stress particularly in its access to finances both from banks and the market. Thus, the stimulus package focuses on the survival of both MSMEs and NBFCs through the COVID crisis and also their revival.

   The critical element of the stimulus is its attempt to facilitate the flow of credit to both MSMES directly and to NBFCS. The government aims to do this by reducing the risk taken by banks and other institutions in lending to them by providing explicit guarantees either on the entire loan or a fraction. The guarantees delivered are through Special Purpose Vehicles (SPVs) in which the government has initially taken an equity stake. Thus, for instance the targeted credit flow of ₹ 300 billion in the form of collateral free loans to the smaller MSMEs is backed by a 100 per cent GOI guarantee given through NCGTC. Other measures include creating a fund of funds for MSMEs, partial credit guarantee scheme for NBFCs/MFIs and providing subordinate debt for stressed MSMEs through a Credit Guarantee Fund Trust.

   There are non-financial measures as well that aims to benefit MSMEs. The upward revision of turnover and investment limit (Micro: turnover increased to ₹ 5 crore, investment increased to ₹ 1 crore; Small: Turnover increased to ₹ 50 crore and investment increased to ₹ 10 crore; Medium: Turnover increased to ₹ 250 crore and investment increased to ₹ 50 crore) would help MSMEs expand operations considerably without fear of losing some of the fiscal and other benefits that the segment enjoys.

   The RBI has also taken a slew of measures to address liquidity constraints such as the announcement of the moratorium, liquidity infusion through TLTRO (Targeted Long Term Repo Operations) for NBFCs (₹ 50,000 crore), liquidity facility ₹ 50,000 crore for mutual funds.

   With easing of lock down restrictions since May 2020, the economic activity is showing signs of recovery as evidenced by most recent economic data & is expected to rebound by the second half of the FY 2020-21.

Despite the negative short-term shocks from the pandemic, total foreign direct investment into India has remained buoyant.

Overall, we expect the growth to remain subdued in the first half of FY 2020-21, with growth contracting in the first and second quarters and a gradual recovery in the second half supported by fiscal and monetary policy stimulus.

3. FINANCIAL RESULTS:

Your Company's financial performance for the year under review, along with previous year's figures, is given hereunder:

(₹ in Lakhs)

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Total Revenue	16,825.93	14,402.15
Total Expenses	14,373.33	12,402.44
Profit before tax	**2,452.60**	**1,999.71**
Current tax expenses	698.24	901.03
Prior period tax	0.00	48.04
Deferred tax	8.46	(283.61)
Profit after tax	**1,745.90**	**1,334.25**
Other comprehensive loss for the year (net of tax)	(20.77)	(2.68)
Total Comprehensive Income (Net of Tax)	**1,725.13**	**1,331.57**
Surplus at the beginning of the accounting period	7,233.19	6,498.82
Appropriations		
Transfer to Statutory Reserve	349.18	406.06
Dividend and related distribution tax	191.14	191.14
Balance carried forward	**8,417.99**	**7,233.19**

4. DIVIDEND

Your Directors recommend to the members, a preference dividend @ 0.001 % p.a. on 63,26,839 Compulsory Convertible Preference Shares (CCPS) of Rs. 20/- The proposal for confirmation of the dividend on CCPS will be placed before the Members at the ensuing Annual General Meeting.

With a view to fund the growth plans of your company, the Board does not recommend payment of dividend to the Equity Shareholders for the reporting period 31st March 2020.

5. REVIEW OF BUSINESS OPERATIONS AND FUTURE PROSPECTS

During the year under review, the company booked business of **INR 764 crores** and the assets under management of the company reached **INR 1,389 crores.** The relatively moderate Year on Year (YoY) growth is mainly because of multiple factors including slowdown in auto sector and subdued Q4 due to Covid-19 pandemic & the resultant lock down in the month of March 2020. However, the good performance witnessed in first 3 quarters of the year helped the company to achieve **31% Year on Year growth** in Profit after Tax. With the economic activity getting resumed from Q2 of FY 2020-21, we are expecting moderate growth in this year.

Product-wise Performance

In FY 2020-21, in order to increase the penetration across the Industries Company introduced the Concept of Verticals.

Machine tool industry being the biggest contributor across the Industries is being made a separate vertical with the name of EEF (Engineering Equipment Finance) while other Industries like printing, textile, wood working etc. are being clubbed under CEF (Capital Equipment Finance). Working Capital Loans, Property backed Loans offered to Manufacturing segment is being clubbed under the roof of Secured Business Finance (SBF) vertical while the FIG Vertical comprised of Loan products offered to Small Sized NBFC's & MFI's.

Like the previous year's, machinery finance still remains our core, however within machine finance apart from Machine tools Industry other Industries also contributed well in this year.

The new vertical Emerging Enterprise Loans (EEL) which was launched by the Company in FY 2018-19 also contributed well in the current year. In the FY 2020-21 we are expecting this vertical to do substantially well with the increased presence across the geographies.

In FY 2020-21, the Company also introduced a new vertical – Renewal Energy Finance (REF) vertical. The Company is providing industrial / commercial rooftop solar finance to MSME's through this vertical. With the increasing awareness towards Solar Energy, we are expecting this product to gain substantial momentum in coming years.

Quality of the portfolio

Even without the terrible effects of the COVID-19 pandemic, India's GDP growth had shown clear signs of slowing down. Before the COVID-19 pandemic and lockdown, both the RBI and the Central Statistical Office (CSO) of the Government of India had revised the GDP growth rate downwards. The RBI changed its full year GDP growth estimate from an initial 7.2% to 5% in December 2019, and ascribed the tapering of growth to a tight credit market impacting fresh investments, weak capital expenditure and a slowdown in manufacturing. In a similar vein, the second advance estimates of national income for FY2020 released by the CSO on 28 February 2020 was substantially lower: GDP growth for FY2020 was pegged at 5% compared to 6.1% in FY2019; and growth in gross value added was estimated at 4.9% in FY2020 versus 6% in FY2019.

This double whammy impact of Covid & slowed down economy was expected to have a huge impact upon the NPA's in MSME category which have historically been over 10% at an aggregate level.

However, in such scenario also your company has been able to maintain its Asset Quality with continued high customer loyalty, a good amount of repeat business from our existing customers and focus on secured lending, your Company was able to successfully control the Gross NPA percentage to 3.78% and Net NPA percentage to 2.02%.

Keeping strong focus on collections processes especially the cheque realization percentage and renewed effort on chronic NPA accounts with the help of legal actions, the company is confident of maintaining substantially lower than industry NPA percentage and high asset quality which is a benchmark in the industry.

6. MATERIAL CHANGES AND COMMITMENT, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THESE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT.

On March 24, 2020, the Government of India announced a strict 21-day lockdown across the country to contain the spread of SARS-CoV-2 virus responsible for COVID-19. The lockdown was further extended. On April 17, 2020, RBI issued a notification, "COVID19 Regulatory Package - Asset classification and Provisioning", to elevate the temporary stress caused by the pandemic. Considering the impact caused by COVID-19, RBI again issued a notification on May 23, 2020 providing various additional relaxations in view of Covid-19. The impact of the COVID-19 pandemic on the financial position of the company will depend on future developments, including among other things, extent and severity of the pandemic, mitigating actions by governments and regulators, time taken for economy to recover, etc.

Capital Structure:

During the year under review, your Company has issued and allotted 63,26,839 Compulsory Convertible Preference shares with face value of Rs. 20/- each to ESF Holdings. ESF Holdings is an investment vehicle of Encourage Capital, LLC, an impact investment and advisory firm specializing in profitable and strategic investments to solve critical environmental and social problems. Encourage Capital manages a private equity fund that invests in specialized financial institutions in India that can develop and scale commercial rooftop solar finance solutions for micro, small and medium-sized enterprises.

Encourage Capital was formed in December 2014 through the combination of Wolfensohn Fund Management, L.P. and EKO Asset Management Partners, LLC. Through its predecessor fund, Wolfensohn Capital Partners, L.P., the firm has made several successful investments in the financial sector in India including Ujjivan Microfinance, DCB Bank and Repco Home Finance.

The details of the investment by ESF Holdings are provided below:

No. of Fully Paid up Compulsory Convertible preference Shares	Date of Allotment	Purpose
50,18,302	28th November, 2019	Growth Capital and expansion of Company
13,08,537	11th March, 2020	Growth Capital and expansion of Company

Post Allotment of these shares the paid up capital of the Company stands increased to Rs. 35,18,83,230/- (Rupees Thirty-Five Crores Eighteen Lakhs Eighty-Three Thousand Two Hundred Thirty only) comprising of Equity Share capital of Rs. 22,53,46,450/- (Rupees Twenty-Two Crores Fifty-Three Lakhs Forty-Six Thousand Four hundred Fifty only) & Preference Share Capital of Rs. 12,65,36,780/- (Rupees Twelve Crores Sixty-Five Lakhs Thirty Lakhs Seven Hundred Eighty only)

7. RBI DIRECTIVES

The Company does not hold any public deposits as specified in the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directives of 31st January, 1998 as amended from time to time.

8. CAPITAL ADEQUACY

The capital adequacy of the company is 27.16% as on 31st March 2020 as against the 15% prescribed by Reserve Bank of India (RBI) for NBFC-ND-SI.

9. PRUDENTIAL NORMS

The Company is adhering to all the prudential norms, regulations and guidelines prescribed by RBI applicable to NBFCs.

Standard Assets' Provisioning

As per Standard Assets Provisioning as defined in para 14 of the Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 the Company has made Standard Asset Provision (Expected Credit Loss Provision for Stage1 and Stage2 loans as per Ind AS) for an amount totaling Rs. 554.68 Lakhs on the outstanding standard asset portfolio as at 31st March 2020 which exceeds the statutory requirement of 0.40% provision.

10. RESERVE FUND

As per section 45IC of RBI Act 1934, the Company has transferred Rs. 349.18 Lakhs to Statutory Reserve Fund aggregating to 20% of yearly Net Profit.

11. CREDIT RATINGS

Name of Rating Agency	Type of Rating	Credit Rating	Nature of Securities
India Ratings & Research (A fitch Group Company)	Bank Facilities	A- with Stable Outlook	Bank Loan
	NCD's	A- with Stable Outlook	Secured NCD on Private Placement basis
Acuite Ratings & Research	Long Term Rating	A- with Positive Outlook	Bank Loan
	Short Term Rating	A2+	Bank Loan
ICRA Limited	NCD	BBB+ with Stable Outlook	Secured NCD on Private Placement basis
	Subordinated Debt	BBB+ with Stable Outlook	Subordinated Debt Program

12. SUSTAINABILITY INITIATIVES

Sustainable development is a broad, dialectical concept that balances the need for economic growth with environmental protection and social equity.

Sustainable development has always been at the top of the business agenda of your company. EFL has focused its complete attention to the MSME segment and has been serving the sector overcoming the various inherent challenges faced by the various financial institutions, addressing the huge gap in Credit supply and demand. EFL is playing a big role towards the Financial Inclusion of the Entrepreneurs of India since past 3 decades.

With the continued focus on improving workflow automation EFL is moving towards using minimal paper for our operations. Your company does regular clean-up drives at all branches and Head office to cut down waste & countless paper trails to improve productivity and efficiency.

Company has also been working towards the green initiatives, one such initiative is the green building certification of its newly built corporate office. Apart from this company has also reintroduced Solar Product financing in the FY 2019-20 which is completely focused on helping MSME's generate savings on their energy bills and thereby reducing carbon emission.

13. SHARES - BUY BACK OF SECURITIES, SWEAT EQUITY, BONUS SHARES AND EMPLOYEE STOCK OPTION PLAN

The Company has not bought back any of its securities and has not issued any Sweat Equity shares or Bonus shares during the year under review.

The Board of Directors of the Company at its Meeting held on 1st November, 2017, on the recommendation of Nomination and Remuneration Committee approved the 'Electronica Finance Limited Employee Stock Option Plan 2017' approved by the Members of the Company. The Company has not changed its Employee Stock Option Plan during the year.

Further, details of Options granted and exercised are included in Note no. 40 in the notes to accounts forming part of financial statements.

14. AUDITORS

<u>Statutory Auditors:</u>

The Company had appointed M/s S. R. Batliboi & Co, Chartered Accountants (Firm Registration No. 301003E / E300005) as the statutory auditors of the Company for a term of five consecutive years from the conclusion of the 27th Annual General Meeting of the Company till the conclusion of the 32nd Annual General Meeting to be held in the year 2022, based on the recommendation of the Audit Committee.

Pursuant to the provisions of Section 139 of the Act and the rules framed there under, the Members at their 26th Annual General Meeting (AGM) held on 27th September 2017 appointed M/s S. R. Batliboi & Co, Chartered Accountants, as the Statutory Auditors of the Company to hold office from the conclusion of 26th AGM till the conclusion of 32nd AGM, subject to ratification of their appointment at every AGM. The Central Government on May 7, 2018 has notified provisions of Companies (Amendment) Act, 2017 and pursuant to the notification; there is omission of the provisions with respect to ratification. Hence, ratification of appointment of Auditors is dispensed with in the ensuing AGM Notice.

<u>Internal Auditors:</u>

Your Company, during the year under review, appointed M/s M. P. Chitale, Chartered Accountants (Firm Registration No. 101851W), to act as the Internal Auditors of the Company for the Financial Year 2019-20, pursuant to Section 138 of the Companies Act, 2013 read with The Companies (Accounts) Rules, 2014.

<u>Secretarial Auditor:</u>

Your Company, during the year under review, appointed M/s C V Kulkarni & Co., Company Secretaries, Pune as the Secretarial Auditor of the Company for the Financial Year 2019-20, pursuant to Section 204 of the Companies Act, 2013 read with The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Report of Secretarial Audit is annexed as in **Annexure A**.

15. OTHER STATUTORY DISCLOSURES

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pertaining to conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo as required under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is furnished in **Annexure B** and is attached to this report.

DETAILS OF POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON ITS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The Company has developed and implemented a detailed Corporate Social Responsibility policy. The policy together with a detailed report on CSR activities undertaken by the Company is furnished in **Annexure C** and attached to this report.

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

The provisions of Section 186 of the Act pertaining to investment and lending activities is not applicable to the Company since the Company is an NBFC.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES

All contracts/ arrangements/ transactions entered into by the Company during the financial year with the Related Parties are at arm's length basis and in the ordinary course of business.

A Statement containing the details of material contracts or arrangements or transactions with Related Parties on an arm's length basis with respect to transactions as required under Section 188(1) of the Act, in the prescribed Form No. AOC-2, is attached as **Annexure D.** Further, details of Related Party Transactions as required to be disclosed by Accounting Standard – 18 on "Related Party Disclosures" specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014, are given in the Notes to the Financial Statements.

SECRETARIAL STANDARD

The Company complies with all applicable Secretarial Standard issued by The Institute of Company Secretaries of India.

FRAUD REPORTING

Pursuant to the provisions of the Companies Act, 2013, no fraud was reported by auditors of the Company to the Audit Committee during Financial Year 2019-20.

MEETINGS OF THE BOARD

Minimum 4 pre-scheduled Board meetings are held annually. Additional Board meetings are convened by giving appropriate notice to address the Company's specific needs. In case of business exigencies or urgency of matters, resolutions are passed by circulation.

Board Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 134(5) of the Companies Act, 2013 the Board hereby submits its responsibility statement: -

(a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors have prepared the annual accounts on a Going Concern basis;

(e) Internal financial control means the policies and procedures adopted by the Company 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 and

(f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

During the year under review, no company became/ ceased to be a Subsidiary / Associate / Joint Venture of the Company. Also, the Company did not become a part of any Joint Venture during the year. Accordingly, as at the end of the year under review and also as on the date of this Report, your Company does not have any Subsidiary and/or Associate Company and your Company is also not a part of any Joint Venture.

DECLARATION FROM INDEPENDENT DIRECTORS

The Independent Directors have submitted their disclosures to the Board that they fulfill all the requirements as stipulated under Section 149(6) of the Companies Act, 2013 so as to qualify themselves to be appointed as Independent Directors under the provisions of the Companies Act, 2013 and the relevant rules.

PERFORMANCE EVALUATION

The Board evaluated the effectiveness of its functioning and that of the Committees and of individual directors by seeking their inputs on various aspects of Board/Committee Governance through structured questionnaire. The aspects covered in the evaluation included the contribution to and monitoring of corporate governance practices, participation in the long-term strategic planning and the fulfilment of Directors' obligations and fiduciary responsibilities, including but not limited to, active participation at the Board and Committee meetings.

The Chairman of the Board had one-on-one meetings with the Independent Directors and the Chairman of the Nomination and Remuneration Committee had one-on-one meetings with the Executive and Non-Executive Directors. Also, the Nomination and Remuneration Committee has carried out evaluation of every director's performance and reviewed the self-evaluation submitted by the respective directors. These meetings were intended to obtain Directors' inputs on effectiveness of Board/ Committee processes. The Board considered and discussed the inputs received from the Directors. Further, the Independent Directors at their meeting reviewed the performance and role of non-independent directors and the Board as a whole and Chairman of the Company. Further, the Independent Directors at their meeting had also assessed the quality, quantity and timeliness of flow of information between the Company management and the Board that was necessary for the Board to effectively and reasonably perform their duties.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

a) **Change in composition of Board of Directors:**

Ms. Shilpa Pophale who retires by rotation at the ensuing Annual General Meeting being eligible, offers herself for re-appointment.

The Board made the following appointment(s)/ re appointment(s) based on the recommendations of the Nomination and Remuneration Committee.

During the year under review, the Nomination and Remuneration Committee proposed the appointment of Mr. Sujit Natekar as Additional Director of the Company in the capacity of 'Non-Executive Director". The said appointment was duly approved by the Board after obtaining RBI approval. In accordance with Section 161 of Companies Act, 2013, he shall hold the office of Director up to the date of ensuing Annual General Meeting.

Your Directors inform the members that Mr. Shrikant Raghunath Pophale, Chairman-Emeritus and the founder of the Group expressed his desire to relinquish the office of Director so to devote his time to philanthropic activities where he had been deeply involved for a long time. Your Directors respecting his desire accepted his request to resign from the Board and urged him in all earnestness to continue as the Chairman–Emeritus, which he has very kindly accepted. Your Directors honor and take pride in the contribution of Mr. Shrikant Raghunath Pophale since the inception of the Company. Your Directors are thankful to Mr. Shrikant Raghunath Pophale for his continuous guidance to them and the Company.

During the year under review, as a result of pre-occupation and other commitments Mrs. Mugdha Rahul Kaskhediker resigned from the post of Whole Time Director w.e.f. 8th July, 2019. The Directors expressed their appreciation for the assistance and guidance provided by Mrs. Mugdha Rahul Kaskhediker during her tenure as Whole Time Director of the Company.

During the year under review, as a result of pre-occupation and other commitments Mr. Venkatesan Sridar resigned from the post of Independent Director w.e.f. 22nd July, 2019. The Company expresses its appreciation for the assistance and guidance provided by Mr. Venkatesan Sridar during his tenure as the Director of the Company.

b) **Change in Key Managerial Personnel:**

During the year under review, Mr. Sudeep Bhatia has resigned as Chief Financial Officer & Key Managerial Personnel of the Company w.e.f. 7th June, 2019.

During the year under review, Mr. Mayank Thatte was appointed as Chief Financial Officer & Key Managerial Personnel of the Company w.e.f. 19th November, 2019

During the year under review, Ms. Shilpa Pophale, Managing Director was designated as Key Managerial Personnel of the Company w.e.f. 28th May, 2019.

POLICY RELATING TO DIRECTORS APPOINTMENT, PAYMENT OF REMUNERATION AND DISCHARGE OF THEIR DUTIES

The Company's Policy relating to appointment of Directors, payment of Managerial remuneration, Directors' qualifications, positive attributes, independence of Directors and other related matters as provided under Section 178(3) of the Companies Act, 2013 is furnished in **Annexure E** and is attached to this report.

VIGIL MECHANISM

As per the provisions of Section 177(9) of the Act the Company is required to establish an effective Vigil Mechanism for Directors and employees to report genuine concerns. The Company as part of the 'vigil mechanism' has in place a Board approved 'Whistle Blower Policy' to deal with instances of fraud and mismanagement, if any. The Whistle Blower Policy has been placed on the website of the Company.

This vigil mechanism of the Company is overseen by the Audit Committee and provides adequate safeguard against victimization of employees and also provides direct access to the Chairman of the Audit Committee in exceptional circumstances. During the year under review no such complaints have been received by the Company. No person has been denied access to the Audit Committee in this regard.

PARTICULARS OF EMPLOYEES

A Statement giving the details required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, for the year ended March 31, 2019, is attached as **Annexure F.**

The details required under Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, for the year ended March 31, 2019, are provided in a separate annexure forming part of this Report. In terms of the first proviso to Section 136 of the Act, the Report and the Accounts are being sent to the Members, excluding the aforesaid Annexure. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary, at the Registered Office of the Company. None of the employees listed in the said Annexure is related to any Director of the Company.

ANNUAL RETURN

The extracts of Annual Return in Form MGT-9 pursuant to the provisions of Section 92 read with Rule 12 of the Companies (Management and administration) Rules, 2014 is furnished in **Annexure G** and is attached to this Report.

CORPORATE GOVERNANCE

A detailed discussion on the Governance practices is presented in the chapter on Corporate Governance, which forms part of this Annual Report.

INDUSTRY STRUCTURE AND DEVELOPMENTS:

Defaults by a large NBFC and a HFC in 2018 - 19 continued to cast its shadow on the NBFC sector through the year. The NBFCs witnessed stress in their asset quality during the first half year of 2019-20. The gross NPA ratio of the NBFC sector increased from 6.1 per cent as at end-March 2019 to 6.3 per cent as at end-September 2019. The net NPA ratio, however, remained steady at 3.4 percent between end-March 2019 and end-September 2019. As at end-September 2019, the CRAR of the NBFC sector stood at 19.5 per cent, lower than 20 per cent as at end-March 2019. (**Source:** RBI Financial Stability Report issued in December 2019)

As part of response to the economic challenges faced by the industry, RBI has been announcing various measures which will aid in liquidity flow into the system and should give relief to NBFCs. The importance of NBFCs in credit intermediation is growing, the default by a large NBFC brought the focus on the asset liability mismatches of NBFCs, which poses risks to the NBFC sector as well as the financial system as a whole. To address such concerns, the Reserve Bank introduced the liquidity coverage ratio (LCR) requirement for all deposit-taking NBFCs and non-deposit taking NBFCs with an asset size of ₹ 5,000 crore and above (constituting 87 per cent of the total assets of the NBFC sector). Apart from that Reserve Bank also introduced Guidelines on Liquidity risk Management Framework to be adhered by all the NBFC's with asset size of ₹ 100 crore and above, systemically important Core Investment Companies and all deposit taking NBFCs irrespective of their asset size.

Opportunities & Threats:

Over the years, lenders have leveraged data analytics, and data science to offer superior customer experience through new-age underwriting models, seamless partner integration and real-time loan decisions. This offers a good opportunity to NBFCs to diversify their assets by remotely offering products which otherwise required expensive physical distribution. Your Company has undertaken a massive exercise of technology overhaul & the team is consistently working on it.

The NBFCs largely cater to the informal and self-employed borrower segment and thus would face a higher impact due to income volatility at the customer's end arising by the lock down and disruption caused by Covid-19.

The severity would be higher for customer segments whose income is from sectors which are most likely to have longer term impact such as travel, hospitality, etc. Commercial vehicles sales fell 31% in FY 2019-20 compared to the previous year. Heavy Commercial Vehicle (HCV) sales fell 50% YOY. With effect from April 1, 2020, India moves to BS VI norms for vehicle emissions. This is likely to push up new vehicle prices up by 10 -15%. The silver lining is that the road transport sector is likely to see a quick revival for existing vehicle owners on the back of slower addition of new assets and need to service pent up demand after the lock-down.

On March 27, 2020, RBI announced various measures to address the stress in financial conditions caused by COVID-19. RBI permitted all lending institutions to allow a moratorium of three months on payment of instalments in respect of all loans outstanding as on March 1, 2020, which was further extended for another three months upto August 31, 2020. In line with the RBI COVID Regulatory Package, the Company offered a moratorium to its customers on loan instalments basis a Board approved policy. In respect of such borrowers to whom the benefit of asset classification was extended consequent to the moratorium, the Company has made provisions on conservative basis for expected credit loss. Company being mostly catering to Organised /Industrial customers have seen the customer payments regularizing quite quickly.

RISK MANAGEMENT:

Risk Management at your Company includes risk identification, risk assessment, risk measurement and risk mitigation with its main objective to minimise negative impact on profitability and capital. Your Company is exposed to various risks that are an inherent part of any financial service business. Your Company is committed towards creating an environment of increased risk awareness at all levels. It aims to constantly upgrade the security measures, including cyber security measures, to ensure avoidance and mitigation of various risks. Your Company has policies and procedures in place to measure, assess, monitor, and manage these risks systematically across all its portfolios.

Credit Risk including Credit Concentration Risk: Credit Risk is defined as the possibility of losses associated with the diminution in the credit quality of borrowers or counterparties from outright default or from reduction in portfolio value. The product programs for each of the products define the target markets, credit philosophy, process, detailed underwriting criteria for evaluating individual credits, exception reporting systems, individual loan exposure caps and other factors. For individual customers to be eligible for a loan minimum credit parameters are to be met for each product and any deviations must be approved at designated levels. Your Company has designed a Framework to measure, assess and monitor the Credit quality of the Asset. Credit framework encompasses parameters at different stages of the portfolio lifecycle-from acquisitions till write offs. Thresholds are defined using historical data for each parameter at the Product level identifying "stress" period for the product lifecycle. This framework defined at product level is then aggregated at the Portfolio level. Exposures are monitored against approved limits to guard against unacceptable risk concentrations. Concentration is also monitored in geographic locations in the retail portfolio, delinquency trends, types of credit facilities and collaterals. Continuous analysis of defaults is undertaken & the results are used to strengthen the credit assessment process.

Interest Rate Risk: Interest Rate Risk ('IRR') is the exposure of a company's financial condition to adverse movements in interest rates. Changes in interest rates affect a company's earnings by changing its Net Interest Income (NII). Asset Liability Committee (ALCO) is a decision making management committee responsible for balance sheet planning in your company from risk return perspective including strategic management of interest rate and liquidity risks. Advances Book and Funding strategy are tailored in such a way that repricing of borrowings can be offset by repricing the loans. Earnings Impact using traditional Gap Analysis measures the level of your Company's exposure to interest rate risk in terms of sensitivity of its NII to interest rate movements over the horizon of analysis.

Business/Strategic Risk: Business/Strategic risks are risks that affect or are created by an organisation's business strategy and strategic objectives. Your Company's management of this risk is guided by diversification in its business through various product, customer segments and geographies, balanced growth while maintaining asset liability balance, prudent provisioning by providing for bad assets. It is also working on changes in Strategies to address changed business environment on an on-going basis.

Liquidity Risk: Liquidity Risk is the risk that a Company may not be able to meet its short term financial obligations due to an asset–liability mismatch or interest rate fluctuations. The Board of Directors have delegated the responsibility for ongoing balance sheet Liquidity Risk management to the Asset Liability Committee. The Committee reviews the NIM-Net Interest Margins, maturity profile and mix of your company's assets and liabilities. It articulates the interest rate view and decides on future business strategy with respect to interest rates. The Company has adopted liquidity risk framework as required under RBI regulation.

Operational Risk: Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. Operational Risk includes legal risk but excludes strategic and reputational risks. Your Company has implemented a robust and comprehensive Operational Risk Framework defined as part of the Board-approved Operational Risk Management Policy to identify, assess and monitor risks, strengthen controls and minimise Operational Risk losses. The Board of Directors, Group Risk Management Committee (GRMC) and the Operational Risk Management Committee (ORMC) have overall oversight function for operational risk management.

Compliance Risk: Compliance risk is exposure to legal penalties, financial forfeiture and material loss an organisation faces when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices. Your Company has a Compliance Policy to ensure highest standards of compliance. The Compliance team works with business and operations to ensure active compliance risk management and monitoring. Apart from the compliance team, Concurrent & Statutory Auditors also helps in identifying & mitigating the risk. The focus is on identifying and reducing risk by rigorous testing and also putting in place robust internal policies. Products and processes are reviewed for adherence to regulatory norms prior to rollout. Internal policies are reviewed and updated periodically as per agreed frequency or based on market action or regulatory guidelines / action.

Reputation Risk: Trust is the foundation for the financial service industry and is critical to building a strong customer franchise. Reputation risk is the risk of current or prospective loss arising from stakeholder's adverse experience while dealing with the institution or which resulted in an adverse perception / loss of Trust on the institution. Reputation Risk most often results from the poor management of other risks and can arise from a variety of sources including direct sources like poor financial performance, poor governance and indirect sources like increased operational risk or control failures. The company manages this through a strict code of conduct policy for its employees, good corporate governance policies and an effective customer grievance mechanism.

Technology Risk: Technology is rapidly changing the way financial services entities operate and is a key disruptor for the industry. The focus of your company continues to be on digital and is aimed at leveraging digital technology to provide a best in class experience for its customers while simultaneously enhancing productivity and risk management. A layered technology architecture is implemented to manage risks due to system failures, cyber-attacks etc. Disaster recovery and Business Continuity Plans (BCP) have been established and various functional and technology initiatives have been taken to enhance system resiliency. Effective access control mechanism is a key technology control to prevent unauthorised access. The access to business applications is provisioned by an independent team and is provided based on the roles and responsibilities of the user. Technology and Operational controls are implemented to manage privileged access to systems. Cyber threats and the associated risks in the external environment have increased and your company works continuously to improve processes and controls to mitigate these risks. Cyber resilience framework is being established to mitigate the threats such as data breaches, malware, Denial-of-service attacks etc.

FRAUD MONITORING AND CONTROL:

The Company has put in place a whistle blower policy, and a central vigilance team oversees implementation of fraud prevention measures. Frauds are investigated to identify the root cause and relevant corrective steps are taken to prevent recurrence. Fraud prevention committees at the senior management and board level also deliberate on material fraud events and initiate preventive action. Periodic reports are submitted to the Board and senior management committees

INTERNAL CONTROLS, AUDIT AND COMPLIANCE

The Company has appointed M/s M. P. Chitale & Co. as Internal auditor and M/s DKV & Associates as the Concurrent Auditor of the Company for the Financial Year 2019-20. Over the course of the year, many significant areas got covered in the internal and concurrent audit. The Company also has an In-House Process Audit Function, responsible for ensuring that Company processes are operating as per defined processes and non-compliances of processes are remediated immediately. The Process Auditor is not only responsible for process compliances at the head office but also at the branches.

TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

During the year the company did not have any amount qualifying for transfer to Investor Education and Protection Fund.

PUBLIC DEPOSITS

Your Company is a non-deposit taking Company. The Company has not accepted any fixed deposit during the year under review.

RBI guidelines:

Reserve Bank of India (RBI) granted the Certificate of Registration to the Company in vide Registration No. B-13.01093, to commence the business of a non-banking financial institution without accepting deposits. Your Company is a Non Deposit Taking Systemically Important Non-Banking Financial Company (NBFCND-SI). The Company has complied with and continues to comply with all the applicable regulations and directions of the RBI.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

There were no significant material orders passed by the Regulators / Courts / Tribunals which would impact the going concern status of the Company and its future operations.

DISCLOSURE AS PER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company is committed to providing and promoting a safe and healthy work environment for all its employees. The Company has zero tolerance towards sexual harassment at the workplace. A 'Prevention of Sexual Harassment' (POSH) policy, which is in line with the statutory requirements, along with a structured reporting and Redressal mechanism is in place.

No case of Sexual Harassment was reported during the year under the review.

HUMAN RESOURCES:

Your Company has a work environment that inspires people to do their best and encourages an ecosystem of teamwork, continuous learning and work-life balance. In an increasingly competitive market for talent.

Your Company continues to focus on attracting and retaining the right talent. With increasing emphasis on digital transformation, your company's effort and strategy has been to foster a dynamic yet structured approach to human resource management. We are committed to enhancing the employee experience through paperless on-boarding, online app-based training systems and effective communication through various means including social media and a digital newsletter.

Simplicity, Self-Drive and Passion for Excellence are some of the core values reflected in our brand, through our people. Talent Management and Development are the core pillars of our HR policy and the Company continuously strives to build capability and character of its people through focused programs.

During the lock down period, Company took various initiatives in order to increase physical & mental health awareness amongst the employees through online sessions & webinars with fitness couches, motivational speakers etc. Keeping the employees safe, engaged & productive during Covid Pandemic has been of utmost importance to your company. In order to do so, we focused on following areas:

a) Protecting our People: Help employees stay safe and healthy, whether at work or at home;

b) Communicating effectively: Lead with responsive, empathetic communications and flexible work from home policies;

c) Maintaining the continuity of work: Enable our people by providing the resources and support needed for being productive while working from home and

d) Preparing for getting back to work: Align our manpower with business strategy to ensure readiness to ramp up business post lock down.

These measures have not only helped us in keeping the employee engaged & productive in the Covid times, but have also helped in getting them to back to work post lockdown.

As on March 31, 2020, your Company had 543 employees as compared to 376 as on March 31, 2019.

CAUTIONARY NOTE: Certain statements in this Report may be forward-looking and are stated as may be required by applicable laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government policies and other incidental/related factors.

16. ACKNOWLEDGEMENTS

The Board of Directors takes this opportunity to express its sincere appreciation for the support and co–operation from its members, RBI and other regulators, banks, financial institutions and the trustees for debenture holders.

The Board of Directors also places on record its sincere appreciation of the commitment and hard work put in by the Management and the employees of the Company and thanks them for yet another excellent year.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
ELECTRONICA FINANCE LIMITED

SHILPA POPHALE	**SUJIT NATEKAR**
MANAGING DIRECTOR	**ADDITIONAL DIRECTOR**
DIN: 00182457	**DIN: 00182517**

Date: 24th August, 2020
Place: Pune

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To

The Members,

Electronica Finance Limited

101/1, Erandawane 'Audumbar',

Dr. Ketkar Road, Pune -411004

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Electronica Finance Limited** (hereinafter called the **"Company"**). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conduct / statutory compliances and expressing my opinion thereon.

Based on my 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 my opinion, the Company has, during the audit period covering the Financial Year ended on 31st March, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Electronica Finance Limited for the Company's Financial Year ended on 31st March, 2020 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;

V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 **('SEBI ACT')** to the extent applicable to the company:

  (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

  (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

  (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and amendments from time to time;

  (d) The Securities and Exchange Board of India (Share based Employee Benefits) Regulations, 2014;

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

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

  (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

  (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; and

  (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

ANNEXURE - A

VI. Rules, Regulations and Guidelines issued by the Reserve Bank of India as are applicable to NBFC which are specifically applicable to the Company

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

i. Secretarial Standards issued by The Institute of Company Secretaries of India.

ii. The Listing Agreement entered into by the Company with BSE Limited;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. Mentioned above, to the extent applicable.

We further Report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notices were given to all the Directors for the Board Meetings (including meetings held on Shorter Notice) agenda and detailed notes on agenda were sent within prescribed timelines. Proper quorum was present for all the Meetings held during the Financial Year. Any further information and clarifications were sent wherever required for meaningful participation at the meeting.

Majority Decision is carried through while the dissenting members' views if any, are 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;

i. The Company has issued Compulsory Convertible Preference Shares having face value of Rs. 20/- in following Manner:

Date of Allotment	No. of Fully Paid up Compulsory Convertible preference Shares	Nominal amount per security (In Rs)	Premium amount per security (In Rs)
28th November, 2019	50,18,302	20/-	149.38
11th March, 2020	13,08,537	20/-	149.38

ii. During the year, the Company has repaid its Non Convertible Debentures issued for an aggregate amount of Rs. 25 Crore issued to UNIFI AIF and has complied with the regulatory filings.

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

FOR C. V. KULKARNI & CO.

COMPANY SECRETARIES

C. V. KULKARNI

COMPANY SECRETARY

FCS No: 3342

CP No: 2792

Date: 24th August, 2020

Place: Pune

UDIN : F003342B000639934

ANNEXURE - A

To

The Members,

Electronica Finance Limited

101/1, Erandawane 'Audumbar',

Dr. Ketkar Road, Pune -411004

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

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

FOR C.V.KULKARNI & CO.

COMPANY SECRETARIES

C. V. KULKARNI

COMPANY SECRETARY

FCS No: 3342

CP No: 2792

Date: 24th August, 2020

Place: Pune

UDIN : F003342B000639934

ANNEXURE - B

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

As the core business of the company is to provide financial services hence the operations of our company are not energy intensive. As EFL is not a manufacturing company therefore the energy conservation and technology absorption rules are not relevant considering the nature of the activities of the company. However, we have taken various steps on conservation of energy such as usage of solar power, LED bulbs and replacing old electrical items. We have also been increasingly using information technology in our operations for automation and reducing paper usage. Overall it has helped us to reduce our costs and increased our contribution towards better environment.

Company has shifted its corporate office to a new location which is designed as a green building and is duly energy efficient.

During the year under review, there was no earning or expenditure incurred in foreign exchange by the Company.

ANNEXURE - C

Brief outline of the Corporate Social Responsibility (CSR) Policy:

This Policy shall be read in line with Section 135 of the Companies Act 2013, Companies (Corporate Social Responsibility Policy) Rules, 2014 and such other rules, regulations, circulars, and notifications (collectively referred hereinafter as Regulations) as may be applicable and as amended from time to time and will, inter-alia, provide for the following:

- Establishing guidelines for compliance in accordance with the provisions of Regulations to dedicate a percentage of Company's profits for social projects.
- Ensuring implementation of CSR initiatives in letter and spirit through appropriate procedures and reporting.
- Creating opportunities for employees to participate in social responsibility initiatives.

EFL is focused on CSR initiatives for a very long time. The CSR policy is developed with the idea of taking up projects to benefit society and impacting areas in which the Company operates. Though there are many initiatives taken under CSR, majority of funds during current FY have been spent towards making the education accessible to underprivileged individuals.

Under this mission EFL undertakes its flagship project known as **UDAAN.**

- Under project **'UDAAN'**, we have selected 138 girls from under privileged backgrounds from Pune & Kolhapur region
- We have organized career guidance session for the selected girls through Step up Foundation
- This year we have taken new initiative of imparting professional skills amongst young competent individuals, joint efforts with Team Lease Foundation.

EFL will undertake CSR activities, approved by the CSR Committee, either directly through its CSR cell/team or through such other entities /NGO's as approved by CSR Committee.

Composition of CSR Committee: (as on 31st March, 2020)

1. Ms. Shilpa Pophale (Managing Director)
2. Mr. Sujit Natekar (Additional Director)
3. Mr. T. V. Rao (Independent Director)
4. Mr. Milind Limaye (Independent Director)

Details of expenditure on CSR activities are as follows:

Particulars	Amount (In Lakhs)
Average net profit of the Company (as per the Companies (CSR Policy) Rules, 2014) for the financial years 2016-17, 2017-18, 2018-19	2,680.33
Prescribed CSR Expenditure (2% of the average net Profit computed above)	53.61
Total amount spent on CSR activities for the Financial Year 2019-20	54.69
Amount unspent, if any	NA

ANNEXURE - C

Manner in which the amount spent during the financial year 2019-20 is detailed below:

(Amount ₹ Lakhs)

Sr. No.	CSR project or activity identified	Sector in which the project is covered	Name of Implementing Agency/ Direct	Projects or programs- Specify the State/ Union Territory where projects or programs was undertaken Specify the district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: Direct Expenditure on projects or programs.		Cumulative expenditure up to the reporting period
						Direct	Indirect	
1	Construction of school Building	Promoting Education	Shikshana Prasaraka Mandali	Maharashtra – Pune	10.00	10.00	0.00	10.00
2	"Project - UDAAN"	Promoting Education	Direct	Maharashtra – Pune, Kolhapur	7.51	7.25	0.26	7.51
3	"Project - UDAAN"	Promoting Education	Step up Foundation	Maharashtra – Pune, Kolhapur	0.18	0.18	0.00	0.18
4	"Project - UDAAN"	Promoting Skill Education	Team lease Skills University	Kolhapur, Anand - Jamnagar, Rajkot	3.88	3.88	0.00	3.88
5	"Project - UDAAN"	Promoting Education	Niwant Andh Mukta Vikasalaya	Maharashtra – Pune	3.31	3.31	0.00	3.31
6	Contribution to NGO	Promoting Education	Palakniti Pariwar (Khelghar)	Maharashtra – Pune	1.79	1.79	0.00	1.79
7	Donation towards development of underprivileged gifted children	Promoting Education	Mensa India Tribal	Maharashtra – Pune	2.00	2.00	0.00	2.00
8	Donation towards supporting the education of tribal communities those are displaced due to Narmada Dam construction, through Jeevan Shalas initiative in Narmada valley	Promoting Education	Narmada Nav Niraman Abhiyan	Maharashtra – Nandurbar Madhya Pradesh – Alirajpur and Badwani	2.00	2.00	0.00	2.00
9	Donation towards promoting education amongst Tribal	Promoting Education	Shabari Seva Samiti	Maharashtra – Raigad, Palghar, Nashik, Nandurbar, Dhule and Jalgaon	2.00	2.00	0.00	2.00
10	Donation to physically challenged individuals	Promoting Education	Anamprem	Maharashtra – Ahmednagar	2.00	2.00	0.00	2.00
11	For children of sex workers	Promoting	Swadhar	Maharashtra – Pune	2.00	2.00	0.00	2.00
12	To make learning easy	Promoting Education	Dnyana Devi : Child line , Bal Sena and otheractivities	Maharashtra – Pune	1.50	1.50	0.00	1.50
13	School kits in flood affected area	Promoting Education	Seva Sahayog Foundation	Maharashtra – Sangli & Kolhapur	1.50	1.50	0.00	1.50
14	Donation towards the procurement of braille machine	Promoting Education	Rotary Club of Pune	Maharashtra – Pune	0.60	0.00	0.60	0.60
15	Books donation in rural Maharashtra	Promoting Education	Punyabhusahan Foundation, Jagar samakalin vachanacha	Maharashtra – Pune	0.05	0.05	0.00	0.05
16	Donation towards imparting vocational trainings amongst tribal women	Women Empowerment	Jnana Prabodhini	Maharashtra – Velha	6.08	6.08	0.00	6.08
17	A helping hand for the physically challenged	Health & Hygiene	Nirmalya Trust	Maharashtra – Pune	3.50	3.50	0.00	3.50
18	Sponsorship to Mid-Day meal Program	Poverty, Hunger, malnutrition and health	ISKCON	Maharashtra – Pune	1.25	1.25	0.00	1.25
19	Donation towards COVID 19 treatment	Health & Hygiene	Sasoon	Maharashtra – Pune	3.50	3.50	0.00	3.50
20	Other Donation	Health & Hygiene	Direct	Delhi NCR – Gurgaon	0.05	0.05	0.00	0.05
							Total	**54.69**

ANNEXURE - C

Responsibility statement of the CSR committee that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and policy of the company:

The CSR Committee confirms that the implementation and monitoring of CSR policy is in compliance with CSR objectives and policy of the Company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF ELECTRONICA FINANCE LIMITED

T.V. RAO
CHAIRMAN OF CSR COMMITTEE

SHILPA POPHALE
MANAGING DIRECTOR
DIN: 00182457

Date: 24th August, 2020
Place: Pune

ANNEXURE - D

FORM AOC-2

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

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

1. Details of Contracts or arrangements or transactions not at arm's length basis - Not applicable
2. Details of material contracts or arrangement or transaction at arm's length basis:

Name of the related party & nature of relationship	Nature of contract/ arrangement/ transaction	Duration of the Contract/ arrangement/ transaction	Amount (Rs. in Lakh)	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:
Mugdha Investment & Finance Pvt Ltd. (Holding Company)	Interest on ICD Accepted	1 Year	0.65	Interest calculated at 9.80% p.a. on the Inter corporate deposits accepted	Not Applicable	Nil
Electronica Tungsten Limited (Directorship of spouse of MD)	Rent received	1 Year	1.28	Rent as per the area of the premises shared.	Not Applicable	Nil
Electronica Hi Tech Machine Tools Private Limited (Directorship of spouse of MD)	Rent received	1 Year	12.45	Rent as per the area of the premises shared.	Not Applicable	Nil
Electronica Hi Tech Machine Tools Pvt ltd (Directorship of spouse of MD)	Rent paid	1 Year	7.94	Rent as per the area of the premises shared.	Not Applicable	9.67
Electronica Hi Tech Engineering Pvt ltd (Directorship of sister of MD)	Working Capital Loan	6 months	40.05	Interest charged @ 15% p.a.	Not Applicable	40.05
Mr. Shrikant Raghunath Pophale	Place of Profit	5 months	20.00	Management Consultancy Fees	19th November, 2019	Nil
Mrs. Mugdha Rahul Kaskhediker	Place of Profit	8 months and 22 days	8.64	Salary and Incentives	Not Applicable	Nil

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
ELECTRONICA FINANCE LIMITED

SHILPA POPHALE
MANAGING DIRECTOR
DIN: 00182457

Date: 24th August, 2020
Place: Pune

Policy Relating to Directors Appointment, Payment of Remuneration and Discharge of their Duties

Background

Electronica Finance Limited (hereinafter referred as the 'Company') practices a corporate culture that is based on the tenets of trusteeship, empowerment, accountability, control and ethical practices with transparency at its core for creation of maximum value for the stakeholders.

Present Position of Directors and KMP of the Company:

The Company has constituted a Nomination and Remuneration Committee of the Board of Directors. The Committee consists of three members, all are Independent Directors, details of members are provided in the Corporate Governance section.

Terms of reference of the nomination and remuneration committee

- 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.
- Act as Selection and Compensation Committee to evaluate suitability of candidates for various senior positions and determine appropriate compensation package for them. Selection of related persons whether or not holding place of profit in the Company to be carried out strictly on merit and where applicable, be subjected to review by the Audit Committee of and/or the Board with approval at each stage being obtained by disinterested Independent Directors only.
- Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.
- Removal strictly in terms of the applicable law/s and in compliance of principles of natural justice.
- Formulation of criteria for evaluation of Independent Directors and the Board and devising a policy on the Board diversity.
- Recommend to the Board remuneration including salary, perquisite and commission to be paid to the Company's Executive Directors on an annual basis or as may be permissible by laws applicable.
- Recommend to the Board, the Sitting Fees payable for attending the meetings of the Board/Committee thereof, and, any other benefits such as Commission, if any, payable to the Non- Executive Directors.
- Setting the overall Remuneration Policy and other terms of employment of Directors, wherever required.

Criteria for determining the following: -

Qualifications for appointment of Directors (including Independent Directors):

- Persons of eminence, standing and knowledge with significant achievements in business, professions and/or public service.
- Their financial or business literacy/skills.
- Their industry experience.
- Appropriate other qualification/ experience to meet the objectives of the Company.

The Remuneration and Nomination Committee shall have discretion to consider and fix any other criteria or norms for selection of the most suitable candidate/s.

- Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues proactively.
- Actively update their knowledge and skills with the latest developments in the railway/heavy engineering/infrastructure industry, market conditions and applicable legal provisions.
- Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities.
- To assist in bringing independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
- Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company.

- To act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and employees.
- Independent Directors to meet the requirements of the Companies Act, 2013 read with the Rules made.

Appointment of KMP / Senior Management:

- Selection based on required qualifications, experience, skills & expertise to effectively discharge their duties and responsibilities.
- To practice and encourage professionalism and transparent working environment.
- To build teams and carry the team members along for achieving the goals/objectives and corporate mission.
- To adhere strictly to code of conduct

Policy relating to Remuneration of Directors, KMP and Senior Managerial Personnel:

- To ensure that the level and components of remuneration are reasonable and sufficient to attract, retain and motivate Directors, KMP and other employees of the quality required to run the Company successfully.
- No director/ KMP/ other employee are involved in deciding his or her own remuneration.
- The trend prevalent in the similar industry, nature and size of business are kept in view and given due weightage to arrive at a competitive quantum of remuneration.
- It is to be ensured that relationship of remuneration to the performance is clear & meets appropriate performance benchmarks which are unambiguously laid down and communicated.
- Improved performance should be rewarded by increase in remuneration and suitable authority for value addition in future.
- Remuneration packages should strike a balance between fixed and incentive pay, where applicable, reflecting short and long term performance objectives appropriate to the Company's working and goals.
- **Following criteria are also to be considered: ¬**
  - Responsibilities and duties;
  - Time & efforts devoted and Value addition;
  - Profitability of the Company & growth of its business;
  - Analyzing each and every position and skills for fixing the Remuneration yardstick;
  - Standards for certain functions where there is a scarcity of qualified resources.
  - Ensuring tax efficient remuneration structures.
  - Ensuring that remuneration structure is simple and that the cost to the Company (CTC) is not shown inflated and the effective take home remuneration is not low.
  - Other criteria as may be applicable.

We have applied consistent application of remuneration parameters across the organization. Provisions of law with regard making payment of remuneration, as may be applicable, are complied.

Whenever, there is any deviation from the policy, the justification /reasons should also be indicated/ disclosed adequately.

Review

The policy is reviewed by the Nomination & Remuneration Committee and the Board, from time to time as necessary.

ANNEXURE - F

Details required under Section 197(12) of Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

(i) The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year 2019-20 is as under:

Median Salary for FY 2019-20 Rs. 4.16 Lakhs

Sr. No.	Name of the Director	Remuneration FY 19-20 (Rs. In lakhs)	Ratio Times
1	Mr. Shrikant Raghunath Pophale	28.00	6.73
2	Ms. Shilpa Pophale	153.52	36.91
3	Mrs. Mugdha Rahul Kaskhediker	3.24	0.78

(ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Company Secretary or manager, if any, in the Financial year

Sr. No.	Name of the Director / KMP	% increase in remuneration*
1	Mr. Shrikant Raghunath Pophale	14%
2	Ms. Shilpa Pophale	10%
3	Mrs. Mugdha Rahul Kaskhediker	0%
4	Mr. Sudeep Bhatia	0%
5	Mr. Mayank Thatte	Nil
6	Ms. Khwahish Rawal	13%

***Annualized increase in remuneration**

(iii) The percentage increase in the median remuneration of employees in the Financial year;

% increase in the Median remuneration of the employees in the FY. 11%

(iv) The number of permanent employees on the rolls of Company

No. of Permanent Employees as on 31st March, 2020 543

(v) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last Financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;

Average increase in Salary of other than KMP employees was 11.84%.

(vi) It is affirmed that the remuneration is as per the remuneration policy of the company.

ANNEXURE - G

Form No. MGT-9

Extract of Annual Return

As on the financial year ended on 31st March, 2019

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

I. REGISTRATION AND OTHER DETAILS

i)	CIN	U65910PN1990PLC057017
ii)	Registration date	26th June, 1990
iii)	Name of the Company	Electronica Finance Limited
iv)	Category/Sub category of the Company	Non - Banking Financial Company (NBFC-ND-SI)
v)	Address of the Registered office and contact details	101/1, Erandawane 'Audumbar', Dr. Ketkar Road, Pune - 411004
vi)	Whether listed company	Yes (debt listed)
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited 247 Park , C 101, 1st Floor , LBS Marg , Vikhroli (W) , Mumbai – 400 083 Contact Details : 022 49186000
viii)	Name, Address and Contact details of Debenture Trustee	Catalyst Trusteeship Limited Windsor, 6th Floor, Office No - 604, C.S.T. Road, Kalina, Santacruz (East), Mumbai – 400 098 Contact Details : 022- 4922 0555

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are as stated below: -

Sl. No.	Name and Description of main products/services	NIC Code of the product / service	% to total turnover of the Company
1	Asset Financing Activity	64920	55.78%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	M/s Mugdha Investment and Finance Private Limited	U65993MH1990PTC057022	Holding company	*89.04%	2(46)

*Shareholding of 89.04% include 46.67% shares held by Electronica Industries Limited which is a subsidiary company of Mugdha Investment and Finance Private Limited

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup As % of Total Equity)

i) Category-wise Shareholding

Sr. No.	Category of Shareholders	Number of shares held as at 1/04/2019				Number of shares held as at 31/03/2020				% change during the year
		Demat	Physical	Total	%of total shares	Demat	Physical	Total	% of Total shares	
(A)	**Promoters**									
(1)	**Indian**									
a)	Individual / HUF		21,54,220	21,54,220	9.55	17,99,987	-	17,99,987	7.98	-1.57
b)	Central Government	-	-	-	-	-	-	-	-	-
c)	State Government(s)	-	-	-	-	-	-	-	-	-
d)	Bodies Corporate		2,01,64,245	2,01,64,245	89.48	2,01,64,245	-	2,01,64,245	89.48	-
e)	Banks / Financial Institutions	-		-	-	-	-	-	-	-
f)	Any Other			-	-	-	-	-	-	-
	Sub-Total (A)(1)		**2,23,18,465**	**2,23,18,465**	**99.03**	**2,19,64,232**		**2,19,64,232**	**97.46**	**- 1.57**
(2)	**Foreign**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
a)	NRIs – Individuals	-		-	-	-	-	-	-	-
b)	Other – Individuals	-		-	-	-	-	-	-	-
c)	Bodies Corporate	-		-	-	-	-	-	-	-
d)	Banks / Financial Institutions	-		-	-	-	-	-	-	-
e)	Any Other	-	-	-	-	-	-	-	-	-
	Sub-Total (A)(2)	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total Shareholding of Promoters (A) = (A)(I)+(A)(II)	**-**	**2,23,18,465**	**2,23,18,465**	**99.03**	**2,19,64,232**	**-**	**2,19,64,232**	**97.46**	**- 1.57**
(B)	**Public shareholding**									
(1)	**Institutions**									
a)	Mutual Funds / UTI	-	-	-	-	-	-	-	-	-
b)	Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
c)	Central Government	-	-	-	-	-	-	-	-	-
d)	State Government(s)	-	-	-	-	-	-	-	-	-
e)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
f)	Insurance Companies	-	-	-	-	-	-	-	-	-
g)	Foreign Institutional Investors (FII)	-	-	-	-	-	-	-	-	-
h)	Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i)	Any other (specify)	-	-	-	-	-	-	-	-	-
	Sub-Total (B)(1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

ANNEXURE - G

Sr. No.	Category of Shareholders	Number of shares held as at 1/04/2019				Number of shares held as at 31/03/2020				% change during the year
		Demat	Physical	Total	%of total shares	Demat	Physical	Total	% of Total shares	
(2)	**Non – Institutions**									
(a)	Bodies Corporate									
	i) Indian	-				-	-	-	-	-
	ii) Overseas	-	-	-	-	3,54,233		3,54,233	1.57	1.57
(b)	Individuals									
	i) Individual shareholders holding nominal share capital upto Rs 1 lakh	-	2,03,680	2,03,680	0.90	1,000	2,02,680	2,03,680	0.90	-
	ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	12,500	12,500	0.06	-	12,500	12,500	0.06	-
(c)	Others									
	i) Non - Resident Indians	-	-	-	-	-	-	-	-	-
	ii) Clearing Members	-	-	-	-	-	-	-	-	-
	iii) Directors and their relatives	-	-	-	-	-	-	-	-	-
	iv) Hindu Undivided Families	-	-	-	-	-	-	-	-	-
	v) Trusts	-	-	-	-	-	-	-	-	-
	Sub-Total (B)(2)	**-**	**2,16,180**	**2,16,180**	**0.96**	**3,55,233**	**2,15,180**	**5,70,413**	**2.53**	**1.57**
	Total Public Shareholding (B)=(B)(I)+(B)(II)	**-**	**2,16,180**	**2,16,180**	**0.96**	**3,55,233**	**2,15,180**	**5,70,413**	**2.53**	**1.57**
(C)	Shares held by Custodians for GDRs and ADRs	-	-	-	-	-	-	-	-	-
	Grand Total (A+B+C)	**-**	**2,25,34,645**	**2,25,34,645**	**100.00**	**2,23,19,465**	**2,15,180**	**2,25,34,645**	**100.00**	**-**

V. SHAREHOLDING PATTERN (Preference Share Capital Breakup)

ii) Category-wise Shareholding

Sr. No.	Category of Shareholders	Number of shares held as at 1/04/2019				Number of shares held as at 31/03/2020				% change during the year
		Demat	Physical	Total	%of total shares	Demat	Physical	Total	% of Total shares	
(A)	**Promoters**									
(1)	**Indian**									
a)	Individual / HUF	-	-	-	-	-	-	-	-	-
b)	Central Government	-	-	-	-	-	-	-	-	-
c)	State Government(s)	-	-	-	-	-	-	-	-	-
d)	Bodies Corporate	-	-	-	-	-	-	-	-	-
e)	Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
f)	Any Other		-	-		-	-	-	-	-
	Sub-Total (A)(1)	**-**	**-**	**-**				**-**		
(2)	**Foreign**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a)	NRIs – Individuals	-	-	-	-	-	-	-	-	-
b)	Other – Individuals	-	-	-	-	-	-	-	-	-
c)	Bodies Corporate	-	-	-	-	-	-	-	-	-
d)	Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
e)	Any Other	-	-	-	-	-	-	-	-	-
	Sub-Total (A)(2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total Shareholding of Promoters (A) = (A)(I)+(A)(II)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(B)	**Public shareholding**		**-**	**-**		**-**	**-**		**-**	**-**
(1)	Institutions		-	-		-	-		-	-
a)	Mutual Funds / UTI	-	-	-	-	-	-	-	-	-
b)	Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
c)	Central Government	-	-	-	-	-	-	-	-	-
d)	State Government(s)	-	-	-	-	-	-	-	-	-
e)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
f)	Insurance Companies	-	-	-	-	-	-	-	-	-
g)	Foreign Institutional Investors (FII)	-	-	-	-	-	-	-	-	-
h)	Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i)	Any other (specify)	-	-	-	-	-	-	-	-	-
	Sub-Total (B)(1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

ANNEXURE - G

Sr. No.	Category of Shareholders	Number of shares held as at 1/04/2019				Number of shares held as at 31/03/2020				% change during the year
		Demat	Physical	Total	%of total shares	Demat	Physical	Total	% of Total shares	
(2)	**Non – Institutions**									
(a)	Bodies Corporate									
	i) Indian	-				-	-	-	-	-
	ii) Overseas	-	-	-	-	63,26,839	-	63,26,839	100	100
(b)	Individuals									
	I Individual shareholders holding nominal share capital upto Rs 1 lakh	-	-	-		-	-		-	-
	ii Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-		-	-
(c)	Others		-	-						
	i) Non - Resident Indians	-	-	-	-	-		-	-	-
	ii) Clearing Members	-	-	-	-	-	-	-	-	-
	iii) Directors and their relatives	-	-	-	-	-	-	-	-	-
	iv) Hindu Undivided Families	-	-	-	-	-	-	-	-	-
	v) Trusts	-		-	-	-	-	-	-	-
	Sub-Total (B)(2)		**-**	**-**		**63,26,839**	**-**	**63,26,839**	**100**	**100**
	Total Public Shareholding (B)=(B)(I)+(B)(II)	**-**	**-**	**-**	**-**	**63,26,839**	**-**	**63,26,839**	**100**	**100**
(C)	Shares held by Custodians for GDRs and ADRs	-	-	-	-	-	-	-	-	-
	Grand Total (A+B+C)	**-**	**-**	**-**	**-**	**63,26,839**	**-**	**63,26,839**	**100**	**100**

iii) Shareholding of Promoters:

Sr. No.	Shareholders Name	Shareholders as at 31/03/2019		Shareholders as at 31/03/2020	
		No. of shares	% of total shares of the Company	No of shares	% of total shares of the Company
I	Mr. Shrikant Raghunath Pophale	11,00,600	4.88%	14,67,867	6.51%
II	Shrikant Raghunath Pophale (HUF)	7,21,500	3.20%	-	-
III	Mrs. Mugdha Rahul Kaskhediker	22,000	0.10%	22,000	0.10%
IV	Ms. Shilpa Pophale	31,500	0.14%	31,500	0.14%
V	Mrs. Priya Dharmadhikari	30,500	0.13%	30,500	0.13%
VI	Mrs. Manisha Pophale	1,43,620	0.64%	1,43,620	0.64%
VII	Mr. Sujit Natekar	34,333	0.15%	34,333	0.15%
VIII	Mr. Adwait Dharmadhikari	500	0.00%	500	0.00%
IX	Mr. Rahul Kaskhediker	33,834	0.15%	33,834	0.15%
X	Mr. Shashikant Dharmadhikari	500	0.00%	500	0.00%
XI	Adwait Dharmadhikari (HUF)	33,833	0.15%	33,833	0.15%
XII	Mr. Sharad Natekar	1000	0.00%	1000	0.00%
XIII	Sujit Natekar (HUF)	500	0.00%	500	0.00%
XIV	M/s Electronica Hi Tech Machine Tools Private Limited	1,00,000	0.44%	1,00,000	0.44%
XV	M/s Electronica Industries Limited	1,05,17,125	46.67%	1,05,17,125	46.67%
XVI	M/s Mugdha Investment & Finance Private Limited	95,47,120	42.37%	95,47,120	42.37%
	Total	**2,23,18,465**	**99.03%**	**2,19,64,232**	**97.46%**

Note:

a. Percentage shown as "0.00" above are not nil, but rounded off to 2 decimals.

b. In case of Joint Holding, the name of the First Holder is considered.

c. No shares of Promoters have been pledged or encumbered as of 01/04/2019 or 31/03/2020 or during the year ended 31/03/2020.

d. During the year, 63,26,839 Compulsory Convertible Preference shares with face value of Rs. 20/- each, were allotted to ESF Holdings.

iv) Change in Promoters' Shareholding: Yes, there is a transfer of Equity shareholding upto the extent of 1.57% from Mr. Shrikant Pophale to ESF Holdings.

Sr. No.		Shareholding at the beginning of the year- 01.04.2019		Cumulative Shareholding during the year- 31.03.2020	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	At the beginning of the year*	2,23,18,465	99.03%	2,19,64,232	97.46 %
2	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (transfer of equity)	#			
	At the End of the year	2,19,64,232		97.46 %	

Decrease/Increase in shareholding of Promoters group is mentioned hereunder:

S No.	Name	Shareholding at the beginning (01.04.2019)/ End of the Year (31.03.2020)		Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01.04.19 to 31.03.2020)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1	Mr. Shrikant Raghunath Pophale*	18,22,100	8.08%	01.04.2019				
				28.11.2019	- 3,54,233	Transfer	14,67,867	6.51%
				31.03.2020			14,67,867	6.51%

*includes shares held by Mr. Shrikant Raghunath Pophale, HUF

v) Shareholding pattern of top ten Equity Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Shareholding pattern of top ten Equity shareholders as at 31st March 2020

Sr. No.	Name of Shareholder	Number of shares	% of total shares of the Company
I	ESF Holdings	3,54,233	1.57%
II	Mr. Shah Tushar Subodh	12,500	0.06%
III	Bhargava Hari (HUF)	7,500	0.03%
IV	Mr. Jhaveri Ajay	7,500	0.03%
V	Mr. Bhargava Siddhida	7,500	0.03%
VI	Mr. Bhargava Hari	7,500	0.03%
VII	Mr. Kolhatkar Nitin S.	7,000	0.03%
VIII	Mr. Bhanjan S.R	5,000	0.02%
IX	Mr. Chiyyedu Sunit S.	5,000	0.02%
X	Mr. Pathak Sudhir M.	5,000	0.02%
XI	Mr. Agarwal Umesh	5,000	0.02%
XII	Mr. Chatterjee Pritish Amit Kumar	5,000	0.02%
XIII	Ms. Gokhale Archana Mukund	5,000	0.02%
XIV	Mr. Save Atul Moreshwar	5,000	0.02%

Shareholding pattern of top ten shareholders as at 31st March 2020:

Note:

a. In case of Joint Holding, the name of the first holder is considered.

b. There is no fresh allotment/reduction of share capital during the year by the Company. The increase/decrease in shareholding above is due to transactions between Shareholders.

c. The Shareholding details given above are based on the legal ownership and not beneficial ownership.

vi) Shareholding of Directors and Key Managerial Personnel:

Shareholding of:

Sr. No.	Name of Director	Shareholding as at 31/03/2019		Shareholding as at 31/03/2020	
		No. of shares	% to total shares of the Company	No of shares	% to total shares of the Company
I	Mr. Shrikant Raghunath Pophale	11,00,600	4.88%	14,67,867	6.51%
II	Ms. Shilpa Pophale	31,500	0.14%	31,500	0.14%
III	Mr. Sujit Natekar	34,333	0.15%	34,333	0.15%
IV	Mrs. Mugdha Rahul Kaskhediker	22,000	0.10%	22,000	0.10%
V	Mr. Mayank Thatte	-	-		
VI	Ms. Khwahish Rawal	-	-		

VI. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(₹ in Lakhs)

Particulars	Secured Loans Excluding Deposits	Unsecured Loans	Deposit	Total Indebtedness
Indebtedness as at 01 April 2019				
I) Principal Amount	52,631.19	2,740.82	-	55,372.01
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	366.38	-	-	366.38
Total (i+ii+iii)	**52,997.57**	**2,740.82**	**-**	**55,738.39**
Change in Indebtedness during the financial year				
Addition	33,606.86	-	-	33,606.86
(Reduction)	(21,923.73)	(1,844.10)	-	(23,767.83)
Net Change	**11,683.13**	**(1,844.10)**	**-**	**9,839.03**
Indebtedness as at 31 March 2020				
i) Principal Amount	64,483.43	896.72	-	65,380.14
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	197.28	-	-	197.28
Total (i+ii+iii)	**64,680.71**	**896.72**	**-**	**65,577.42**

VII. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(₹ in Lakhs)

Sr. No.	Particulars of Remuneration	Shilpa Pophale (Managing Director)	Shrikant Pophale# (Executive Director)	*Mugdha Kaskhediker (Whole-Time Director)
1.	Gross Salary	153.53	28.00	3.24
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961			
(b)	Value of perquisites under section 17(2) of the Income-tax Act, 1961	-	-	-
(c)	Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- as percentage of profit	-	-	-
	- others	-	-	-
5.	Others	-		
	Total (A)	**153.53**	**28.00**	**3.24**
	Ceiling as per the Act	**Rs. 188.01/-** * (as per Companies Act 2013 Maximum Remuneration can be Paid 10% of Net Profit)		

*Resigned w.e.f. 8th July, 2019
Resigned w.e.f. 1st November, 2019

ANNEXURE - G

A. Remuneration to other Directors:

(₹ in Lakhs)

Sr. No.	Name of Director	Particulars of Remuneration			Total
		Fees for attending board/ committee meetings	Commission / Professional fees	Others	
1.	**Independent Directors**				
	Mr. Milind Limaye	5.50	-	-	5.50
	Mr. T. V. Rao	4.00	-	-	4.00
	Mr. Venkatesh Srinivasan	1.50	-	-	1.50
	Mr. Venkatesan Sridar*	0.50	-	-	0.50
	Total (1)	11.50	-	-	11.50
2.	**Other Non-Executive Directors**	-	-	-	-
	Total (2)	-	-	-	-
	Total (B)=(1+2)	**11.50**	**-**	**-**	**11.50**
	Total Managerial Remuneration				
	Overall Ceiling as per the Act	**Rs. 18.80 /-** (Maximum as per Companies Act 2013)			

*Resigned w.e.f. 22nd July, 2019

B. Remuneration to Key Managerial Personnel other than Managing Director / Manager / Whole-time Director:

(₹ in Lakhs)

Sr. No.	Particulars of Remuneration	Mayank Thatte (Chief Financial Officer)*	Sudeep Bhatia (Chief Financial Officer)**	Khwahish Rawal (Company Secretary)	Total
I.	**Gross Salary**	36.89	16.26	8.02	**61.17**
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				
	(b) Value of perquisites under section 17(2) of the Income-tax Act, 1961	-		-	
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-		-	-
II.	Stock Option	-		-	-
III.	Sweat Equity	-		-	-
IV.	Commission	-		-	-
	- as percentage of profit	-		-	-
	- others	-		-	
V.	Others	-		-	-
	Total	**36.89**	**16.26**	**8.02**	**61.17**

*Appointed w.e.f. 19th November, 2019
**Resigned w.e.f. 7th June, 2019

VIII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

During the Financial Year, there is no instance of any penalty / punishment / compounding of offence under the Companies Act, 2013 against any Director, Key Managerial Person and Other Officers. **NIL**

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF ELECTRONICA FINANCE LIMITED

SHILPA POPHALE
MANAGING DIRECTOR
DIN: 00182457

Date: 24th August, 2020
Place: Pune

VALUES THAT DRIVE US

THINK ORIGINAL

- THINK OUT OF THE BOX
- ALWAYS INNOVATE
- USE YOUR IMAGINATION
- ADOPT LATEST TRENDS
- BE PROACTIVE

Think Original

THINK ORIGINAL

IT IS BETTER
TO FAIL IN
ORIGINALITY THAN
TO SUCCEED
IMITATION

REPORT ON CORPORATE GOVERNANCE

Governance Philosophy

Electronica Finance Limited (hereinafter referred to as EFL) believes that the highest standards of Corporate Governance are essential in order to sustain excellent performance and to enhance shareholder value, on a consistent long term basis. EFL continues to strive towards achieving the highest level of transparency and adopt the best corporate governance practices in all its dealings with various stakeholders.

EFL fundamentally believes that good Corporate Governance should be an internally driven need and is not to be looked upon as an issue of compliance dictated by statutory/ regulatory requirements. The philosophy of the Company is to maintain the level of ethics in all its dealings in order to achieve its goal of building the trust of investors in the Company

EFL strives towards achieving the highest level of ethical standards and consequently the Board is kept well-informed about all the activities of the company. The Company's philosophy on Corporate Governance is embedded in the rich legacy of ethical governance practices, most of which were implemented before they were mandatorily prescribed. The objective of Good Corporate Governance is to ensure the Board's commitment towards transparent management to maximize long term value for the Company's shareholders and all other participants involved in a process, which is economic and, at the same time, social.

Board of Directors

Composition

The Board of Directors along with the Committees of the Board, provides leadership and guidance to the Company's Management and directs, supervises and controls the activities of the Company.

As on 31st March, 2020, EFL's Board comprised of 5 directors consisting of Managing Director, Non-Independent – Non-Executive Director and Three Independent Directors which were drawn from diverse fields / professions. All the Independent Directors have confirmed that they meet the criteria as mentioned under Section 149 of the Companies Act, 2013.

During the year, Mr. Shrikant Raghunath Pophale resigned from the directorship of the Company with effect from 1st November, 2019 but upon univocal request of the Board agreed to continue as Chairman-Emeritus

During the year, Ms. Shilpa Pophale was reappointed as Managing Director w.e.f. 1st April, 2019 and designated as Key Managerial Personnel of the Company w.e.f. 28th May, 2019.

During the year under review, Mr. Sujit Natekar was inducted on the Board as a Non–Executive, Non-Independent Director of the Company w.e.f. 19th November, 2019.

During the year under review, Mr. Mayank Thatte was appointed as Chief Financial Officer and Key Managerial Personnel of the Company w.e.f. 19th November, 2019.

Number of Board Meetings

During 2019-20, the Board of EFL met 7 times on – 28th May 2019, 31st July 2019, 4th October 2019, 19th November 2019, 12th December 2019, 3rd February 2020 and 17th February 2020. The maximum time gap between any two consecutive meetings was as per applicable regulations.

The Company in consultation with the Directors of the Company prepared a tentative calendar for the next meetings of the Board/Committee to ensure the presence of majority of Directors in the meetings. Agenda papers containing all the necessary information are sent well in advance to all the Directors of the Company so as to enable the Directors to become aware of all the facts on timely basis.

REPORT ON CORPORATE GOVERNANCE

Directors' Attendance Record and Directorship Held

Sl. No.	Name of Director	Position	Category	No. of meetings held in 2019-20 during tenure	No. of meetings attended	No. of outside Director-ships of public companies*
1.	Mr. Shrikant Pophale #	Executive Director	Promoter – Executive	3	3	1
2.	Ms. Shilpa Pophale	Managing Director	Promoter – Executive	7	7	1
3.	Ms. Mugdha Kaskhediker*	Whole Time Director	Promoter – Executive	1	1	-
4.	Mr. Sujit Natekar@	Additional Director	Promoter- Non Executive	3	3	1
5.	Mr. Venkatesh Srinivasan	Independent Director	Independent – Non Executive	7	2	-
6.	Mr. T. V. Rao	Independent Director	Independent – Non Executive	7	4	9
7.	Mr. Milind Limaye	Independent Director	Independent – Non Executive	7	6	-
8.	Mr. Sridar Venkatesan**	Independent Director	Independent – Non Executive	1	1	7

Resigned w.e.f. 1st November, 2019
*Resigned w.e.f. 8th July, 2019
@Co-opted on the Board w.e.f 19th November, 2019
**Resigned w.e.f. 22nd July, 2019

Notes: Excludes directorships in private limited companies, foreign companies, memberships of management committees of various chambers, bodies and Section 8 companies

The last Annual General Meeting held on 30th September 2019 was attended by Mr. T. V. Rao, Chairman of the Audit Committee.

Directors with Materially Significant Pecuniary Relationship or Business Transaction with the Company

All Executive Directors receive salaries, allowances, perquisites and/ or commission, while all Non-Executive Directors are paid Sitting Fees for attending the Board meetings as well as Committee meetings. There have been no materially significant pecuniary relationships or transactions between the Company and its Directors in the financial year under review.

Remuneration paid to Executive Directors

Detailed information of Director's remuneration for the year 2019-20 is given in the table below:

(₹ in Lakhs)

Name of Director	Remuneration
Mr. Shrikant Raghunath Pophale#	28
Ms. Shilpa Pophale	153.53
Mrs. Mugdha Rahul Kaskhediker*	3.24

Resigned w.e.f. 1st November, 2019
*Resigned w.e.f. 8th July, 2019

Further, the details of payments made to Independent Directors form a part of the extract of annual return provided as part of the Director's report.

Shareholding of Executive & Non-Executive Directors

Equity Shares and Convertible Instruments held by Executive & Non-Executive Directors as on 31st March 2020

Name of Director	Category	Number of Equity shares held	Convertible Warrants
Ms. Shilpa Pophale	Promoter – Executive	31,500	Nil
Mr Sujit Natekar	Promoter – Non Executive	34,333	Nil
Mr. Venkatesh Srinivasan	Independent – Non Executive	Nil	Nil
Mr. T.V. Rao	Independent – Non Executive	Nil	Nil
Mr. Milind Limaye	Independent – Non Executive	Nil	Nil

COMMITTEES OF THE BOARD

The Board has constituted Committees with specific terms of reference/ scope to focus effectively on issues and ensure expedient resolution of diverse matters and as required by the provisions of RBI regulation, section 94(A) of RBI Act. These are the Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Asset

Liability Management Committee, Risk Management Committee, Bank Borrowing Committee, IT Strategy Committee & Securities Operations Committee.

The Company Secretary is the Secretary of all the aforementioned Committees. The Board of Directors and the Committees also take decisions by circular resolutions which are noted by the Board at its next meeting. The minutes of the meetings of all Committees of the Board are placed before the Board for discussions and noting's.

1. AUDIT COMMITTEE

As on 31st March 2020, EFL's Audit Committee comprised 3 members — Mr. T. V. Rao, Independent Director, Mr. Milind Limaye, Independent Director, Mr. Venkatesh Srinivasan, Independent Director.

The scope of activities of Audit Committee is as set out in Section 177 of the Companies Act, 2013. All the members of the Audit Committee are Non-Executive Independent Directors. Mr. T. V. Rao, Chairman of the Audit Committee and all members of the Committee possess high degree of accounting and financial management expertise and have sound accounting and financial knowledge. Mr. T. V. Rao Chairman of the Audit Committee was present at the last AGM of the Company.

In 2019-20, the Audit Committee met 5 times on — 28th May 2019, 31st July 2019, 19th November 2019, 12th December 2019 and 17th February 2020.

Details of the Audit Committee

Name of the Member	Category	No. of Meetings held during tenure	No. of Meetings Attended
Mr. T. V. Rao	Independent Director	5	3
Mr. Venkatesh Srinivasan	Independent Director	5	1
Mr. Milind Limaye	Independent Director	5	5

The Board has adopted an Audit Committee Charter which defines the composition of the Audit Committee, its authority, role, responsibilities and powers and reporting functions in accordance with the Act and Guidelines issued by RBI. As per Board mandate, Audit Committee mandatorily performs the following functions:

- Recommend appointment and removal of the Auditors and their remuneration, nature and scope of audit
- Ensure adequacy of internal controls and compliances and recommend remedial measures – Review adequacy of the Internal Audit function
- Review and monitor the auditors' independence and performance and effectiveness of the audit process
- Oversee financial reporting process and disclosure of financial information
- Examine the financial statements and the auditors' report thereon
- Evaluate internal financial controls and the risk management systems
- Act as a link between the Statutory Auditors, Internal Auditors and the Board of Directors
- Review accounting policies
- Approve any transactions of the Company with related parties or any subsequent modifications thereof
- Scrutinise inter-corporate loans and investments
- Evaluate the valuation of undertakings or assets of the Company, if necessary
- Monitoring the end use of funds raised through public offers and related matters – Review findings of internal investigations / frauds / irregularities, etc.
- Carry out additional functions as contained in the Listing Agreement or other regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee
- Carry out the responsibilities under the Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices.

2. NOMINATION AND REMUNERATION COMMITTEE

a) Terms of reference

The Nomination and Remuneration Committee functions in accordance with the provisions of Companies Act, 2013 which included the following-:

- Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria and recommend to the Board their approval and removal.
- Carry out the evaluation of director's performance
- Formulate the criteria for determining qualification, positive attributes and independence of a director.
- Recommend to the Board a policy relating to the remuneration for the directors, KMP and other employees.
- Carry out such other functions as are required or appropriate in discharging their duties.

b) Composition of the Committee

The Nomination and Remuneration Committee comprised of following three Independent Directors as on the 31st March 2020. During FY 2019-20, 4 Meetings of the Nomination and Remuneration Committee were held on the following dates: 28th May 2019, 31st July 2019, 19th November 2019 & 3rd February 2020. As on 31st March 2020, the Composition of Nomination and Remuneration Committee is as follows:

Name of the Member	Category	No. of Meetings held during tenure	No. of Meetings Attended
Mr. Milind Limaye	Independent Director	4	4
Mr. T. V. Rao	Independent Director	4	3
Mr. Venkatesh Srinivasan	Independent Director	4	1

3. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

During the Financial Year 2019-20, 3 Meetings of the Corporate Social Responsibility Committee was held on 28th May 2019, 31st July 2019 and 12th December, 2019. As on 31st March 2020 the Corporate Social Responsibility Committee comprising of Ms. Shilpa Pophale, Managing Director, Mr. Sujit Natekar, Additional Director, Mr. T.V. Rao, Independent Director and Mr. Milind Limaye, Independent Director

The Corporate Social Responsibility Committee functions as under:

- Formulate and recommend to the Board, the Corporate Social Responsibility policy and the activities to be undertaken by the Company.
- Recommend the amount of expenditure to be incurred on the activities undertaken by the Company.
- Monitor the Corporate Social Responsibility policy from time to time.
- Carry out such other functions as are required or appropriate in discharging their duties.

The composition of the Corporate Social Responsibility Committee and the attendance of its Members at its Meetings held during FY 2019-20 is given below:

Name of the Member	Category	No. of Meetings held during tenure	No. of Meetings Attended
Ms. Shilpa Pophale	Managing Director	3	3
Mr. T. V. Rao	Independent Director	3	1
Mr. Sujit Natekar*	Additional Director	1	0
Mr. Milind Limaye*	Independent Director	1	1

*Member w.e.f 19th November, 2019

4. ASSET LIABILITY MANAGEMENT COMMITTEE

During Financial Year 2019-20, 2 meetings of the Asset Liability Management Committee were held on 31st July, 2019 and 4th January, 2020. The composition of the Asset Liability Management Committee and the attendance of its members at its meetings held during FY 2019-20 is given below:

Name of the Member	Category	No. of Meetings held during tenure	No. of Meetings Attended
Mr. Shrikant Pophale#	Executive Director	1	1
Ms. Shilpa Pophale	Managing Director	2	2
Mr. Sujit Natekar*	Additional Director	1	1
Mr. Milind Limaye*	Independent Director	2	0

#Resigned w.e.f 1st November, 2019

*Member w.e.f 19th November, 2019

5. RISK MANAGEMENT COMMITTEE

During Financial Year 2019-20, 2 meetings of the Risk Management Committee were held on 31st July, 2019 and 4th January, 2020. The composition of the Risk Management Committee and the attendance of its members at its meetings held during FY 2019-20 is given below:

Name of the Member	Category	No. of Meetings held during tenure	No. of Meetings Attended
Mr. Shrikant Pophale#	Executive Director	1	1
Ms. Shilpa Pophale	Managing Director	2	2
Mr. Sujit Natekar*	Additional Director	1	1
Mr. Milind Limaye*	Independent Director	2	0

#Resigned w.e.f 1st November, 2019
*Member w.e.f 19th November, 2019

6. BANK BORROWING COMMITTEE

During Financial Year 2019-20, Meetings of the Bank Borrowing Committee were held on 10th July, 2019, 29th July, 2019, 31st July, 2019, 28th August, 2019, 23rd September, 2019,4th October, 2019, 11th November, 2019, 30th December,2019, 28th February, 2020, 16th March, 2020 and 30th March, 2020.

The composition of Bank Borrowing Committee and the attendance of its members at its meetings held during FY 2019-20 is given below:

Name of the Member	Category	No. of Meetings held during tenure	No. of Meetings Attended
Mr. Shrikant Pophale#	Executive Director	6	6
Ms. Shilpa Pophale	Managing Director	11	11
Mr. Sujit Natekar*	Additional Director	4	4
Mr. Milind Limaye*	Independent Director	4	0

#Resigned w.e.f 1st November, 2019
*Member w.e.f 19th November, 2019

7. IT STRATEGY COMMITTEE:

During Financial Year 2019-20, 2 Meetings of the IT Strategy Committee were held on 20th June 2019 and 12th December 2019.

The composition of IT Strategy Committee and the attendance of its Members at its Meetings held during FY 2019-20 is given below:

Name of the Member	Category	No. of Meetings held during tenure	No. of Meetings Attended
Ms. Shilpa Pophale	Managing Director	2	2
Mr. Sujit Natekar*	Additional Director	1	1
Mr. Milind Limaye*	Independent Director	1	0
Mr. Mayank Thatte*	Chief Financial Officer	1	1
Mr. Bejoy Bisht	Head-IT & Systems	2	2
Mr. Amit Gadre	Senior Vice President	2	1

*Member w.e.f 19th November, 2019

INDEPENDENT DIRECTOR MEETING

The meeting of the Independent Directors was held on 17th February 2020 without the attendance of Non-Independent Directors and members of management to inter-alia;

i. review the performance of Non-Independent Directors and the Board as a whole;

ii. review the performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors;

iii. assess the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Performance evaluation of Independent Directors

The performance evaluation of Independent Directors is to be done by the entire Board of Directors except the Director which is being evaluated. The criterion for the evaluation of performance is laid down in the Nomination and Remuneration policy. The evaluation of the performance is being done on an annual basis of the following Independent Directors Mr. T.V. Rao, Mr. Venkatesh Srinivasan and Mr. Milind Limaye.

DISCLOSURES

a) **Related Party Disclosure**

As required by the Accounting Standard AS-18, the details of Related Party Transactions are given in Notes to the Annual Accounts.

With regard to information on related party transactions, whenever applicable, the Audit Committee is presented with the following information, wherever applicable

- A statement in summary form of transactions with related parties in the ordinary course of business.
- Details of material individual transactions with related parties which are not in the normal course of business.

b) **Disclosure of Accounting Treatment in Preparation of Financial Statements**

The Financial Statements of the Company have been prepared in accordance with Ind AS Financial Statements, as specified under section 143(10) of the Companies Act, 2013 and other relevant provisions of the Act, as applicable. Further, the Company follows the RBI Master Directions for NBFCs. The Accounting Policies adopted in the preparation of the Financial Statements and detailed disclosures are provided in detail in the Notes to Accounts annexed in Annual Report.

Audit Qualifications

The Company's Financial Statements are free from any qualifications from the Auditors and Company continues to adopt best practices to achieve its Business objectives.

Management Discussion and Analysis

The Management Discussion and Analysis Report is part of the Directors Report as an annexure.

Disclosures by Management to the Board

All details on the financial and commercial transactions where Directors may have a potential interest are provided to the Board. The interested Directors neither participate in the discussion nor vote on such matters.

Means of Communication

The effective communication of information is considered to be very essential component of Corporate Governance. The Company interact with its shareholders through various means of communication i.e., Print Media, Company's Website, Annual Report etc.

Half Yearly/ Annual results:

The unaudited half yearly & audited annual results are forthwith sent to the stock exchanges where the Company's securities are listed after they are approved by the Board of Directors. The results of the Company are published in at least one national newspaper. The financial results are also displayed on the Company's website.

Green Initative

As a responsible Corporate citizen, the Company welcomes the Green Initative by sending the communications/documents including Notices for General Meeting and Annual Reports from time to time in electronic mode to those members who have provided their e-mail addresses.

Shareholders who have not registered their e-mail addresses are requested to register/update their e-mail addresses in respect of equity shares held by them.

- **Appointment/ Re-appointment of Directors**

  Pursuant to the Articles of Association of the Company, at every Annual General Meeting of the Company, one-third of the Directors are eligible to retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third retire from office.

Ms. Shilpa Pophale retires at this upcoming Annual General Meeting and being eligible offers herself for re-appointment.

Mr. Sujit Natekar was inducted on the Board as a Non–Executive, Non-Independent Director of the Company w.e.f. 19th November, 2019.

- **Issuance of Debentures/ Bonds**

  During the year under review, your Company has issued and allotted 63,26,839 Compulsory Convertible Preference shares with face value of Rs. 20/- each to ESF Holdings on Private Placement basis.

- **Compliance with the Corporate Governance Voluntary Guidelines 2009**

  In December, 2009 the Government of India, Ministry of Corporate Affairs ("MCA") had issued Corporate Governance Voluntary Guidelines 2009 ("the Guidelines"). Through the Guidelines, MCA clarified that they were prepared for consideration and adoption by Corporates on a voluntary basis with the objective of enhancing stakeholder value. The Company has been transparent in its working and believes in good Corporate Governance and has therefore made efforts to adopt the best practices that have evolved over the past 30 years. It will always be the Company's endeavor to strive for excellence in Corporate Governance.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF
ELECTRONICA FINANCE LIMITED

SHILPA POPHALE	**SUJIT NATEKAR**
MANAGING DIRECTOR	**ADDITIONAL DIRECTOR**
DIN: 00182457	**DIN: 00182517**

Date: 24th August, 2020
Place: Pune

VALUES THAT DRIVE US

ENJOY WORK

ENJOY WHAT YOU DO

RESPECT AND HELP YOUR COLLEAGUES

BE OPTIMISTIC AND SPREAD POSITIVE FEELINGS

KEEP LEARNING NEW THINGS

WORK WITH A SENSE OF PURPOSE

MAKE SOMEBODY’S DAY

Enjoy Work

ENJOY WORK

THE ONLY
WAY TO DO
GREAT WORK
IS TO ENJOY
WHAT YOU
DO

INDEPENDENT AUDITOR'S REPORT

To the Members of Electronica Finance Limited

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of Electronica Finance Limited ("the Company"), which comprise the Balance sheet as at March 31, 2020, the Statement of Profit and Loss, including the Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS Financial Statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

Emphasis of matter

We draw attention to note 47 to the Ind AS financial statements, which describes the uncertainty caused by Novel Coronavirus (COVID-19) pandemic with respect to the Company's estimates of impairment of loans to customers and that such estimates may be affected by the severity and duration of the pandemic. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS Financial Statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the Ind AS Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matters	How our audit addressed the key audit matter
(a) How our audit addressed the key audit matter (as described in note 48 of the Ind AS financial statements)	
The Company has adopted Ind AS from April 1, 2019 with an effective date of April 1, 2018 for such transition. For periods up to and including the year ended March 31, 2019, the Company had prepared and presented its financial statements in accordance with the erstwhile generally accepted accounting principles in India (Indian GAAP). To give effect of the transition to Ind AS, these financial statements for the year ended March 31, 2020, together with the comparative financial information for the previous year ended March 31, 2019 and the transition date balance sheet as at April 1, 2018 have been prepared under Ind AS.	• Read the Ind AS impact assessment performed by the management and the resultant changes made to the accounting policies considering the requirements of the new framework. • Evaluated the exemptions and exceptions allowed by Ind AS and applied by the management in applying the first-time adoption principles of Ind AS 101 in respect of fair valuation of assets and liabilities existing as at transition date.

<table>
<tr><td>
The transition has involved significant change in the Company's policies and processes for financial reporting, including generation of supportable information and applying estimates to inter alia determine impact of Ind AS on accounting and disclosure requirements prescribed under extant Reserve Bank of India (RBI) directions.
In view of the complexity involved, Ind AS transition and the preparation of financial statements subsequent to the transition date have been areas of key focus in our audit.
</td><td>

Tested the accounting adjustments posted as at the transition date and in respect of the previous year to convert the financial information reported under erstwhile Indian GAAP to Ind AS.
Tested the disclosures prescribed under Ind AS.

</td></tr>
<tr><td colspan="2">(b) (b) Impairment of financial assets (expected credit losses)
(as described in note 6 of the Ind AS financial statements)</td></tr>
<tr><td>
Ind AS 109 requires the Company to recognise impairment allowance towards its financial assets (designated at amortised cost and fair value through other comprehensive income) using the expected credit loss (ECL) approach. Such ECL allowance is required to be measured considering the guiding principles of Ind AS 109 including:

unbiased, probability weighted outcome under various scenarios;
time value of money;
impact arising from forward looking macro-economic factors and;
availability of reasonable and supportable information without undue costs.

Applying these principles involves significant estimation in various aspects, such as:

grouping of borrowers based on homogeneity by using appropriate statistical techniques;
staging of loans and estimation of behavioral life;
determining macro-economic factors impacting credit quality of receivables;
estimation of losses for loan products with no/ minimal historical defaults.

Additional considerations on account of COVID-19
Pursuant to the Reserve Bank of India circular dated March 27, 2020 ("RBI circular") allowing lending institutions to offer moratorium to borrowers on payment of instalments falling due between March 1, 2020 and May 31, 2020, the Company has extended moratorium to its borrowers in accordance with its Board approved policy.
In management's view and considering the guidance provided by the Institute of Chartered Accountants of India, providing moratorium to borrowers at a mass scale, based on RBI directives, by itself is not considered to result in a SICR for such borrowers. The Company has recorded a management overlay of as part of its ECL, to reflect among other things an increased risk of deterioration in macro-economic factors caused by COVID-19 pandemic. Given the unique nature and scale of the economic impact
</td><td>

We read and assessed the Company's accounting policies for impairment of financial assets and their compliance with Ind AS 109.
We tested the criteria for staging of loans based on their past-due status to check compliance with requirement of Ind AS 109. Tested a sample of performing (stage 1) loans to assess whether any loss indicators were present requiring them to be classified under stage 2 or 3 and vice versa.
We evaluated the reasonableness of the management estimates by understanding the process of ECL estimation and tested the controls around data extraction and validation.
Tested assumptions used by the management in determining the overlay for macro-economic factors (including COVID-19 pandemic).
Tested the ECL model, including assumptions and underlying computation.
Assessed disclosures included in the Ind AS financial statements in respect of expected credit losses.

</td></tr>
</table>

of this pandemic, and its timing being close to the year-end, the management overlay is based on various uncertain variables, which could result in actual credit loss being different than that being estimated. In view of the high degree of management's judgement involved in estimation of ECL, accentuated by the COVID-19 pandemic, it is a key audit matter.	
(c) IT systems and controls	
We identified IT systems and controls over financial reporting as a key audit matter for the Company because its financial accounting and reporting systems are fundamentally reliant on IT systems and IT controls to process significant transaction volumes. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting.	• For testing the IT general controls, we included specialized IT auditors as part of our audit team. The specialized team also assisted in testing the information produced by the Company's IT systems. • We tested the design and operating effectiveness of the Company's IT access controls over the information systems that are critical to financial reporting. • We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized. • We tested the Company's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization. We considered the control environment relating to various interfaces, configuration and other application controls identified as key to our audit. • In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting. • Where deficiencies were identified, we tested compensating controls or performed alternate procedures.

Other Information

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

Our opinion on the Standalone Ind AS 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 Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether such other information is materially inconsistent with the Standalone Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read such other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to comply with the relevant applicable requirements of the standard on auditing for auditor's responsibility in relation to other information in documents containing audited financial statements.

Responsibilities of Management for the Ind AS Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Ind AS Financial Statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

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

   (c) The Balance Sheet, the Statement of Profit and Loss including the Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid Ind AS Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

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

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS Financial Statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

   (g) In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

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

      i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS Financial Statements – Refer Note 34 to the Ind AS Financial Statements;

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

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

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per Jayesh Gandhi

Partner

Membership Number: 037924

UDIN: 20037924AAAADX3732

Mumbai

June 26, 2020

INDEPENDENT AUDITOR'S REPORT

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

Re: Electronica Finance Limited

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

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment/ fixed assets are held in the name of the company.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company and hence not commented upon.

(iii) (a) The Company has granted loans to 2 parties covered in the register maintained under section 189 of the Act. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loans are not prejudicial to the Company's interest.

(b) For the said loans, the schedule of repayment of principal and payment of interest has been stipulated for the loans granted and the repayment/receipts are regular.

(c) There are no amounts of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Act which are overdue for more than ninety days.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the services of the Company.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.

(b) According to the information and explanations given to us and audit procedures performed by us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, the dues outstanding of income tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute, are as follows:

Name of the statute	Nature of disputed dues	Amount disputed (Rs. in lakhs)	Amount paid* (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	135.37	27.07	AY 2015-16, AY 2016-17 and AY 2017-18	Commissioner of Income Tax (Appeals)

*paid under protest

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowings to a financial institution or bank or dues to debenture holders.

(ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer or further public offer.

Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were invested in liquid assets payable on demand.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has complied with provisions of section 42 of the Act in respect of the private placement of compulsorily convertible preference shares issued during the year. According to the information and explanations given by the management, we report that the amount raised have been used for the purposes for which those were raised, though idle/surplus funds which were not required for immediate utilization were invested in liquid assets payable on demand.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with the directors as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, we report that the Company has been registered, as required under section 45-IA of the Reserve Bank of India Act, 1934.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per Jayesh Gandhi

Partner

Membership Number: 037924

UDIN: 20037924AAAADX3732

Mumbai

June 26, 2020

INDEPENDENT AUDITOR'S REPORT

Annexure 2 referred to in paragraph 2 (f) under the heading "Report on other legal and regulatory requirements" of our report of even date

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

We have audited the internal financial controls over financial reporting of Electronica Finance Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the Ind AS Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these Ind AS Financial Statements.

Meaning of Internal Financial Controls Over Financial Reporting with Reference to these Ind AS Financial Statements

A company's internal financial control over financial reporting with reference to these Ind AS 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 control over financial reporting with reference to these Ind AS 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 Over Financial Reporting with Reference to these Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Ind AS 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 over financial reporting with reference to these Ind AS Financial Statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these Ind AS Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

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

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per Jayesh Gandhi

Partner

Membership Number: 037924

UDIN: 20037924AAAADX3732

Mumbai

June 26, 2020

This page is intentionally kept blank

VALUES THAT DRIVE US

BE TRANSPARENT

BUILD TRUST BY ALWAYS DOING WHAT IS RIGHT

BE ETHICAL IN ALL BUSINESS PRACTICES

BE TRANSPARENT IN ALL BUSINESS TRANSACTIONS

RESPECT EVERY PERSON AND EVERY RELATIONSHIP

TREAT EVERYONE WITH HIGHEST MORAL STANDARDS

Be Transparent

BE TRANSPARENT

TRANSPARENCY
IS THE CURRENCY
OF TRUST

BALANCE SHEET AS AT MARCH 31, 2020

(₹ in Lakhs)

Particulars	Note No	As At		
		March 31, 2020	March 31, 2019	April 1, 2018
ASSETS				
Financial Assets				
Cash and cash equivalents	4	5,430.25	787.87	1,122.74
Bank balances other than cash and cash equivalents	5	1,393.24	1,491.36	2,676.29
Loans	6	80,269.27	76,743.18	62,404.68
Investments	7	12.89	12.75	105.22
Other financial assets	8	742.54	773.27	1,296.12
Non financial assets				
Current tax assets (net)	9	116.80	107.59	126.54
Deferred tax assets (net)	10	743.04	744.52	459.80
Investment property	11	116.85	119.00	32.67
Property, plant and equipment	12	6,506.98	4,077.77	4,268.48
Capital work in progress		96.60	1,570.77	574.57
Intangible assets	12	96.73	113.05	151.05
Other non financial assets	13	691.16	711.43	274.45
Total assets		**96,216.35**	**87,252.56**	**73,492.61**
LIABILITIES AND EQUITY				
Liabilities				
Financial Liabilities				
Debt securities	14	12,358.25	15,221.30	6,092.04
Borrowings (Other than debt securities)	15	52,701.81	38,477.02	36,811.89
Sub ordinated liabilities	16	896.72	2,740.82	3,055.98
Other financial liabilities	17	13,070.86	14,770.11	12,697.65
Non financial liabilities				
Current tax liabilities (net)	18	546.99	840.20	937.24
Provisions	19	129.79	153.53	138.53
Other non financial liabilities	20	120.26	225.10	86.05
Equity				
Equity share capital	21	2,253.46	2,253.46	2,253.46
Other equity	22	14,138.21	12,571.02	11,419.77
Total liabilities and equity		**96,216.35**	**87,252.56**	**73,492.61**
Summary of significant accounting policies	3			

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S. R. BATLIBOI & CO. LLP
Chartered Accountants
ICAI Firm Registration No. 301003E/E300005

per Jayesh Gandhi
Partner
Membership No.037924

For and on Behalf of Board of Directors
Electronica Finance Limited
CIN : U65910PN1990PLC057017

Ms. Shilpa Pophale
Managing Director
DIN 00182457

Mr. Sujit Natekar
Director
DIN 00182517

Mr. Mayank S. Thatte
Chief Financial Officer

Ms. Khwahish Rawal
Company Secretary

Place: Mumbai
Date: June 26, 2020

Place: Pune
Date: June 26, 2020

STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2020

(₹ in Lakhs)

Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from operations			
Interest income	23	14,708.82	12,676.10
Fees and commission income	24	609.24	699.11
Net gain on sale of financial assets at amortised cost	25	295.96	156.90
Sale of services	26	166.68	151.69
Recoveries of financial assets written off	27	38.53	172.48
Net gain on fair value changes	28	757.31	339.99
Total revenue from operations		**16,576.54**	**14,196.27**
Other income	29	249.39	205.88
Total income		**16,825.93**	**14,402.15**
Expenses			
Finance costs	30	8,269.06	7,115.64
Impairment on financial instruments	31	850.83	1,090.47
Employee benefit expenses	32	3,425.84	2,811.74
Depreciation and amortisation expenses	12	374.25	350.22
Other expenses	33	1,453.35	1,034.37
Total expenses		**14,373.33**	**12,402.44**
Profit before tax		**2,452.60**	**1,999.71**
Tax expense:			
Current tax	10	698.24	901.03
Deferred tax	10	8.46	(283.61)
Tax for previous years	10	-	48.04
Total Tax expense		**706.70**	**665.46**
Profit after tax		**1,745.90**	**1,334.25**
Other comprehensive income (OCI)			
Items that will not be reclassified to profit and loss:			
Remeasurement losses on defined benefit plans		(27.76)	(3.78)
Tax impact on above		6.99	1.10
Other comprehensive loss for the year (net of tax)		**(20.77)**	**(2.68)**
Total comprehensive income for the year		**1,725.13**	**1,331.57**
Earnings per share (Nominal value per share Rs.)			
Basic		7.75	5.92
Diluted		7.16	5.91
Summary of significant accounting policies	3		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S. R. BATLIBOI & CO. LLP
Chartered Accountants
ICAI Firm Registration No. 301003E/E300005

per Jayesh Gandhi
Partner
Membership No.037924

Place: Mumbai
Date: June 26, 2020

For and on Behalf of Board of Directors
Electronica Finance Limited
CIN : U65910PN1990PLC057017

Ms. Shilpa Pophale
Managing Director
DIN 00182457

Mr. Sujit Natekar
Director
DIN 00182517

Mr. Mayank S. Thatte
Chief Financial Officer

Ms. Khwahish Rawal
Company Secretary

Place: Pune
Date: June 26, 2020

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

a. Equity Share Capital

(₹ in Lakhs)

Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
Balance at the beginning of the year	21	2,253.46	2,253.46
Changes in equity share capital during the year		-	-
Balance at the end of the year		**2,253.46**	**2,253.46**

b. Other equity

(₹ in Lakhs)

Particulars	Note	Reserves and Surplus: Securities premium	Retained earnings	Reserve fund as per RBI	General reserve	Capital reserves	Capital redemption reserve	Employee stock options outstanding	Total Other equity
Balance as on April 1, 2018	**22**	**261.77**	**6,498.82**	**2,412.43**	**2,232.54**	**6.76**	**4.89**	**2.56**	**11,419.77**
Profit after tax		-	1,334.25	-	(2.30)	-	-	-	1,331.95
Other comprehensive income (net of taxes)		-	(2.68)	-	-	-	-	-	(2.68)
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		-	(406.06)	406.06	-	-	-	-	-
Share based payment to employees - charge for the year		-	-	-	-	-	-	13.12	13.12
Dividend and related distribution tax paid		-	(191.14)	-	-	-	-	-	(191.14)
Balance as at March 31, 2019		**261.77**	**7,233.19**	**2,818.49**	**2,230.24**	**6.76**	**4.89**	**15.68**	**12,571.02**
Profit after tax		-	1,745.90	-	-	-	-	-	1,745.90
Other comprehensive income (net of taxes)		-	(20.78)	-	-	-	-	-	(20.78)
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		-	(349.18)	349.18	-	-	-	-	-
Share based payment to employees - charge for the year		-	-	-	-	-	-	33.21	33.21
Dividend and related distribution tax paid		-	(191.14)	-	-	-	-	-	(191.14)
Balance as at March 31, 2020	**22**	**261.77**	**8,417.99**	**3,167.67**	**2,230.24**	**6.76**	**4.89**	**48.89**	**14,138.21**

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S. R. BATLIBOI & CO. LLP
Chartered Accountants
ICAI Firm Registration No. 301003E/E300005

per Jayesh Gandhi
Partner
Membership No.037924

Place: Mumbai
Date: June 26, 2020

For and on Behalf of Board of Directors
Electronica Finance Limited
CIN : U65910PN1990PLC057017

Ms. Shilpa Pophale
Managing Director
DIN 00182457

Mr. Sujit Natekar
Director
DIN 00182517

Mr. Mayank S. Thatte
Chief Financial Officer

Ms. Khwahish Rawal
Company Secretary

Place: Pune
Date: June 26, 2020

STATEMENT OF CASH FLOW

for the year ended March 31, 2020

(₹ in Lakhs)

Particulars	for the year ended	
	March 31, 2020	March 31, 2019
(I) Operating activities		
Profit before tax	2,452.60	1,999.71
Adjustments for:		
Depreciation and amortisation	374.25	347.92
Profit on sale of fixed assets	(4.63)	(0.06)
Impairment on financial instruments	543.08	458.66
Loans and other balances written off	330.19	634.76
Stock option expenditure	33.21	13.13
Dividend income, considered under investing activities	(0.06)	(0.15)
Profit from sale of investments, considered under investing activities	(7.49)	(6.37)
Interest on lease liability	60.79	57.60
Cash generated from operations before working capital changes	**3,781.94**	**3,505.20**
Working capital changes		
(Increase)/decrease in loans	(4,399.36)	(15,431.92)
(Increase)/decrease in other financial assets	30.73	522.85
(Increase)/decrease in other non-financial assets	20.27	(436.98)
Increase/(decrease) in other financial liabilities	(1,699.26)	2,072.37
Increase/(decrease) in provisions	(51.51)	11.22
Increase/(decrease) in other non-financial liabilities	(104.84)	139.05
Cash generated from / (used in) operations	**(2,422.03)**	**(9,618.21)**
Income tax paid (net of refunds)	(1,000.66)	(1,027.16)
Net cash used in operating activities (I)	**(3,422.69)**	**(10,645.37)**
(II) Investing activities		
Purchase of property, plant and equipment (incl. capital work-in-progress)	(1,291.90)	(1,228.67)
Purchase of intangible assets	(26.62)	(12.68)
Proceeds from sale of property, plant and equipment	12.34	37.46
Purchase of investments	(9,290.14)	(4,155.06)
Proceeds from sale of investments	9,297.49	4,253.90
Dividend received	0.06	0.15
Net cash generated from/(used in) investing activities (II)	**(1,298.77)**	**(1,104.90)**
(III) Financing activities		
Proceeds from debts securities	-	9,500.00
Proceeds from borrowings (other than debt securities)	34,643.45	31,699.00
Repayment of debt securities	(2,900.00)	(400.00)
Repayment of borrowings (other than debts securities)	(22,286.67)	(30,261.31)
Recognition of lease liability	133.83	78.97
Payment of lease liability	(133.75)	(195.05)
Dividend Paid	(191.14)	(191.14)
Net cash flows from / (used in) financing activities (III)	**9,265.72**	**10,230.47**
Net cash generated from financing activities (I+II+III)	**4,544.26**	**(1,519.80)**
Cash and cash equivalents at the beginning of the year	**2,279.23**	**3,799.03**
Cash and cash equivalents at the end of the year	**6,823.49**	**2,279.23**

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S. R. BATLIBOI & CO. LLP
Chartered Accountants
ICAI Firm Registration No. 301003E/E300005

per Jayesh Gandhi
Partner
Membership No.037924

Place: Mumbai
Date: June 26, 2020

For and on Behalf of Board of Directors
Electronica Finance Limited
CIN : U65910PN1990PLC057017

Ms. Shilpa Pophale
Managing Director
DIN 00182457

Mr. Sujit Natekar
Director
DIN 00182517

Mr. Mayank S. Thatte
Chief Financial Officer

Ms. Khwahish Rawal
Company Secretary

Place: Pune
Date: June 26, 2020

1. Corporate Information

Electronica Finance Limited ('the Company') is a public limited company domiciled in India and incorporated under the provisions of the Companies Act 2013. The Company is registered as a systemically important non-deposit accepting Non-Banking Financial Company ('NBFC-ND-SI') with the Reserve Bank of India ('RBI'), as defined under section 45IA of the Reserve Bank of India Act, 1934. The Company is engaged primarily in the business of asset financing and hire-purchase transactions.

2. Basis of preparation and Compliance with Ind AS

a. The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") as per the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and notified under section 133 of the Companies Act, 2013 (the Act) along with other relevant provisions of the Act and the Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued vide Notification No. DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016, as amended from time to time ('the NBFC Master Directions') issued by RBI.

b. For all periods up to and including the year ended 31 March 2019, the Company had prepared its financial statements in accordance with accounting standards notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 and the NBFC Master Directions (hereinafter referred as 'Previous GAAP'). These financial statements for the year ended March 31, 2020 are the first the Company has prepared in accordance with Ind AS. The Company has applied Ind AS 101 'First-time Adoption of Indian Accounting Standards', for transition from previous GAAP to Ind AS. An explanation of how transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in note no. 48.

c. The financial statements have been prepared under the historical cost convention on an accrual basis except as stated in note 2.2.

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

2.1 Presentation of financial statements

The Balance Sheet, the Statement of changes in Equity, and the Statement of Profit and Loss are 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.

2.2 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with Ind AS requires the management to make estimates and assumptions that affect the accounting policies, the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Accounting estimates and underlying assumptions are reviewed on an on-going basis and could change from period to period. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods. Any revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised and future periods. Accounting estimates and judgments are used in various line items in the financial statements for e.g.:

- Business model assessment [Refer note no. 3.d.(i)]
- Fair value of financial instruments [Refer note no. 3.d(I)., 43, 44 & 47]
- Effective Interest Rate (EIR) [Refer note no. 3.d(I)]
- Impairment on financial assets [Refer note no. 3.d(I), 6, 8,11 & 13]
- Provisions and other contingent liabilities [Refer note no. 3.t., 17, 19 & 34]
- Provision for tax expenses [Refer note no. 3.p.]
- Residual value and useful life of property, plant and equipment [Refer note no. 3.h.]

3. Summary of Significant Accounting Policies

a. Income

(i) Interest Income

The company recognizes interest income using Effective Interest Rate (EIR) on all financial assets subsequently measured at amortized cost. EIR is calculated by considering all costs and incomes attributable to acquisition of a financial asset or assumption of a financial liability and it represents a rate that exactly discounts estimated future cash payments/receipts through the expected life of the financial asset/financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

The Company recognizes interest income by applying the EIR to the gross carrying amount of the loan asset (i.e. loan amount less cash collateral collected from the customer at the inception of the loan) other than credit-impaired assets. In case of credit-impaired financial assets [as set out in note no. 3.d.(i)] regarded as 'stage 3', the Company recognizes interest income on the amortized cost net of impairment loss of the financial asset at EIR. If the financial asset is no longer credit-impaired [as outlined in note no. 3.d.(i)], the Company reverts to the method of calculating interest income on a gross basis.

Interest on financial assets subsequently measured at fair value through profit or loss (FVTPL) is recognized at the contractual rate of interest.

Other financial charges:

Cheque bouncing charges, late payment charges, foreclosure charges and application money are recognized on a point-in-time basis and are recorded when realized since the probability of collecting such monies is established when the customer pays.

(ii) Other revenue from operations

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.

a. Income from direct assignment

Gains arising out of direct assignment transactions comprise the difference between the interest on the loan portfolio and the applicable rate at which the direct assignment is entered into with the assignee, also known as the right of excess interest spread. The future EIS basis the scheduled cash flows on execution of the transaction, discounted at the applicable rate entered into with the assignee is recorded upfront in the profit and loss statement.

b. Fees and commission

The Company recognizes service and administration charges towards rendering of additional services to its loan customers on satisfactory completion of service delivery.

Fees on value added services and products are recognized on rendering of services and products to the customer.

Foreclosure charges are collected from loan customers for early payment/closure of loan and are recognized on realization.

c. Net gain on fair value changes

Financial assets are subsequently measured at fair value through profit or loss (FVTPL). The Company recognizes gains/losses on fair value change of financial assets measured as FVTPL and realized gains/losses on de-recognition of financial asset measured at FVTPL.

d. Sale of services

Other revenues on sale of services are recognized as per Ind AS 115 'Revenue from Contracts with Customers' as articulated above in 'other revenue from operations'.

e. Dividend income

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

f. Recoveries of financial assets written off

The company recognizes income on recoveries of financial assets written off on realization or when the right to receive the same without any uncertainties of recovery is established.

(iii) Indirect Taxes:

Incomes are recognized net of the Goods and Services Tax/Service Tax, wherever applicable.

b. Expenditures

(i) Finance costs

Borrowing costs on financial liabilities are recognized using the EIR.

(ii) Fees and commission expenses

Fees and commission expenses which are not directly linked to the sourcing of financial assets, such as commission/incentive incurred on value added services and products distribution, recovery charges and fees payable for management of portfolio, customer loyalty bonus, etc., are recognized in the Statement of Profit and Loss on an accrual basis.

(iii) Taxes

Expenses are recognized net of the Goods and Services Tax, except where credit for the input tax is not statutorily permitted. As per GST Law, 50% Input tax credit needs to be reversed as the company is a NBFC. Such credit reversal is accounted for as an expense.

c. Cash and Cash equivalents

Cash and cash equivalents include cash on hand, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

d. Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Trade receivables and payables, loan receivables, investments in securities and subsidiaries, debt securities and other borrowings, preferential and equity capital etc. are some examples of financial instruments.

All the financial instruments are recognized on the date when the Company becomes party to the contractual provisions of the financial instruments. For tradable securities, the Company recognizes the financial instruments on settlement date. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans are recognized when funds are transferred to the customers' account (or to the account of a machine supplier for supply of machinery to the customer based on customer's request). The company recognizes debt securities, deposits, and borrowings when funds are credited to the bank account of the company.

(i) Financial assets

Financial assets include cash, or an equity instrument of another entity, or a contractual right to receive cash or another financial asset from another entity. Few examples of financial assets are loan receivables, investment in equity and debt instruments, trade receivables and cash and cash equivalents.

Upfront fees

The company enters into contract with customers to provide loan wherein customer is required to pay a non-refundable processing fees.

According to Ind AS, these fees are amortized over the net expected life of the loan based on the EIR method, Under the past practices, these were recorded as income immediately on receipt, whenever the agreement is signed.

Effective Interest Rate (EIR) method

The Company recognizes interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected net 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 (excluding prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behavior and life-cycle of the instruments, as well expected changes to India's base rate and other fee income/expense that are integral parts of the instrument.

Initial measurement

All financial assets are recognized initially at fair value including transaction costs that are attributable to the acquisition of financial assets except in the case of financial assets recorded at FVTPL where the transaction costs are charged to profit or loss.

Subsequent measurement

For subsequent measurement, financial assets are classified into two categories:

(a) Debt instruments at amortized cost

(b) Debt instruments at FVTPL

(a) Debt instruments at amortized cost

The Company measures its financial assets at amortized cost if both the following conditions are met:

- The asset is held within a business model of collecting contractual cash flows; and
- Contractual terms of the asset give rise on specified dates to cash flows that are Sole Payments of Principal and Interest (SPPI) on the principal amount outstanding.

To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the nature of portfolio and the period for which the interest rate is set.

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios. 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 financial assets going forward.

The business model of the Company for assets subsequently measured at amortized cost category is to hold and collect contractual cash flows. However, considering the economic viability of carrying the delinquent portfolios in the books of the Company, it may sell these portfolios to banks and/or asset reconstruction companies.

After initial measurement, such financial assets are subsequently measured at amortized cost on effective interest rate (EIR). The expected credit loss (ECL) calculation for debt instruments at amortized cost is explained in subsequent notes in this section.

(b) Debt instruments at FVTPL

The Company classifies financial assets which are held for trading under FVTPL category. Held for trading assets are recorded and measured in the Balance Sheet at fair value. Interest and dividend incomes are recorded in interest income and dividend income, respectively according to the terms of the contract, or when the right to receive the same has been established. Gain and losses on changes in fair value of debt instruments are recognized on net basis through profit or loss.

The Company's investments into mutual funds and bank deposits used for short-term cash flow management have been classified under this category.

De-recognition of Financial Assets

The Company derecognizes a financial asset (or, where applicable, a part of a financial asset) when:

- The right to receive cash flows from the asset have expired; or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under an assignment arrangement and the Company has transferred substantially all the risks and rewards of the asset. Once the asset is derecognized, the Company does not have any continuing involvement in the same.

The Company transfers its financial assets through the partial assignment route and accordingly derecognizes the transferred portion as it neither has any continuing involvement in the same nor does it retain any control. If the Company retains the right to service the financial asset for a fee, it recognizes either a servicing asset or a servicing liability for that servicing contract. A service liability in respect of a service is recognized at fair value if the fee to be received is not expected to compensate the Company adequately for performing the service. If the fees to be received are expected to be more than adequate compensation for the servicing, a service asset is recognized for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

On de-recognition of a financial asset in its entirety, the difference between:

- The carrying amount (measured at the date of de-recognition) and
- The consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

Impairment of financial assets

Expected Credit Losses (ECL) are recognized for financial assets held under amortized cost, debt instruments measured at amortized cost, and certain loan commitments.

Financial assets where no significant increase in credit risk has been observed are considered to be in 'stage 1' and for which a 12-month ECL is recognized. Financial assets that are considered to have significant increase in credit risk are considered to be in 'stage 2' and those which are in default or for which there is an objective evidence of impairment are considered to be in 'stage 3'. Lifetime ECL is recognized for stage 2 and stage 3 financial assets.

At initial recognition, allowance (or provision in the case of loan commitments) is required for ECL towards default events that are possible in the next 12 months, or less, where the remaining life is less than 12 months.

In the event of a significant increase in credit risk, allowance (or provision) is required for ECL towards all possible default events over the expected life of the financial instrument ('lifetime ECL').

Financial assets (and the related impairment loss allowances) are written off in full when there is no realistic prospect of recovery.

Treatment of the different stages of financial assets and the methodology of determination of ECL

(a) Without significant increase in credit risk since initial recognition (stage 1)

ECL resulting from default events that are possible in the next 12 months is recognized for financial instruments in stage 1.

We have ascertained default events based on past behavioral trends witnessed for each homogenous portfolio. These trends are established based on customer behavior and economic trends in industry.

(b) Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the loan exposure. However, unless identified at an earlier stage, we have determined all assets are deemed to have suffered a significant increase in credit risk when more than 30 days past due.

Based on other indications of borrower's delaying payments beyond due dates though not 30 days past due and other indications like non-cooperative borrowers, customer's overall indebtedness, death of customer, adverse impact on the business, serious erosion in the value of the underlying collateral, certain accounts are included in stage 2.

The measurement of risk of defaults under stage 2 is computed on homogenous portfolios, generally by nature of loans, tenors, underlying collateral, geographies, and borrower profiles.

The default risk is assessed using PD (probability of default) derived from past behavioral trends of default across the identified homogenous portfolios.

The default risk is established based on multiple factors like Nature of security, Customer industry segments, current conditions and future macroeconomic conditions.

(c) Credit impaired (stage 3)

The Company recognizes a financial asset to be credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- Contractual payments of either principal or interest are past due for more than 90 days;
- The loan is otherwise considered to be in default.

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

Interest income is recognized by applying the EIR to the net amortized cost amount i.e. gross carrying amount less ECL allowance.

(d) Measurement of ECL

The assessment of credit risk and estimation of ECL are unbiased and probability weighted. It incorporates all information that is relevant including information about past events, current conditions and reasonable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL considers the time value of money. Forward looking economic scenarios determined with reference to external forecasts of economic parameters that have demonstrated a linkage to the performance of our portfolios over a period of time have been applied to determine impact of macro-economic factors.

The Company has calculated ECL using three main components: a probability of default (PD), a loss given default (LGD) and exposure at default (EAD). ECL is calculated by multiplying the PD, LGD and adjusted for time value of money using a rate which is a reasonable approximation of EIR.

- Determination of PD is covered above for each stage of ECL.
- LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realized and the time value of money.

A more detailed description of the methodology used for ECL is covered in the 'credit risk' section of note no. 47.

(ii) Financial liabilities

Financial liabilities include liabilities that represent a contractual obligation to deliver cash or another financial assets to another entity, or a contract that may or will be settled in the entities own equity instruments. Few examples of financial liabilities are trade payables, debt securities and other borrowings and subordinated debts.

Initial measurement

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade payables, other payables, debt securities and other borrowings.

Subsequent measurement

After initial recognition, all financial liabilities are subsequently measured at amortized cost using the EIR [Refer note no. 3.d.(i)]. Any gains or losses arising on de-recognition of liabilities are recognized in the Statement of Profit and Loss.

De-recognition

The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet, only if there is an enforceable legal right to offset the recognized amounts with an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

e. Rescheduled loans

The company sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The company considers a loan reschedule only if company notices temporary cash flow mismatch due to borrower's present Forbearance may involve extending the payment arrangements and the agreement of new loan conditions.

Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the company's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. De-recognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognized, the company also reassesses whether there has been a significant increase in credit risk.

The company also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period.

For the loan to be reclassified out of the forborne category, the customer has to make regular repayment for minimum 12 months.

f. Non-current assets held for sale

The Company classifies non-current assets and disposal groups as held for sale/ distribution to owners if their carrying amounts will be recovered principally through a sale/ distribution rather than through continuing use. Actions required completing the sale/ distribution should indicate that it is unlikely that the significant changes to the sale/ distribution will be made or that the decision to sell/ distribute will be withdrawn.

Non-current assets held for sale/for distribution to owners are measured at the lower of their carrying amount and the fair value less costs to sell/ distribute.

Property, plant and equipment and intangible assets once classified as held for sale/ distribution to owners are not depreciated or amortized.

g. Foreign currency transactions

Initial Recognition: A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Conversion: Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.

Exchange Differences: Exchange Differences arising on the settlement of monetary items, (if any) at rate different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognized as income or as expenses in the year in which they arise.

h. Property, Plant and Equipment

Property, plant and equipment are carried at historical cost of acquisition less accumulated depreciation and impairment losses, consistent with the criteria specified in Ind AS 16 ‘Property, Plant and Equipment’.

(i) Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment in their carrying value, if any. The cost comprises the purchase price, borrowing costs if capitalization criteria are met, initial estimate of costs of removing and dismantling an item and restoring a site where it is located and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of property, plant and equipment which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use. Any trade discounts and rebates are deducted in arriving at the purchase price.

(ii) Depreciation on property, plant and equipment

Depreciation is provided using the Straight Line Method based on the useful lives of the assets prescribed under Schedule II to the Companies Act, 2013 and in the manner provided therein. Accordingly, the useful lives considered for determining the rate of depreciation are as under:

Type of tangible assets	Useful life adopted by the company (in years)
Building	60
Plant and machinery	15
Computers	3
Servers and networks	6
Office equipment	5
Furniture and fixtures	10
Vehicles	8

The depreciable amount of an asset is determined after deducting its residual value. In practice, the residual value of an asset is considered to be 5% of cost.

(iii) Property plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other income / expense in the statement of profit and loss in the year the asset is derecognized. The date of disposal of an item of property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115.

(iv) The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

i. Intangible Assets and amortization thereof

(i) Intangible assets acquired separately are measured on initial recognition at cost less accumulated amortization and accumulated impairment.

(ii) Depreciation is provided in accordance with the requirements of Indian Accounting Standard (Ind AS) 38 – 'Intangible Assets'. Accordingly, amortization of computer software has been charged using the Straight Line Method as per useful lives of respective assets. The useful lives of intangible assets are reviewed at each financial year and adjusted prospectively, if appropriate.

j. Investment property

As per Ind AS 40, Land and buildings which are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property.

Investment property measured initially at its cost, including related transaction costs. Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are expensed when incurred. Depreciation on investment property is provided on a pro rata basis on straight line method over the estimated useful lives. Useful life of assets, as assessed by the management, corresponds to those mentioned in note h (ii) above.

Though the company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined as the Net Present value of future cash flows discounted at cost of funds.

The investment property is de-recognized on disposal or on permanent withdrawal from use and no future economic benefits is expected from its disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

k. Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

l. Customer loyalty bonus

The Company pays loyalty bonus to its loan customers as a consideration for their patronage and continued servicing of the loan availed from the Company. As per the terms of the loan agreement for loans disbursed after September 2018, the borrower shall not be entitled to any loyalty bonus in event the facility is prepaid or foreclosed. Accordingly depending upon when the loan is foreclosed, the amount of loyalty bonus to be paid is adjusted as follows:

1 month to 24 months	0%
25 months to 36 months	50%
37 months or more	75%

Loyalty bonus is an amount payable to the borrower at completion of his loan tenure. The provision for such liability is calculated based on 3 factors – (a) Time Proportion (b) Probability of Fore-closure and (c) Discounting to arrive at present Value. These factors are determined for each loan account based on an objectively defined criterion.

m. Cash collateral

Financial liabilities related to cash collateral (margin) of borrowers are considered in the effective interest rate computation of loan portfolio.

In case of subsequent assignment of loans, gain on assignment has been arrived at after considering the fair value of cash collateral at the time of such assignment.

Financial liabilities related to cash collateral (margin) held against the cross-collateral exposures to borrowers under co-branding arrangements are recognized at fair value on initial recognition. The FV gain arising out of such valuation has been recognized in P&L on a time proportionate basis.

n. Retirement and other employee benefits

(i) Provident fund

Retirement benefit in the form of provident fund and pension fund are defined contribution schemes and the contributions are charged to the statement of profit and loss for the year when the employee renders the related service.

(ii) Leave encashment

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

(iii) Gratuity

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains and losses for defined benefit plans are recognized in full in the period in which they occur in the statement of profit and loss.

The Company recognizes termination benefit as a liability and an expense when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets, are recognized immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not classified to profit or loss in subsequent periods.

o. Employee Stock Option Scheme

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

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 taken into consideration 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.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions are not met.

p. Income taxes

(i) Current tax

As per Ind AS 12, 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.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

q. Earnings Per Share

(i) Basic Earnings per share

For the purpose of calculating basic earnings per share, the net profit or loss for the period attributable to equity shareholders is divided by weighted average number of equity shares outstanding during the period.

(ii) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

r. Leases - Ind AS 116

With effect from 1 April 2019, the Company has applied Ind AS 116 'Leases' for all long term and material lease contracts covered by the Ind AS. The Company has adopted modified retrospective approach as stated in Ind AS 116 for all applicable leases on the date of adoption.

Measurement of Lease Liability

At the time of initial recognition, the Company measures lease liability as present value of all lease payments discounted using the Company's incremental cost of borrowing and directly attributable costs. Subsequently, the lease liability is –

(i) increased by interest on lease liability;

(ii) reduced by lease payments made; and

(iii) re-measured to reflect any reassessment or lease modifications specified in Ind AS 116 'Leases', or to reflect revised fixed lease payments.

Measurement of Right-of-use assets

At the time of initial recognition, the Company measures 'Right-of-use assets' as present value of all lease payments discounted using the Company’s incremental cost of borrowing w.r.t said lease contract. Subsequently, 'Right-of-use assets' is measured using cost model i.e. at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability specified in Ind AS 116 'Leases'.

Depreciation on 'Right-of-use assets' is provided on straight line basis over the lease period.

The exception permitted in Ind AS 116 for low value assets and short-term leases has been adopted by Company.

s. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur as computed based on EIR. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

t. Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted (except for Provision related to customer loyalty bonus) to their present value and are determined based on the best estimate required to settle the obligation at the reporting date.

These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements and takes it into account while computing the CRAR as per risk weight defined under applicable RBI norms.

u. Fair value measurements

The Company measures its qualifying financial instruments at fair value on each Balance Sheet date.

Fair value is the price that would be received against sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the accessible principal market or the most advantageous accessible market as applicable.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy into Level I, Level II and Level III based on the lowest level input that is significant to the fair value measurement as a whole. For detailed information on the fair value hierarchy, refer note no. 44 and 47.

For assets and liabilities that are fair valued in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

4. Cash and cash equivalents

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Cash on hand	1.01	1.31	1.00
Balance with banks -			
- in current accounts	997.86	748.06	1,121.74
- in Fixed deposits (with original maturity of less than three months)	4,325.58	-	-
- balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments (with original maturity of less than three months)	105.80	38.50	-
Total	**5,430.25**	**787.87**	**1,122.74**

5. Bank balances other than cash and cash equivalents

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Fixed deposits with bank	94.60	88.18	2,100.02
Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments	1,298.64	1,403.18	576.27
Total	**1,393.24**	**1,491.36**	**2,676.29**

6. Loan

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
At amortised cost			
(A) Term loans	82,309.84	78,240.68	63,443.52
Less: Impairment allowance	(2,040.57)	(1,497.50)	(1,038.84)
Total (A)	**80,269.27**	**76,743.18**	**62,404.68**
(B) Out of the above			
(I) Secured (Against hypothecation of equipments, plant & machinery, book debts and equitable/ registered mortgage of immovable properties, etc.)	75,580.78	69,066.37	51,821.60
Less: Impairment allowance	(1,116.84)	(739.71)	(482.29)
Sub total (I)	**74,463.94**	**68,326.66**	**51,339.31**
(II) Unsecured	6,729.06	9,174.31	11,621.92
Less: Impairment allowance	(923.73)	(757.79)	(556.55)
Sub total (II)	**5,805.33**	**8,416.52**	**11,065.37**
Total (I+II)	**80,269.27**	**76,743.18**	**62,404.68**
(C) Out of the above			
(I) Within India	82,309.84	78,240.68	63,443.52
Less: Impairment allowance	(2,040.57)	(1,497.50)	(1,038.84)
Sub total (I)	**80,269.27**	**76,743.18**	**62,404.68**
(II) Outside India	-	-	-
Total (I+II)	**80,269.27**	**76,743.18**	**62,404.68**
(D) Out of the above			
(I) to public sector/government entities	-	-	-
(II) others	82,309.84	78,240.68	63,443.52
Less: Impairment allowance	(2,040.57)	(1,497.50)	(1,038.84)
Sub total (II)	**80,269.27**	**76,743.18**	**62,404.68**
Total (I+II)	**80,269.27**	**76,743.18**	**62,404.68**
(E) Out of the above			
(I) Due from related parties	40.41	-	-
Less: Impairment allowance	(0.49)	-	-
Sub total (I)	**39.92**	**-**	**-**
(II) Others	82,269.43	78,240.68	63,443.52
Less: Impairment allowance	(2,040.08)	(1,497.50)	(1,038.84)
Sub total (II)	**80,229.35**	**76,743.18**	**62,404.68**
Total (I+II)	**80,269.27**	**76,743.18**	**62,404.68**

- No trade or other receivable are due from directors or other officers of the Company either jointly or severally with any other person.

Summary of loans by stage distribution

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Stage 1			
Gross carrying value	78,349.46	75,338.97	60,834.45
Less: Impairment allowance*	(447.25)	(371.51)	(300.98)
Net carrying value (A)	**77,902.21**	**74,967.46**	**60,533.47**
Stage 2			
Gross carrying value	853.18	772.81	1,283.10
Less: Impairment allowance*	(107.43)	(69.34)	(48.74)
Net carrying value (B)	**745.75**	**703.47**	**1,234.36**
Stage 3			
Gross carrying value	3,107.20	2,128.89	1,325.97
Less: Impairment allowance*	(1,485.89)	(1,056.65)	(689.12)
Net carrying value (C)	**1,621.31**	**1,072.24**	**636.85**
Total			
Gross carrying value	82,309.84	78,240.68	63,443.52
Less: Impairment allowance*	(2,040.57)	(1,497.50)	(1,038.84)
Net carrying value (A+B+C)	**80,269.27**	**76,743.18**	**62,404.68**

*Note: An estimation of potential stress on probability of default and loss given default due to Covid-19 situation was applied in developing the assumptions to assess the impairment loss allowance on Loans. Accordingly, the Company has recognized an additional impairment allowance of Rs. 166.11 lakhs on loans. This overlay is for Mar'20 only.

Analysis of changes in the gross carrying amount and corresponding ECL allowances in relation to loans is as follows

(₹ in Lakhs)

Particulars	As at March 31, 2020							
	Stage 1		Stage 2		Stage 3		Total	
	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance
As at March 31, 2019	**75,338.97**	**371.51**	**772.80**	**69.32**	**2,128.89**	**1,056.64**	**78,240.67**	**1,497.48**
Transfers during the year								
transfers to Stage 1	105.55	55.22	(33.58)	(2.64)	(71.97)	(52.58)	-	-
transfers to Stage 2	(497.87)	(2.68)	497.87	2.68	-	-	-	-
transfers to Stage 3	(1,390.14)	(36.82)	(216.07)	(23.03)	1,606.21	59.85	-	-
Impact of changes in credit risk on account of stage movements	-	(54.73)	-	28.45	-	615.42	-	589.14
Changes in opening credit exposures (additional disbursement net of repayments)	(42,282.72)	(155.92)	(387.37)	13.62	(505.16)	11.02	(43,175.26)	(131.29)
New credit exposures during the year, net of repayments	47,075.67	270.67	219.53	19.03	256.98	103.29	47,552.18	392.99
Amounts written off during the year	-	-	-	-	(307.75)	(307.75)	(307.75)	(307.75)
As at March 31, 2020	**78,349.46**	**447.25**	**853.18**	**107.43**	**3,107.20**	**1,485.89**	**82,309.84**	**2,040.57**

(₹ in Lakhs)

Particulars	As at March 31, 2019							
	Stage 1		Stage 2		Stage 3		Total	
	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance
As at March 31, 2018	**60,834.45**	**300.98**	**1,283.10**	**48.74**	**1,325.97**	**689.12**	**63,443.52**	**1,038.84**
Transfers during the year								
transfers to Stage 1	358.70	60.32	(207.03)	(6.97)	(151.67)	(53.36)	(0.00)	(0.01)
transfers to Stage 2	(844.93)	(4.39)	844.93	4.39	-	-	-	-
transfers to Stage 3	(1,040.74)	(99.13)	(679.46)	(205.33)	1,720.20	304.46	(0.00)	(0.00)
Impact of changes in credit risk on account of stage movements	-	(59.39)	-	53.98	-	579.16	-	573.75
Changes in opening credit exposures (additional disbursement net of repayments)	(32,694.32)	(63.88)	(485.72)	172.39	(185.19)	131.64	(33,365.23)	240.15
New credit exposures during the year, net of repayments	48,725.83	237.03	16.98	2.12	51.39	37.43	48,794.20	276.58
Amounts written off during the year	-	-	-	-	(631.81)	(631.81)	(631.81)	(631.81)
As at March 31, 2019	**75,338.99**	**371.54**	**772.80**	**69.32**	**2,128.89**	**1,056.64**	**78,240.68**	**1,497.50**

Details of impairment on financial instruments disclosed in the Statement of Profit and Loss

(₹ in Lakhs)

Particulars	March 31, 2020	March 31, 2019
Net impairment loss allowance charge for the year	543.08	458.66
Amounts written off during the year	307.75	631.81
Impairment on financial instruments	**850.83**	**1,090.47**

7. Investments

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Investments carried at fair value through profit and loss account			
(A) In equity instruments	**12.89**	**12.75**	**7.70**
(B) In mutual funds	**-**	**-**	**97.52**
NIL (March 31, 2019: NIL)			
Total (A + B)	**12.89**	**12.75**	**105.22**
*** Out of the above**			
- Within India	12.89	12.75	105.22
- Outside India	-	-	-
Total	**12.89**	**12.75**	**105.22**

8. Other financial assets

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Security deposits	104.82	88.14	67.38
Retained interest on assets assigned	440.56	467.56	828.57
Receivable from customers under co-branding arrangement	197.16	217.57	400.17
Total	**742.54**	**773.27**	**1,296.12**

9. Current tax asset

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Advance income tax (Net of provisions of Rs. 22.66 lakhs)	116.80	107.59	126.54
Total	**116.80**	**107.59**	**126.54**

10. Deferred tax assets (net)

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Deferred tax asset			
Disallowance u/s 43B of Income tax Act, 1961	16.85	47.85	38.48
EIR impact on financial instruments measured at amortised cost	627.50	602.18	637.18
Loyalty Bonus provision	158.17	183.01	224.29
Depreciation / amortization charged for the financial reporting	(18.80)	8.54	(14.92)
Impairment on financial instruments	369.67	348.17	269.79
Remeasurement of Actuarial losses through OCI	8.09	1.10	-
Leases	36.67	0.08	(5.69)
Other temporary differences	10.42	5.51	1.60
Less:			
Deferred tax liability			
Fair valuation of cash collateral	(332.80)	(256.39)	(310.17)
Service asset on derecognition of financial assets	(110.88)	(136.15)	(286.75)
EIR impact on financial instruments measured at amortised cost	(21.85)	(58.72)	(78.56)
Other temporary differences -	-	(0.66)	(15.45)
Total	**743.04**	**744.52**	**459.80**

a. Reconciliation of the total tax charge

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at corporate tax rate applicable to the company. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate is, as follows:

(₹ in Lakhs)

Particulars	for the year ended	
	March 31, 2020	March 31, 2019
Accounting profit before tax	**2,452.60**	**1,999.71**
At India's statutory income tax rate of 25.17% (2019: 29.12%)	617.27	582.32
Tax impact due to revaluation of deferred tax due to change in Income tax rate	73.03	51.19
Tax on income not subject to tax	(1.90)	(2.13)
Tax on expenditure not considered for tax	24.35	40.20
Tax on additional deductions	(6.04)	(6.11)
Income tax expense reported in the statement of profit and loss	**706.70**	**665.46**

- Company opted for reduced corporate tax rate of 25.17% as per recently inserted section 115BAA of the Income Tax Act, 1961 during the year ended March 31, 2020.
- The effective income tax rate for the financial year ended on March 31, 2020 is 28.81% (March 31, 2019: 33.28%).

b. Deferred Tax

Changes in deferred tax recorded in profit and loss account:

(₹ in Lakhs)

Particulars	for the year ended	
	March 31, 2020	March 31, 2019
Disallowance u/s 43B of Income tax Act, 1961	31.00	(9.37)
EIR impact on financial instruments measured at amortised cost	(25.32)	35.00
Loyalty Bonus provision	24.84	41.28
Depreciation / amortization charged for the financial reporting	27.34	(23.46)
Impairment on financial instruments	(21.50)	(78.38)
Leases	(36.59)	(5.77)
Fair valuation of cash collateral	76.41	(53.78)
Service asset on derecognition of financial assets	(25.27)	(150.60)
EIR impact on financial instruments measured at amortised cost	(36.87)	(19.84)
Other temporary differences	(5.57)	(18.70)
Total	**8.47**	**(283.62)**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

Changes in deferred tax recorded in other comprehensive income:

(₹ in Lakhs)

Particulars	for the year ended	
	March 31, 2020	March 31, 2019
Remeasurement of Actuarial losses through OCI	(6.99)	(1.10)
Total	**(6.99)**	**(1.10)**

11. Investment property

(₹ in Lakhs)

Particulars	Amount
Cost	
at April 1, 2018	**37.29**
Additions	100.64
Disposals	-
Adjustments	-
at March 31, 2019	**137.93**
Additions	-
Disposals	-
Adjustments	-
at March 31, 2020	**137.93**

(₹ in Lakhs)

Particulars	Amount
Depreciation	
at April 1, 2018	**4.62**
Charge for the year	14.31
Disposals	-
Adjustments	-
at March 31, 2019	**18.93**
Charge for the year	2.15
Disposals	-
Adjustments	-
at March 31, 2020	**21.08**

Net Block	
at March 31, 2018	**32.67**
at March 31, 2019	**119.00**
at March 31, 2020	**116.85**

i. Amount recognised in profit and loss for investment properties

(₹ in Lakhs)

Particulars	for the year ended	
	March 31, 2020	March 31, 2019
Rental income	13.76	15.52
Direct operating expenses from property that generated rental income	-	-
Profit from Investment property before depreciation	**13.76**	**15.52**
Depreciation for the year	(2.15)	(14.31)
Profit from Investment property after depreciation	**11.61**	**1.21**

ii. Fair Value

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Investment property	172.15	148.47	41.62

As at	Carrying value	Fair value measurement using			Total
		Quoted prices in active	Significant observable inputs	Significant unobservable inputs	
		(Level 1)	(Level 2)	(Level 3)	
March 31, 2020	116.85	-	-	172.15	172.15
March 31, 2019	119.00	-	-	148.47	148.47
April 1, 2018	32.67	-	-	41.62	41.62

Estimation of Fair value

Investment properties leased out by the company are cancellable leases. The best estimation of fair value is on the basis of market rates prevailing for similar properties in those location determined by an independent registered valuer. But due to Covid-19 pandemic, the management was unable to get the valuation done from an independent valuer, hence fair value is determined as the Net Present value of future cash flows discounted at weighted average cost of funds of the company.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

12. Property, plant and equipment

(₹ in Lakhs)

Particulars	Tangible assets									Intangible assets	
	Land	Building	Plant and Machinery	Computers	Office Equipment	Furniture and Fixture	Vehicles	Right of use assets	Total	Software	Total
Cost											
at April 1, 2018	1,389.96	2,502.26	185.44	90.97	185.43	371.88	84.39	260.24	5,070.57	371.78	371.78
Additions	-	-	-	32.29	23.28	8.76	-	78.98	143.31	12.68	12.68
Disposals	-	38.44	-	0.30	-	-	-	-	38.74	-	-
Adjustments	-	181.49	-	-	-	-	-	-	181.49	-	-
at March 31, 2019	**1,389.96**	**2,282.33**	**185.44**	**122.96**	**208.71**	**380.64**	**84.39**	**339.22**	**4,993.65**	**384.46**	**384.46**
Additions	-	1,621.40	113.54	62.87	144.01	616.54	73.89	133.82	2,766.07	26.62	26.62
Disposals		-	-	-	1.15	-	42.30	-	43.45	-	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-
at March 31, 2020	**1,389.96**	**3,903.73**	**298.98**	**185.83**	**351.57**	**997.18**	**115.98**	**473.04**	**7,716.27**	**411.08**	**411.08**
Depreciation											
at April 1, 2018	-	218.36	58.61	49.42	105.63	129.84	59.02	-	620.88	219.82	219.82
Charge for the year	-	47.71	0.11	25.95	28.23	25.63	9.73	124.56	261.92	50.68	50.68
Disposals	-	1.14	-	0.28	-	-	-	-	1.42	-	-
Adjustments	-	169.99	-	-	-	-	-	-	169.99	-	-
at March 31, 2019	**-**	**94.94**	**58.72**	**75.09**	**133.86**	**155.47**	**68.75**	**124.56**	**711.39**	**270.50**	**270.50**
Charge for the year	-	66.31	4.93	31.64	43.33	56.98	10.75	115.20	329.14	42.94	42.94
Disposals	-	-	-	-	0.58	-	35.16	-	35.74	-	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-
at March 31, 2020	**-**	**161.25**	**63.65**	**106.73**	**176.61**	**212.45**	**44.34**	**239.76**	**1,004.79**	**313.44**	**313.44**
Impairment loss											
at April 1, 2018	-	-	125.95	-	1.97	53.29	-	-	181.21	0.91	0.91
Charge for the year	-	-	0.78	-	0.85	21.66	-	-	23.29	-	-
at March 31, 2019	**-**	**-**	**126.73**	**-**	**2.82**	**74.95**	**-**	**-**	**204.50**	**0.91**	**0.91**
Charge for the year	-	-	-	-	-	-	-	-	-	-	-
at March 31, 2020	**-**	**-**	**126.73**	**-**	**2.82**	**74.95**	**-**	**-**	**204.50**	**0.91**	**0.91**
Net Block											
at March 31, 2018	**1,389.96**	**2,283.90**	**0.88**	**41.55**	**77.83**	**188.75**	**25.37**	**260.24**	**4,268.48**	**151.05**	**151.05**
at March 31, 2019	**1,389.96**	**2,187.39**	**(0.01)**	**47.87**	**72.03**	**150.22**	**15.64**	**214.66**	**4,077.77**	**113.05**	**113.05**
at March 31, 2020	**1,389.96**	**3,742.48**	**108.60**	**79.10**	**172.14**	**709.78**	**71.64**	**233.28**	**6,506.98**	**96.73**	**96.73**

13. Other non financial assets

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Prepaid expenses	205.60	13.82	18.02
Advance to vendors	-	251.90	10.36
Asset acquired in satisfaction of debts	426.44	413.64	185.65
Others	59.12	32.07	60.42
Total	**691.16**	**711.43**	**274.45**

14. Debt securities

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
A. At amortised cost			
Debentures 1,000 (March 31, 2019 : 1000) 10.75% Secured, Redeemable, Non-convertible Debentures of Rs.100,000 each redeemable in equal quarterly instalments starting from the end of third month from the deemed date of allotment i.e. October 17, 2017	99.94	497.80	892.65
NIL (March 31, 2019 : 2500) 10.40% Secured, Redeemable, Non-convertible Debentures of Rs.1,00,000 each redeemable at the end of four years on July 1st 2020	-	2,495.88	-
529 (March 31, 2019 : 529) 10.95% Secured, Redeemable, Non-convertible Debentures of face value of Rs.1,000,000 each redeemable at the end of 48 months from the deemed date of allotment i.e. March 30, 2017	5,259.93	5,229.62	5,199.39
Bonds Masala Bonds 700 (March 31, 2019 : 700) 11.35% Secured unrated rupee denominated (masala) green bonds for the aggregate nominal value of Rs. 7,000 lakhs due for maturity on March 29, 2024 issued overseas on a private placement basis.	6,998.38	6,998.00	-
Total	**12,358.25**	**15,221.30**	**6,092.04**
B. Out of the above			
- Secured under hypothecation of loans receivables	12,358.25	15,221.30	6,092.04
- Unsecured	-	-	-
Total	**12,358.25**	**15,221.30**	**6,092.04**
C. Out of the above			
- In India	5,359.87	8,223.30	6,092.04
- Outside India	6,998.38	6,998.00	-
Total	**12,358.25**	**15,221.30**	**6,092.04**

Terms of repayment of non-convertible debentures (NCDs) as at March 31, 2020

Original maturity of NCDs	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Quarterly Issued at par and redeemable at par 2 - 3 years	100.00	-	-	-	100.00
On Maturity Issued at par and redeemable at par 3 - 4 years	5,290.00	-	-	7,000.00	12,290.00
Interest accrued and impact of EIR	-	-	-	-	(31.75)
Total	**5,390.00**	**-**	**-**	**7,000.00**	**12,358.25**

– Interest rate ranges from 10.75% to 11.35% as at March 31, 2020

Terms of repayment of non-convertible debentures (NCDs) as at March 31, 2019

Original maturity of NCDs	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Quarterly Issued at par and redeemable at par 2 - 3 years	400.00	100.00	-	-	500.00
On Maturity Issued at par and redeemable at par 3 - 4 years	-	5,290.00	-	9,500.00	14,790.00
Interest accrued and impact of EIR	-	-	-	-	(68.70)
Total	**400.00**	**5,390.00**	**-**	**9,500.00**	**15,221.30**

– Interest rate ranges from 10.40% to 11.35% as at March 31, 2019

Terms of repayment of non-convertible debentures (NCDs) as at April 1, 2018

Original maturity of NCDs	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Quarterly Issued at par and redeemable at par 2 - 3 years	400.00	400.00	100.00	-	900.00
On Maturity Issued at par and redeemable at par 3 - 4 years	-	5,290.00	-	-	5,290.00
Interest accrued and impact of EIR	-	-	-	-	(97.96)
Total	**400.00**	**5,690.00**	**100.00**	**-**	**6,092.04**

– Interest rate ranges from 10.75% to 10.95% as at April 1, 2018

15. Borrowings (other than debt securities)

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	**March 31, 2019**	**April 1, 2018**
A. At amortised cost			
Indian rupee loan from banks	34,576.01	28,493.64	24,018.08
Indian rupee loan from financial institutions	6,444.94	6,678.50	7,116.13
Compulsory Convertible Preference Shares (CCPS)	10,496.86	-	-
Lease Liability	254.42	230.55	260.24
Security deposit	124.93	470.19	2,046.57
Sub-total (A)	**51,897.16**	**35,872.88**	**33,441.02**
B. Loans repayable on demand			
Cash credit from banks	18.22	881.31	2,142.35
Working capital demand loan	786.43	1,722.83	1,228.52
Sub-total (B)	**804.65**	**2,604.14**	**3,370.87**
Total (A+B)	**52,701.81**	**38,477.02**	**36,811.89**
C. Out of the above			
- Within India	52,701.81	38,477.02	36,811.89
- Outside India	-	-	-
Total (C)	**52,701.81**	**38,477.02**	**36,811.89**
D. Out of the above			
- Secured (Against hypothecation of equipments, plant and machinery, book debts and equitable / registered mortgage of immovable property etc.)	52,701.81	38,477.02	36,811.89
- Unsecured	-	-	-
Total (D)	**52,701.81**	**38,477.02**	**36,811.89**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

Terms of repayment of term loans from banks & financial institution & working capital demand loans as at March 31, 2020

Original Maturity of loan	Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		More than 3 years		Total
	No. of installments	₹ in lakhs	No. of installments	₹ in lakhs	No. of installments	₹ in lakhs	No. of installments	₹ in lakhs	
Monthly									
More than 3 years	339	14,934.69	272	10,947.17	198	6,883.46	168	4,397.28	37,162.60
Quarterly									
More than 3 years	22	1,490.00	19	1,287.03	10	665.00	5	330.00	3,772.03
On Maturity									
upto 1 year	7	786.43	-	-	-	-	-	-	786.43
Interest accrued and impact of EIR	-	-	-	-	-	-	-	-	86.32
Total	**368**	**17,211.12**	**291**	**12,234.20**	**208**	**7,548.46**	**173**	**4,727.28**	**41,807.38**

– Interest rate ranges from 9.50% p.a to 11.50% p.a as at March, 31 2020

Terms of repayment of term loans from banks & financial institution & working capital demand loans as at March 31, 2019

Original Maturity of loan	Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		More than 3 years		Total
	No. of installments	₹ in lakhs	No. of installments	₹ in lakhs	No. of installments	₹ in lakhs	No. of installments	₹ in lakhs	
Monthly									
upto 1 year	12	628.00	-	-	-	-	-	-	628.00
More than 3 years	269	12,263.93	201	9,694.30	129	5,842.43	90	2,792.14	30,592.80
Quarterly									
More than 3 years	20	1,240.00	18	1,115.00	15	912.03	9	432.50	3,699.53
On Maturity									
upto 1 year	10	1,722.83	-	-	-	-	-	-	1,722.83
Interest accrued and impact of EIR	-	-	-	-	-	-	-		251.81
Total	**311**	**15,854.76**	**219**	**10,809.30**	**144**	**6,754.46**	**99**	**3,224.64**	**36,894.97**

– Interest rate ranges from 9.30% p.a to 12.55% p.a as at March 31, 2019

Terms of repayment of term loans from banks & financial institution & working capital demand loans as at April 1, 2018

Original Maturity of loan	Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		More than 3 years		Total
	No. of installments	₹ in lakhs	No. of installments	₹ in lakhs	No. of installments	₹ in lakhs	No. of installments	₹ in lakhs	
Monthly									
upto 1 year	12	624.00	12	628.00	-	-	-	-	1,252.00
2 -3 year	74	2,447.68	-	-	-	-	-	-	2,447.68
More than 3 years	269	9,134.73	197	6,809.24	129	4,467.29	87	2,185.04	22,596.30
Quarterly									
upto 1 year	2	769.03	-	-	-	-	-	-	769.03
More than 3 years	17	1,046.62	16	1,050.00	14	925.00	13	825.00	3,846.62
On Maturity									
upto 1 year	10	1,228.52	-	-	-	-	-	-	1,228.52
Interest accrued and impact of EIR	-	-	-	-	-	-	-	-	222.57
Total	**384**	**15,250.58**	**225**	**8,487.24**	**143**	**5,392.29**	**100**	**3,010.04**	**32,362.72**

– Interest rate ranges from 9.00% p.a to 12.00% p.a as at April 1, 2018

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

16. Sub ordinated liabilities

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
A. At amortised cost			
Non-banking Financial Companies 250 (March 31, 2019 : 250),14.50% Subordinated, Redeemable, Non-Convertible Debentures of face value of Rs.1,000,000 each redeemable at par in 5 equal annual instalments of Rs. 40,000,000 each plus 1 instalment of Rs. 50,000,000 on September 30, 2021.	896.72	1,293.00	1,688.15
Others NIL (March 31, 2019 : 359), Subordinated, Redeemable, Convertible Bonds of face value of Rs. 25,000 each redeemable at par after 63 months from the date of alottment.	-	484.07	404.08
NIL (March 31, 2019 : 1,946), Subordinated, Redeemable, Convertible Debentures of face value of Rs. 25,000 each redeemable at par on October 31, 2019	-	486.50	486.50
NIL (March 31, 2019 : 1,909), Subordinated, Redeemable, Convertible Debentures of face value of Rs. 25,000 each redeemable at par on February 29, 2020	-	477.25	477.25
Total (A)	**896.72**	**2,740.82**	**3,055.98**
B. Out of the above			
- Within India	896.72	2,740.82	3,055.98
- Outside India	-	-	-
Total (B)	**896.72**	**2,740.82**	**3,055.98**
C. Out of the above			
- Secured (Against hypothecation of equipments, plant and machinery, book debts and equitable / registered mortgage of immovable property etc.)	-	1,447.82	1,367.83
- Unsecured	896.72	1,293.00	1,688.15
Total (C)	**896.72**	**2,740.82**	**3,055.98**

Terms of repayment as at March 31, 2020

Original maturity of sub-ordinated liabilities	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Yearly Issued at par and redeemable at par More than 5 years	400.00	500.00	-	-	900.00
Interest accrued and impact of EIR	-	-	-	-	(3.28)
Total	**400.00**	**500.00**	**-**	**-**	**896.72**

– Interest rate ranges from 7.00% p.a to 14.50% p.a as at March 31, 2020

Terms of repayment as at March 31, 2019

Original maturity of sub-ordinated liabilities	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Yearly Issued at par and redeemable at par More than 5 years	400.00	400.00	500.00	-	1,300.00
On Maturity Issued at par and redeemable at par More than 5 years	1,053.50	-	-	-	1,053.50
Interest accrued and impact of EIR	-	-	-	-	387.32
Total	**1,453.50**	**400.00**	**500.00**	**-**	**2,740.82**

– Interest rate ranges from 7.00% p.a to 14.50% p.a as at March 31, 2019

Terms of repayment as at April 1, 2018

Original maturity of sub-ordinated liabilities	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Yearly Issued at par and redeemable at par More than 5 years	400.00	400.00	400.00	500.00	1,700.00
On Maturity Issued at par and redeemable at par More than 5 years	-	1,053.50	-	-	1,053.50
Interest accrued and impact of EIR	-	-	-	-	302.48
Total	**400.00**	**1,453.50**	**400.00**	**500.00**	**3,055.98**

– Interest rate ranges from 7.00% p.a to 14.50% p.a as at March 31, 2018

17. Other financial liabilities

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Cash collateral	9,144.93	6,950.32	7,047.85
Unrecognised Fair value gain (Liability)	441.45	489.46	594.58
Expenses payable	79.68	282.69	168.85
Employee benefits payables	94.39	17.03	21.74
Unpaid dividend	3.30	2.20	1.04
Payable towards assignment / securitisation transactions	783.52	665.09	791.97
Advance from customers	999.93	670.97	861.80
Payable to customers / borrowers	1,427.36	3,089.74	2,787.84
Insurance premium payable against machine / transit insurance	0.87	-	110.06
Book overdraft	-	2,547.23	-
Other financial liabilities	82.40	21.18	(0.08)
Performance guarantee deposit	13.03	9.77	-
Inter corporate deposits			
- From related party	-	24.43	30.00
- Others	-	-	282.00
Total	**13,070.86**	**14,770.11**	**12,697.65**

18. Current tax liabilities

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Provision for taxation (net of advance tax Rs. 415.75 lakhs)	546.99	840.20	937.24

19. Provisions

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Provision for employee benefits			
Provision for gratuity (refer note 41)	46.49	23.37	22.76
Provision for leave benefits	83.30	130.16	115.77
Total	**129.79**	**153.53**	**138.53**

20. Other non financial liabilities

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Statutory dues payable	120.26	225.10	86.05
Total	**120.26**	**225.10**	**86.05**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

21. Equity share capital

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Share Capital (In Numbers):			
Authorized:			
30,000,000 (Previous year: 30,000,000) equity shares of Rs.10 each	3,000.00	3,000.00	3,000.00
7,000,000 (Previous year : NIL) preference shares of Rs. 20 each	1,400.00	-	-
	4,400.00	**3,000.00**	**3,000.00**
Issued, subscribed and fully paid-up:			
22,534,645 (Previous year 22,534,645) equity shares of Rs.10 each	2,253.46	2,253.46	2,253.46
Total	**2,253.46**	**2,253.46**	**2,253.46**

a. Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period

(₹ in Lakhs)

Particulars	March 31, 2020		March 31, 2019		April 1, 2018	
	No. of Shares	Amount	No. of Shares	Amount	No. of Shares	Amount
Shares outstanding at the beginning of the period	22,534,645	2,253.46	22,534,645	2,253.46	22,110,700	2,211.07
Issued during the period	-	-	-	-	423,945	42.39
Shares outstanding at the end of the period	**22,534,645**	**2,253.46**	**22,534,645**	**2,253.46**	**22,534,645**	**2,253.46**

b. Terms / rights attached to equity shares

The Company has only one class of equity shares, having a par value of Rs.10 per share. Each holder of equity share is entitled to one vote per share and has a right to receive dividend as recommended by the Board of Directors, subject to the necessary approval from the shareholders. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

No bonus shares have been issued during the period of five years immediately preceding the reporting date.

d. Shareholders holding more than 5% equity shares in the Company

(₹ in Lakhs)

Particulars	March 31, 2020		March 31, 2019		April 1, 2018	
	No. of Shares	% holding	No. of Shares	% holding	No. of Shares	% holding
Equity shares of Rs.10 each						
Electronica Industries Limited	105.17	46.67%	105.17	46.67%	105.17	46.67%
Mugdha Investment & Finance Private Limited	95.47	42.37%	95.47	42.37%	95.47	42.37%

e. For details of shares reserved for issue under the employee stock option plan (ESOP) of the Company, refer note 40.

f. Proposed dividend

The final dividend proposed on equity shares for the year is as follows :

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
Face value (Rs.)	-	10.00	10.00
Dividend per share (Rs.)	-	0.70	0.70
Amount of dividend (including tax on dividend) (Rs. in lakhs)	-	191.14	190.75

g. Shares reserved for issue under Employee Stock Option Plan

Particulars	No. of Stock options/Equity shares Share Capital (In Numbers):
a. Number of equity shares approved/reserved for issue under Employee Stock Option Plan, 2017 to employees of the Company drawn in accordance with Section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Share Capital and Debentures) Rules, 2014 and other Rules framed thereunder	615,621
b. Options granted under the scheme up to March 31, 2020	208,222
c. Options cancelled up to March 31, 2020 and added back to pool for future grants	20,020
d. Balance available under the scheme for future grants (d=a-b+c)	427,419
e. Equity shares allotted up to March 31, 2020	-
f. Stock Options exercised up to March 31, 2020	-
g. Balance stock options available on March 31, 2020 (g=e-f)	-

22. Other equity

(₹ in Lakhs)

Particulars	As At		
	March 31, 2020	March 31, 2019	April 1, 2018
(I) Securities premium account			
Balance as per last financial statements	261.77	261.77	54.16
Add: additions on issue of shares during the year	-	-	207.61
Closing balance	**261.77**	**261.77**	**261.77**
(II) Retained earnings			
Balance as per last financial statements	7,233.19	6,498.82	5,767.26
Profit for the year	1,745.90	1,334.25	1,676.84
Ind AS adjustments	-	-	(567.90)
Less:			
Appropriations			
Retirement benefit - Actuarial gains / Loss	(27.77)	(3.78)	(42.01)
Tax impact on above	6.99	1.10	-
Transfer to Statutory Reserve (20% of profit after tax as required by section 45-IC of Reserve Bank of India Act, 1934)	349.18	406.06	335.37
Dividend and related distribution tax paid	191.14	191.14	-
Closing balance	**8,417.99**	**7,233.19**	**6,498.82**
Other reserves			
(I) Statutory reserve as required by section 45-IC of			
Reserve Bank of India Act, 1934			
Balance as per last financial statements	2,818.49	2,412.43	2,077.06
Add: amount transferred from statement of profit and loss	349.18	406.06	335.37
Closing balance	**3,167.67**	**2,818.49**	**2,412.43**
(II) General reserve			
Balance as per last financial statements	2,230.24	2,232.54	259.79
Add : Transferred from Revaluation Reserve	-	(2.30)	1,972.75
Closing balance	**2,230.24**	**2,230.24**	**2,232.54**
(III) Capital reserves			
Balance as at the beginning of the year	6.76	6.76	6.76
Balance as at the end of the year	**6.76**	**6.76**	**6.76**
(IV) Capital redemption reserve			
Balance as at the beginning of the year	4.89	4.89	4.89
Balance as at the end of the year	**4.89**	**4.89**	**4.89**
(V) Employee stock option outstanding			
Balance as per last financial statements	15.68	2.56	-
Add: compensation of options granted during the year	33.21	13.12	2.56
Closing balance	**48.89**	**15.68**	**2.56**
Total	**14,138.21**	**12,571.02**	**11,419.77**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

Nature and purpose of other equity

(I) Securities premium

Securities premium is used to record the premium on issue of shares. It can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

(ii) Retained earnings

Retained earnings represents the surplus in profit and loss account and appropriations.

The Company recognises change on account of remeasurement of the net defined benefit liability/(asset) as part of retained earnings with separate disclosure, which comprises of:

- actuarial gains and losses
- return on plan assets, excluding amounts included in net interest on the net defined benefit liability/(asset); and
- any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability/(asset).

(iii) Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934

Reserve fund is created as per the terms of section 45-IC(1) of the Reserve Bank of India Act, 1934 as a statutory reserve.

(iv) General reserve

Amounts set aside from retained profits as a reserve to be utilised for permissible general purpose as per Law.

(v) Employee stock option outstanding account

Employee stock option outstanding account has been created as required by Ind AS 102 'Share Based Payments' on the Employee Stock Option Scheme operated by the Company for its employees.

23. Interest income

(₹ in Lakhs)

Particulars	For the year ended on	
	March 31, 2020	March 31, 2019
Interest on loans		
Interest income on portfolio loans	14,692.94	12,588.94
Hire purchase charges	15.88	87.16
Total	**14,708.82**	**12,676.10**

24. Fees and commission income

(₹ in Lakhs)

Particulars	For the year ended on	
	March 31, 2020	March 31, 2019
Other operating revenue		
Loan processing fees	120.98	161.46
Penal charges	293.98	282.48
Prepayment charges	194.28	255.17
Total	**609.24**	**699.11**

25. Net gain on sale of financial assets at amortised cost

(₹ in Lakhs)

Particulars	For the year ended on	
	March 31, 2020	March 31, 2019
Net gain on sale of financial assets at amortised cost	295.96	156.90
Total	**295.96**	**156.90**

26. Sale of services

(₹ in Lakhs)

Particulars	For the year ended on	
	March 31, 2020	March 31, 2019
Income from co-branding arrangement	52.30	65.49
Infrastructure charges received	114.38	86.20
Total	**166.68**	**151.69**

27. Recoveries of financial assets written off

(₹ in Lakhs)

Particulars	For the year ended on	
	March 31, 2020	March 31, 2019
Recoveries of financial assets written off	38.53	172.48
Total	**38.53**	**172.48**

28. Net gain on fair value changes

(₹ in Lakhs)

Particulars	For the year ended on	
	March 31, 2020	March 31, 2019
Net Gain on fair value changes	757.31	339.99
Total	**757.31**	**339.99**

29. Other income

(₹ in Lakhs)

Particulars	For the year ended on	
	March 31, 2020	March 31, 2019
Interest on margin money deposits	108.47	112.00
Dividend	0.06	0.15
Profit on sale of mutual funds	7.49	6.37
Profit on sale of fixed asset	4.63	0.06
Other non-operating income	128.74	87.30
Total	**249.39**	**205.88**

30. Finance cost

(₹ in Lakhs)

Particulars	For the year ended on	
	March 31, 2020	March 31, 2019
Interest		
on term loans from banks (including subordinated loans)	3,984.83	3,056.21
on non convertible debentures (including subordinated debts)	1,856.62	1,230.48
on cash credit from banks	304.66	272.30
on working capital demand loan	115.85	327.65
on security deposits	18.50	106.15
on cash collateral	315.48	355.77
on lease liability	28.34	23.84
on others	61.63	133.19
Customer loyalty bonus	1,493.33	1,384.90
Bank charges	7.14	8.20
Processing fees	40.12	127.71
Other finance costs	42.56	89.24
Total	**8,269.06**	**7,115.64**

31. Impairment on financial instruments

(₹ in Lakhs)

Particulars	For the year ended on	
	March 31, 2020	March 31, 2019
On loans	543.08	458.66
Others		
Portfolio loans and other balances written off	307.75	631.81
Total	**850.83**	**1,090.47**

32. Employee benefit expenses

(₹ in Lakhs)

Particulars	For the year ended on	
	March 31, 2020	March 31, 2019
Salaries and incentives	3,149.08	2,615.97
Contribution to provident and other funds	177.23	130.33
Staff welfare expenses	66.32	52.31
Employee stock option scheme (refer note 40)	33.21	13.13
Total	**3,425.84**	**2,811.74**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

33. Other expenses

(₹ in Lakhs)

Particulars	For the year ended on	
	March 31, 2020	March 31, 2019
Rent, rates and taxes (refer note 39)	43.59	11.71
Electricity expenses	55.91	43.93
Insurance	66.78	55.58
Payment to the auditors (refer note below)	24.96	12.50
Legal and professional fees	274.43	195.68
GST expenses	125.23	69.89
Telephone expenses	61.93	53.73
CSR expenditure (refer note 46)	59.65	37.50
Business promotion expenses	110.20	67.33
Conference expenses	43.39	32.79
Travelling / conveyance expenses	276.86	212.81
Directors' sitting fees	12.73	10.08
IT expenses	48.79	51.90
Training and recruitment	62.22	41.90
Other balances written off	22.44	2.95
Miscellaneous expenses	164.24	134.09
Total	**1,453.35**	**1,034.37**

Payment to auditors

(₹ in Lakhs)

Particulars	For the year ended on	
	March 31, 2020	March 31, 2019
As auditor :		
Audit fees	13.50	7.00
Limited review	7.00	4.50
Certification	3.50	0.50
Reimbursement of expenses	0.96	0.50
Total	**24.96**	**12.50**

34. Contingent Liabilities and commitments

a. Contingent liabilities not provided for in respect of

(₹ in Lakhs)

Particulars	March 31, 2020	March 31, 2019	April 1, 2018
Guarantees			
Corporate guarantee to co-branding partner	400.90	403.88	626.65
Other amounts for which the Company is contingently liable			
Income tax	107.97	58.86	27.16

b. Capital and other commitments

(₹ in Lakhs)

Particulars	March 31, 2020	March 31, 2019	April 1, 2018
Other commitments – towards partially disbursed/un-encashed loans	532.33	2,305.76	5,326.00

35. Earnings per Share (Basic and Diluted):

Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable (i.e. after adjusting for interest on the convertible preference shares, net of tax) to equity holders of the Company by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into ordinary equity shares of the Company.

The following reflects the income and share data used in the basic and diluted EPS computations:

(₹ in Lakhs)

Particulars	March 31, 2020	March 31, 2019
Net Profit after tax **(A)**	1,745.90	1,334.25
Weighted average number of equity shares in calculating Basic EPS **(B)**	225.35	225.35
Add: Effect of dilution:		
Stock options granted under ESOP	0.69	0.27
Compulsury Convertible Preference shares	17.93	-
Weighted average number of equity shares in calculating Diluted EPS **(C)**	243.97	225.61
Basic EPS **(A/B)**	**7.75**	**5.92**
Diluted EPS **(A/C)**	**7.16**	**5.91**

36. Segment information

The Company operates in a single business segment i.e. financing, which has similar risks and returns for the purpose of IndAS 108 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

37. Revenue from contract with customers

(₹ in Lakhs)

Particulars	For the year ended	
	March 31, 2020	March 31, 2019
Type of services		
Sale of services	166.68	151.69
Total	**166.68**	**151.69**
Geographical markets		
India	166.68	151.69
Outside India	-	-
Total	**166.68**	**151.69**
Timing of revenue recognition		
Services transferred at a point in time	166.68	151.69
Services transferred over time	-	-
Total	**166.68**	**151.69**

Contract balances

(₹ in Lakhs)

Particulars	For the year ended	
	March 31, 2020	March 31, 2019
Infrastructure charges receivable	30.62	16.57

*Accounts receivable are recognised when the right to consideration becomes unconditional.

38. Disclosure of transactions with related parties as required by Ind AS 24
List of the Related Party and Nature of the Related Party Relationship as identified by the key management persons are classified as under:

Name of the Related Party	Nature of Relationship
Mugdha Investment & Finance Private Limited	Holding Company
Electronica Industries Limited Electronica Tungsten Limited Electronica Hi-Tech Engineering Private Limited Kashedikar Enterprises Private limited Dharmadhikari Enterprises Private Limited	Fellow Subsidiary
Shrikant R. Pophale - Executive Director (till Oct 31, 2019) Shilpa S. Pophale - Managing Director Sujit S. Natekar - Additional Director(Non Executive) (from Nov 19, 2019) Mugdha R. Kaskhediker - Whole Time Director (till July 8, 2019)	Key Management Personnel (KMP)
Manisha S. Pophale Shrikant R. Pophale (from Nov 1, 2019) Priya A. Dharmadhikari Harsh S. Natekar Adwait Dharmadhikari (till Oct 31, 2019) Mugdha R. Kaskhediker (from July 9, 2019) Rahul S. Kaskhediker (till Oct 31, 2019)	Relatives of Key Management Personnel (KMP)
Electronica Hitech Engineering Private Limited Electronica Hitech Machine Tools Private Limited	Enterprises over which KMP & their relatives exercise significant influence

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

Transactions with Related Party and amounts outstanding as under:

(₹ in Lakhs)

Nature of transaction/ Relationship/ Name of related parties	March 31, 2020	March 31, 2019
Key Managerial Personnel		
1. Shilpa Shrikant Pophale		
Directors remuneration :		
- Salary & incentives	140.21	123.67
- Long term benefits	13.31	3.08
Deposit accepted	60.00	242.95
Deposit repaid	18.58	147.34
Interest paid on deposit	20.10	17.42
Account payable	240.77	179.25
2. Sujit S. Natekar (from 19th Nov, 2019)		
Deposit accepted	19.50	29.75
Deposit repaid	0.32	37.91
Interest paid on deposit	1.21	0.93
Account payable	23.46	3.07
3. Shrikant R. Pophale (till 31st Oct, 2019)		
Directors remuneration		
Management consultancy fees	28.00	42.00
4. Mugdha Rahul Kaskhediker (till 8th July, 2019)		
Directors remuneration :		
- Salary & incentives	3.24	8.87
Relative of Key Management Personnel		
5. Shrikant R. Pophale (from 1st Nov, 2019)		
Management consultancy fees	20.00	-
Deposit accepted	787.55	82.50
Deposit repaid	446.16	168.61
Interest paid on deposit	17.42	5.41
Account payable	360.34	1.53
6. Mugdha Rahul Kaskhediker (from 9th July, 2019)		
Deposit accepted	-	2.65
Interest paid on deposit	-	0.05
Salary & incentives	8.64	-
7. Manisha Shrikant Pophale		
Deposit accepted	10.00	30.00
Deposit repaid	128.91	441.57
Interest paid on deposit	5.67	36.90
Account payable	32.21	145.46
8. Priya Dharmadhikari		
Deposit accepted	-	1.00
Deposit repaid	-	7.72
Interest paid on deposit	-	0.28
9. Harsh S Natekar		
Deposit accepted	-	1.65
Deposit repaid	-	0.10
Interest paid on deposit	0.17	0.16
Account payable	1.88	1.71
10. Adwait Dharmadhikari		
Deposit repaid	-	21.13
Interest paid on deposit	-	0.78
11. Rahul S. Kaskhediker		
Deposit repaid	8.14	6.92
Interest paid on deposit	0.31	1.25
Account payable	-	7.83
Holding Company		
12. Mugdha Investment & Finance Pvt. Ltd.		
Deposit repaid	25.09	8.25
Interest paid on deposit	0.65	2.68
Account payable	-	24.43

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

Nature of transaction/ Relationship/ Name of related parties	March 31, 2020	March 31, 2019
Enterprises over which KMP & their relatives exercise significant influence		
13. Electronica Hitech Machine Tools Private Limited.		
Rent paid	7.94	6.47
Rent received	12.45	11.89
Account receivable	9.30	4.80
Loans Outstanding	0.37	-
14. Electronica Tungsten Limited		
Rent received	1.28	1.51
Account receivable	2.91	1.63
15. Electronica Hitech Engineering Private Limited		
Loans Outstanding	40.05	0.01

* Transaction values are excluding taxes and duties.

* Related parties as defined under clause 9 of the Ind AS 24 'Related party disclosures' have been identified based on representations made by key managerial personnel and information available with the Company. All above transactions are in the ordinary course of business and on an arms' length basis. All outstanding balances are to be settled in cash and are unsecured.

* Provisions for gratuity, compensated absences and other long term service benefits are made for the Company as a whole and the amounts pertaining to the key managerial personnel are not specifically identified and hence are not included above.

39. Operating Leases

The Company has entered into commercial lease arrangements in respect of branch premises which are renewable on mutual consent at agreed terms. Certain lease agreements contain a clause for escalation of lease payments after every 12 months. The tenure of the non-cancellable operating lease agreements range from 6 months to 36 months. There are no sub-leases. Lease payments during the year are charged to the Statement of Profit and Loss.

Lease payments recognised in Profit & Loss (for agreements not considered in Ind AS 116)

(₹ in Lakhs)

Particulars	March 31, 2020	March 31, 2019
Operating lease payments recognized in the Statement of Profit & Loss	26.30	-

Minimum lease obligations (for agreements not considered in Ind AS 116)

(₹ in Lakhs)

Particulars	March 31, 2020	March 31, 2019
Not later than one year	7.32	-
Later than one year and not later than five years	19.66	-
Later than five years	-	-

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

(₹ in Lakhs)

Particulars	March 31, 2020	March 31, 2019	April 1, 2018
Opening Balance	**214.66**	**260.24**	**-**
Addition	133.82	78.99	260.24
Depreciation	115.20	124.57	-
Closing Balance	**233.28**	**214.66**	**260.24**

Lease Liability Movement

(₹ in Lakhs)

Particulars	March 31, 2020	March 31, 2019	April 1, 2018
Opening Balance	230.55	260.24	-
Addition during the year	133.82	78.99	260.24
Interest on Lease Liability	23.84	28.34	-
Deletion during the year	-	-	-
Lease rental payments	133.78	137.02	-
Closing Balance	**254.43**	**230.55**	**260.24**

Maturity Analysis of Lease Liability as at March 31, 2020 :

(₹ in Lakhs)

Particulars	Not later than one year	Later than one year but not later than five years	Later than five years
Lease Liability	122.55	131.88	-

Lease rentals of Rs. 26.30 lakhs pertaining to short-term leases and low value assets has been charged to Statement of Profit and Loss.

Amounts recognised in statement of profit or loss:

(₹ in Lakhs)

Particulars	March 31, 2020	March 31, 2019
Depreciation expense of right-of-use assets	115.20	124.57
Interest expense on lease liabilities	23.84	28.34
Expense relating to short-term leases	26.30	-
Total amount recognised in profit or loss	**165.35**	**152.91**

40. Stock Option Scheme

The Company has provided various share-based payment schemes to its Directors and Employees.

The Board of Directors at its meeting held on January 3, 2018, approved an issue of stock options aggregating to 80,252 equity shares of the face value of Rs. 10 each in a manner provided in the Section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Share Capital and Debentures) Rules, 2014 and other Rules framed thereunder. The shareholders of the Company vide their special resolution passed approved the issue of equity shares of the Company under one or more Employee Stock Option Scheme(s) on January 3, 2018. The Nomination and Remuneration Committee of the Company has approved the following grants to select senior level executives of the Company in accordance with the Stock Option Scheme.

The Board of Directors at its meeting held on May 28, 2019, approved an issue of stock options aggregating to 1,27,970 equity shares of the face value of Rs. 10 each in a manner provided in Section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Share Capital and Debentures) Rules, 2014 and other Rules framed thereunder. The shareholders of the Company vide their special resolution passed approved the issue of equity shares of the Company under one or more Employee Stock Option Scheme(s) on May 28, 2019. The Nomination and Remuneration Committee of the Company has approved the following grants to select senior level executives of the Company in accordance with the Stock Option Scheme. Under the scheme, grant has been made as of March 31, 2020, details of which, are given as under:

Particulars	March 31, 2020		March 31, 2019	April 1, 2018
Grant date	May 28, 2019	January 25, 2018	January 25, 2018	January 25, 2018
Exercise price (Rs.)	Rs. 10 per option	Rs. 10 per option	Rs. 10 per option	Rs. 10 per option
Outstanding at the beginning of the year	-	64,334	80,252	
Options granted	127,970	-	-	
Options vested and exercisable	39,555	47,685	32,033	
Options unvested	85,525	15,437	32,301	
Options cancelled	2,890	1,212	15,918	
Options outstanding	**125,080**	**63,122**	**64,334**	**80,252**

Weighted average fair value of stock options granted during the year is as follows:

Particulars	March 31, 2020	March 31, 2019	April 1, 2018
Grant date	May 28, 2019	-	January 25, 2018
Number of options granted	127,970	-	80,252
Weighted average fair value (Rs.)	66	-	49

Following table depicts range of exercise prices and weighted average remaining contractual life :

Total for all grants	No. of options	Range of exercise prices (Rs.)	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (years)
Outstanding at the beginning of the year	75,387	10.00	10.00	1.49
Granted during the year	127,970	10.00	10.00	-
Cancelled during the year	15,155	10.00	10.00	-
Expired during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	188,202	10.00	10.00	4.49
Exercisable at the end of the year	87,240	10.00	10.00	3.39

- The weighted average exercise price has not been computed as there are no stock options exercised during the period.

Method used for accounting for share based payment plan

The Company has used the fair value method to account for the compensation cost of stock options to employees. The fair value of options used are estimated on the date of grant using the Black – Scholes Model. The key assumptions used in Black – Scholes Model for calculating fair value as on the date of respective grants are

Grant date	Risk free interest rate	Expected life	Expected volatility	Dividend yield	Fair value of the underlying share in the market at the time of the option grant (Rs.)
January 25, 2018	7%	4 Years	11%	1%	58.97
May 28, 2019	7%	4 Years	15%	1%	77.09

For the year ended March 31, 2020, the Company has accounted expense of Rs. 33.21 lakhs employee benefit expenses (note no. 32) on the aforesaid employee stock option plan (Previous year Rs 13.13 lakhs). The balance in employee stock option outstanding account is Rs. 48.90 lakhs as of March 31, 2020 (Previous year Rs. 15.69 lakhs).

41. Employee Benefits (Ind AS 19) :

Defined benefits plans

(A) Gratuity

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Gratuity Act, an employee who has completed five years of service is entitled to specific benefits. The level of benefits provided depends on the member's length of service and salary at retirement age.

Movement in defined benefit obligations :

(₹ in Lakhs)

Particulars	As at	
	March 31, 2020	March 31, 2019
Defined benefit obligation as at the opening of the year	173.22	144.63
Current service cost	26.04	26.75
Interest on defined benefit obligation	8.14	9.26
Remeasurements due to:	-	-
Actuarial loss/(gain) arising from change in financial assumptions	1.57	0.62
Actuarial loss/(gain) arising from change in demographic assumptions	9.08	(4.81)
Actuarial loss/(gain) arising on account of experience changes	9.70	2.48
Benefits paid by employer	(5.06)	(5.71)
Benefits paid by fund	(1.05)	-
Liabilities assumed/(settled)	-	-
Defined benefit obligation as at the end of the year	**221.64**	**173.22**

Movement in plan assets :

(₹ in Lakhs)

Particulars	As at	
	March 31, 2020	March 31, 2019
Fair value of the asset as at the beginning of the year	149.86	121.87
Employers contributions	23.37	22.76
Interest on plan assets	10.38	8.85
Actuarial loss/(gain)	(7.41)	2.09
Remeasurements due to:	-	-
Actual return on plan assets less interest on plan asset	-	-
Benefits paid	(1.05)	(5.71)
Assets acquired/(settled)	-	-
Fair value of plan asset as at the end of the year	**175.15**	**149.86**

Reconciliation of net liability/asset :

(₹ in Lakhs)

Particulars	As at	
	March 31, 2020	March 31, 2019
Net defined benefit liability/(asset) as at the beginning of the year	23.36	22.76
Expense charged to Statement of Profit and Loss	23.80	27.16
Amount recognised in other comprehensive income	27.76	(3.80)
Employer contributions/payments	(28.42)	(22.75)
Net defined benefit liability/(asset) as at the end of the year	**46.50**	**23.37**

Expenses charged to the Statement of Profit and Loss :

(₹ in Lakhs)

Particulars	As at	
	March 31, 2020	March 31, 2019
Current service cost	26.04	26.75
Interest cost	(2.25)	0.41

Movement in asset ceiling :

(₹ in Lakhs)

Particulars	As at	
	March 31, 2020	March 31, 2019
Value of asset ceiling as at the beginning of the year	-	-
Interest on opening balance of asset ceiling	-	-
Remeasurements due to change in surplus/deficit	-	-
Value of asset ceiling as at the end of the year	**-**	**-**

Remeasurement (gains)/losses in other comprehensive income:

(₹ in Lakhs)

Particulars	As at	
	March 31, 2020	March 31, 2019
Opening amount recognised in other comprehensive income	(45.80)	(42.00)
Changes in financial assumptions	1.57	0.62
Changes in demographic assumptions	9.08	(4.81)
Experience adjustments	9.70	2.48
Actual return on plan assets less interest on plan assets	7.41	(2.09)
Adjustment to recognise the effect of asset ceiling	-	-
Closing amount recognised outside profit or loss in other comprehensive income	**(18.04)**	**(45.80)**

Amount recognised in Balance Sheet :

(₹ in Lakhs)

Particulars	As at		
	March 31, 2020	March 31, 2019	April 1, 2018
Present value of Unfunded defined benefit obligation	221.64	173.22	144.63
Fair value of plan assets	175.15	149.86	121.87
Net funded obligation	46.49	23.36	22.76
Amount not recognised due to asset limit	-	-	-
Present value of Funded defined benefit obligation	-	-	-
Net defined benefit liability recognised in Balance Sheet	**46.49**	**23.36**	**22.76**

Current/Non-Current Bifurcation

(₹ in Lakhs)

Particulars	As at		
	March 31, 2020	March 31, 2019	April 1, 2018
Current Benefit obligations	125.01	136.78	60.91
Non - Current Benefit obligations	96.63	36.44	83.72
(Asset)/Liability recognised in the Balance Sheet	**221.64**	**173.22**	**144.63**

Actual Return on Plan Assets

(₹ in Lakhs)

Particulars	As at		
	March 31, 2020	March 31, 2019	April 1, 2018
Interest Income on Plan Assets	10.38	8.85	3.26
Remeasurements on Plan Assets	(7.41)	2.09	60.71
	2.97	**10.94**	**63.97**

Key actuarial assumptions :

(₹ in Lakhs)

Particulars	As at		
	March 31, 2020	March 31, 2019	April 1, 2018
Economic Assumptions			
Discount rate (p.a.)	5.89%	6.93%	7.26%
Salary escalation rate (p.a.)	8.90%	8.90%	9.00%
Expected Rate of Returns on Assets	5.89%	6.93%	7.26%
Rate of Future Salary increase	8.90%	8.90%	9.00%
Demographic Assumptions			
Mortality	IALM (2012-14) Ultimate	IALM (2012-14) Ultimate	IALM (2006-08) Ultimate
Employee Turnover/Withdrawal rate	Sales - 60.23% Non-Sales - 29.08%	Sales - 80.72% Non-Sales - 33.17%	Sales - 80.72% Non-Sales - 33.17%
Retirement age	55 years	55 years	55 years
Category of plan assets			
Insurer managed funds	100%	100%	100%

The scheme has been funded through a Trust. The Trust has taken a policy from the Bajaj Allianz Life Insurance Co. Ltd.(BALICL) and the fund is under management of the (BALICL).

Sensitivity analysis for significant assumptions is as shown below :

(₹ in Lakhs)

Particulars	As at					
	March 31, 2020			March 31, 2020		
	Discount rate	Salary escalation rate	Withdrawal rate	Salary escalation rate	Discount rate	Withdrawal rate
Impact of increase in 100 bps on defined benefit obligation	(2.54)	3.51	(0.56)	(2.96)	2.90	(0.51)
Impact of decrease in 100 bps on defined benefit obligation	3.46	(2.99)	0.64	3.49	(2.62)	0.53

Projected plan cash flow :

(₹ in Lakhs)

Particulars	As at	
	March 31, 2020	March 31, 2019
Maturity Profile :		
Expected benefits for year 1	128.64	142.37
Expected benefits for year 2	62.09	31.07
Expected benefits for year 3	26.63	7.06
Expected benefits for year 4	11.52	1.48
Expected benefits for year 5	5.31	0.32
Expected benefits for year 6 and above	4.07	0.09

Expected contribution to fund in the next year:

(₹ in Lakhs)

Particulars	As at	
	March 31, 2020	March 31, 2019
Expected contribution to fund in the next year	101.35	49.42

(B) Compensated absences

(₹ in Lakhs)

Particulars	As at		
	March 31, 2020	March 31, 2019	April 1, 2018
Maturity Profile			
Present value of unfunded obligations	83.29	130.16	115.77
Expense recognised in the Statement of Profit and Loss	48.79	51.11	67.48
Discount rate (p.a.)	5.89%	6.93%	7.26%
Salary escalation rate (p.a)	8.90%	8.90%	9.00%

Key actuarial assumptions :

(₹ in Lakhs)

Particulars	As at		
	March 31, 2020	March 31, 2019	April 1, 2018
Economic Assumptions			
Discount rate (p.a.)	5.89%	6.93%	7.26%
Salary escalation rate (p.a.)	8.90%	8.90%	9.00%
Expected Rate of Returns on Assets	5.89%	6.93%	7.26%
Demographic Assumptions			
Mortality	IALM (2012-14) Ultimate	IALM (2012-14) Ultimate	IALM (2006-08) Ultimate
Employee Turnover/Withdrawal rate	Sales - 60.23% Non-Sales - 29.08%	Sales - 80.72% Non-Sales - 33.17%	Sales - 80.72% Non-Sales - 33.17%
Leave availment ratio	2.00%	2.00%	2.00%
Retirement age	55 years	55 years	55 years

To estimate liabilities towards availment, an assumption towards leave availment is needed. It is assumed that 2% leaves out of opening balance will be availed during the year (in addition to accrual of leaves during the financial year).

42. Events after reporting date

There have been no events after the reporting date that require adjustment/disclosure in these financial statements.

43. Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques. This note describes the fair value measurement of both financial and non-financial instruments.

Valuation framework

The Company will assess the fair values for assets qualifying for fair valuation.

The Company's valuation framework includes:

1. Benchmarking prices against observable market prices or other independent sources;

2. Development and validation of fair valuation models using model logic, inputs, outputs and adjustments.

These valuation models are subject to a process of due diligence and validation before they become operational and are continuously calibrated. These models are subject to approvals by various functions.

Valuation methodologies adopted

Fair values of financial assets, other than those which are subsequently measured at amortised cost, have been arrived at as under:

* Fair values of investments held for trading under FVTPL have been determined under level 1 (refer note no. 44) using quoted market prices of the underlying instruments;

The Company has determined that the carrying values of cash and cash equivalents, bank balances, trade receivables, short term loans, floating rate loans, trade payables, short term debts, borrowings, bank overdrafts and other current liabilities are a reasonable approximation of their fair value and hence their carrying value are deemed to be fair value.

44. Fair value hierarchy

The Company determines fair values of its financial instruments according to the following hierarchy:

Level 1: valuation based on quoted market price: financial instruments with quoted prices for identical instruments in active markets that the Company can access at the measurement date.

Level 2: valuation based on using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3: valuation technique with significant unobservable inputs: – financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Quantitative disclosures of fair value measurement hierarchy for assets as at March 31, 2020 :

(₹ in Lakhs)

Particulars	Fair value measurement using				
	Date of valuation	Quoted prices in active (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investments measured under FVTPL	March 31, 2020	1.18	-	11.71	12.89

Quantitative disclosures of fair value measurement hierarchy for assets as at March 31, 2019 :

(₹ in Lakhs)

Particulars	Fair value measurement using				
	Date of valuation	Quoted prices in active (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investments measured under FVTPL	March 31, 2019	1.18	-	11.57	12.75

Quantitative disclosures of fair value measurement hierarchy for assets as at April 1, 2018 :

(₹ in Lakhs)

Particulars	Fair value measurement using				
	Date of valuation	Quoted prices in active (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investments measured under FVTPL	April 1, 2018	1.18	97.52	6.52	105.22

The following table presents the changes in level 3 financial assets for the periods :

(₹ in Lakhs)

Particulars	For the year ended		
	March 31, 2020	March 31, 2019	March 31, 2018
Opening balance	11.57	6.52	1.10
Acquisitions during the year	0.14	5.05	5.42
Disposals during the year	-	-	-
Fair value gains/(losses) recognised inprofit or loss	-	-	-
Gains / (losses) recognised in other comprehensive income	-	-	-
Closing balance	**11.71**	**11.57**	**6.52**

Fair value of financial instruments not measured at fair value as at March 31, 2020 :

(₹ in Lakhs)

Particulars	Carrying value	Fair value measurement using			
		Quoted prices in active (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets					
Cash and cash equivalents	5,430.25	5,430.25	-	-	5,430.25
Bank balances other than cash and cash equivalents	1,393.24	1,393.24	-	-	1,393.24
Loans	80,269.27	-	-	79,849.91	79,849.91
Other financial assets	742.54	-	-	742.54	742.54
Financial Liabilities					
Debt securities	12,358.25	-	-	12,694.78	12,694.78
Borrowings (Other than debt securities)	52,701.81	-	-	52,760.94	52,760.94
Sub ordinated liabilities	896.72	-	-	949.18	949.18
Other financial liabilities	13,070.86	-	-	13,070.86	13,070.86

Fair value of financial instruments not measured at fair value as at March 31, 2019 :

(₹ in Lakhs)

Particulars	Carrying value	Fair value measurement using			
		Quoted prices in active (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets					
Cash and cash equivalents	787.87	787.87	-	-	787.87
Bank balances other than cash and cash equivalents	1,491.36	1,491.36	-	-	1,491.36
Loans	76,743.18	-	-	76,892.08	76,892.08
Other financial assets	773.27	-	-	773.27	773.27
Financial Liabilities					
Debt securities	15,221.30	-	-	15,565.58	15,565.58
Borrowings (Other than debt securities)	38,477.02	-	-	38,547.89	38,547.89
Sub ordinated liabilities	2,740.82	-	-	2,807.93	2,807.93
Other financial liabilities	14,770.11	-	-	14,770.11	14,770.11

Fair value of financial instruments not measured at fair value as at April 1, 2018 :

(₹ in Lakhs)

Particulars	Carrying value	Fair value measurement using			
		Quoted prices in active (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets					
Cash and cash equivalents	1,122.74	1,122.74	-	-	1,122.74
Bank balances other than cash and cash equivalents	2,676.29	2,676.29	-	-	2,676.29
Loans	62,404.68	-	-	63,404.33	63,404.33
Other financial assets	1,296.12	-	-	1,296.12	1,296.12
Financial Liabilities					
Debt securities	6,092.04	-	-	6,317.20	6,317.20
Borrowings (Other than debt securities)	36,811.89	-	-	36,910.80	36,910.80
Sub ordinated liabilities	3,055.98	-	-	3,180.80	3,180.80
Other financial liabilities	12,697.65	-	-	12,697.65	12,697.65

Valuation technique used

- Assets measured at fair value on a recurring basis - Loans

The scheduled future cash flows (including principal and interest) are discounted using the lending rate prevailing as at the Balance sheet date. The discounting factor is applied assuming the cash flows will be evenly received in a month. Further the overdue cash flows upto 90 Days (upto stage 2) are discounted assuming they will be received in the third month. Fairvalue of cash flows for stage 3 loans are assumed as carrying value less provision for expected credit loss.

- For Investment in Equity Instruments

For Investments in equity instruments and liquid/debt mutual funds, the company has assessed the carrying value as an approximation of the fair value.

- Financial liabilities measured at amortised cost - Borrowings

The fair value of fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rate being charged for new borrowings. The fair value of floating rate borrowing is deemed to equal its carrying value.

There have been no transfer between Level 1, 2 and 3 during the year ended March 31, 2020 and March 31, 2019.

45. Capital management

Objective

The Company's objective is to maintain appropriate levels of capital to support its business strategy taking into account the regulatory, economic and commercial environment.

The Company aims to maintain a strong capital base to support the risks inherent to its business and growth strategies. The Company endeavours to maintain a higher capital base than the mandated regulatory capital at all times.

Planning

The Company's assessment of capital requirement is aligned to its planned growth which forms part of an annual operating plan which is approved by the Board and also a long range strategy. These growth plans are aligned to assessment of risks– which include credit, liquidity and interest rate.

The Company monitors its capital to risk-weighted assets ratio (CRAR) through its Assets Liability Management Committee (ALCO).

The Company endeavours to maintain its CRAR higher than the mandated regulatory norm. Accordingly, increase in capital is planned well in advance to ensure adequate funding for its growth.

(I) Regulatory capital

(₹ in Lakhs)

Particulars	As at		
	March 31, 2020	March 31, 2019	March 31, 2018
Tier I capital	22,214.57	13,815.11	11,923.45
Tier II capital	881.92	1,496.48	1,907.33
Total	**23,096.49**	**15,311.59**	**13,830.78**
Risk weighted assets (RWA)	84,774.65	81,840.77	69,369.58
Tier I CRAR	26.12%	16.88%	17.19%
Tier II CRAR	1.04%	1.83%	2.75%

Note 1: CRAR as at March 31, 2018 & March 31, 2019 is on the basis of CRAR filed with RBI.

Note 2: The Compulsory Convertible Preference Shares (CCPS) issued by the Company to ESF Holdings, a private equity investor, has been reported as part of 'Borrowings (other than debt securities)' as it meets the criteria specified in definition of financial liability under Ind AS 32. However, the same has been included as Tier-1 Capital for calculation of CRAR as per RBI guidelines.

(ii) Dividend distributions made and proposed

Dividends on equity shares declared and paid during the year

Movement in asset ceiling :

(₹ in Lakhs)

Particulars	during the year ended	
	March 31, 2020	March 31, 2019
Dividend paid including dividend distribution tax out of profits of previous year	191.14	191.14
Profit as per previous GAAP for the relevant year	2,030.30	1,676.84
Dividend as a percentage of profit for the relevant year	9.41%	11.40%

46. Details of CSR expenses:

(₹ in Lakhs)

Particulars	during the year ended	
	March 31, 2020	March 31, 2019
a) Gross amount required to be spent by the Company during the year	53.61	48.54
b) Amount spent during the year on purposes other than construction/acquisition of any asset :		
Amount Spent	54.69	37.50
c) Yet to be spent / (excess spent)	(1.08)	11.04

47. Risk management objectives and policies

Risk Management Framework

A summary of the major risks faced by the Company, its measurement monitoring and management are described as under:

Nature of risk	Arising from	Executive governance structure	Measurement, monitoring and management of risk
Liquidity and funding risk	Liquidity risk arises from mismatches in the timing of cash flows. Funding risk arises: * when long term assets cannot be funded at the expected term resulting in cashflow mismatches; * amidst volatile market conditions impacting sourcing of funds from banks.	Board appointed Asset Liability Management Committee (ALCO)	Liquidity and funding risk is: * measured by identifying gaps in the structural and dynamic liquidity statements. * monitored by- assessment of the gap between visibility of funds and the near term liabilities given current liquidity conditions and evolving regulatory directions for NBFCs. - a constant calibration of sources of funds in line with emerging market conditions in banking markets. - periodic reviews by ALCO relating to the liquidity position and stress tests assuming varied 'what if' scenarios and comparing probable gaps with the liquidity buffers maintained by the Company. - managed by the Company's treasury team under the guidance of ALCO.
Interest rate risk	Interest rate risk stems from movements in market factors such as interest rates, credit spreads which impacts investments, income and the value of portfolios.	Board appointed Asset Liability Management Committee (ALCO)	Interest rate risk is: * measured using Valuation at Risk ('VaR'), and modified duration analysis and other measures, including the sensitivity of net interest income. * monitored by assessment of probable impacts of interest rate sensitivities under simulated stress test scenarios given range of probable interest rate movements on both fixed and floating assets and liabilities. * managed by the Company's treasury team under the guidance of ALCO.
Credit risk	Credit risk is the risk of financial loss arising out of a customer or counterparty failing to meet their repayment obligations to the Company.	Board appointed Risk Management Committee.	Credit risk is : *measured as the amount at risk due to repayment default of a customer or counterparty to the Company. Various matrics such as EMI default rate, overdue position, collection efficiency, ustomers non performing loans etc. are used as leading cindicators to assess credit risk. * monitored by Risk Management Committee using level of credit exposures, portfolio monitoring, repurchase rate, bureau data of portfolio performance and industry, geographic, customer and portfolio concentration risks. * managed by a robust control framework by the risk department which continuously align credit policies, obtaining external data from credit bureaus and reviews of portfolios and delinquencies. The same is periodically reviewed by the Board appointed Risk Management Committee.

Liquidity and funding risk

The Company's ALCO monitors asset liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the Balance Sheet.

The Company continuously monitors liquidity in the market; and as a part of its ALCO strategy, the Company maintains a liquidity buffer managed by an active investment desk to reduce this risk.

The Company maintains a judicious mix of borrowings from banks and other financial institutions. The Company continues to diversify its sources of borrowings with an emphasis on longer tenor borrowings. This strategy of balancing varied sources of funds and long tenor borrowings has helped the Company maintain a healthy asset liability position and contain interest rate movements during the financial year 2019-20. The weighted average cost of borrowing moved only 9 bps despite volatile market conditions. The Company continues to evaluate new sources of borrowing by way of new routes of funding like rupee denominated masala bonds.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

The table below summarises the maturity profile of the undiscounted cashflow of the Company's financial liabilities and financial assets :

(₹ in Lakhs)

Particulars	As at March 31, 2020			As at March 31, 2019			As at April 1, 2018		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Financial liabilities									
Debt securities	6,599.79	9,781.82	16,381.61	4,688.02	16,381.61	21,069.63	1,052.83	7,045.05	8,097.88
Borrowings (Other than debt securities)	21,003.68	37,753.60	58,757.28	20,001.92	24,817.44	44,819.36	20,295.15	24,354.65	44,649.80
Sub ordinated liabilities	530.50	536.35	1,066.85	2,115.73	1,066.85	3,182.58	670.31	3,182.58	3,852.89
Other financial liabilities	5,346.86	7,724.00	13,070.86	8,536.54	6,233.57	14,770.11	5,665.13	7,032.52	12,697.65
Financial Assets									
Loans	44,600.36	66,400.09	111,000.45	40,976.05	57,583.64	98,559.69	33,682.03	48,822.98	82,505.01
Cash and cash equivalents	5,430.25	-	5,430.25	787.87	-	787.87	1,122.74	-	1,122.74
Bank balances other than cash and cash equivalents	718.10	675.14	1,393.24	1,446.11	45.25	1,491.36	2,077.28	599.01	2,676.29
Investments	-	12.89	12.89	-	12.75	12.75	-	105.22	105.22
Other financial assets	485.31	257.23	742.54	551.87	221.40	773.27	912.98	383.14	1,296.12

Note : Figures are based on the contractual cash flows after considering the effects of moratorium granted till March 31, 2020. The effects of moratorium granted and received post March 31, 2020 have not been considered in the above cash flows.

The table below shows an analysis of assets and liabilities analysed (maturity analysis) according to when they are to be recovered or settled.

(₹ in Lakhs)

Particulars	As at March 31, 2020			As at March 31, 2019			As at April 1, 2018		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS									
Financial Assets									
Cash and cash equivalents	5,430.25	-	5,430.25	787.87	-	787.87	1,122.74	-	1,122.74
Bank balances other than cash and cash equivalents	718.10	675.14	1,393.24	1,446.11	45.25	1,491.36	2,077.28	599.01	2,676.29
Loans	32,138.73	48,130.54	80,269.27	32,217.30	44,525.88	76,743.18	25,405.21	36,999.47	62,404.68
Investments	-	12.89	12.89	-	12.75	12.75	-	105.22	105.22
Other financial assets	485.31	257.23	742.54	551.87	221.40	773.27	912.98	383.14	1,296.12
Non financial assets									
Current tax assets	-	116.80	116.80	-	107.59	107.59	-	126.54	126.54
Deferred tax assets (Net)	-	743.04	743.04	-	744.52	744.52	-	459.80	459.80
Investment property	-	116.85	116.85	-	119.00	119.00	-	32.67	32.67
Property, plant and equipment	-	6,506.98	6,506.98	-	4,077.77	4,077.77	-	4,268.48	4,268.48
Intangible assets	-	96.73	96.73	-	113.05	113.05	-	151.05	151.05
Capital work in progress	-	96.60	96.60	-	1,570.77	1,570.77	-	574.57	574.57
Other non financial assets	264.72	426.44	691.16	45.89	665.54	711.43	78.44	196.01	274.45
Total Assets	**39,037.11**	**57,179.24**	**96,216.35**	**35,049.04**	**52,203.52**	**87,252.56**	**29,596.65**	**43,895.96**	**73,492.61**
LIABILITIES AND EQUITY									
Liabilities									
Financial Liabilities									
Debt securities	5,358.25	7,000.00	12,358.25	331.30	14,890.00	15,221.30	302.04	5,790.00	6,092.04
Borrowings (Other than debt securities)	17,438.21	35,263.60	52,701.81	16,987.88	21,489.14	38,477.02	17,615.50	19,196.39	36,811.89
Sub ordinated liabilities	396.72	500.00	896.72	1,840.82	900.00	2,740.82	702.48	2,353.50	3,055.98
Other financial liabilities	5,346.86	7,724.00	13,070.86	8,536.54	6,233.57	14,770.11	5,665.13	7,032.52	12,697.65
Non financial liabilities									
Current tax liabilities	546.99	-	546.99	840.20	-	840.20	937.24	-	937.24
Provisions	129.79	-	129.79	153.53	-	153.53	138.53	-	138.53
Other non financial liabilities	120.26	-	120.26	225.10	-	225.10	86.05	-	86.05
Equity									
Equity share capital	-	2,253.46	2,253.46	-	2,253.46	2,253.46	-	2,253.46	2,253.46
Other equity	-	14,138.21	14,138.21	-	12,571.02	12,571.02	-	11,419.77	11,419.77
Total Equity & liabilities	**29,337.08**	**66,879.27**	**96,216.35**	**28,915.36**	**58,337.20**	**87,252.56**	**25,446.97**	**48,045.64**	**73,492.61**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

Market risk

Market risk is the risk that the fair value of future cash flow of financial instruments will fluctuate due to changes in the market variables such as interest rates, foreign exchange rates and equity prices. The Company do not have any exposure to foreign exchange rate and equity price risk.

Interest rate risk

On Investments

Sensitivity analysis

(₹ in Lakhs)

Particulars	Fair value	Sensitivity to fair value	
	Ind AS	1% increase	1% decrease
March 31, 2020	12.89	13.02	12.76
March 31, 2019	12.75	12.88	12.62
April 1, 2018	105.22	106.27	104.18

On assets and liabilities

Interest rate sensitivity on fixed and floating rate assets and liabilities with differing maturity profiles is measured quarterly assuming varied changes in interest rates are presented and monitored by ALCO.

Sensitivity analysis as at March 31, 2020 :

(₹ in Lakhs)

Particulars	Fair value	Sensitivity to fair value	
	Ind AS	1% increase	1% decrease
Loans	79,849.91	80,831.98	78,890.58
Investment properties	172.15	139.00	217.34
Debt securities	12,694.78	12,424.68	12,976.00
Borrowings (Other than debt securities)	52,760.94	52,744.12	52,778.23
Cash Collateral	9,586.38	9,472.59	9,702.50
Sub ordinated liabilities	949.18	939.20	959.37

Sensitivity analysis as at March 31, 2019 :

(₹ in Lakhs)

Particulars	Fair value	Sensitivity to fair value	
	Ind AS	1% increase	1% decrease
Loans	76,892.08	77,755.67	76,047.57
Investment properties	148.47	120.15	187.12
Debt securities	15,565.58	15,205.42	15,941.90
Borrowings (Other than debt securities)	38,547.89	38,517.89	38,578.84
Cash Collateral	7,439.78	7,360.97	7,519.74
Sub ordinated liabilities	2,807.93	2,788.21	2,828.18

Sensitivity analysis as at April 1, 2018 :

(₹ in Lakhs)

Particulars	Fair value	Sensitivity to fair value	
	Ind AS	1% increase	1% decrease
Loans	63,404.33	64,149.72	62,675.22
Investment properties	41.62	33.39	52.96
Debt securities	6,317.20	6,183.25	6,455.78
Borrowings (Other than debt securities)	36,910.80	36,878.93	36,943.57
Cash Collateral	7,642.43	7,561.68	7,724.31
Sub ordinated liabilities	3,180.80	3,148.05	3,214.62

Credit risk

Credit risk is the risk of financial loss arising out of a customer or counterparty failing to meet their repayment obligations to the Company.

The compnay assesses the risk of loss on realisation in case of Stage 3 loans based on the underlying assets funded or helf as collateral security which are classified into three categories as under :

a. Standard & Secured,

b. Partly secured

c. Unsecured

The Company assesses the credit quality of all financial instruments that are subject to credit risk. However the computation of Probability of defaults has been derived on overall behaviour of borrowers account without segregation of categorization as above.

Classification of financial assets under various stages

The Company classifies its financial assets in three stages having the following characteristics:

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12M-ECL. Such loans also include facilities where the credit risk has improved and the loan has been reclassified from stage 2 or stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the company records an allowance applicable to Lifetime ECL.

Stage 3: Loans considered credit-impaired. The Company records an allowance as applicable for the LT-ECL.

Definition of Default (Asset becomes credit impaired - Stage III)

A default is considered to have occurred with regard to a particular obligor when one or more of the following events has taken place.

(a) It is determined that the obligor is unlikely to pay its debt obligations (principal, interest, or fees) in full

(b) A credit loss event associated with any obligation of the obligor, such as a charge-off, specific provision, or distressed restructuring involving the forgiveness or postponement of principal, interest, or fees; or

(c) The obligor is past due more than 90 days on any credit obligation; or

(d) The obligor has filed for bankruptcy or similar protection from creditors.

(e) Any of the hypothecated assets has been repossessed

In line with the internal credit risk management and regulatory requirements the default is defined as any loans/advance remaining overdue for more than 90 days due to non-payment of installment and or interest

Significant increase in Credit Risk (Stage II)

Under the classification requirement for loans and advances under Ind-AS, a case has to have classified under Stage 2 where there is a significant increase in credit risk demonstrated by non-payment of installment and or interest by the counter party.

In line with existing portfolio performance and experience and definition set forth by RBI guidelines, EFL shall classify portfolio which is more that 30 days past due as Stage 2.

Computation of Expected Credit Losses (ECL)

ECL is a product of PD % X LGD % X EAD

For Stage 1 (DPD Bucket 0 & 1) – 12-month average PD% x LGD% x EAD of Stage 1 portfolio

For Stage 2 (DPD Bucket 2 & 3) – Lifetime PD% x LGD% x EAD of Stage 2 portfolio

For Stage 3 (DPD 4 and above) – PD 100% X LGD% X EAD of Stage 3 portfolio

The table below summarises the approach adopted by the Company for various components of ECL viz. PD, EAD and LGD across product lines using emperical data where relevant:

Lending verticals	Nature of business	PD			LGD
		Stage 1	Stage 2	Stage 3	
Standard and secured	Financing for products such as new plant and machinery / property	1.33%	25.46%	100%	26.40%
Partly secured	Financing for products such as old plant and machinery and top up loans / hypothecation of book debts				61.72%
Unsecured	Financing for products such as working capital, bill discounting, unsecured business loans and other plant and machinery not classified as secured.				84.80%

Note : Above table exclude COVID-19 overlay of Rs. 166 lakhs which has been separately provided below under COVID Impact.

Overlay estimated by stressing of existing probability of default ('PD') and loss given default ('LGD') factor.

- PD increased by 5%/ 10% for Stage 1 and Stage 2 respectively
- Realisable value of security reduced by 5% for stressing LGD

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

The table below summarises the gross carrying values and the associated allowances for expected credit loss (ECL) stage wise for loan portfolio:

As at March 31, 2020 : **(₹ in Lakhs)**

Particulars	Secured			Partially secured			Unsecured		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross carrying value	61,917.81	568.95	1,937.61	10,868.45	22.46	265.51	5,563.19	261.78	904.09
Allowance for ECL	266.55	50.62	534.13	102.02	4.27	159.25	78.68	52.55	792.51
ECL coverage ratio	0.43%	8.90%	27.57%	0.94%	19.00%	59.98%	1.41%	20.07%	87.66%

As at March 31, 2019 : **(₹ in Lakhs)**

Particulars	Secured			Partially secured			Unsecured		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross carrying value	58,977.74	343.27	933.91	8,465.30	37.15	308.99	7,895.93	392.39	885.99
Allowance for ECL	231.26	17.46	261.72	61.74	3.53	164.00	78.51	48.36	630.93
ECL coverage ratio	0.39%	5.09%	28.02%	0.73%	9.49%	53.08%	0.99%	12.32%	71.21%

As at April 1, 2018 : **(₹ in Lakhs)**

Particulars	Secured			Partially secured			Unsecured		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross carrying value	44,687.09	900.14	406.80	5,475.43	195.50	156.64	10,671.94	187.46	762.52
Allowance for ECL	183.72	25.31	117.92	37.66	11.55	106.11	79.60	11.87	465.08
ECL coverage ratio	0.41%	2.81%	28.99%	0.69%	5.91%	67.74%	0.75%	6.33%	60.99%

Primary and Collateral Securities

The nature of products across these broad categories are either unsecured or secured. Secured products are secured by hypothecation of primary security (for purchase of which the loan was granted) and it may be additionally secured by hypothecation of a collateral security. Although the primary security and collateral are important risk mitigating factors for credit risk, it is ensured that lending decisions are taken based on the assessment of the customer's ability to repay, preparedness to generate sufficient cash flows and intention to repay which is assessed based on previous track records.

Based on the nature of product and the Company's assessment of the customer's credit risk, the borrower may be mandated to secured the loan by offering suitable collateral security. Depending on its quantum and form, collateral security can have a significant financial impact on mitigating the credit risk.

In addition to the primary security, the main types of collateral across various products.

Product group	Nature of securities
Machinery Term Loans	Mortgage of Property, Assignment of Insurance Policies, Charge continuation on machinery financed / purchased earlier.
Industrial Property Loans	Additional mortgage of existing property. Assignment of Insurance Policies
Emerging Enterprise Loans	Additional mortgage of existing property. Assignment of Insurance Policies
Business Loans	Hypothecation of earlier financed machinery, Property mortgage.
Working Capital loans	Hypothecation of earlier financed machinery, Stock & book debts.
MFI and Institution Lending	Hypothecation of book debts.

The Company periodically monitors the market value of primary and collateral securities and compares its exposure to arrive at loan to value metrics for high risk customers. The Company selectively exercises its right to repossess the machinery, surrender the insurance policies and attach the properties across all secured products.

Where-ever required, it also resorts to invoking its right under the SARFAESI Act and other judicial remedies available for its machine finance and industrial property loan assets. The repossessed assets are either sold or released to delinquent customers in case they come forward to settle their dues.

The Company does not record repossessed assets on its Balance Sheet as non–current assets held for sale unless there is a documented transaction of purchase of such asset against full (or partial) settlement of loan.

Analysis of Concentration Risk

The Company continues to grow its product offerings by expanding its geographic reach in order to reduce geographic concentrations while continually calibrating its product mix across its six categories of lending mentioned above.

ECL sensitivity to future economic conditions

Expected credit loss impairment allowances recognised in the financial statements reflect the estaimations used in computation of its input vairables i.e. PD and LGD percentages.

The following table summarises the impact on the Expected Credit Loss (ECL) at the end of the reporting period arising on due to changes in PD % and LGD%.

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 1, 2018
Gross carrying amount of loans	82,309.84	78,240.68	63,443.52
Reported ECL	2,040.57	1,497.50	1,038.84
Reported ECL coverage	2.48%	1.91%	1.64%
ECL amount for alternate situations			
Central scenario	2,040.57	1,497.50	1,038.84
Downside scenario (-5%)	2,142.60	1,572.38	1,090.78
Upside scenario (+5%)	1,938.54	1,422.63	986.90
ECL coverage ratios by scenarios			
Central scenario	2.48%	1.91%	1.64%
Downside scenario (-5%)	2.60%	2.01%	1.72%
Upside scenario (+5%)	2.36%	1.82%	1.56%

COVID 19 Impact

The Covid-19 pandemic has resulted in a significant decrease in the economic activities across the country, on account of lockdown that started on March 24, 2020. The lockdown also affected the Company's business operations in the last week of March 2020. Further, in accordance with the RBI guidelines relating to 'Covid-19 Regulatory Package' dated March 27, 2020, the Company offered EMI moratorium to its customers.

The estimates and associated assumptions applied in preparing these financials, especially for determining the impairment allowance for the Company's financial assets (Loans), are based on historical experience and other emerging/ forward looking factors on account of the pandemic and support to MSMEs announced by various regulators. The Company believes that the factors considered are reasonable under the current circumstances.

The Company has used early indicators of moratorium and delayed payment observed along with an estimation of potential stress on probability of default and exposure at default due to Covid-19 situation in developing the estimates and assumptions to assess the impairment loss allowance on Loans.

Accordingly, the Company has recognized an additional impairment on loans of Rs. 166 lakhs.

Given the dynamic nature of the pandemic situation, these estimates are subject to uncertainty and may be affected by the severity and duration of the pandemic. In the event the impacts are more severe or prolonged than anticipated, this will have a corresponding impact on the carrying value of financial assets, the financial position and performance of the Company.

In view of the matters mentioned above, the Company has assessed the impact of the COVID-19 pandemic on its liquidity and ability to fulfil its obligations as and when they are due and has evaluated the asset-liability maturity (ALM) pattern in various time buckets as prescribed under the guidelines issued by the RBI. With the gradual relaxation of lockdown rules, as well as resumption of commercial activities by borrowers in a majority of geographies in which the Company operates, management is confident that collections will resume, albeit likely at a lower level than earlier.

The Company has also commenced operations to resume disbursements at some of the branches. In addition, management has considered various stimulus packages announced by the Government of India which will directly or indirectly benefit NBFCs and also its MSME borrowers, current status/outcomes of discussions with the Company's lenders to seek/extend moratorium and various other financial support from other banks and financial institutions in determining the Company's liquidity position over the next 12 months from the end of reporting period. Based on the foregoing and necessary stress tests, management believes that the Company will be able to fulfil its obligations as and when these become due in the foreseeable future.

48. First time adoption of Ind AS

These are the Company's first financial statements prepared in accordance with Ind AS.

The Company has prepared its Ind AS compliant financial statements for year ended on March 31, 2020, the comparative period ended on March 31, 2019 and an opening Ind AS Balance Sheet as at April 1, 2018 (the date of transition), as described in the summary of significant accounting policies. This note explains the principal adjustments made by the Company in restating its previous GAAP financial statements, including the Balance Sheet as at April 1, 2018 and the financial statements as at and for the year ended March 31, 2019.

For periods ended up to the year ended March 31, 2019, the Company had prepared its financial statements in accordance with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP).

(A) Mandatory exceptions and optional exemptions availed

Set out below are the applicable Ind AS 101 mandatory exceptions and optional exemptions applied in the transition from previous GAAP to Ind AS, which were considered to be material or significant by the Company.

Mandatory exceptions

The Company has adopted all relevant mandatory exceptions set out in Ind AS 101 which are as below:

(i) Estimates

Ind AS 101 prescribes that an entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates madefor the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

The Company's Ind AS estimates as at the transition date are consistent with the estimates as at the same date made in conformity with previous GAAP.

(ii) Classification and measurement of financial assets

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

(iii) Impairment of financial assets

As set out in Ind AS 101, an entity shall apply the impairment requirements of Ind AS 109 retrospectively if it does not entail any undue cost or effort.

The Company has assessed impairment of financial assets in conformity with Ind AS 109.

Optional exemptions availed

(i) Share based payments

Ind AS 102 requires recognition of stock options on the basis of fair value at date of grant over the vesting period. Ind AS 101 provides a one time exemption for stock options that vested before the date of transition.

The Company has elected to apply this exemption to employee stock options that vested before the date of transition and accordingly recognised fair value of unvested employee stock options in its opening Balance Sheet.

(ii) Leases

With effect from 1 April 2019, the Company has applied Ind AS 116 'Leases' for all long term and material lease contracts covered by the Ind AS. The Company has adopted modified retrospective approach as stated in Ind AS 116 for all applicable leases on the date of adoption.

At the time of initial recognition, the Company measures 'Right-of-use assets' as present value of all lease payments discounted using the Company's incremental cost of borrowing w.r.t said lease contract. Subsequently, 'Right-of-use assets' is measured using cost model i.e. at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability specified in Ind AS 116 'Leases'.

(iii) Derecognition of financial assets and financial liabilities

The company has, in accordance with para B2 of Appendix B (Exceptions to the retrospective application of other Ind AS's) to Ind AS 101, elected to apply the derecognition requirements in Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind ASs. The Company has elected to apply this exemption for such contracts/arrangements.

(iv) Investment property

For investment property existing as on April 1, 2018, date of transition to Ind AS, the Company has used Indian GAAP carrying value as deemed cost.

(v) Deemed Cost for Property, Plant and Equipment:

The company has, in accordance with para D7AA of Appendix D (Exemptions from other Ind AS's) to Ind AS 101, elected to continue with the carrying amounts of property, plant and equipment as recognised in its previous GAAP financial as deemed cost at the transition date.

(B) Reconciliations between Ind AS and previous GAAP are given below :

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for previous periods. The following table represent the reconciliations from previous GAAP to Ind AS.

Reconciliation of equity as at date of transition April 1, 2018 and as at March 31, 2019

(₹ in Lakhs)

Particulars	Notes to first time adoption	As at March 31, 2019			As at April 1, 2018		
		Previous GAAP	Adjustments	Ind AS	Previous GAAP	Adjustments	Ind AS
ASSETS							
Financial Assets							
Cash and cash equivalents		787.87	-	787.87	1,122.74	-	1,122.74
Bank balances other than cash and cash equivalents		1,491.36	-	1,491.36	2,676.29	-	2,676.29
Loans	1, 2	77,545.04	801.86	76,743.18	62,443.84	39.16	62,404.68
Investments		12.75	-	12.75	105.22	-	105.22
Other financial assets	3	305.71	(467.56)	773.27	467.55	(828.57)	1,296.12
Non financial assets							
Current tax assets		107.59	-	107.59	126.54	-	126.54
Deferred tax assets (Net)	4	205.32	(539.20)	744.52	137.01	(322.79)	459.80
Investment property	5	137.93	18.93	119.00	37.29	4.62	32.67
Property, plant and equipment	6	3,863.10	(214.67)	4,077.77	4,008.25	(260.23)	4,268.48
Intangible assets		113.05	-	113.05	151.05	-	151.05
Capital work in progress		1,570.77	-	1,570.77	574.57	-	574.57
Other non financial assets		711.43	-	711.43	274.45	-	274.45
Total Assets		**86,851.92**	**(400.64)**	**87,252.56**	**72,124.80**	**(1,367.81)**	**73,492.61**
LIABILITIES AND EQUITY							
Liabilities							
Financial Liabilities							
Debt securities	1	15,290.00	68.70	15,221.30	6,190.00	97.96	6,092.04
Borrowings (Other than debt securities)	1	38,167.28	(309.74)	38,477.02	36,693.16	(118.73)	36,811.89
Sub ordinated liabilities	1	2,759.20	18.38	2,740.82	3,088.14	32.16	3,055.98
Other financial liabilities	7	13,267.86	(1,502.25)	14,770.11	10,692.10	(2,005.55)	12,697.65
Non financial liabilities							
Current tax liabilities		840.20	-	840.20	937.24	-	937.24
Provisions		153.53	-	153.53	138.53	-	138.53
Other non financial liabilities	6	240.72	15.62	225.10	102.49	16.44	86.05
Equity							
Share Capital		2,253.46	-	2,253.46	2,253.46	-	2,253.46
Other equity	8	13,879.67	1,308.65	12,571.02	12,029.68	609.91	11,419.77
Total liabilities and equity		**86,851.92**	**(400.64)**	**87,252.56**	**72,124.80**	**(1,367.81)**	**73,492.61**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

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

(₹ in Lakhs)

Particulars	Notes to first time adoption	Previous GAAP	Adjustments	Ind AS
Revenue from operations				
Interest income	1	12,024.51	651.59	12,676.10
Fees and commission income	1	1,902.24	(1,203.13)	699.11
Net gain on sale of financial assets at amortised cost	3	-	156.90	156.90
Sale of services		151.69	-	151.69
Recoveries of financial assets written off		172.48	-	172.48
Net gain on fair value changes	7	-	339.99	339.99
Total revenue from operations		**14,250.92**	**(54.65)**	**14,196.27**
Other income		**226.74**	**(20.86)**	**205.88**
Total Revenue		**14,477.66**	**(75.51)**	**14,402.15**
Expenses				
Finance costs	1, 9	6,568.57	547.07	7,115.64
Impairment on financial instruments	2	800.54	289.93	1,090.47
Employee benefit expenses	10	2,815.54	(3.80)	2,811.74
Depreciation and amortisation expenses	6	211.35	138.87	350.22
Other expenses		1,170.59	(136.22)	1,034.37
Total expenses		**11,566.59**	**835.85**	**12,402.44**
Profit before tax		**2,911.07**	**(911.36)**	**1,999.71**
Tax expense:				
Current tax		901.03	0.00	901.03
Deferred tax	4	(68.30)	(215.31)	(283.61)
Tax for PYs		48.04	0.00	48.04
Total Tax expense		**880.77**	**(215.31)**	**665.46**
Profit for the period		**2,030.30**	**(696.05)**	**1,334.25**
Other comprehensive income (OCI)				
Items that will not be reclassified to profit or loss:	10	-	(3.78)	(3.78)
Income tax relating to items that will not be reclassified to profit or loss:	4	-	1.10	1.10
Total other comprehensive income		**-**	**(2.68)**	**(2.68)**
Total comprehensive income		**2,030.30**	**(698.73)**	**1,331.57**

Notes to first time adoption of Ind AS

(1) EIR adjustment of transaction costs/incomes integral to the sourcing of loans/borrowings

Under previous GAAP, all the transaction costs/incomes integral to sourcing of loans/borrowings were recognised upfront on an accrual basis. Under Ind AS, these transaction costs/incomes related to sourcing of loans/borrowings are amortised using the effective interest rate (EIR) and the unamortised portion is adjusted in retained earnings (net of related deferred taxes) as at the date of transition and subsequently in the Statement of Profit and Loss for the year ended March 31, 2019.

(2) Impairment of financial assets

Under previous GAAP, loan losses and provisions were computed basis RBI guidelines and Management estimations. Under Ind AS, the same is required to be computed as per the impairment principles laid out in Ind AS 109 – 'Financial Instruments' which prescribes the expected credit loss model (ECL model) for the same. Accordingly, the difference between loan losses and provisions as computed under previous GAAP and as computed under Ind AS is adjusted in retained earnings (net of related deferred taxes) as at the date of transition and subsequently in the Statement of Profit and Loss for the year ended March 31, 2019.

(3) Service assets

Under Ind AS 109, an entity on transfer of a financial asset that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, shall on the date of derecognition recognise a servicing asset at fair value of fees to be received over the contractual life in excess of its cost of the servicing obligation. The impact of fair value change is recognised in Statement of Profit and Loss. Under previous GAAP such revenues were recognised in Statement of Profit and Loss over servicing period.

Accordingly, the fair value of service asset is adjusted in retained earnings (net of related deferred taxes) as at the date of transition and subsequently in the Statement of Profit and Loss for the year ended March 31, 2018.

(4) Deferred tax

Previous GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Previous GAAP. In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

(5) Investment property

Investment property were earlier shown under Investments. As per Ind AS 40, Land and buildings which are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. It is measured at cost less accumulated depreciation.

(6) Leases

With effect from 1 April 2019, the Company has applied Ind AS 116 'Leases' for all long term and material lease contracts covered by the Ind AS. The Company has adopted modified retrospective approach as stated in Ind AS 116 for all applicable leases on the date of adoption. The Company measures lease liability as present value of all lease payments discounted using the Company's incremental cost of borrowing and directly attributable costs.At the time of initial recognition, the Company measures 'Right-of-use assets' as present value of all lease payments discounted using the Company's incremental cost of borrowing w.r.t said lease contract. Subsequently, 'Right-of-use assets' is measured using cost model i.e. at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability specified in Ind AS 116 'Leases'.Accordingly rent equalisation reserve carried by the company has been written back.

(7) Cash collateral

Financial liabilities related to cash collateral (margin) of borrowers are recognized at fair value (FVTPL) on initial recognition in case of cash collateral pertaining to the loans which have been sold off as a part of Direct assignment transaction (or Borrowings from securitisation transactions to the extent of grand parenting allowable under Ind AS).

Financial liabilities related to cash collateral (margin) held against the cross collateral exposures to borrowers under co-branding arrangements are recognised at fair value (FVTPL) on initial recognition . The FV gain arising out of such valuation has been recognized in P&L on a time proportionate basis and balance unamortized fair value gain is carried in the balance sheet as a liability.

(8) Components of other comprehensive income (OCI)

Under Ind AS, following item has been recognised in other comprehensive income in the Statement of Profit and Loss of the Company:

- Re-measurement gains/(losses) on defined benefit plans

(9) Customer Loyalty bonus

The Company pays loyalty bonus to its loan customers as a consideration for their patronage and continued servicing of the loan availed from the Company. Loyalty bonus is an amount payable to the borrower at completion of his loan tenure. Now, the provision for such liability is calculated based on 3 factors – (a) Time Proportion (b) Probability of Fore-closure and (c) Discounting to arrive at present Value. These factors are determined for each loan account based on an objectively defined criterion.

The combined factor arrived at by multiplying the 3 factors are multiplied with the value of committed loyalty bonus of each loan to compute the provision required to be carried at end of the period.

(10) Remeasurement of defined benefit plan obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability is recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the Statement of Profit and Loss for the year. There is no impact on the total equity.

Impact of Ind AS adoption on the Statement of Cash Flows for the year ended March 31, 2019 :

There are no material adjustments on transition to Ind AS in the Statement of Cash Flows for the year ended March 31, 2019.

49. Additional disclosures as required by RBI

As required by RBI Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('the NBFC Master Directions')

a. Capital to Risk Assets Ratio ('CRAR')"

Sr. No.	Particulars	March 31, 2020	March 31, 2019
(i)	CRAR (%)	27.16%	18.71%
(ii)	CRAR – Tier I Capital (%)	26.12%	16.88%
(iii)	CRAR – Tier II Capital (%)	1.04%	1.83%
(iv)	Amount of subordinated debt raised as Tier II Capital	-	-
(v)	Amount raised by issue of Perpetual Debt Instruments	-	-

Note 1: CRAR as at March 2019 is on the basis of CRAR filed with RBI.

Note 2: The Compulsory Convertible Preference Shares (CCPS) issued by the Company to ESF Holdings, a private equity investor, has been reported as part of 'Borrowings (other than debt securities)' as it meets the criteria specified in definition of financial liability under Ind AS 32. However, the same has been included as Tier-1 Capital for calculation of CRAR as per RBI guidelines.

b. Investments

(₹ in Lakhs)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
1)	Value of Investment		
(I)	Gross value of Investments	12.89	12.75
	(a) In India	12.89	12.75
	(b) Outside India	-	-
(ii)	Provision for Depreciation	-	-
	(a) In India	-	-
	(b) Outside India	-	-
(iii)	Net Value of Investments	12.89	12.75
	(a) In India	12.89	12.75
	(b) Outside India		-
2)	Movement of provisions held towards depreciation on investments		
(i)	Opening Balance	-	-
(ii)	Add: Provisions made during the year	-	-
(iii)	Less: Write off/ write back of excess provision during the year	-	-
(iv)	Closing Balance	-	-

* Figures as per previous GAAP and includes amount of investment property of Rs. 137.93 lakhs

c. Derivatives:

The Company has no transactions / exposure in derivatives in the current and previous year.

The Company has no unhedged foreign currency exposure as on March 31, 2020 (March 31, 2019: NIL).

d. Disclosures relating to Securitization

During the year the Company has sold loans through securitization. The information on securitization activity of the Company as an originator is as shown below:

(₹ in Lakhs)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
1	Total number of loans securitized	118	283
2	Total book value of loans securitized	2,653.15	6,489.20
3	Total book value of loans securitised including loans placed as collateral	2,653.15	6,830.73
4	Sale consideration received for loans securitised	2,653.15	6,489.20
5	Excess interest spread recognised in the statement of profit and loss	-	-
6	Credit enhancements provided and outstanding (Gross):	280.56	819.79
	- Interest subordination	-	-
	- Principal subordination	-	341.54
	- Cash collateral	280.56	478.25

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

Position of outstanding balances is as under:

(₹ in Lakhs)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
1	No. of SPVs sponsored by the NBFC for securitization transaction #	2	4
2	Total amount of securitized assets as per books of the SPVs	5,656.73	6,867.66
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet	1,106.15	2,005.40
	a) Off-balance sheet exposures	-	-
	* First Loss	-	-
	* Others	-	-
	b) On-balance sheet exposures	1,106.15	2,005.40
	* First Loss	1,106.15	1,791.72
	* Others	-	213.68
4	Amount of exposures to securitization transaction other than MRR	-	565.40
	a) Off-balance sheet exposures	-	-
	(i) Exposure to own securitizations	-	-
	* First Loss	-	-
	* Others	-	-
	(ii) Exposure to third party securitizations	-	-
	* First Loss	-	-
	* Others	-	-
	b). On-balance sheet exposures	-	565.40
	(i) Exposure to own securitizations	-	565.40
	* First Loss	-	565.40
	* Others	-	-
	(ii) Exposure to third party securitizations	-	-
	* First Loss	-	-
	* Others	-	-

Only the SPVs relating to outstanding securitization transactions reported here.

e. Details of Financial Assets sold to Securitization / Reconstruction Company for Asset Reconstruction

The Company has not sold financial assets to Securitisation / Reconstruction companies for asset reconstruction in the current and previous year.

f. Details of Assignment Transactions undertaken by the NBFC

(₹ in Lakhs)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
(i)	No. of accounts	836	448
(ii)	Aggregate value (net of provisions) of accounts sold	16,620.01	7,667.66
(iii)	Aggregate consideration	16,620.01	7,667.66
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v)	Aggregate gain/loss over net book value	-	-

g. Details of non-performing financial assets purchased / sold:

The Company has not purchased / sold non-performing financial assets in the current and previous year.

h. Asset Liability Management

Maturity pattern of certain items of assets and liabilities as on March 31, 2020

(₹ in Lakhs)

Sr. No.	Particulars	0 day to 7 days	8 days to 14 days	15 days to 30/31 days	Over 1 months up to 2 months	Over 2 months up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	Total
1	Advances#	592.63	1,631.37	954.63	3,139.20	3,121.36	8,565.38	14,134.16	37,193.09	8,712.97	2,224.48	80,269.27
2	Investments	-	-	-	-	-	-	-	-	-	12.89	12.89
3	Borrowings*	579.09	51.86	1,092.98	1,116.34	1,482.08	4,086.50	14,950.97	20,866.78	10,853.95	-	55,080.57

#net-off cash collateral and security deposit taken from borrower

*includes cash credit facilities secured against hypothecation of book debts

Note : Figures are based on the contractual cash flows after considering the effects of moratorium granted till March 31, 2020. The effects of moratorium granted and received post March 31, 2020 have not been considered in the above cash flows.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

Maturity pattern of certain Assets and Liabilities as on March 31, 2019

(₹ in Lakhs)

Sr. No.	Particulars	0 day to 7 days	8 days to 14 days	15 days to 30/31 days	Over 1 months up to 2 months	Over 2 months up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	Total
1	Advances#	471.38	1,755.52	807.81	3,143.36	2,983.27	9,088.39	13,967.57	35,507.80	7,828.47	1,189.61	76,743.18
2	Investments	-	-	-	-	-	-	-	-	-	12.75	12.75
3	Borrowings*	276.29	20.44	1,075.14	997.58	1,943.09	3,802.25	13,548.36	23,933.25	6,355.70	3,786.30	55,738.40

#net-off cash collateral and security deposit taken from borrower
*includes cash credit facilities secured against hypothecation of book debts

I. Exposures

Exposure to real estate sector, both direct & indirect

(₹ in Lakhs)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
a)	**Direct Exposure**		
	(i) Residential Mortgages -		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	-	-
	(ii) Commercial Real Estate -		
	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;	12,582.63	8,828.60
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
	a. Residential	-	-
	b. Commercial Real Estate	-	-
b)	**Indirect Exposure**		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

Exposure to Capital Market

(₹ in Lakhs)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
(i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	12.89	12.75
(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;	-	-
(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 stock brokers and guarantees issued on behalf of stock brokers 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	**12.89**	**12.75**

j. Details of financing of parent company products:

The Company does not have any financing of Parent Company Products during the current and previous year.

k. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Company

The Company has not exceeded the prudential exposure limits during the current and previous year.

l. Unsecured Advances – Refer note no. 6

m. Registration obtained from other financial sector regulators:

The Company is registered only with Reserve Bank of India.

n. Disclosure of penalties imposed by RBI and other regulators:

No Penalties were imposed by RBI and other regulators during current and previous year.

o. Ratings assigned by credit rating agencies and migration of ratings during the year:

(₹ in Lakhs)

Sr. No.	Name of the rating agency	Instrument	Date of rating	Rating assigned	Valid up to	Rating limit
1	Acute Ratings and Research Ltd	Bank Lines	December 20, 2019	ACUITE A-/ Positive, ACUITE A2+	October 22, 2020	37,500.00
2	India Ratings & Research Pvt. Ltd.	Bank Lines	April 27, 2020	IND A-/ Stable	April 26, 2021	67,500.00
3	India Ratings & Research Pvt. Ltd.	NCD	April 27, 2020	IND A-/ Stable	April 26, 2021	3,500.00
4	ICRA Limited	NCD	June 17, 2019	[ICRA]BBB+ (Positive)	June 17, 2020	5,300.00
5	ICRA Limited	Sub Debt	June 17, 2019	[ICRA]BBB+ (Positive)	June 17, 2020	2,500.00

p. Provisions and Contingencies

(₹ in Lakhs)

Sr. No.	Breakup of Provisions and Contingencies shown under the head Expenditure in Statement of Profit & Loss	March 31, 2020	March 31, 2019
1	Provisions for depreciation on Investment	-	-
2	Provision towards Stage 3 Assets	429.25	367.52
3	Provision made towards Income Tax	698.24	901.03
4	Provision made towards Prior Year Tax	-	48.04
5	Provision for Stage 1 & Stage 2 Assets	113.83	91.14
6	Provision for leave benefits	48.79	51.11
7	Provision for gratuity	23.80	19.58
8	Provision towards depreciation in immovable properties held for sale	22.44	-
9	Provision for Impairment loss on PPE	-	23.29

q. Draw down from Reserves:

There has been no draw down from reserves during the year ended March 31, 2020 (previous year: Nil).

r. Concentration of Deposits, Advances, Exposures and Stage 3 Assets

(₹ in Lakhs)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
1	**Concentration of Advances**		
	Total advances to twenty largest borrowers	8,056.59	9,863.10
	(%) of advances to twenty largest borrowers to total advances	9.79%	12.61%
2	**Concentration of Exposures**		
	Total exposure to twenty largest borrowers/customers	8,056.59	9,876.78
	(%) of exposure to twenty largest borrowers/customers to total exposure	9.74%	12.27%
3	**Concentration of Stage 3 Assets**		
	Total exposure to top four Stage 3 accounts	667.07	743.22

s. Sector-wise Stage 3 Assets

(₹ in Lakhs)

Sr. No.	Sector	Percentage of NPAs to Total Advances in that Sector	
		March 31, 2020	March 31, 2019
1	Agriculture & allied activities	-	-
2	MSME	4.63%	2.32%
3	Corporate borrowers	-	-
4	Services	-	-
5	Unsecured personal loans	-	-
6	Auto loans	-	-
7	Other personal loans	0.46%	1.57%

t. Movement of Stage 3 Assets

(₹ in Lakhs)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
(i)	Net Stage 3 Assets to Net Advances (%)	2.02%	1.40%
(ii)	Movement of Stage 3 Assets (Gross)		
	a. Opening balance	2,128.89	1,325.97
	b. Additions during the year	1,863.19	1,771.59
	c. Reductions during the year	(884.88)	(968.67)
	d. Closing balance	3,107.20	2,128.89
(iii)	Movement of Net Stage 3 Assets		
	a. Opening balance	1,072.24	636.85
	b. Additions during the year	1,084.64	850.5
	c. Reductions during the year	(535.57)	(415.14)
	d. Closing balance	1,621.31	1,072.24
(iv)	Movement of provisions for Stage 3 Assets		
	(excluding provisions on Stage 1 & Stage 2 Assets)		
	a. Opening balance	1,056.65	689.12
	b. Provisions made during the year	778.55	921.06
	c. Write-off/write-back of excess provisions	(349.31)	(553.53)
	d. Closing balance	1,485.89	1,056.65

u. Disclosure of Complaints

Sr. No.	Particulars	March 31, 2020	March 31, 2019
(i)	No. of complaints pending at the beginning of the year	0	0
(ii)	No. of complaints received during the year	7	2
(iii)	No. of complaints redressed during the year	7	2
(iv)	No. of complaints pending at the end of the year	0	0

v. Outstanding of loans against security of gold as a percentage to total assets is Nil (March 31, 2019: Nil).

w. Disclosure of restructured accounts as required by RBI NBFC Master Direction

(₹ in Lakhs)

Sr. No.	Asset Classification	Standard	Sub-Standard	Doubtful	Loss	Total
1	**Restructured Accounts as on April 1, 2019**					
	a. No. of borrowers	-	6	-	-	6
	b. Amount outstanding	-	342.60	-	-	342.60
	c. Provision thereon	-	34.26	-	-	34.26
2	**Fresh restructuring during the year**					
	a. No. of borrowers	-	11	-	-	11
	b. Amount outstanding	-	256.61	-	-	256.61
	c. Provision thereon	-	93.55	-	-	93.55
3	**Upgradations to restructured standard category during the FY**					
	a. No. of borrowers	3	(3.00)	-	-	-
	b. Amount outstanding	94.80	(105.81)	-	-	(11.01)
	c. Provision thereon	3.75	(10.58)	-	-	(6.83)
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**					
	a. No. of borrowers	-	-	-	-	-
	b. Amount outstanding	-	-	-	-	-
	c. Provision thereon	-	-	-	-	-
5	**Down gradations of restructured accounts during the FY**					
	a. No. of borrowers	-	-	-	-	-
	b. Amount outstanding	-	-	-	-	-
	c. Provision thereon	-	-	-	-	-
6	**Write-offs/Recovery of restructured accounts during the FY**					
	a. No. of borrowers	-	(1)	-	-	(1)
	b. Amount outstanding	-	(18.37)	-	-	(18.37)
	c. Provision thereon	-	41.27	-	-	41.27
7	**Restructured Accounts as on March 31, 2020**					
	a. No. of borrowers	3	13	-	-	16
	b. Amount outstanding	94.80	475.02	-	-	569.82
	c. Provision thereon	3.75	158.49	-	-	162.24

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2020

x. Disclosure on the asset classification and computation of provisions as per extant prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP) RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020

(₹ in Lakhs)

Sr. No.	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	**Performing Assets**						
	Standard	Stage 1	78,349.46	447.25	77,902.21	367.65	79.60
		Stage 2	853.18	107.43	745.75	3.41	104.02
	Subtotal for Standard		**79,202.64**	**554.68**	**78,647.96**	**371.06**	**183.62**
2	**Non- Performing Assets (NPA)**						
	Substandard	Stage 3	2,406.61	1,001.08	1,405.53	364.86	636.22
	Doubtful - up to 1 year	Stage 3	577.05	415.33	161.72	163.41	251.92
	1 to 3 years	Stage 3	123.53	69.48	54.05	42.32	27.17
	More than 3 years	Stage 3	-	-	-	-	-
	Subtotal for doubtful		**3,107.20**	**1,485.89**	**1,621.31**	**570.59**	**915.30**
	Loss	Stage 3	-	-	-	-	-
	Subtotal for Loss		-	-	-	-	-
	Other items						
	Other items such as guarantees, loan commitments,	Stage 1	-	-	-	-	-
	etc. which are in the scope of Ind AS 109 but not	Stage 2	-	-	-	-	-
	covered under current Income Recognition,	Stage 3	-	-	-	-	-
	Asset Classification and Provisioning (IRACP) norms.	-	-	-	-	-	
	Subtotal						
	Total	**Stage 1**	**78,349.46**	**447.25**	**77,902.21**	**367.65**	**79.60**
		Stage 2	**853.18**	**107.43**	**745.75**	**3.41**	**104.02**
		Stage 3	**3,107.20**	**1,485.89**	**1,621.31**	**570.59**	**915.30**
		Total	**82,309.84**	**2,040.57**	**80,269.27**	**941.65**	**1,098.92**

xi. Disclosures pursuant to RBI Notification - RBI/2019-20/220 DOR.No.BP.BC,63/21.04.048/2019-20 dated 17 April 2020 SMA/ overdue categories, where the moratorium/deferment was extended

Sr. No.	Assets classification as per IND AS 109	Exposure as at March 31, 2020 (A)	Asset classification benefits*
1	Stage I	1,179.34	-
2	Stage II	-	-
3	Stage III	-	-

* represents accounts out of A, which were not classified as Stage III (non-performing assets) as at March 31, 2020.

Note :

1. Amounts indicated in the above represent gross carrying value of these exposures before adjustment for impairment allowance as required under Ind AS 109 as at March 31, 2020.

xii. Liquidity Risk Management disclosure for Non-Banking Financial Companies and Core Investment Companies - RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated November 04, 2019

1) Funding Concentration Based on Significant Counterparty (both deposits & borrowings)

(₹ in Lakhs)

Sr. No.	No. of Significant Counterparties	Amount	% of Total Liabilities
1	19	53,222.81	96.98%

As regards the deposits is concerned, company is a non deposit taking NBFC so not applicable

2) Top 20 Large Deposits (Amount in Rs. lakhs & % of total deposits) : Not applicable

3) Top 10 borrowings (Amount in Rs. lakhs & % of total borrowings)

(₹ in Lakhs)

Sr. No.	No. of Significant Counterparties	Amount	% of Total Liabilities
1	Top 10 borrowings	43,469.41	79.20%

4) Funding Concentration based on Significant instrument / product

(₹ in Lakhs)

Sr. No.	Name of Instrument / Product	Amount	% of Total Liabilities
1	Term Loan	35,166.06	64.08%
2	Non -Convertible Debentures	6,256.58	11.40%
3	Bonds	6,998.39	12.75%
4	Borrowings towards Securitization	5,656.73	10.31%
5	Working Capital Demand Loan	786.43	1.43%

Note : The above funding concentration excludes CCPS and other minor items.

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 4 November 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies."

5) Stock Ratios

a) Commercial papers as a % of total public funds, total liabilities & total assets: Nil, Company has not issued any Commercial papers

b) Non Convertible debentures (original Maturity of less than one year) as a % of total public funds, total liabilities & total assets: Nil, Company has not issued any debentures having original maturity of less than one year.

c) Other Short term liabilities, if any as a % of total public funds, total liabilities and total assets

(₹ in Lakhs)

Sr. No.	Name of Instrument / Product	Amount	% of Total Liabilities
1	Working Capital Demand Loan	786.43	1.43%
2	Cash Credit	18.22	0.03%

6) Institutional Set up for liquidity risk management

EFL is having Liquidity risk management policy which has been approved by the board covering Liquidity Risk Management Policy, Strategies and Practices, Management Information System (MIS), Internal Controls, Maturity profiling, Liquidity Risk Measurement – Stock Approach, Currency Risk, Managing Interest Rate Risk, Liquidity Risk Monitoring Tools.

50. Figures for the previous years have been regrouped / reclassified wherever considered necessary to confirm with the current year's presentation.

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S. R. BATLIBOI & CO. LLP
Chartered Accountants
ICAI Firm Registration No. 301003E/E300005

per Jayesh Gandhi
Partner
Membership No.037924

Place: Mumbai
Date: June 26, 2020

For and on Behalf of Board of Directors
Electronica Finance Limited
CIN : U65910PN1990PLC057017

Ms. Shilpa Pophale
Managing Director
DIN 00182457

Mr. Sujit Natekar
Director
DIN 00182517

Mr. Mayank S. Thatte
Chief Financial Officer

Ms. Khwahish Rawal
Company Secretary

Place: Pune
Date: June 26, 2020

NOTES

... by your side

ELECTRONICA
FINANCE LIMITED

Audumber, 101/1, Erandwane,
Dr Ketkar Road, Pune 411 004,
Maharashtra, INDIA
Ph. No. 020 6729 0700

CIN: U65910PN1990PLC057017