IMPORTANT NOTICE

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Confirmation of your Representation: The Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States; and that you consent to the delivery of this Offering Circular and any amendments or supplements thereto by electronic transmission. You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised, to deliver the Offering Circular to any person.

The materials relating to any offering of securities described in this Offering Circular do not constitute and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of our Company in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted *via* this medium may be altered or changed during the process of electronic transmission and consequently, none of the Agents nor any person who controls each of them nor any director, officer, employee nor agent of each of them or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Agents.

You are responsible for protecting against viruses and other destructive items. Your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

AAVAS FINANCIERS LIMITED

The holders and beneficial owners of Rupee denominated Notes shall be deemed to confirm that for so long as they hold any Rupee denominated Notes, they will meet the Eligibility Requirements. Further, all Noteholders represent and agree that the Rupee denominated Notes will not be offered or sold on the secondary market to any person who does not comply with the Eligibility Requirements.

The Offering Circular has not been and will not be registered, filed, produced or made available to all as an offer document (whether as a prospectus in respect of a public offer or an information memorandum or private placement offer letter or other offering material in respect of any private placement or public issue under the Companies Act, 2013, as amended from time to time, ("**Companies Act**") or any other applicable Indian laws) with the Registrar of Companies of India or the Securities and Exchange Board of India ("**SEBI**") or the Reserve Bank of India ("**RBI**") or any other statutory or regulatory body of like nature in India, save and except for any information from the Offering Circular which is mandatorily required to be discussed or filed in India under any applicable Indian Laws, including but not limited to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, as amended, and under the listing agreement with any Indian stock exchange pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended or International Financial Services Centres Authority (Issuance and Listing of Securities) Regulations, 2021, as amended from time to time, pursuant to the sanction of any regulatory and adjudicatory body in India. The Offering Circular will be made available to NSE IFSC Limited ("**NSE IFSC**") for the purpose of listing the Notes (*as defined below*).

In addition, the Note Holders and beneficial owners shall be responsible for compliance with restrictions on the ownership of the Rupee denominated Notes imposed from time to time by applicable laws or by any regulatory authority or otherwise. In this context, Note Holders and beneficial owners of Rupee denominated Notes shall be deemed to have acknowledged, represented and agreed that such holders and beneficial owners are eligible to purchase the Rupee denominated Notes under applicable laws and regulations and are not prohibited under any applicable law or regulation from acquiring, owning or selling the Rupee Denominated Notes. Potential investors should seek independent advice and verify compliance with Eligibility Requirements (as defined in this Offering Circular and as further set out under '*Subscription and Sale*' – '*India*') prior to any purchase of the Rupee Denominated Notes. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular you shall be deemed to have represented to us and agreed that you meet the Eligibility Requirements, are eligible to purchase the Rupee Denominated Notes (*as defined in this Offering Circular*) and will meet, for so long as you hold any Notes, the Eligibility Requirements. Further, all Note Holders represent and agree that the Rupee Denominated Notes will not be offered or sold on the secondary market to any person who does not comply with the Eligibility Requirements.

To the fullest extent permitted by law, none of the Agents (each as defined) in the Offering Circular, accept any responsibility for the contents of the Offering Circular or for any other statement, made or purported to be made by the Agents or on their behalf in connection with the Issuer or the Issue and offering of any Notes. The Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of the Offering Circular or any such statement.

OFFERING CIRCULAR

SAPNE AAPKE, SAATH HAMAARA

AAVAS FINANCIERS LIMITED

(Public company incorporated with limited liability under the Companies Act, 1956 in the Republic of India)

Rs. 3,60,00,00,000

Social Term Notes

Rs. 3,60,00,00,000 Social Rupee Denominated Term Note due 2029 (the "**Notes**") denominated in ₹ which are payable in U.S. dollars will be issued in registered form ("**Registered Notes**") by Aavas Financiers Limited ("**Company**") on March 10, 2022 ("**Closing Date**" or "**Issue Date**").

NSE IFSC HAS NOT APPROVED OR VERIFIED THE CONTENTS OF THIS OFFERING CIRCULAR.

An investment in Notes issued by the Issuer involves certain risks. For a discussion of these risks, see '*Risk Factors*'.

Application has been made to the NSE IFSC for permission to deal in, and quotation of Notes and which are agreed at or prior to the time of issue thereof to be so listed on the NSE IFSC. The NSE IFSC assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The quotation of any Notes on the NSE IFSC are not to be taken as an indication of our merits, the merits of our subsidiaries or associated companies or the Notes. Notice of the aggregate nominal amount of the Notes, interest (if any) payable in respect of Notes, the issue price of Notes, will be delivered to the NSE IFSC on or before the date of issue of the Notes.

For Indian regulatory purposes, Notes denominated in Rupees issued by the Issuer ("**Rupee Denominated Notes**") constitute 'Rupee Denominated ECB' or 'INR denominated ECB' under the terms of ECB Directions.

If you purchase any of the Rupee denominated Notes, you will be deemed to have acknowledged, represented and agreed that you are eligible to purchase Rupee denominated Notes under applicable laws and regulations and that you meet the Eligibility Requirements and you are not otherwise prohibited under any applicable law or regulation from acquiring, owning or selling the Rupee denominated Notes. The Rupee denominated Notes may not be offered or sold directly or indirectly in India or to, or for the account or benefit of, any resident of India.

This Offering Circular has not been and will not be registered as a prospectus or a statement in lieu of a prospectus in respect of a public offer, information memorandum or private placement offer letter or any other offering material with the Registrar of Companies in India in accordance with the Companies Act, and other applicable Indian laws for the time being in force. This Offering Circular has not been and will not be reviewed or approved by any regulatory or statutory authority in India, including, but not limited to, the SEBI, the RBI, any Registrar of Companies, National Housing Bank or any stock Exchange in India. This Offering Circular and the Notes are not and should not be construed as an advertisement, invitation, offer or sale of any securities whether to the public or by way of a private placement to any person resident in India. The Notes have not been and will not be, offered or sold to any person resident in India.

In accordance with Indian regulations, only the entities meeting the following requirements and subject to the following conditions are permitted to invest in Rupee denominated bonds ("**Eligibility Requirements**"):

AAVAS FINANCIERS LIMITED

(a) investors not resident in India that are residents of FATF Compliant Countries or IOSCO Compliant Countries; or

(b) multilateral or regional financial institutions where India is a member country; or

(c) individuals not resident in India that are residents of FATF Compliant Countries or IOSCO Compliant Countries are eligible if they are foreign equity holders or for subscription to bonds/debentures listed outside India.

(d) Foreign branches/ subsidiaries of Indian banks are permitted as recognized lenders only for foreigncurrency ECB (except foreign currency convertible bonds and foreign currency exchangeable bonds). As per the ECB Master Directions, foreign branches / subsidiaries of Indian banks, subject to applicable prudential norms, can participate as arrangers/underwriters/market-makers/traders for Rupee denominated bonds issued overseas. However, underwriting by foreign branches/subsidiaries of Indian banks for issuances by Indian banks will not be allowed.

Further such foreign branches or subsidiaries of Indian banks are not permitted to purchase or hold ECBs which fall within the categories mentioned in (b) to (e) of serial number V of paragraph 2.1 of Part I of the ECB Master Directions.

The Eligible investors are required to be in compliance with other requirements specified by RBI (from time to time) in relation to rupee-denominated external commercial borrowings by Indian entities. Such eligible investors shall not otherwise be prohibited under any applicable law or regulation from acquiring, owning or selling the Notes, are eligible to subscribe for the Notes.

If you purchase any of the Notes, you will be deemed to have acknowledged, represented and agreed that you are eligible to purchase the Notes under applicable laws and regulations and that you meet the Eligibility Requirements and that you are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes. See '*Subscription and Sale*'.

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Market Act 2000 ("**FSMA**") with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See "*Subscription and Sale*" and "*Transfer Restrictions*".

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes will not be offered, sold or delivered within the United States or to U.S. persons as defined in Regulation S. See '*Form of the Notes*' for a description of the manner in which the Notes will be issued. Notes are subject to certain restrictions on transfer, see '*Subscription and Sale*' and '*Transfer Restrictions*'.

The date of this Offering Circular is March 04, 2022.

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the Company's knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances under which they were made, misleading. The Company, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. We accept responsibility accordingly.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see '*Documents Incorporated by Reference*'). This Offering Circular shall be read and construed on the basis that those documents are incorporated and form part of this Offering Circular.

No person is or has been authorized by us to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Notes and, if given or made by any other person, such information or representation must not be relied upon as having been authorized by us or the Agents (*as defined in the 'Terms and Conditions of the Notes'*).

None of the Agents has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and, to the fullest extent permitted by law, no responsibility or liability is accepted by the Agents or any of them as to the accuracy or completeness of the information contained or incorporated in this Offering Circular, or for any other statement, made or purported to be made by the Agents or on their behalf in connection with us or any other information provided by us in connection with the Notes. The Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by us or the Agents that any recipient of this Offering Circular or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of us. Neither the delivery of this Offering Circular nor any other information supplied in connection with the issue of any Notes constitutes an offer or invitation by or on behalf of our Company or the Agents to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning us is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing such other information. The Agents expressly do not undertake to review the financial condition or affairs of our Company during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. The Investors should review, inter alia, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in

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such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. Our Company and the Agents do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by our Company or the Agents which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States and other countries. see '*Subscription and Sale*' and '*Transfer Restrictions*'.

None of our Company and the Agents makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

In accordance with applicable provisions of Indian regulations, only investors that are residents of FATF Compliant Countries, or IOSCO Compliant Countries (*as defined in the Offering Circular*), and multilateral and regional financial institutions where India is a member country, are eligible to purchase or subscribe to Rupee denominated Notes. Further, banks incorporated in India and overseas branches and subsidiaries of such banks are not permitted to purchase or hold Rupee denominated Notes in any manner whatsoever. By purchasing Rupee denominated Notes, each investor shall be deemed to have acknowledged, represented and agreed that such investor is eligible to purchase Rupee denominated Notes under applicable laws and regulations and is in compliance with the Eligibility Requirements and is not otherwise prohibited under any applicable law or regulation from acquiring, owning or selling Rupee denominated Notes and that so long as it holds any Rupee denominated Notes, it will continue to be in compliance with the Eligibility Requirements. Potential investors should seek independent advice and verify compliance with the requirements underthe ECB Directions prior to any purchase of Rupee denominated Notes.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We maintain our financial books and records and have prepared our financial statements in Rupees in accordance with the Companies (Indian Accounting Standards) Rules, 2015 ("**IND-AS**"). IND-AS differ in certain important respects from International Financial Reporting Standards ("**IFRS**"). For a discussion of the principal differences between IND-AS and IFRS as they relate to us, see '*Summary of Significant Differences Between IFRS and IND-AS*'. Our standalone and consolidated financial statements for the years ended March 31, 2019, 2020 and 2021; each as included in this Offering Circular have been audited by the auditors as set out in Paragraph 11 of the section entitled '*General Information*'.

CERTAIN DEFINITIONS

In this Offering Circular, references to **India** are to the Republic of India, references to the **Government** or **GoI** are to the Government of India and references to the **RBI** are to the Reserve Bank of India. References to specific data applicable to particular subsidiaries or other consolidated entities are made by reference to the name of that particular entity. References to **Fiscal** or **Fiscal Year** are to the year ended March 31.

S LIMITED * AVAS FINANCIERS

Unless the context otherwise indicates, all references to the **Aavas**, the **Issuer**, **our Company** or the **Company** are to Aavas Financiers Limited.

Industry and market share data in this Offering Circular are derived from data prepared by the RBI, the Economic Times, IMF, EIU, Business Standard, McKinsey, Business Today, ICRA Affordable Housing Finance Industry Report and from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that the industry data used in this Offering Circular is reliable and take responsibility for the accurate extraction of such data from publicly available sources, it has not been independently verified by us or the Agents.

All references in this Offering Circular to **Rupee**, **Rupees**, **Rs.**, **INR** and **₹** refer to Indian Rupees and U.S. dollars and $ refers to U.S. dollars.

References to **lakhs** and **crores** in our financial statements are to the following:

One lakh	100,000 (one hundred thousand)
One crore	10,000,000 (ten million)
Ten crores	100,000,000 (one hundred million)
One hundred crores	1,000,000,000 (one thousand million or one billion)

In this Offering Circular, where information has been presented in millions or billions of units, amounts may have been rounded, in the case of information presented in millions, to the nearest ten thousand or one hundred thousand units or, in the case of information presented in billions, one, ten or one hundred million units. Accordingly, the totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

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FORWARD-LOOKING STATEMENTS

We have included statements in this Offering Circular which contain words or phrases such as "will", "would", "aimed", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "seeking to", "target", "propose to", "future", "objective", "goal", "projected", "should", "can", "could", "may" and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward looking statements due to certain risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes relating to the Housing Finance sector in India and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, including our ability to complete our capacity expansion plans, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.

Any forward-looking statements contained in this Offering Circular speak only as of the date of this Offering Circular. Without prejudice to any requirements under applicable laws and regulations, we expressly disclaim any obligation or undertaking to disseminate after the date of this Offering Circular any updates or revisions to any forward-looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

For a further discussion on the factors that could cause actual results to differ, see the discussion under '*Risk Factors*' contained in this Offering Circular.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Offering Circular include, but are not limited to general economic and political conditions in India, and other countries which have an impact on the Issuer's business activities or investments, political or financial instability in India or any other country caused by any factor including any terrorist attacks in India or elsewhere or any other acts of terrorism worldwide, any anti- terrorist or other attacks by any country, the monetary and interest rate policies of India, political or financial instability in India or any other country caused by tensions between India and Pakistan related to the Kashmir region or military armament or social unrest in any part of India, inflation, deflation, unanticipated turbulence in interest rates, changes in the value of the Rupee, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets and level of internet penetration in India and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in India and regional or general changes in asset valuations.

SERVICE OF PROCESS AND ENFORCEMENT OF FOREIGN JUDGMENTS IN INDIA

Our Company is a limited liability public company incorporated under the laws of India. All of our directors and executive officers are residents of India and all or a substantial portion of our assets and such persons are located in India. As a result, it may not be possible for investors to effect service of process on us or such persons in jurisdictions outside of India, or to enforce on us or such person's judgments obtained in courts outside of India that are predicated upon civil liabilities of our Company or such directors and executive officers under laws other than Indian law.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. The statutory basis for recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Indian Code of Civil Procedure, 1908 as amended (**"Civil Code"**).

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Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon between the same parties or between parties under whom they or any of them claim litigating under the same title except: (i) where it has not been pronounced by a court of competent jurisdiction; (ii) where it has not been given on the merits of the case; (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where it has been obtained by fraud; or (vi) where it sustains a claim founded on a breach of any law in force in India. A foreign judgment which is conclusive under Section 13 of the Civil Code may be enforced either by a fresh suit upon the judgment or by proceedings in execution. A Noteholder may also file a suit against the Company, its directors and executive officers on the original cause of action before a competent court in India.

Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court (*as defined in such Section*) in any country or territory outside India which the GoI has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. If the conditions laid down in Section 44A of the Civil Code are fulfilled, a foreign judgement will be deemed to be a decree passed by the relevant court in India and can be directly executed. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards, even if such awards are enforceable as a decree or judgment. Further, even when a foreign judgement is directly put into execution under Section 44A, the relevant court is entitled to refuse execution of such judgment if it is shown that the foreign judgment falls within any of the exceptions laid down in clause (a) to (f) of Section 13 of the Civil Code which have been pointed out in point number (i) to (v) of the preceding paragraph.

The United Kingdom, among other countries, has been declared by the GoI to be a reciprocating territory and the High Courts in England as the relevant superior courts for the purposes of Section 44A of the Civil Code. Accordingly, a judgment of a superior court in the United Kingdom may be enforceable by proceedings in execution, and a judgment not of a superior court, by a new suit resulting in a judgment or order.

Under Section 14 of the Civil Code, a court in India will upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction.

The suit must be brought in India within three years from the date of the judgement in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice or Indian public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI under the Foreign Exchange Management Act, 1999 to execute such a judgment or to repatriate outside India any amount recovered pursuant to execution. Any judgment or award in a foreign currency would be converted into Rupees on the date of the judgment or award and not on the date of the payment, which could also increase risks relating to foreign exchange. We cannot predict whether a suit brought and instituted in an Indian court will be disposed of in a timely manner or be subject to considerable delay. The Company would not be entitled to immunity based on sovereignty from any legal proceedings in India.

GLOSSARY OF TERMS USED IN THIS OFFERING CIRCULAR

Below are certain terms and abbreviations used in this Offering Circular:

2020 Amendment means the Insolvency and Bankruptcy Code (Second Amendment) Act, 2020.

Aavas/ Issuer/ Company means Aavas Financiers Limited.

Aavas Finserv means Aavas Finserv Limited, a wholly owned subsidiary of the Issuer.

AD Bank means the Authorized Dealer Bank, in terms of the ECB Directions.

Agency Agreement/Fiscal Agency Agreement means agreement entered between the Issuer and The Hongkong and Shanghai Banking Corporation Limited as Registrar, Calculation Agent, Paying Agent and Transfer Agent in respect of Notes dated March 10, 2022.

AHFC means affordable housing finance companies.

ALM Guidelines means guidelines for Asset Liability Management System for HFCs issued by the NHB on 11 October 2010.

AML means anti-money laundering.

Applicable Law means any law or regulation.

AUM means Assets under Management.

Authorized Signatory means any person who (a) is a director or the Secretary of the Issuer or (b) has been notified by the Issuer in writing to the Fiscal Agent as being duly authorized to sign documents, give Instructions and to do other acts and things on behalf of the Issuer for the purposes of this Agreement.

Authority means any competent regulatory, prosecuting, Tax or governmental authority in any jurisdiction.

Banking Act means Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993

BSE means BSE Limited

CARE means Credit Analysis & Research Limited

CAGR means compound annual growth rate

CERSAI means Central Registry of Securitization Asset Reconstruction and Security Interest of India

CEO/ CFO means chief executive officer and chief financial officer respectively

Civil Code means Indian Code of Civil Procedure, 1908, as amended from time to time

CIC means credit information companies

Clearstream, Luxembourg means Clearstream Banking S.A.

Closing Date means March 10, 2022

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CLSS means Credit Linked Subsidy Scheme

Companies Act means the Companies Act, 2013, as amended from time to time

COVID-19 means coronavirus and new variant Omicron

COVID-19 Resolution Framework means the notification titled 'Resolution Framework for COVID-19-related Stress' issued by RBI on August 6, 2020

CRAR means Capital to Risk-Weighted Assets Ratio

CRO means chief risk officer

CSR means Corporate Social Responsibilities Activities

Custodian means any person or institution that has the legal right to manage and look after another person's money, investments, etc

C(WUMP)O means the Companies (Winding Up and Miscellaneous Provisions Ordinance of Hong Kong

Definitive Certificate means the Certificate issued in respect of the Note to the Noteholder;

DIN means Director Identification Number

ECB means external commercial borrowings, in accordance with the ECB Directions

ECB Directions includes, collectively, the Master Direction - External Commercial Borrowings, Trade Credits and Structured Obligations (RBI/FED/2018-2019 FED Master Direction No. 5/2018-19), dated 26 March 2019, as updated from time to time (**"ECB Master Directions"**) issued by the RBI, the Foreign Exchange Management Act, 1999, as amended, the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, as amended, the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004, the RBI's Master Direction on Reporting under Foreign Exchange Management Act, 1999, (RBI/FED/2015-16/13 FED Master Direction No.18/2015-16) dated 1 January 2016, as amended and any other applicable Indian laws, regulations, notifications, circulars or guidelines issued in respect of external commercial borrowings.

ECL means Expected Credit Loss

EMI means equated monthly instalments

ESOP means employee stock option plan

Euroclear means Euroclear Bank SA/NV;

EWS means Economically Weaker Section

Fair Practices Code/ FPC means the fair practices code under RBI Master Directions

FBIL means Financial Benchmarks India Pvt Ltd

FATCA means Foreign Account Tax Compliance Act

FDI means foreign direct investments

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FIEA means Financial Instruments and Exchange Act of Japan Act No. 25 of 1948

FSMA means Financial Services and Market Act 2000

FTBs means first-time buyers

FY means financial year

GAAP means Generally Accepted Accounting Principles

GAAR means general anti-avoidance rules

GDP means gross domestic product

GNPAs means gross non-performing asset

GST means the goods and services tax as defined under applicable laws in India

HFCs means Housing Finance Companies, in terms of the RBI Master Direction

HMRC means HM Revenue and Customs

ICMA means the International Capital Markets Association

ICRA means ICRA Limited

IFRS means International Financial Reporting Standards

IFSCA (ILS) Regulations 2021 means International Financial Services Centre Authority (Issuance and Listing of Securities) Regulations, 2021

IND-AS means Companies (Indian Accounting Standards) Rules, 2015

India means the Republic of India

Indian Bankruptcy Code means the Insolvency and Bankruptcy Code, 2016, as amended from time to time

Investment Company Act means the U.S. Investment Company Act of 1940

IOSCO Compliant Countries means countries whose securities market regulator is a signatory to the International Organization of Securities Commission's (IOSCO's) Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the SEBI for information sharing arrangements.

ISIN means an international securities identification number

Paying Agent means a bank that delivers CPs to the investors against the proof of payment and at maturity repays the investors after receiving funds from the issuer.

ITA means Income Tax Act, 1961, as amended from time to time.

KYC/ KYC Directions means "know your customer"/ Master Direction –Know Your Customer (KYC) Direction, 2016, as amended from time to time

Labour Codes collectively means laws relating to the Code on Social Security, 2020, the Occupational Safety, Health and Working Conditions Code, 2020, the Industrial Relations Code, 2020 and the Code on Wages, 2019

LIG means Lower Income Group

LTV means loan to value

MAMP means minimum average maturity period as referred to in the ECB Directions

MAS means Monetary Authority of Singapore

MFIs means micro finance institutions

MLI means multilateral instruments

NBFCs means Non-Banking Financial Companies

NCDs/ NCD Credit Rating means Non-Convertible Debentures and --- respectively

NCR means National Capital Region

NHB Act means the National Housing Bank Act, 1987, as amended from time to time

NHB means the National Housing Bank established under Section 3 of the NHB Act

NOF means net owned fund

Notes/ Registered Notes means the exchange Notes and all other Notes sold or otherwise disposed of pursuant to an effective registration statement under the Securities Act, together with their respective Successor Notes.

Note holder/ holders means the holders of the Notes and (in the case of Notes) the persons in whose names the Notes are registered

NPAs/ NNPA means Non-Performing Assets and Net Non-Performing Assets respectively

NRIs means non-resident investors

NSE IFSC means NSE IFSC Limited

PLI means production-linked incentive

PMAY means the Pradhan Mantri Awas Yojana

PMLA means The Prevention of Money Laundering Act, 2002, as amended from time to time

Promoter and Promoter Group means **Lake District Holdings Limited** a company incorporated under the Companies Act, 2001 of the Republic of Mauritius on January 25, 2016 and having its registered office at Suite 11, 1st Floor, Plot 42, Hotel Street, Cyber City 72201, Ebene, Mauritius, **Partners Group ESCL Limited**, a company incorporated under the Companies Act, 2001 of the Republic of Mauritius on February 10, 2014 and having its registered office at Citco (Mauritius) Limited, 4th Floor, Tower A, 1 Cybercity, Ebene, Mauritius, **Partners Group Private Equity (Master Fund)**, LLC, a company incorporated under the laws of Delaware, having its principal place of business at c/o Partners Group (USA) Inc., 1114 Avenue of the Americas, 37th Floor, New York, NY 10036,USA, **Kedaara Capital I Limited,** regulated by the Financial Services Commission of Mauritius and is licensed to operate as a closed-end fund, categorized as a professional collective investment scheme and **Partners Group Global Value SICAV,** an entity registered as an SICAV (Société d'Investissement à Capital Variable) in the jurisdiction of Luxembourg.

PSL Master Directions means Master Directions – Reserve Bank of India (Priority Sector Lending) – (Targets and Classifications) Directions, 2020 dated September 4, 2020, as amended from time to time

RBI Master Directions means Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, dated February 17, 2021, as amended from time to time

RBI Moratorium Circulars means RBI Circulars allowing lending institutions to offer a moratorium to customers on payment of instalments

Registrar/ RoR means The Hongkong and Shanghai Banking Corporation Limited.

Resource Planning Policy means approved resource planning policy that the Company has put in place a board in accordance with the RBI Master Directions

Rupee Denominated Notes means for Indian regulatory purposes, notes denominated in Rupees issued by the Issuer constitute 'Rupee Denominated ECB' under the terms of ECB Directions as amended

SARFAESI means Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended from time to time

SEBI means Securities and Exchange Board of India

Securities shall, unless repugnant to the context, have the meaning given to the term "securities" under section 2(h) of (Indian) Securities Contracts (Regulation) Act, 1956

SFA means Securities and Futures Act of Singapore

SF (CMP) Regulations means Securities and Futures (Capital Markets Products) Regulations 2018

SMA means special mention accounts

SPV means special purpose vehicle

SRF/ SRF-2021 means Special Refinance Facility/ Special Refinance Facility-2021 scheme launched by NHB

Tax means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Authority having power to tax.

Tax Treaty means bilateral agreement made by two countries to resolve issues involving double taxation of passive and active income.

U.S. $/ USD means United States dollars

VAT means value added tax

WHO means the World Health Organization

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular: (a) our most recently published audited consolidated and standalone annual financial statements; and (b) if published later, the most recently published audited or reviewed, as the case may be, standalone and consolidated financial results (see '*General Information*' for a description of the financial statements currently published by us).

All future financials that are contemplated to be incorporated by reference into the Offering Circular will be made available on the website of the Issuer at https://www.aavas.in/.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

We will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to us at our office set out at the end of this Offering Circular. Such documents will also be available free of charge from the principal office of the Issuing and Paying Agent in Hong Kong ("**Paying Agent**") for the Notes to be listed on the NSE IFSC.

If the terms of the Notes are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Notes, a new offering circular will be prepared.

Only such information as has been mentioned in this section of the Offering Circular is incorporated by way of reference and no other information on the website of the Issuer at https://www.aavas.in/ is incorporated by reference herein.

RISK FACTORS

Investors should carefully consider the following investment considerations as well as the other information contained in this Offering Circular prior to making an investment in the Notes. In making an investment decision, each investor must rely on its own examination of the Issuer and the terms of offering of the Notes, including the merits and the risks involved. The risks described below are not the only ones that may affect the Notes. Additional risks not currently known to the Issuer or that the Issuer, based on the information currently available to it, deems immaterial may also impair the Issuer's business, financial condition and results of operations. All of these risks are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. If any of the following or any other risks materialize, the Issuer's business, prospects, results and financial condition could be adversely affected, the price and value of the Notes could decline and all or part of the investments in the Notes may be lost. Unless indicated otherwise, the financial information for the years ended March, 2019, 2020 and 2021 included in this section have been derived from the standalone and consolidated financial statements prepared under IND-AS. See 'Presentation of Financial and other Information'.

This Offering Circular contains forward-looking statements that involve risks and uncertainties. Prospective investors should carefully consider the risks and uncertainties described below and the information contained elsewhere in this Offering Circular before making an investment in the Notes. In making an investment decision, each investor must rely on its own examination of our Company and the terms of the offering of the Notes. The risks described below are not the only ones faced by our Company or investments in India in general. Our Company's business, prospects, financial condition, cash flows and results of operations could be materially adversely affected by any of these risks. There are a number of factors, including those described below, that may adversely affect our Company's ability to make payment of the Notes. The risks described below are not the only ones that may affect the Notes. Additional risks not presently known to our Company or that our Company currently deem immaterial may also impair their respective business, prospects, financial condition, cash flows and results of operations.

The impact of the COVID-19 pandemic on our business and operations is uncertain and cannot be predicted.

Our business may continue to be moderately affected by the COVID-19 pandemic. On November 26, 2021, the World Health Organization ("**WHO**") issued a statement on a new variant of the coronavirus (i.e., the Omicron variant) which features a large number of mutations, some of which are of concern to the WHO. While the effects of this new strain of the virus are still currently being determined, preliminary evidence suggests that it, among others, carries an increased risk of infection. Since the outset of the pandemic, governments of many countries have, among others, declared a state of emergency, closed their borders to international travelers, issued stay-at-home orders, imposed restrictions on movement and instituted social distancing measures with a view to containing the pandemic. In particular, the Indian government imposed a nationwide lockdown on March 25, 2020, and has gradually lifted or reinstated the lockdown and other restrictions based on prevailing conditions. The COVID-19 pandemic and policies implemented by governments to deter the spread of the disease have had and may continue to have, an adverse effect on consumer confidence and the general economic conditions that we are subject to. Furthermore, there is no assurance that such measures will be effective in ending or deterring the spread of COVID-19. For example, many countries including India have experienced a second or third wave of the COVID-19 virus once such measures had been eased. As the pandemic has not yet fully subsided, it is not possible to predict the full impact on the Indian or the global economy. While the GoI through the Ministry of Finance issued a series of liquidity enhancement measures to counter the slowdown caused by a reduction in economic activity during the lockdown, the impact of such measures remains unknown at the present moment. Some of the ascertainable impacts of the COVID-19 pandemic and the pandemic induced lockdown(s) on our business and operations include:

(a) Restrictions on movement of people during the lockdown has adversely impacted our cash collections due to inability of employees to make on-field visits;

(b) The lockdown has adversely impacted the business of our customers, which in turn has adversely impacted our business, including disbursements;

(c) Higher provisioning requirements in the event any customers opt for resolution plans pursuant to RBI directions;
(d) Anticipation of increase in Expected Credit Loss ("**ECL**") on loans due to general slowdown in the Indian economy on account of the pandemic
(e) A slowdown on further branch expansion;
(f) Downgrades in our credit ratings; and
(g) Implementation of cost optimization measures.

While our Company continued to be operational during the lockdown in accordance with the guidelines issued by the Ministry of Home Affairs and the concerned State Governments, from time to time, there can be no assurance that upon complete easing of the pandemic containment measures, economic activity in general or the level of business of our Company in the past will continue to exist. Additionally, as we gradually transition towards pre-pandemic levels of office attendance for our employees, sanitization and precautionary measures undertaken may cause our Company to incur additional expenses to maintain the health of customers visiting our branches and employees, including operating with limited staff or at limited times, which in turn will impact our business and results of operations. Furthermore, if any of our employees contract COVID-19 and/or are unable to continue working, we may be compelled to undertake additional measures including temporary suspension of operations at a particular branch, which in turn will impact our business and results of operations. As a part of the incentive package to help the Indian economy recover from the stagnation caused by the COVID-19 induced lockdown, the Ministry of Finance announced various liquidity enhancement measures, including provision of funding to certain specified sectors such as Housing, micro-, medium- and small-scale enterprises. While the operational guidelines for the implementation of such liquidity enhancement schemes are gradually being disclosed, any requirement for our Company to provide additional credit to sectors where we have limited experience may require us to dedicate substantial manpower and resources towards understanding the nuances of such sectors. Additionally, given our limited experience in these sectors, we may be subjected to increased number of Stage 3 Assets. The Company has made additional expected credit loss provision related to loans and advances in its unaudited financial statements for the six months ended September 30, 2021 in the amount of INR 201.7 million. In the event that the containment measures have a significant adverse impact on the economic health of our customers in particular and the economy in general, our future prospects, profitability and results of operations may in turn be negatively impacted.

Instability of global and Indian economies and banking and financial sectors could affect the liquidity of our Company, which could have a material adverse effect on our Company's financial condition.

The credit markets in India have faced significant volatility, dislocation and liquidity constraints in the past three financial years. The instability in the Indian credit markets has in the past resulted from significant write downs in the asset values of certain financial institutions including banks (primarily in the public sector), housing finance companies and NBFCs. Any protracted instability in the Indian credit markets or other macroeconomic factors which may impact the overall liquidity available in the Indian credit markets in general or the amount of credit available to NBFCs in particular, could adversely impact our ability to raise funds in a timely manner and at commercially acceptable terms. Non-availability of credit may lead to disruption in our business, including asset-liability mismatches and an inability to grow our business, and may require our Company to seek alternate sources of funding, which may not be available on commercially acceptable terms or at all.

Our financial performance is highly sensitive to interest rate volatility.

Our results of operations are substantially dependent upon the level of our net interest margins. Our net interest margin for half year ended September 30, 2021 was 7.80% per our unaudited financial results, revenue from operations is the largest component of our total revenue and constituted 99.80% of our total revenue on a standalone basis in the fiscal year ended March 31, 2021. Revenue from operations is also the largest component of our total income and constituted 99.9 % of our total income in the six-month period ended September 30, 2021 as per unaudited financial statement on a standalone basis. As of March 31, 2021, as per audited financial statement and September 30, 2021, as per unaudited financial statement, our Total Loan Assets (gross of Provisions) were INR 75,728.65 million and INR 82775.48 million, respectively, on a standalone basis. We provide loans at fixed rates of interest and we borrow funds on both fixed and floating rates. As of September 30, 2021, approximately 21.5% of our borrowings were at fixed rates and 78.5% were at floating interest rates as per unaudited financial statement on a standalone basis. We are exposed to interest rate risks as a result of lending to customers predominantly at fixed interest rates (and we typically do not have an escalation clause in our agreements), amounts and for periods which may differ from our funding sources. Volatility in interest rates can materially and adversely affect our financial performance and cash flows. In a rising interest rate environment, we may not be able to pass on increased costs of funds to customers with fixed rate loan agreements, resulting in an adverse impact on our net interest income and net interest margins. However, even for floating rate loan agreements, if the yield on our interest-earning assets does not increase simultaneously with or to the same extent as our cost of funds, or, in a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our interest-earning assets, our net interest income and net interest margin would be adversely impacted. Additional risks arising from increasing interest rates, among others, include:

(a) increases in the rates of interest charged on various loans in our loan portfolio, which could result in the extension of loan maturities and higher monthly instalments due from borrowers which, in turn, could result in higher rates of default;
(b) reductions in the volume of loans as a result of clients' inability to service high interest rate payments; and
(c) reduction in the value of fixed income securities held in our investment portfolio.

Accordingly, our operations are susceptible to fluctuations in interest rates. Interest rates are highly sensitive and fluctuations thereof are dependent upon many factors which are beyond our control, including the monetary policies of the RBI, de-regulation of the financial services sector in India, domestic and international economic and political conditions, inflation and other factors. In addition, difficult conditions in the global and Indian economies can affect the availability of credit. In a rising interest rate environment, especially if the rise is sudden or sharp, we could be adversely affected by the decline in market value of our securities portfolio and other fixed income securities. We cannot assure that we will enter into any interest rate hedging instruments to adequately hedge against interest rate volatility in the future.

Our business requires raising substantial capital through borrowings and any disruption in funding sources would have a material adverse effect on our liquidity, financial condition and/or cash flows.

As an Housing Finance Company, our liquidity and on-going profitability are, in large part, dependent upon our timely access to, and the costs associated with, raising capital. As of September 30, 2021, 100% of our borrowed funds consisted of funds raised from financial institutions and banks as per unaudited financial statement. Our funding requirements are predominantly met through term loans from banks (including cash credit and external commercial borrowings), the issue of redeemable non-convertible debentures / Subordinated debt and Refinance assistance from NHB which constituted 47.53%, 22.73% and 29.73% of our total borrowings. Further, the Company also manages securitized portfolio to the tune of INR 2042.30 crore, as of September 30, 2021 as per unaudited financial statement on a standalone basis. Our credit providers include nationalized banks, private Indian banks, foreign institutional investors National Housing Board. We also rely on domestic investors. Our business, therefore, depends and will continue to depend on our ability to access diversified funding sources. Our ability to raise funds on acceptable terms and at competitive rates continues to depend on various factors including our credit ratings, the economic and regulatory environment and policy initiatives in India, developments in the international markets affecting the Indian economy, investors' and/or lenders' perceptions of demand for debt and equity securities of NBFCs and our current and future results of operations and financial condition. Changes in economic and financial conditions or continuing lack of liquidity in the market could make it difficult for us to access funds at competitive rates. Any such disruption in our ability to access primary funding sources at competitive costs would have a material adverse effect on our liquidity, financial condition and/or cash flows. In fiscal year 2019, there were defaults by some large NBFCs which resulted in heightened investors' concern about the systemic risks that Indian financial institutions face. This led to some tightening in liquidity available to NBFCs. Any event affecting the market sentiment surrounding the sector as a whole could affect the borrowing capability of the Issuer adversely.

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If we are unable to manage the level of Non-Performing Assets or Stage 3 Assets in our loan portfolio, our financial position, results of operations and cash flows may suffer.

In the past, we have seen increasing levels of Non-Performing Assets ("**NPAs**") and Stage 3 Assets in our loan portfolio. Stage 3 Assets have increased from INR 222.7 million as of March 31, 2019 to INR 284.1 million as of March 31, 2020 on a standalone basis. Stage 3 Assets have increased from INR 284 million as of March 31, 2020 to INR 739.1 million as of March 31, 2021 on a standalone basis. Our Stage 3 Assets net of Stage 3 Provisions have increased from INR 174.1 million as of March 31, 2019 to INR 210.2 million as of March 31, 2020. Our Stage 3 Assets net of Stage 3 Provisions have increased from INR 210.2 million as of March 31, 2020 to INR 537.8 million as of March 31, 2021 on a standalone basis. Our Stage 3 Assets as a percentage of Total Loan Assets (gross of Provisions) were 0.47% and 0.46% as of March 31, 2019 and March 31, 2020, respectively, on a standalone basis. Our Stage 3 Assets as a percentage of Total Loan Assets (gross of Provisions) were 0.46% and 0.98% as of March 31, 2020 and March 31, 2021, respectively, on a standalone basis. Our Stage 3 Assets net of Stage 3 Provisions as a percentage of our Net Loan Assets (net of Provisions) were 0.31% and 0.34% as of March 31, 2019 and March 31, 2020, respectively, on a standalone basis. Our Stage 3 Assets net of Stage 3 Provisions as a percentage of Net Loan Assets (net of Provisions) were 0.34% and 0.71% as of March 31, 2020 and March 31, 2021, respectively, and 0.31% and 0.71% as of September 30, 2020, as per audited financial statement and September 30, 2021, as per unaudited financial statement respectively. Our Stage 3 Assets as on September 30, 2021, as per unaudited financial statement were INR 795.1 million and our Stage 3 Assets net of Stage 3 Provisions as on September 30, 2021, as per unaudited financial statement, were INR 588.5 million. Our Stage 3 Assets as a percentage of Total Loan Assets (gross of Provisions) as on September 30, 2021 as per unaudited financial statement, were 0.96% and our Stage 3 Assets net of Stage 3 Provisions as a percentage of Net Loan Assets (net of Provisions) as on September 30, 2021, as per unaudited financial statement, were 0.72 %. The Hon'ble Supreme Court, in a public interest litigation (*Gajendra Sharma v. Union of India & Anr*) vide an interim order dated September 3, 2020, directed that accounts which were not declared as NPA till August 31, 2020 shall not be declared as NPA until further orders were given. However, such accounts of the Company had been classified as Stage 3 Assets in accordance with our accounting principles and provision had been made accordingly. The interim order stood vacated on March 23, 2021 vide the judgement of the Hon'ble Supreme Court in the matter of *Small Scale Industrial Manufacturers Association v. UOI & Ors. and other connected matters*. As per the RBI Circular No. RBI/2021-22/17 DOR. STR. REC. 4/ 21.04.048/ 2021-22, dated April 7, 2021, for the period commencing September 1, 2020, asset classification for all such accounts should be as per the applicable RBI asset classification norms. RBI vide this circular clarified that asset classification for all accounts which were granted moratorium under the RBI Moratorium Circulars (as defined below), shall be as per the then extant asset classification norms under the RBI Master Circular - Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 for the period commencing September 1, 2020. In accordance with the instructions in paragraph 5 of the April 7, 2021 RBI circular, as the Company was already classifying the NPA accounts as Stage 3 Assets and provision was made accordingly, there was no change in asset classification on account of the interim order dated March 23, 2021. As a part of the incentive package to help the Indian economy recover from the stagnation caused by the COVID-19 induced lockdown, the Ministry of Finance announced various liquidity enhancement measures, including the provision of funding to certain specified sectors such as micro, medium and small-scale enterprises. Any requirement to provide additional credits to sectors, where we have limited experience, may require us to dedicate substantial manpower and resources towards understanding the nuances of such sectors. Additionally, given our limited experience in these sectors, we may be subjected to increased number of Stage 3 Assets. Furthermore, the RBI on August 6, 2020 notified the COVID-19 Resolution Framework. Pursuant to the COVID-19 Resolution Framework, the RBI permitted the one-time restructuring of stressed loans due to COVID-19. The resolution plans had to be finalized by December 31, 2020, and implemented within 180 days from the date of invocation. In accordance with the COVID-19 Resolution Framework, we allowed less than 1.46% of our total AUM to be restructured as of September 30, 2021 as per unaudited financial statement. We cannot be sure that we will be able to improve our collections and recoveries in relation to our NPAs, or otherwise adequately control our level of NPAs in the future. RBI regulations issued in 2014 had mandated a shorter time period for classifying assets as NPAs so as to ensure that there is no difference between banks and NBFCs in relation to the classification of NPAs. Pursuant to these RBI regulations, we decreased the time period for classifying our assets as NPAs from 180 days to 150 days in March 2016 and decreased the time period further to 120 days in March 2017 and to 90 days in March 2018. As a consequence, there has been an increase in our Gross NPAs, and we have lost the regulatory arbitrage we enjoyed vis-a-vis banks in relation to classification of assets as NPAs. Our Company primarily finances housing loans, a sector that has been adversely affected by the COVID-19 pandemic. As a result, the repayment capacity by our customers of the loans issued by us may be adversely impacted. Amongst various measures announced to mitigate the economic impact from the COVID-19 pandemic, the RBI also issued circulars on March 27, 2020, April 17, 2020 and May 23, 2020 (the "**RBI Moratorium Circulars**") allowing lending institutions to offer a moratorium to customers on payment of instalments falling due between March 1, 2020 and August 31, 2020 and circulars on May 5, 2021, permitting borrowers to apply for a resolution plan in respect of their borrowings subject to compliance. Furthermore, the RBI Moratorium Circulars also state that such a moratorium period can be excluded from the number of days past due for effecting a downgrade in asset classification. However, though the moratorium may have helped address some near-term pressures, it may not materially change the anticipated long-term deterioration in customers repayment capacity. This may lead to deterioration in our asset quality or delayed recoveries and increased Stage 3 Assets. In certain cases where a customer has delayed payments but has demonstrated an ability to continue servicing the relevant loan, we generally do not enforce the security but we allow the loan to remain outstanding and continue without restructuring, which can adversely affect the position of our asset quality and Stage 3 Assets/ECL provisioning. There can also be no assurance that in such cases the customer would not continue to delay payments, which could adversely affect our profitability and cash flows.

If we are not able to control or reduce our level of Stage 3 Assets, the overall quality of our loan portfolio may deteriorate, and our results of operations and/or cash flows may be adversely affected. Furthermore, although we believe our current provisioning for Stage 3 Assets/ECL is comparable with industry standards, in the future, our provisions may not be adequate when compared to the loan portfolios of other financial institutions. Moreover, there also can be no assurance that there will be no further deterioration in our provisioning coverage as a percentage of Gross NPAs or Stage 3 Provisions coverage as a percentage of Stage 3 Assets or otherwise, or that the percentage of NPAs/Stage 3 Assets that we will be able to recover will be similar to our past experience of recoveries of NPAs. In the event of any deterioration in our NPA/Impaired portfolio, there could be an even greater adverse impact on our results of operations and cash flows. The RBI regulates some aspects of the recovery of non-performing loans, such as the use of recovery agents. Any limitation on our ability to recover, control and reduce non-performing loans as a result of these guidelines or otherwise could affect our collections and ability to foreclose on existing Stage 3 Assets. As of September 30, 2021, our Stage 3 Provisions coverage was 25.9% as per unaudited financial statement. In the event the overall credit quality of our loans deteriorates, the current level of our provisioning may be inadequate to cover the increase in our Stage 3 Assets. There can be no assurance that there will be no deterioration in the provisioning coverage as a percentage of gross Stage 3 Assets or otherwise or that the percentage of Stage 3 Assets that we will be able to recover will be similar to our past Stage 3 Assets recovery experience.

We may be required to undertake additional compliances with the RBI Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications bearing no. DOR.STR.REC.68/21.04.048/2021-22 dated November 12, 2021 ("RBI Clarification Circular").

The RBI Clarification Circular was introduced with a view to ensuring uniformity in the implementation of Income Recognition, Asset Classification and Provisioning norms across all lending institutions. There have been certain important clarifications laid out therein such as (i) the exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, examples of SMA/NPA classification dates, etc. shall be clearly specified in the loan agreement and the borrower shall be apprised of the same at the time of loan sanction and also at the time of subsequent changes, if any, to the sanction terms/loan agreement till full repayment of the loan. In cases of loan facilities with moratorium on payment of principal and/or interest, the exact date of commencement of repayment shall also be specified in the loan agreements. These instructions were to be complied with not later than December 31, 2021, in respect of fresh loans. In case of existing loans, however, compliance to these instructions shall necessarily be ensured as and when such loans become due for renewal/review; (ii) the Prudential Framework for Resolution of Stressed Assets dated June 7, 2019 requires the lenders to recognize incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts ("**SMA**"). In order to remove any ambiguity, it was clarified that the intervals are intended to be continuous. Classification of a borrower account as SMA as well as NPA shall be done as part of day-end process for the relevant date and the NPA/SMA classification date shall be the calendar date for which the day-end process is run; (iii) in case of interest payments in respect of term loans, an account will be classified as NPA if the interest applied at specified rests remains overdue for more than 90 days. These instructions shall be effective from March 31, 2022. Accordingly, in respect of any borrower account which becomes overdue on or after March 31, 2022, its classification as NPA shall be based on the account being overdue for more than 90 days; (iv) loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. We are in process of ensuring compliance with the above RBI Clarification Circular and the same may impact our asset classification and recovery experience and may require us to restructure our activities, incur additional cost or could otherwise adversely affect our business and our financial performance.

Our business is focused on Housing finance and any adverse developments in this sector would adversely affect our results of operations.

As of September 30, 2021, our product portfolio for housing finance comprised 72% as per unaudited financial statement. Our business is, therefore, entirely dependent on various factors that impact this customer segment, such as the demand for housing in India, changes in Indian regulations and policies affecting housing, natural disasters and calamities, and the macroeconomic environments in India and globally. In addition, individual borrowers, first-time buyers ("**FTBs**") are generally less financially resilient, can be more adversely affected by declining economic conditions. Such factors may result in a decline in the sales of housing segment. Therefore, the demand for finance for housing may decline, which in turn may adversely affect our financial condition, the results of our operations and/or cash flows. In addition, the ability of housing loan borrowers to perform their obligations under existing financing agreements may be adversely affected if their businesses suffer. Our business, to a large extent, depends on the continued growth in the housing industry in India, which is influenced by a number of extraneous factors which are beyond our control including (a) the macroeconomic environment in India, (b) the demand for housing segment (c) natural disasters and calamities, and (d) changes in regulations and policies in connection with housing. Such factors may result in a decline in the sales or value of housing sector. Correspondingly, the demand for housing may decline, which in turn may adversely affect our financial condition and the results of our operations. Our business is not diversified and any factor which adversely impacts our customer segment may have a disproportionate impact on our operations, profitability and cash flows

High levels of customer defaults could adversely affect our business, financial condition, results of operations and cash flows.

Our primary business involves lending money to House owners in India, and we are subject to customer default risks including default or delay in repayment of principal or interest on our loans. Moreover, our customer base has, and will likely to continue in the future to have, a high concentration of FTBs. Customers may default on their obligations to us as a result of various factors including bankruptcy, lack of liquidity, lack of business and operational failure. If borrowers fail to repay loans in a timely manner or at all, our financial condition, results of operations and cash flows will be adversely impacted. In addition, our customer portfolio principally consists FTBs that lack banking habits. Individual borrowers generally are less financially resilient than larger corporate borrowers and, as a result, they can be more adversely affected by declining economic conditions. In addition, a significant majority of our client base belongs to the low-income group. The House owners we finance often do not have any credit history supported by tax returns and other related documents which would enable us to assess their creditworthiness. Furthermore, the outbreak of COVID-19 has adversely impacted the economy and is likely to impact the ability of FTBs and the low-income consumer group to make timely payments. In addition, the ability of our borrowers and to perform their obligations under existing financing agreements may be adversely affected if their businesses suffer as a result of the aforesaid factors. Further, unlike several developed economies, a nationwide credit bureau covering our customers does not exist, so there is less financial information available about the creditworthiness of individuals, particularly our client segment that is mainly from the low-income group and which typically has limited access to other financing sources. It is therefore difficult to carry out precise credit risk analysis on our clients. Although we follow certain procedures to evaluate the credit profile of our customers at the time of sanctioning loans, we generally rely on and the value of house provided as underlying collateral rather than on a stringent analysis of the credit profile of our customers. We may also not receive updated

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information regarding any change in the financial condition of our customers or may receive inaccurate or incomplete information as a result of any fraudulent misrepresentation on the part of our customers. Although we believe that our risk management controls are sufficient, we cannot be certain that they will continue to be sufficient or that additional risk management policies for individual borrowers will not be required. Failure to continuously monitor the loan contracts, particularly for individual borrowers, could adversely affect our credit portfolio, which could have a material and adverse effect on our results of operations, financial condition and cash flows.

We may not be able to identify or correct defects or irregularities in title to the properties which are made collateral to the loans offered by us to our customers, which may adversely affect our business.

There is no central title registry for real property in India and the documentation of land records in India has not been fully digitized. Property records in India are maintained at the state/ district/local sub-registrar level and in local languages and are updated manually through physical records. Therefore, property records may not be available online for inspection, may be illegible, untraceable, tampered and incomplete, may not have been updated regularly, may be inaccurate in certain respects or may have been kept in poor condition which may impede title investigations or our ability to rely on such property records. Title to land in India is often fragmented, and in many cases, land may have multiple owners. Title may also suffer from irregularities, such as non-execution or non-registration of conveyance/title deeds and inadequate stamping and may be subjected to encumbrances that we are unaware of and that may not be apparent on the face of the relevant documentation.

The Government set up the Central Registry of Securitization Asset Reconstruction and Security Interest of India (**"CERSAI"**) under SARFAESI in April 2011 to have a central database of all mortgages created by lending institutions. The objective of this registry is to compile and maintain data relating to all transactions secured by mortgages; all banks and HFCs which fall under the range of SARFAESI are required to register with CERSAI and submit the data in respect of all properties mortgaged in their favour. However, de-duplication is subject to the accuracy of descriptions of property submitted by borrowers and highlighted in the deeds of sale. Due to these potential disputes or claims over title to our mortgaged properties may arise. Additional costs and delays in realization of loan amount may occur if an adverse decision from a court comes.

Any defects in, or irregularities of, title may result in a loss of development or operating rights over the land, which may prejudice our ability to realize the loan amount extended to our customers in case of a default in payment. This will compel us to write off such loans or litigate the cases with a heavy cost and an indefinite time to resolution, which will adversely affect our revenues. Failure to identify title adequately may interrupt our business operations as there is no mechanism to verify multiple executions on the same day with different registrars or to verify the legitimacy of such executions.

We may not be able to recover, on a timely basis or at all, the full value of collateral or amounts which are sufficient to cover the outstanding amounts due under defaulted loans.

As a security interest for the financing facilities provided by us to our customers, the houses purchased by our customers are mortgaged in our favor. The value of the house, however, is subject to depreciation, deterioration and/or reduction in value on account of other extraneous reasons, over the course of time. Consequently, the realizable value of the collateral for the credit facility provided by us, when liquidated, may be lower than the outstanding loan from such customers. Any default in repayment of the outstanding credit obligations by our customers may expose us to losses. Furthermore, in the case of a default, we may repossess the financed asset and sell such security. The mortgaged assets, being immovable property, may be difficult to locate or seize in the event of any default by our customers. Accordingly, there can be no assurance that we will be able to successfully repossess the houses, and even if we do, there can also be no assurance that we will be able to sell such houses provided as collateral at prices sufficient to cover the amounts under default. In addition, there may be delays associated with such processes. A failure or delay to recover the expected value from sale of collateral security could expose us to a potential loss. Any such losses could adversely affect our financial condition, results of operations and cash flows. Furthermore, enforcing our legal rights by litigating against defaulting customers, even via arbitration, is generally a slow and potentially expensive process in India. Accordingly, it may be difficult for us to recover amounts owed by defaulting customers in a timely manner or at all. The recovery of monies from defaulting customers may be further compounded by the fact that we do not generally insist on, or receive, post-dated cheques as security towards the timely repayment of dues from customers to whom we have provided loans. Further if we are unable to sell any repossessed house provided as security for such loans at commercially favorable prices, in a timely manner or at all, we may not recover the costs of maintaining such repossessed house/property and our operations, cash flows and profitability could be adversely affected.

We operate in an increasingly competitive financial services industry, which creates significant pricing pressures and may adversely affect our net interest margins, income and market share. Furthermore, our growth depends on our ability to compete effectively in this competitive environment.

The financial services market in India is served by a range of financial entities, including traditional banking institutions, public sector banks, NBFCs and small finance banks. Our competitors may have greater financial resources, may be larger in terms of business volume and customer base, have greater brand recognition among customers, better institutional distribution platforms, may have more attractive schemes for customers in the post COVID-19 situation and may have lower costs of funds compared to us. Moreover, as interest rate is a key factor driving a customer's decision in selecting a financier, competitors may offer loans at lower rates, owing to access to lower cost of capital, to retain market share. This competition is likely to further intensify as more and more international and domestic players enter into Indian financial services industry as a result of regulatory changes. Our future success will depend, to a large extent, on our ability to respond in a timely and effective manner to these competitive pressures. There can be no assurance that we will be able to compete successfully with such competitors and gain market share. We primarily provide housing finance loans to FTBs. Our primary competition historically has been private unorganized financiers who principally operate in the local market. However, the significant growth in the housing finance segment in recent periods has attracted private banks and NBFCs increasing their focus on this segment. In addition, interest rate deregulation and other liberalization measures affecting the housing finance sector, together with increased demand for capital by FTBs, have resulted in increased competition. All of these factors have resulted in our Company facing increased competition from other lenders in the housing finance sector, including commercial banks and other NBFCs. Our ability to compete effectively will depend, to some extent, on our ability to raise low cost funding in the future. Furthermore, as a result of increased competition in the housing finance sector in India, housing finance products are becoming increasingly standardized and variable interest rate and payment terms and lower processing fees are becoming increasingly common. There can be no assurance that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive housing finance industry. Increasing competition may have an adverse effect on our net interest margin and other income, and if we are unable to compete successfully, our market share may decline. If we are unable to compete effectively with other participants in the housing finance sector, our business, future financial performance and the trading price of the Notes may be adversely affected.

Our Company may get involved in certain legal proceedings including in relation to certain legislation relating to "Financing" activities which, if determined against us, could have a material adverse effect on our goodwill, financial condition, results of operations and cash flows.

Our Company is from time to time involved in various litigation proceedings in ordinary course of its business and these proceedings are primarily in the nature of recovery proceedings initiated by our Company in respect of housing finance provided to its customers which are pending before the civil courts or debts recovery tribunal(s), as the case may be, criminal cases filed by Our Company in cases of dishonour of cheques or fraud cases, claims against our Company in relation to improper or fraudulent debit from customer accounts, criminal and labour-related proceedings against our Company, claims for refund of business losses and damages, consumer claims for deficiency in service, claims involving forgery of demand draft, suits claiming compensation and damages for termination from service, and suits for setting aside recovery proceedings initiated by our Company, stamp duty and tax matters. However, as of the date of this Offering Circular, the Company is not involved in any material legal proceedings which has material adverse impact on our goodwill, financial condition results of operations, business and cash flows.

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Our significant indebtedness could have several important consequences, including but not limited to the following:

(a) a portion of our cash flow may be used towards repayment of our existing debt, which will reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate requirements our ability to obtain additional financing in the future at reasonable terms may be restricted or our cost of borrowings may increase due to sudden adverse market conditions, including decreased availability of credit or fluctuations in interest rates;

(b) fluctuations in market interest rates may affect the cost of our borrowings, as some of our indebtedness is at variable interest rates;

(c) there could be a material adverse effect on our business, financial condition, results of operations and cash flows if we are unable to service our indebtedness or otherwise comply with financial and other covenants specified in the financing agreements; and

(d) we may be more vulnerable to economic downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions. Some of our financing agreements also include various conditions and covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could have significant consequences on our business and operations. Specifically, under some of our financing agreements, we require, and may be unable to obtain, consents from the relevant lenders for, among others, the following matters: entering into any scheme of merger; spinning-off of a business division; selling or transferring all or a substantial portion of our assets; making any change in ownership or control or constitution of our Company; making amendments in our Memorandum and Articles of Association; and creating any further security interest on the assets upon which the existing lenders have a prior charge. Our financing agreements also typically contain certain financial covenants including the requirement to maintain, among others, specified debt-to-equity ratios, debt-to-net worth ratios, or Tier I to Tier II capital ratios that may be higher than statutory or regulatory requirements. These covenants vary depending on the requirements of the financial institution extending the loan and the conditions negotiated under each financing document. Such covenants may restrict or delay certain actions or initiatives that we may propose to take from time to time. A failure to observe the covenants under our financing arrangements or to obtain necessary consents required thereunder may lead to the termination of our credit facilities, acceleration of all amounts due under such facilities and the enforcement of any security provided. Any acceleration of amounts due under such facilities may also trigger cross default provisions under our other financing agreements. If the obligations under any of our financing documents are accelerated, we may have to dedicate a substantial portion of our cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for our working capital requirements and other general corporate purposes. Furthermore, during any period in which we are in default, we may be unable to raise, or face difficulties raising, further financing. Any of these circumstances could adversely affect our business, credit rating, financial condition, results of operations and cash flows.

If the performance of our portfolios relating to various credit and financing facilities deteriorates, our business, financial condition, results of operations and cash flows may be adversely affected.

We may acquire, portfolios relating to various credit and financing facilities from various originators including banks and other institutions in the ordinary course of our business. There can be no assurance that we will not experience any deterioration in the performance of any loan portfolio acquired by us or that may be acquired by us in the future. Any deterioration in such loan portfolios acquired by us, and an inability to seek recourse against loan portfolio originators, or otherwise recover the investments made in connection with the acquisition of such loan portfolios, would adversely impact our earnings realized from such loan portfolios and may adversely affect our business, financial condition and results of operations.

We may not be able to successfully sustain our growth strategy.

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In recent years, we have experienced substantial growth. Our growth strategy includes growing our branch network and presence in rural centers. There can be no assurance that even after the impact of COVID-19 has abated, we will be able to sustain our growth strategy successfully or that we will be able to expand further or diversify our product portfolio. If we grow our branch network and presence too rapidly or fail to make proper assessments of credit risks associated with new borrowers, a higher percentage of our loans may become non-performing, which would have a negative impact on the quality of our assets and our financial condition. We also face several operational risks in executing our growth strategy. We have experienced rapid growth in our housing finance business; our branch network has expanded significantly, and we are entering into new, smaller towns and cities within India as part of our growth strategy. Our rapid growth exposes us to a wide range of increased risks, including business risks, such as the possibility that a number of our impaired loans may grow faster than anticipated, as well as operational risks, fraud risks and regulatory and legal risks. It will also place significant demands on our management, financial and other resources and will require us to continuously develop and improve our operational, financial and internal controls. Moreover, our ability to sustain our rate of growth depends significantly upon our ability to manage key issues such as selecting and retaining key managerial personnel, maintaining effective risk management policies, continuing to offer products which are relevant to our target base of clients, developing managerial experience to address emerging challenges and ensuring a high standard of client service. We will need to recruit new employees, who will have to be trained and integrated into our operations. We will also have to train existing employees to adhere properly to internal controls and risk management procedures. Failure to train our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us.

We may not be able to successfully consolidate and expand our product portfolio.

We intend to consolidate and expand our product portfolio as part of our growth strategy. As of September 30, 2021, our assets under our management product portfolio, on a standalone basis, comprised Home-loan and Other Mortgage Loan, which constituted 72.1% and 27.9% respectively, of our total AUM as per unaudited financial statement. We cannot assure you that such diversification or expansion of operations will in the future yield or continue to yield favorable or expected results, as our overall profitability and success will be subject to various factors, including, among others, our ability to obtain necessary statutory and/or regulatory approvals and licenses, our ability to effectively recruit, retain and motivate appropriate managerial talent and ability to compete with banks and other NBFCs that are already well established in this market segment, as well as our ability to effectively absorb additional infrastructure costs. Our growth strategy will require significant capital investments and commitments of time from our senior management and there also can be no assurance that our management will be able to develop the skills necessary to successfully manage these new business areas. Any failure to diversify or expand our operations may result in our inability to recover pre-operative expenses and launch costs. Our inability to effectively manage any of these issues could materially and adversely affect our business and impact our future financial performance and/or cash flows. Furthermore, the current spread of the COVID-19 pandemic is adversely affecting, and is expected to continue to adversely affect, our operations, business, liquidity, profitability and cash flows and a sustained economic slowdown may impact our ability to successfully sustain our growth strategy.

Our loan portfolio may no longer continue to be classified as priority sector advances by the RBI.

The RBI currently mandates domestic commercial banks (excluding regional rural banks and small finance banks) operating in India, and foreign banks, to maintain an aggregate 40.0% of adjusted net bank credit or a credit equivalent amount of off-balance-sheet exposure, whichever is higher as "priority sector advances". These include advances to HFCs export credit, education loans, housing loans, loans for building social infrastructure and renewable energy and advances to weaker sections where the Government seeks to encourage flow of credit for developmental reasons. Banks in India that have traditionally been constrained or unable to meet these requirements organically have relied on specialized institutions such as us that are better positioned to or exclusively focus on originating such assets for meeting these targets, through co-origination of such assets, purchase of assets or investments in securitized assets. In the event that any part of our loan portfolio is no longer classified as a priority sector advance by the RBI, or if the commercial banks start direct provision of priority

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sector advances or the laws relating to priority sector lending as applicable to the banks undergo a change, our ability to securitize or assign our asset pool will be hampered, which may adversely affect our financial condition, results of operations and/or cash flows. While scheduled commercial banks may still choose to lend to NBFCs they may charge higher rates to do so because these loans no longer count towards their priority sector lending requirements. This may lead to an increase in the rates at which such loans have historically been offered to us, thus increasing our borrowing costs and adversely affecting our financial condition and results of operation. As a result of these developments, our access to funds and the cost of our capital may be adversely affected and to the extent we are unable to secure replacement funding at similar cost or at all, our results of operations could be adversely affected.

We may experience difficulties in expanding our business into new regions and markets in India.

As part of our growth strategy, we continue to evaluate attractive growth opportunities to expand our business into new regions and markets in India. Factors such as competition, culture, regulatory regimes, business practices and customs and customer requirements in these new markets may differ from those in our current markets, and our experience in our current markets may not be applicable to these new markets. In addition, as we enter new markets and geographical regions, we are likely to compete not only with other banks and financial institutions but also the local unorganized or semi-organized private financiers, who are more familiar with local regulations, business practices and customs, and have stronger relationships with customers. In particular, some of our competitors may have operational advantages in terms of access to broader knowledge sources and client base and implementation of newer technologies and rationalizing related operational costs. As on December 31, 2021, we had 298 branches. If we were to expand our branch network further, any such expansion may be hit by challenges localized to such centers, including any political instability, terrorism or military conflict in these regions, occurrence of natural or man-made disasters, infectious disease outbreaks or other serious public health concerns, dependence on adequate monsoon and lower employment opportunities compared to urban areas. If we grow our branch network and presence too rapidly or fail to make proper assessments of credit risks associated with new borrowers, a higher percentage of our loans may become non-performing, which would have a negative impact on the quality of our assets and our financial condition If we plan to expand our geographical footprint, our business may be exposed to various additional challenges including: obtaining necessary governmental approvals; identifying and collaborating with local business and partners with whom we may have no previous working relationship; successfully gauging market conditions in local markets with which we have no previous familiarity; attracting potential customers in a market in which we do not have significant experience or visibility; being susceptible to local taxation in additional geographical areas of India; and adapting our marketing strategy and operations to different regions of India in which different languages are spoken. Our inability to expand our current operations may adversely affect our business prospects, financial conditions, results of operations and/or cash flows.

Any downgrade of our credit ratings would increase borrowing costs and constrain our access to capital and lending markets and, as a result, would negatively affect our net interest margin and our business.

The cost and availability of capital is also dependent on our short-term and long-term credit ratings. Ratings reflect a rating agency's opinion of our financial strength, operating performance, strategic position and ability to meet our obligations. Current Credit rating of the Company is as below:

Rating Agency	Rating Type	Nature of Borrowing	External Credit Rating
CARE	Long Term Rating	Long Term Banking Facilities, Non-Convertible Debentures and Instrument-Subordinated Debt	CARE AA- / Positive
	Short Term Rating	Commercial Paper	CARE A1+

ICRA	Long Term Rating	Long Term Banking Facilities and Non-Convertible Debentures	ICRA AA- /Positive
	Short Term Rating	Commercial Paper	ICRA A1+
India Ratings	Short Term Rating	Commercial Paper	A1+

Any downgrade of our credit ratings would increase borrowing costs and constrain our access to capital and debt markets and, as a result, would negatively affect our net interest margin and our business. In addition, downgrades of our credit ratings could increase the possibility of additional terms and conditions being added to any additional financing or refinancing arrangements in the future. A downgrade of our credit ratings could also result in our lenders accelerating the repayment of certain of our borrowings in accordance with the terms and conditions of such borrowing arrangements. The ratings provided by credit rating agencies may be suspended, withdrawn or revised at any time by the assigning rating agency and should be evaluated independently of any other rating. These ratings are not a recommendation to buy, sell or hold securities and investors should take their own decisions. Any such adverse development could adversely affect our business, financial condition, results of operations and cash flows. If we are unable to successfully expand, maintain or leverage our partnership arrangements with private financiers involved in Housing Finance sector, our business prospects, results of operations, financial conditions and cash flows may be adversely affected. We may enter into partnership and co-financing arrangements with private financiers involved in housing finance across India is an integral part of our growth strategy. We may also enter into strategic partnership agreements with private financiers ranging from individual financiers and small local private financiers, including other NBFCs, to capitalize on their local knowledge, infrastructure and personnel base of our partners in order to source new customers. Our co-financing arrangements include various revenue-sharing arrangements at predetermined amounts. There can be no assurance that our partners will comply with the procedural and other conditions specified by us in connection with our arrangements with them in the context of customer origination, the credit appraisal process, loan administration and monitoring and any loan recovery processes, or that our partners will not act in any manner that could adversely affect our reputation, brand, customer relationships or business interests. There can also be no assurance that we will be able to leverage and benefit from our partnership arrangements to effectively source a sufficient volume of new customers and business commensurate to the revenue-sharing and other incentives provided to our partners under our arrangements with them. In addition, we may not be able to identify suitable private financiers in the future with whom we can successfully partner through such arrangements, or in joint marketing and customer support activities, and there can be no assurance that we will be able to ensure any level of success with such partnership arrangements for any sustained period of time. Furthermore, there can be no assurance that there will not be any dispute with such partners in the future.

If we are unable to successfully expand, maintain or leverage our partnership arrangements and relationship with our partners, our business prospects, results of operations, financial conditions and cash flows may be adversely affected.

Our partnership and co-financing arrangements with private financiers involved in housing finance across India is an integral part of our growth strategy. We enter into strategic partnership agreements with private financiers ranging from individual financiers and small local private financiers, including other NBFCs, to capitalize on their local knowledge, infrastructure and personnel base of our partners in order to source new customers. Our co-financing arrangements include various revenue-sharing arrangements at predetermined amounts There can be no assurance that our partners will comply with the procedural and other conditions specified by us in connection with our arrangements with them in the context of customer origination, the credit appraisal process, loan administration and monitoring and any loan recovery processes, or that our partners will not act in any manner that could adversely affect our reputation, brand, customer relationships or business interests. For example, we may experience certain instances of fraud by certain of our partners. There can also be no assurance that we will be able to leverage and benefit from our partnership arrangements to effectively source a sufficient volume of new customers and business commensurate to the revenue-sharing and other incentives provided to our partners under our arrangements with them. In addition, we may not be able to identify suitable private financiers in the

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future with whom we can successfully partner through such arrangements, or in joint marketing and customer support activities, and there can be no assurance that we will be able to ensure any level of success with such partnership arrangements for any sustained period of time. Furthermore, there can be no assurance that there will not be any dispute with such partners in the future. If we are unable to successfully expand, maintain or leverage our partnership arrangements and relationship with our partners, our business prospects, results of operations, financial conditions and cash flows may be adversely affected.

A decline in our capital ratio could restrict our future business growth.

All deposit-taking NBFCs are required to maintain a minimum capital ratio, consisting of Tier I and Tier II capital, of not less than 15.0% of its aggregate risk-weighted assets on balance sheet and risk adjusted value of off-balance sheet items. Our capital ratio computed on the basis of applicable RBI requirements was 54.38 % and 52.14% as of March 31, 2021 as per audited financial statement and September 30, 2021, as per unaudited financial statement, respectively, with Tier 1 capital comprising of 53.17% and 51.00% on a standalone basis. If we continue to grow our loan portfolio and asset base, we will be required to raise additional Tier I and Tier II capital in order to continue to meet applicable capital ratios with respect to our business. There can be no assurance that we will be able to raise adequate additional capital in the future on terms favorable to us or at all, and this may adversely affect the growth of our business.

As part of our business strategy, we assign or securitize a portion of our loan assets to banks and other institutions. Any deterioration in the performance of any pool of receivables assigned or securitized to banks and other institutions may adversely impact our financial performance and/or cash flows.

As part of our means of raising and/or managing our funds, we assign or securitize a substantial portion of the receivables from our loan portfolio to banks and other institutions. Such assignment or securitization transactions are conducted on the basis of our internal estimates of our funding requirements, which may vary from time to time. In the fiscal years ended March 31, 2019, 2020, 2021 and six months ended September 30, 2021, as per unaudited financial statement funds raised through securitization and assignment of assets were INR 6801.6 million, INR 6647.3 million, INR 5495.9 million and INR 1749.4 million respectively on a standalone basis. Any change in statutory and/or regulatory requirements in relation to assignments or securitizations by financial institutions, including the requirements prescribed by the RBI and the GoI and the interpretation thereof, could have an adverse impact on our assignment or securitization transactions. The commercial viability of assignment and securitization transactions has been significantly affected by changes and developments relating to regulation governing such transactions. Such changes include:

(a) prohibition on carrying out securitization or assignment transactions at rates lower than the prescribed base rate of the bank;
(b) prohibition on NBFCs such as our Company from offering credit enhancements in any form and liquidity facilities in the case of loan transfers through direct assignment of cash flows;
(c) minimum holding period or 'seasoning' and minimum retention requirements of assignment and securitization loans; and
(d) the all-inclusive interest charged to the ultimate borrower by the originating entity should not exceed the investing bank's marginal cost of funds-based lending rate +8% or external benchmark lending rate + 14.0%.

Any adverse changes in the policy and/or regulations in connection with securitization of assets by NBFCs and/or new circulars and/or directions issued by the RBI in this regard, affecting NBFCs or the purchasers of assets, would affect the securitization market in general and our ability to securitize and/or assign our assets. The aggregate credit enhancement amounts outstanding as of September 30, 2021, as per unaudited financial statement, and March 31, 2021, as per audited financial statement, were INR 62.42 million and INR 62.42 million, respectively, on a standalone basis. For such transactions, in the event that a relevant bank or institution does not realize the receivables due under such loan assets, such bank or institution would have recourse to such credit enhancement, which could have a material adverse effect on our results of operations, financial condition and cash flows.

System failures or inadequacy and security breaches in computer systems may adversely affect our business.

Our business is increasingly dependent on our ability to process, on a daily basis, a large number of transactions. Our financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services. Our ability to operate and remain competitive will depend in part on our ability to maintain and upgrade our information technology systems on a timely and cost-effective basis. The information available to and received by our management through our existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We may experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate our growing customer base and range of products. Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious codes and other events that could compromise data integrity and security. Any failure to effectively maintain or improve or upgrade our management information systems in a timely manner could materially and adversely affect our competitiveness, financial position and results of operations. Moreover, if any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes or systems, it could affect our operations or result in financial loss, disruption of our businesses, regulatory intervention or damage to our reputation. In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the geographical areas in which we are located.

We may not be able to maintain our current levels of profitability due to increased costs or reduced spreads.

Our business strategy involves a relatively high level of ongoing interaction with our customers. We believe that this involvement is an important part of developing our relationship with our customers, identifying new cross-selling opportunities and monitoring our performance. However, this level of involvement also entails higher levels of costs and requires a relatively higher gross spread, or margin, on the finance products we offer in order to maintain profitability. There can be no assurance that we will be able to maintain our current levels of profitability if the gross spreads on our finance products were to reduce substantially, which could adversely affect our results of operations and cash flows.

We face asset-liability mismatches which could affect our liquidity and consequently may adversely affect our operations, profitability and cash flows.

We face potential liquidity risks due to varying periods over which our assets and liabilities mature. Based on the structural liquidity position of our Company as on March 31, 2021 as per the RBI norms, our Company has positive asset liability mismatch of INR 6182.9 million over a period of six months until September 30, 2021 as per unaudited financial statement. As is typical for NBFCs, a portion of our funding requirements is met through short-term funding sources such as bank loans, working capital demand loans, cash credit, short-term loans. Consequently, our inability to obtain additional credit facilities or renew our existing credit facilities, in a timely and cost-effective manner or at all, may lead to mismatches between our assets and liabilities, which in turn may adversely affect our operations, financial performance and cash flows. Furthermore, mismatches between our assets and liabilities are compounded in case of pre-payments of the financing facilities we grant to our customers. We cannot assure you that our business will continue to generate sufficient cash to enable us to service our existing debt or to fund our other liquidity needs. Furthermore, changes in economic, regulatory and financial conditions or lack of liquidity in the market due to internal as well as external factors could adversely affect our ability to access funds at competitive rates, which could adversely affect our liquidity and financial condition.

We may have certain contingent liabilities which may adversely affect our financial condition.

As of September 30, 2021, as per unaudited financial statement, we do not have any material contingent liabilities which may adversely impact our financial condition. Further, in the event there is a change in any statutory or regulatory requirement with respect to contingent liabilities, our Company may be required to make additional provisions to meet the revised criteria which may have an adverse effect on our financial condition and profitability.

Inaccurate appraisal of credit may adversely impact our business.

We may be affected by the failure of employees to comply with internal procedures and the inaccurate appraisal of credit or financial worth of our clients. Inaccurate appraisal of credit may allow a loan sanction which may eventually result in a bad debt on our books of accounts. In the event that we are unable to check the risks arising out of such lapses, our business and results of operations may be adversely affected.

Our ability to assess, monitor and manage risks inherent in our business differs from the standards of some of our counterparts in India and in some developed countries.

We are exposed to a variety of risks, including liquidity risk, interest rate risk, credit risk, operational risk and legal risk. The effectiveness of our risk management is limited by the quality and timeliness of available data. Our hedging strategies and other risk management techniques may not be fully effective in mitigating our risks in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risks are based upon observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, customers or other matters. This information may not in all cases be accurate, complete, current or properly evaluated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to properly record and verify a number of transactions and events. Although we have established these policies and procedures, they may not be fully effective. Our future success will depend, in part, on our ability to respond to new technological advances and evolving NBFC and housing finance sector standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies or adapt our transaction-processing systems to customer requirements or evolving market standards.

Our Promoters and Promoter Group together, beneficially owns 39.21 % of our equity share capital and accordingly has the ability to exercise significant influence over the outcome of matters submitted to shareholders for approval, and their interests may differ from those of other holders of the Notes.

As of the date of this Offering Circular, our Promoters and Promoter Group beneficially owns 39.21% of our equity share capital. Accordingly, our Promoter has the ability to significantly influence the outcome of matters submitted to shareholders for approval including matters relating to, among others, any sale of all or substantially all of our assets, the timing and distribution of dividends and the election or termination of appointment of directors. This could delay, defer or prevent or impede a merger, consolidation, takeover or other business combination involving our Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company even if it is in our Company's best interest. In addition, for so long as our Promoter continues to exercise significant influence over our Company, it may influence the material policies of our Company in a manner that could conflict with the interests of the Noteholders. The Promoter group may have interests that are adverse to the interests of our other shareholders and may take positions with which we or our other shareholders do not agree.

We have entered into certain related party transactions.

We have entered into transactions with related parties, within the meaning of Accounting Standard 18 as notified by the Companies (Indian Accounting Standards) Rules, 2015 (for the period prior to April 1, 2018) and Indian Accounting Standard 24 as notified by the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 (for the period beginning on and from April 1, 2018). For further information on our related party transactions, please see the section titled '*Selected Financial Information*'. Such transactions may give rise to current or potential conflicts of interest with respect to dealings between us and such related parties. Additionally, there can be no assurance that any dispute that may arise between us and related parties will be resolved in our favor.

Any failure by us to identify, manage, complete and integrate acquisitions, divestitures and other significant transactions successfully could adversely affect our results of operations, business prospects and/or cash flows.

As part of our business strategy, we may acquire complementary companies or businesses, divest noncore businesses or assets, sale or dispose of any unit(s), division(s) or subsidiary, enter into strategic alliances and joint ventures and make investments/disinvestments to further our business or any other restructuring. In order to pursue this strategy successfully, we must identify suitable candidates for and successfully complete such transactions, some of which may be large and complex, and manage the integration of acquired companies or employees. We may not fully realize all of the anticipated benefits of any such transaction within the anticipated timeframe or at all. Any increased or unexpected costs, unanticipated delays or failure to achieve contractual obligations could make such transactions less profitable or unprofitable. Managing business combination and investment transactions requires varying levels of management resources, which may divert our attention from other business operations, and may result in significant costs and expenses and charges to earnings. The challenges involved in integration include: combining product offerings and entering into new markets in which we are not experienced; consolidating and maintaining relationships with customers; consolidating and rationalizing transaction processes and corporate and information technology infrastructure; integrating employees and managing employee issues; coordinating and combining administrative and other operations and relationships with third parties in accordance with applicable laws and other obligations while maintaining adequate standards, controls and procedures; achieving savings from infrastructure integration; and managing other business, infrastructure and operational integration issues.

Our success depends in large part upon our management team and key personnel and our ability to attract, train and retain such persons.

Our ability to sustain our rate of growth depends significantly upon our ability to manage key issues such as selecting and retaining key managerial personnel, developing managerial experience to address emerging challenges and ensuring a high standard of client service. In order to be successful, we must attract, train, motivate and retain highly skilled employees, especially branch managers and relationship executives. If we cannot hire additional qualified personnel or retain them, our ability to expand our business will be impaired and our revenue could decline. We will need to recruit new employees, who will have to be trained and integrated into our operations. We will also have to train existing employees to adhere properly to internal controls and risk management procedures. Failure to train and motivate our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us. Hiring and retaining qualified and skilled managers are critical to our future, as our business model depends on our credit appraisal and asset valuation mechanism, which are personnel-driven operations. Moreover, competition for experienced employees in the Housing finance sector can be intense. While we have an incentive, structure designed to encourage employee retention, our inability to attract and retain talented professionals, or the resignation or loss of key management personnel, may have an adverse impact on our business, future financial performance and cash flows. As of September 30, 2021, we employed 4902 full-time employees. Currently, none of our employees are members of any labor union. While we believe that we maintain good relationships with our employees, there can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations.

Most of the properties used by our Company are occupied by our Company on lease and/or as shared office space. Any termination or failure to renew the lease(s) or the other agreements in connection with such properties or our failure to renew the same, in a timely manner or at all, could adversely affect our activities.

Currently, most of the properties used by our Company for the purposes of our business activities, are not owned by us. Termination of leases or other relevant agreements in connection with such properties which are not owned by us or our failure to renew the same, on favorable conditions, in a timely manner, or at all, could require us to vacate such premises at short notice, and could adversely affect our operations, financial condition and profitability.

We are exposed to fluctuations in the market values of our investment and other asset portfolio.

Deterioration of the credit and capital markets could result in volatility of our investment earnings and impairments to our investment and asset portfolio, which could negatively impact our financial condition and reported income.

Our inability to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our business may have a material adverse effect on our business.

We require certain statutory and regulatory permits and approvals for our business. In the future, we will be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. There can be no assurance that the relevant authorities will issue any of such permits or approvals in a timely manner or at all and/or on favorable terms and conditions. Failure by us to comply with the terms and conditions to which such permits or approvals are subject and/or to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations.

We are subject to supervision and regulation by the RBI and other regulatory authorities in India, and changes in regulations governing us could adversely affect our business.

We are regulated principally by, and have reporting obligations to, the RBI and NHB. We are also subject to the corporate, taxation and other laws in effect in India. The regulatory and legal framework governing us may continue to change as India's economy and commercial and financial markets evolve. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency in India's financial sector. We are subject to the RBI's guidelines on financial regulation of NBFCs, including capital adequacy, exposure and other prudential norms. The RBI also regulates the credit flow by banks to NBFCs and provides guidelines to commercial banks with respect to their investment and credit exposure norms for lending to NBFCs. The RBI's regulations of NBFCs could change in the future which may require us to restructure our activities, incur additional cost or could otherwise adversely affect our business and our financial performance. The RBI, from time to time, amends the regulatory framework governing NBFCs to address, among others, concerns arising from certain divergent regulatory requirements for banks and NBFCs. For further information relating to the regulations and guidelines applicable to us, see '*Regulations and Policies*'. As a part of its regulatory oversight, the RBI is also entitled to inspect our books of accounts and other records for the purpose of verifying compliance with applicable regulations and the correctness or completeness of any statement, information or particulars furnished to the RBI. The RBI has, in the past, issued observations pursuant to such periodic inspections (on issues such as our asset quality, liquidity and the performance of our board/management committees) and we had given clarifications in this regard. While we have responded to such observations and addressed them, there can be no assurance that the RBI will not make similar or other observations in the future. In the event that we are unable to resolve the issues to the RBI's satisfaction, we may be restricted in our ability to conduct our business as we currently do. While we seek to comply with all regulatory provisions applicable to us, we could be subject to penalties and restrictions which may be imposed by the RBI or NHB in the event that we are unable to comply with their observations. Imposition of any penalty or adverse findings by the RBI or NHB during ongoing or future inspections may have an adverse effect on our business, operations results, financial condition and reputation. The laws and regulations governing the housing finance sector and financial services industry in India have become increasingly complex and cover a wide variety of issues, such as interest rates, liquidity, securitization, investments, ethical issues, money laundering and privacy. In some cases, there are overlapping regulations and enforcement authorities. Moreover, these laws and regulations can be amended, supplemented, interpreted differently or changed at any time such that we may be required to restructure our activities and incur additional expenses to comply with such laws and regulations, which could materially and adversely affect our business and our financial performance.

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Compliance with many of the regulations applicable to our operations in India, including any restrictions on investments, lending and other activities currently being carried out by our Company, involves a number of risks, particularly in areas where applicable regulations may be subject to varying interpretations. Furthermore, compliance with many of the regulations applicable to our operations may involve significant costs and otherwise may impose restrictions on our operations. If the interpretation of the regulators and authorities varies from our interpretation, we may be subject to penalties and our business could be adversely affected. We are also subject to changes in Indian laws, regulations and accounting principles and practices. There can be no assurance that the laws governing our Company and its operations will not change in the future or that such changes or the interpretation or enforcement of existing and future laws and rules by governmental and regulatory authorities will not adversely affect our business and future financial performance. We have been in the past and may be in the future, subject to inspection by various regulatory authorities. While we have so far satisfactorily addressed all concerns and queries of the relevant authority, there can be no assurance that we will continue to be able to satisfactorily address all queries that may be raised by regulatory authorities in the future.

Any changes in the statutory and/or regulatory requirements in connection with taxation could adversely affect our operations, profitability and cash flows.

The operations, profitability and cash flows could be adversely affected by any unfavorable changes in central and state-level statutory and/or regulatory requirements in connection with direct and indirect taxes and duties, including income tax, goods and service tax and/or by any unfavorable interpretation taken by the relevant taxation authorities and/or courts and tribunals. Furthermore, the Government of India has implemented two major reforms in Indian tax laws, namely the goods and services tax ("**GST**"), and provisions relating to general anti-avoidance rules ("**GAAR**"). The GST has been implemented with effect from July 1, 2017 and has replaced the indirect taxes on goods and services, such as central excise duty, service tax, central sales tax, state value added tax, surcharge and excise, collected by the central and state governments. The GST has increased administrative compliance for companies which is a consequence of increased registration and form filing requirements. As regards to GAAR, the provisions were introduced in the Finance Act, 2012 and are applicable (as per the Finance Act, 2015) in respect of an assessment year beginning on April 1, 2018. The GAAR provisions intend to catch arrangements declared as "impermissible avoidance arrangements", which is defined in the ITA as an arrangement, the main purpose of which is to obtain a tax benefit and which satisfies at least one of the following tests: (i) creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the ITA; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. The onus to prove that the transaction is not an "impermissible avoidance agreement" is on the assessee. If GAAR provisions are invoked, then the tax authorities have wide powers, including the denial of tax benefit or the denial of a benefit under a tax treaty. As the taxation system is relatively new and could be subject to further amendments in the short term for the purposes of streamlining compliance, the consequential effects on us cannot be determined as of now and there can be no assurance that such effects would not adversely affect our business, future financial performance and the trading price of the Notes.

Our insurance coverage may not adequately protect us against losses.

We maintain such insurance coverage as we believe is adequate for our operations. Our insurance policies, however, may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverage. We maintain general liability insurance coverage, including coverage for errors or omissions. We cannot, however, assure you that the terms of our insurance policies will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or changes in our insurance policies, including premium increases or the imposition of a larger deductible or co-insurance requirement, could adversely affect our business, financial condition and results of operations.

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We have regional concentration in western India, and therefore are dependent on the general economic conditions and activities in these areas.

We have a significant presence in western India particularly in Rajasthan. As of September 30, 2021, our AUM on a standalone basis in west India comprised 73 % with Rajasthan contributing 40% of our total AUM as per unaudited financial statement. Our concentration in western states exposes us to any adverse geological, ecological, economic and/or political circumstances in that region. If there is a sustained downturn in the economy of west India, or a sustained change in consumer preferences in those regions, our financial position may be adversely affected.

New product/services offered by us may not be successful.

We introduce new products and services to explore new business opportunities from time to time. We also give business loans to our existing customers to cater to their additional finance needs. We cannot assure you that all our new products and services and business ventures and broadening of our loan products and portfolio will always be profitable and this may result in our inability to recover our costs and expenses incurred on these initiatives. Furthermore, our inability to offer new products/services or diversify and grow in new business areas could adversely affect our business and financial performance.

We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and harm our business or reputation.

We are required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in India. In the course of our operations, we run the risk of failing to comply with the prescribed procedures and the consequent risk of fraud and money laundering by dishonest customers, despite putting in place systems and controls to prevent the occurrence of these risks. In certain of our activities and in our pursuit of business, we run the risk of inadvertently offering our financial products and services ignoring customer suitability and appropriateness, despite having a Board of Directors-approved customer acceptance policy and associated processes in place. Such incidents may adversely affect our business and our reputation. Although our Company believes that it has adequate internal policies, processes and controls in place to prevent and detect any activity that would fall foul of AML provisions and to ensure KYC compliance, there can be no assurance that our Company will be able to fully control instances of any potential or attempted violation by other parties and may accordingly be subject to regulatory actions including imposition of fines and other penalties. We may accordingly be subject to regulatory actions including imposition of fines and other penalties by the RBI and other relevant governmental authorities to whom we report. Increase in competition from our peer group in the Housing finance sector may result in reduction of our market share, which in turn may adversely affect our profitability. Our Company provides loans to housing segment in Tier IV & Tier V rural areas in India. We have been increasingly facing competition from domestic banks and NBFCs operating in the housing finance segment of the industry. Some of our competitors are very aggressive in underwriting credit risk and pricing their products and may have access to funds at a lower cost, wider networks and greater resources than our Company. Our financial condition and results of operations are dependent on our ability to obtain and maintain low cost funds and to provide prompt and quality services to our customers. If our Company is unable to access funds at a cost comparable to or lower than our competitors, we may not be able to offer loans at competitive interest rates to our customers.

We depend on our brand reputation and our failure to maintain our product image could have a material adverse effect on our business, financial condition and results of operations.

We believe that the reputation of our brand among customers as a reliable company has contributed significantly to the growth and success of our business. Maintaining and enhancing the recognition and reputation of our products are, therefore, critical to our business and competitiveness. Many factors, some of which are beyond our control, are important to maintaining and enhancing our product image. These factors include our ability to maintain the reliability and quality of the services we offer and increase product awareness through investment in brand building initiatives, including through education programs and marketing activities. A public perception that we do not provide satisfactory products, even if factually incorrect or based on isolated incidents, could

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damage our reputation, diminish the value of our products, undermine the trust and credibility we have established and have a negative impact on our ability to attract new consumers or retain our current consumers.

We are not registered, and will not register, as an "investment company" under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act").

We are not registered and will not register as an investment company in the United States under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to us or our investors.

Risks Relating to India

Changes in environmental or other laws may lead to a decline in the housing segment, which could adversely affect our business, results of operations and prospects.

We are engaged in housing financing sector across various states in India. Any regulation passed by either the Central Government or any of the State Governments, or any orders of judiciary which might impose additional taxes on any particular segment of houses, could lead to a decline in the sales of such houses.

Our growth depends on the sustained growth of the Indian economy. An economic slowdown in India and abroad could have a direct impact on our operations and profitability.

Macroeconomic factors that affect the Indian economy and the global economic scenario have an impact on our business. The quantum of our disbursements is driven by the growth in demand for homes, any slowdown in the Indian economy may have a direct impact on our disbursements and a slowdown in the economy as a whole can increase the level of defaults, thereby adversely impacting our Company's profitability, the quality of its portfolio and growth plans. As a result, we are dependent on prevailing economic conditions in India and our results of operations are affected by factors influencing the Indian economy. Factors that may adversely affect the Indian economy, and hence our results of operations, may include:

(a) any increase in Indian interest rates or inflation;
(b) any exchange rate fluctuations;
(c) any scarcity of credit or other financing in India, resulting in an adverse impact on economic conditions in India and scarcity of financing of our developments and expansions;
(d) volatility in, and actual or perceived trends in trading activity on, India's principal stock exchanges;
(e) changes in India's tax, trade, fiscal or monetary policies, like the application of GST;
(f) political instability, terrorism or military conflict in India or in countries in the region or globally, including in India's various neighboring countries;
(g) occurrence of natural or man-made disasters;
(h) infectious disease outbreaks or other serious public health concerns;
(i) prevailing regional or global economic conditions, including in India's principal export markets; and
(j) other significant regulatory or economic developments in or affecting India or its financial services sectors.

Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could adversely impact our business, results of operations and financial condition. Our performance and the growth of our business depend on the performance of the Indian economy and the economies of the regional markets we currently serve.

Political instability could delay further liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our business.

Since 1991, the Government pursued a policy of economic liberalization, including significantly relaxing restrictions on the private sector. There can be no assurance that these liberalization policies will continue in the future as well. The rate of economic liberalization could change, and specific laws and policies affecting financial services companies, foreign investment, currency exchange rates and other matters affecting investments in Indian companies could change as well. A significant slowdown in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India, thus affecting our business. Any political instability in the country, including any change in the Government, could materially impact our business adversely.

Civil unrest, terrorist attacks and war would affect our business.

Terrorist attacks and other acts of violence, war or conflicts, particularly those involving India, as well as the United States of America, the United Kingdom, Singapore and the European Union, may adversely affect Indian and global financial markets. Such acts may negatively impact business sentiment, which could adversely affect our business and profitability. India has from time to time experienced, and continues to experience, social and civil unrest, terrorist attacks and hostilities with neighboring countries including the People's Republic of China. As a consequence of the recent face-off and physical conflict between Indian and Chinese troops in the Galwan River Valley, both governments in India and in China have taken various measures to establish the status quo of their presence in the territory. Additionally, some of India's neighboring countries have experienced, or are currently experiencing internal unrest. While we cannot predict how these or similar geopolitical events will pan out in future, such events could have a material adverse effect on the Indian economy and in turn may adversely affect our operations and profitability and the market for the Notes.

Our business may be adversely impacted by natural calamities or unfavorable climatic changes, health epidemics or pandemics.

Natural disasters such as floods, earthquakes, famines and droughts have in the past had a negative impact on the Indian economy. Furthermore, health epidemics and pandemics like the recent COVID-19 pandemic have also affected the Indian economy negatively. If any such natural disaster, unfavorable climatic changes or health epidemics and pandemics were to occur or continue, our business could be affected due to the event itself or due to the inability to effectively manage the effects of the particular event. India, Bangladesh, Pakistan, Indonesia, Japan and other Asian countries have experienced natural calamities such as earthquakes, floods, droughts and a tsunami in recent years. Some of these countries have also experienced pandemics, including the outbreak of avian flu. These economies could be affected by the extent and severity of such natural disasters and pandemics which could in turn affect the financial services sector of which our Company is part. Prolonged spells of abnormal rainfall, draught and other natural calamities could have an adverse impact on the economy, which could in turn adversely affect our business and the price of our Notes.

Any downgrading of India's sovereign rating by an international rating agency may affect our business and our liquidity to a great extent.

Any adverse revision to India's credit rating for domestic and international debt by international rating agencies may adversely impact our ability to raise additional finances at favorable interest rates and other commercial terms. This could have an adverse effect on our growth, financial performance and our operations. In 2020, for example, Fitch Ratings revised the outlook on India's sovereign ratings from stable to negative, while Moody's Investors Service downgraded India's foreign currency and local currency long term ratings to Baa3. This could have an adverse effect on our growth, financial performance and our operations.

Global economic instability or slowdown is likely to adversely affect our business and our results of operations.

Economic developments outside India have adversely affected the economy. Our business is affected by domestic and international economic conditions, including rates of economic growth and the impact that such economic conditions have on consumer spending. The current economic downturn has led to an increased level of consumer delinquencies, lack of consumer confidence, decreased market valuations and liquidity, increased market volatility and a widespread reduction of business activity generally. The resulting economic pressure and dampened consumer sentiment may adversely affect our business and our results of operations. There can be no assurances that government responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets or increase liquidity and the availability of credit. Continuation or worsening of this downturn or general economic conditions may have an adverse effect on our business, liquidity and results of operations.

Companies operating in India are subject to a variety of central and state government taxes and surcharges.

Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, value added tax, turnover tax, service tax, goods and service tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. The statutory corporate income tax in India, which includes a surcharge on the tax and a health and education cess on the tax and the surcharge, may range up to 25.168%. The central or state government may in the future further increase the corporate income tax it imposes. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect our business and results of operations.

Trade deficits could adversely affect our business.

India's trade relationships with other countries and its trade deficit may adversely affect Indian economic conditions. Between April 2021 and June 2021, India experienced a trade deficit of U.S.$ 30.7 billion, an increase from the trade deficit of U.S.$ 11.0 billion for the same period in 2020, as reported by the RBI in a press release on "Developments in India's Balance of Payments during the First Quarter (April-June) of 2021- 22" dated September 30, 2021.

Financial difficulty and other problems in certain financial institutions in India could adversely affect our business.

As an Indian NBFC, we are exposed to the risks of the Indian financial system, which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is sometimes referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on a daily basis and who may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and hence could adversely affect our business. As the Indian financial system operates within an emerging market, it faces risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs, notwithstanding the existence of a national deposit insurance scheme.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact us.

One of the direct adverse impacts of the global financial crisis on India has been the reversal of capital inflows and a decline in exports, leading to pressures on the balance of payments and a sharp depreciation of the Indian Rupee vis-à-vis the U.S. dollars. Any increased intervention by the RBI in the foreign exchange market to control the volatility of the exchange rate may result in a decline in India's foreign exchange reserves and reduced liquidity and higher interest rates in the Indian economy, which could adversely affect our business and our future financial performance.

Investors may have difficulty enforcing foreign judgments in India against our Company or our management.

Our Company is a limited liability public company incorporated under the laws of India. All of our Company's directors and executive officers named herein are residents of India and all or a substantial portion of the assets of our Company and such persons are located in India. As a result, it may not be possible for investors to effect service of process on our Company or such persons in jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India. In addition, India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. The manner of recognition and enforcement of foreign judgments in India is dependent on whether the country in which the foreign judgment has been pronounced is a reciprocating territory or not. For further detail on recognition and enforcement of foreign judgments in India, please see '*Service of Process and Enforcement of Foreign Judgments in India*'. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI under the Foreign Exchange Management Act, 1999 to repatriate outside India any amount recovered pursuant to execution. Any judgment or award in a foreign currency would be converted into Indian Rupees on the date of the judgment or award and not on the date of the payment. The Issuer cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

There may be less company information available in Indian securities markets than in securities markets in other more developed countries.

There is a difference between the level of regulation, disclosure and monitoring of the Indian securities market and the activities of investors, brokers and other participants, and that of markets in the United States and other more developed economies. The SEBI is responsible for ensuring and improving disclosure and other regulatory standards for the Indian securities markets. The SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed economies. As a result, investors may have access to less information about the business, results of operations and financial conditions, and those of the competitors that are listed on the BSE Limited and the National Stock Exchange of India Limited and other stock exchanges in India on an on-going basis than you may find in the case of companies subject to reporting requirements of other more developed countries.

Changes in legislation, including tax legislation, or policies applicable to our Company, could adversely affect our Company's results of operations.

Our Company's business and operations are governed by various laws and regulations. Our Company's business and financial performance could be materially adversely affected by any change in laws or interpretations of existing laws, or the promulgation of new laws, rules and regulations applicable to the business. The Government or state governments could implement new regulations and policies, which could require our Company to obtain approvals and licenses from the Government and other regulatory bodies or impose onerous requirements and conditions on our operations. Any such changes and the related uncertainties with respect to the implementation of the new regulations may have a material adverse effect on our Company's business, prospects, financial condition and results of operations. In addition, to ensure compliance with the requirements of new legislation (such as tax laws and GAAR), our Company may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention.

Our Company's ability to raise foreign currency borrowings may be constrained by Indian law.

As an Indian company, our Company is subject to regulatory approvals and exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our Company's financing sources and hence could constrain our Company's ability to obtain financing in a timely manner and on competitive terms and may adversely impact our Company's ability to refinance existing indebtedness. Limitations on raising foreign debt may have an adverse effect on our Company's business, financial condition and results of operations.

The bankruptcy code in India may affect our Company's right to recover loans from our borrowers.

The Government introduced the Insolvency and Bankruptcy Code, 2016 (the "**Indian Bankruptcy Code**"), which was passed by both houses of Parliament and received Presidential assent in 2016. The Indian Bankruptcy Code offers a uniform, comprehensive insolvency legislation encompassing all companies, partnerships and individuals. The Indian Bankruptcy Code as originally enacted excluded financial service providers from the definition of a corporate person and therefore, the Indian Bankruptcy Code as a whole does not apply to financial service providers. However, pursuant to the Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 and Ministry of Corporate Affairs Notification S.O. 4139(E) dated November 18, 2019, the RBI can now commence corporate insolvency resolution process against NBFCs with an asset size of at least INR 5 billion. Furthermore, such NBFCs may commence voluntary liquidation under the Indian Bankruptcy Code with prior RBI permission. The Indian Bankruptcy Code allows creditors to assess the viability of a debtor as a business decision and agree upon a plan for the revival or a speedy liquidation of the debtor.

Recently, to counter the impact of COVID-19, the Indian Government issued the Insolvency and Bankruptcy Code (Second Amendment) Act, 2020 ("**2020 Amendment**"). Pursuant to the 2020 Amendment, no application for initiation of corporate insolvency resolution process of a corporate debtor shall be filed for any default arising on or after March 25, 2020, for a period of six months or such further period not exceeding one year from such date, as may be notified in this behalf and no application shall ever be filed for initiation of corporate insolvency resolution process of a corporate debtor for the said default occurring during the said period. The 2020 Amendment also provides that no application shall be filed by a resolution professional under Section 66(2) of the Indian Bankruptcy Code, in respect of a corporate debtor against which initiation of corporate insolvency resolution process is suspended as per the 2020 Amendment. This suspension period has since been extended (in terms of the Ministry of Corporate Affairs notification no. S.O.3265(E) dated September 24, 2020 and notification no. S.O.4638(E) dated December 22, 2020) for a further period of six months i.e., up to March 25, 2021. Section 66(2) of the Indian Bankruptcy Code provides that on an application made by a resolution professional during the corporate insolvency resolution process, the adjudicating authority under the Indian Bankruptcy Code may by an order direct that a director or partner of the corporate debtor, as the case may be, shall be liable to make such contribution to the assets of the corporate debtor as it may deem fit, if (a) before the insolvency commencement date, such director or partner knew or ought to have known that the there was no reasonable prospect of avoiding the commencement of a corporate insolvency resolution process in respect of such corporate debtor; and (b) such director or partner did not exercise due diligence in minimizing the potential loss to the creditors of the corporate debtor. If the Indian Bankruptcy Code provisions are invoked against any of the corporate customers of our Company, it may affect our ability to recover amounts due under the loans made available to the said customers, during the moratorium period as part of the resolution proceedings.

Risks relating to the Notes

There can be no assurance that the use of proceeds from the Notes will be suitable for the investment criteria of an investor.

The net proceeds from the issue of the Notes may be used by the Issuer specifically for eligible social financing as per the parameters set out in the section on "Social Finance Framework" below. No assurance is given by the Issuer or the Agents that the use of such proceeds for any eligible social financing will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect social impact of any projects or uses, the subject of or related to, any eligible social financing. While it is the intention of the Issuer to apply the proceeds of any Notes so specified in, or substantially in, the manner described under "Social Finance Framework" below, there can be no assurance that the relevant project(s) or use(s) (including those the subject of, or related to, any Eligible Social Projects) will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such project(s) or use(s). Nor can there be any assurance that any eligible social financing will be completed within any specified period or at all or with the results or outcome (whether or not related to social issues) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes. Furthermore, although the proceeds from the issue of the Notes are intended to be used in accordance with the "Social Finance Framework" as attached herewith below and some case studies have provided some guidance, there is currently still no clear definition (legal, regulatory or otherwise) of, nor widespread market consensus as to what constitutes, a "social" or an equivalently-labelled project, or as to what precise attributes are required for a particular project to be defined as "social" or such other equivalent label. As such, there can be no assurance that a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any project(s) or use(s) the subject of, or related to, any eligible social financing will meet any or all investor expectations regarding such "social" or other equivalently-labelled performance objectives or that any adverse social and/or other impacts will not occur during the implementation of any project(s) or use(s) the subject of, or related to, any eligible social financing. No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of the Notes and in particular with any eligible social financing to fulfil any social and/or other criteria. For the avoidance of doubt, any such opinion or certification (i) is not, nor shall be deemed to be, incorporated in and/or form part of the Offering Circular and (ii) would only be current as of the date that it was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Further, the Social Finance Framework is prepared for the management of the Issuer and disclaims any assumption of responsibility for reliance by any other person. Any such event or failure to apply the proceeds of the issue of Notes for any project(s) or use(s), including any eligible social financing, and/or withdrawal of any opinion or certification as described above or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended by the Issuer to finance eligible social financing and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Our Company's obligations under the Notes will be subordinated to certain tax and other liabilities preferred by law.

The Notes will be subordinated to certain liabilities preferred by law such as claims of the Government on account of taxes and certain liabilities incurred in the ordinary course of our business (including workmen's dues). In particular, in the event of bankruptcy, liquidation or winding-up, our assets will be available to pay obligations on the Notes only after all of those liabilities that rank senior to these Notes have been paid. In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Notes.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our Company's revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in price for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. There can be no assurance that these developments will not occur in the future.

Our Company will be subject to applicable corporate disclosure standards for debt securities listed on the NSE - IFSC, which standards may be different from those applicable to debt securities listed in certain other countries.

Our Company will be subject to reporting obligations in respect of the Notes to be listed and admitted on NSE – IFSC. The disclosure standards imposed by the NSE IFSC may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for Indian securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including India. If developments similar to the sub-prime mortgage crisis in 2008 occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency; (iv) understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Modification, waivers and substitution.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Terms and Conditions of the Notes also provide that the Issuer and Agent may, without the consent of Noteholders, agree to: (i) any modification of, or the waiver or authorization of any breach or proposed breach of, any of the provisions of the Conditions; or (ii) determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such; or (iii) the substitution of another company as principal debtor under any Notes in place of our Company, in all cases in the circumstances described in Condition 9.

Decisions may be made on behalf of all Noteholders that may be adverse to the interests of individual Noteholders.

The '*Terms and Conditions of the Notes*' contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Integral multiples of less than the minimum Specified Denomination.

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination (for example, U.S.$) plus a higher integral multiple of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination (or its equivalent). In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

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The Notes are subject to the risk of change of law.

The regulatory and policy environment in which we operate is evolving and subject to change. Our business and financial performance could be adversely affected by unfavorable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations applicable to us and our business. In such instances, and including the instances mentioned below, our business, results of operations and prospects may be adversely impacted, to the extent that we are unable to suitably respond to and comply with any such changes in applicable law and policy. Any political instability in India, such as corruption, scandals and protests against certain economic reforms, which have occurred in the past, could slow the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in India could change as well.

Circular no. DOR.STR.REC.4/21.04.048/2021-22 issued by the RBI on 7 April 2021, stipulates that all lending institutions (including NBFCs) are required to implement a board-approved policy to refund/adjust the "interest on interest" charged to the borrowers during the moratorium period, i.e., March 1, 2020 to August 31, 2020 in conformity with the judgement of the Supreme Court of India in *Small Scale Industrial Manufactures Association v. Union of India & Others* dated March 23, 2021. In line with the requirement of this circular, our Company has refunded "interest on interest" charged to borrowers during the moratorium period. For further details in relation to the relief provided by the RBI in light of the COVID-19 pandemic, see '*Risk Factors - The impact of the COVID-19 pandemic on our business and operations is uncertain and cannot be predicted.*

The GOI has passed new laws relating to social security, occupational safety, industrial relations and wages namely, the Code on Social Security, 2020, the Occupational Safety, Health and Working Conditions Code, 2020, the Industrial Relations Code, 2020 and the Code on Wages, 2019, respectively which were to take effect from April 1, 2021 (collectively, the "**Labour Codes**"). The Government of India has deferred the effective date of the Labour Codes and they shall come into force from such date as may be notified by the Government. The Code on Social Security, 2020 ("**Social Security Code**") will impact overall employee expenses and, in turn, could impact the profitability of our Company. Under the Social Security Code, a new concept of deemed remuneration has been introduced, such that where an employee receives more than half (or such other percentage as may be notified by the Central Government), of their total remuneration in the form of allowances and other amounts that are not included within the definition of wages under the Social Security Code, the excess amount received shall be deemed as remuneration and accordingly be added to wages for the purposes of the Social Security Code and may increase the compulsory contribution to be made towards the employees' provident fund.

The Companies Act has been notified and it envisages significant changes, including on issue of capital, corporate governance, audit and corporate social responsibility. The application of various Indian tax laws, rules and regulations to our business, currently or in the future, is subject to interpretation by the applicable taxation authorities. For instance, the Government of India implemented a comprehensive national GST regime with effect from July 1, 2017 that combines taxes and levies by the central and state governments into a unified rate structure. Several provisions of the GST regime are currently ambiguous and there can be no assurance that future clarifications by the Government of India on the GST regime would be favorable to us. If such tax laws, rules and regulations are amended, new adverse laws, rules or regulations are adopted or current laws are interpreted adversely to our interests, the results could increase our tax payments (prospectively or retrospectively) and/or subject us to penalties.

The GAAR also became effective from April 1, 2017. The tax consequences of the GAAR provisions being applied to an arrangement could result in denial of tax benefit amongst other consequences. In the absence of any precedents on the subject, the application of these provisions is uncertain and may or may not have an adverse tax impact on us. Furthermore, changes in capital gains tax or tax on capital market transactions or the sale of Notes could affect investor returns. As a result, any such changes or interpretations could have an adverse effect on our business and financial performance.

There can be no assurance that the Government of India will not implement new regulations and policies requiring us to obtain approvals and licenses from the Government of India or other regulatory bodies or impose onerous requirements and conditions on our operations. Any such changes and the related uncertainties with respect to the applicability, interpretation and implementation of any amendment or change to governing laws, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent in the jurisdictions in which we operate may be time consuming as well as costly for us to resolve and may impact the viability of our current business or restrict our ability to grow our business in the future. It may also have a material adverse effect on our business, financial condition, cash flows and results of operations. In addition, we may have to incur expenditures to comply with the requirements of any new regulations, which could materially harm our results of operations or cash flows. Any unfavorable changes to the laws and regulations applicable to us could also subject us to additional liabilities.

Except as stated otherwise, the '*Terms and Conditions of the Notes*' are based on English law in effect as of the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular, and any such change could materially and adversely impact the value of any Notes affected by it.

The Notes may have limited liquidity.

The Notes will not be registered under the Securities Act or the securities or blue-sky laws of any state of the United States. The Notes are being offered and may be resold outside of the United States within the meaning of and in compliance with Regulation S under the Securities Act. Consequently, the Notes are subject to restrictions on transfer and resale. The Notes constitute a new issue of securities for which there is no existing market. Approval for in-principle has been received from NSE IFSC for the listing of the Notes and application will be made to the NSE IFSC for the permission to deal in, and for the quotation of any Notes and which are agreed at or prior to the time of issue thereof to be so listed on the NSE IFSC. The offer and sale of the Notes is not conditional on obtaining a listing of the Notes on the NSE IFSC or any other exchange. No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop, or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued, depending on many factors, including (i) prevailing interest rates; (ii) our results of operations and financial condition; (iii) political and economic developments in and affecting India; (iv) the market conditions for similar securities; and (v) the financial condition and stability of the Indian Housing finance sector. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Transfers of interests in the Notes will be subject to certain restrictions and interests in Global Notes can only be held through a clearing system.

The Notes have not been and are not expected to be registered: (i) under the Securities Act or any applicable state's or other jurisdiction's securities laws; or (ii) with the U.S. Securities and Exchange Commission or any other applicable state's or other jurisdiction's regulatory authorities. The offering of the Notes will be made pursuant to exemptions from the registration requirements of the Securities Act and other securities laws. Prospective investors may not offer or sell any Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Similar restrictions will apply in other jurisdictions. Each investor is advised to consult its legal advisers in connection with any such reoffer, resale, pledge or other transfer. See "Subscription and Sale" and "Transfer Restrictions". As transfers of interests in the Global Notes can be effected only through book entries at Euroclear and/or Clearstream, Luxembourg for the accounts of their respective participants, the liquidity of any secondary market for investments in the Global Notes may be reduced to the extent that some investors are unwilling to invest in Notes held in book-entry form in the name of a participant in Euroclear and/or Clearstream, Luxembourg. The ability to pledge interests in the Notes may be limited due to the lack of a physical certificate. Beneficial owners of Global Notes may, in certain cases, experience a delay in the receipt of payments of principal or interest since such payments will be forwarded by the Paying Agent to Euroclear and/or Clearstream, Luxembourg, who will then forward payment to their respective participants, who (if not themselves the beneficial owners) will thereafter forward the payments to the beneficial owners of the interests in the Global Notes. In the event of the insolvency of Euroclear and/or Clearstream, Luxembourg, any of their respective participants in whose name interests in the Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on the Notes may be impaired.

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The Notes will initially be held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will be represented on issue by one or more Global Certificates that may be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg. Except in the circumstances described in each Global Certificate, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and/or Clearstream, Luxembourg and their direct and indirect participants will maintain records of the beneficial interests in each Global Certificate held through it. While the Notes are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants. While the Notes are represented by Global Certificates, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies. If definitive Notes are issued, holders should be aware that definitive Notes that have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade. Unlike the Noteholders themselves, owners of book entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from the Noteholders. Instead, if you own a book entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and/or Clearstream, Luxembourg. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis. Similarly, upon the occurrence of an event of default, unless and until definitive registered Notes are issued in respect of all book entry interests, if you own a book entry interest, you will be restricted to act through Euroclear and/or Clearstream, Luxembourg. The procedures to be implemented through Euroclear and/or Clearstream, Luxembourg may not be adequate to ensure the timely exercise of rights under the Notes

Rupees may not be freely convertible to other currencies.

The convertibility of a currency (including the Rupee) is dependent, among other things, on international and domestic political and economic factors, and on measures taken by governments and central banks, including the Government and the RBI. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by revaluation or revaluation of a currency, or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency. The taking of any one or more of such measures could adversely affect the value of the Notes as well as any amount which may be payable upon redemption of the Notes.

Approval of the RBI or the AD Bank, as the case may be, in accordance with the ECB Directions, is required for redemption of Notes prior to the MAMP, including upon an Event of Default (as defined in the Terms and Conditions of the Notes).

Under the ECB Directions, any redemption of Notes prior to the MAMP (as prescribed in the ECB Directions), including pursuant to Condition 7.2 (Early Redemption), 7.3 (Optional Redemption) and would require the prior approval of the RBI or an AD Bank, as the case may be. Therefore, any repayment of Notes prior to the MAMP as a result of early redemption pursuant to the Terms and Conditions of the Notes acceleration of Notes upon an Event of Default pursuant to Condition 9 (Events of Default and Consequences of Events of Default) would require the prior approval of the RBI or an AD Bank, as the case may be. Compliance with any conditions specified in any such RBI or AD Bank approval will be required. There can be no assurance that such approval would be obtained in a timely manner or at all. In the absence of such an approval, our Company may not be able to redeem all or any of the Notes prior to maturity other than pursuant to Condition 7.2 (Early Redemption) and 7.3 (Optional Redemption), for which no such approval is required. Furthermore, any modification or waiver of the Terms and Conditions of the Notes which has the effect of modifying or waiving terms which are not permitted under the automatic route for issue of Notes under the ECB Directions will require prior approval from the RBI in accordance with the ECB Directions, and such approval may not be forthcoming.

A debenture redemption reserve will not be created.

Certain provisions of the Companies Act and the Companies (Share Capital and Debentures) Rules, 2014, as amended, are not applicable to the Notes. Therefore, our Company is not required to maintain a debenture redemption reserve for redemption of the Notes.

The new bankruptcy code in India may affect the rights of the Noteholders.

It is to be noted that the Indian Bankruptcy Code in its entirety does not apply to the Issuer (as the Issuer will be classified as a financial service provider), and accordingly the holders of Notes will not be able to initiate any insolvency proceedings against the Issuer thereunder, even if the Issuer is in default of its payment obligations, under the Indian Bankruptcy Code. However, pursuant to the Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 and Ministry of Corporate Affairs Notification S.O. 4139(E) dated November 18, 2019, the RBI can now commence corporate insolvency resolution processes against NBFCs with an asset size of at least INR 5 billion. Furthermore, such NBFCs may commence voluntary liquidation under the Indian Bankruptcy Code with prior RBI permission. Recently, to counter the impact of COVID-19, the Indian Government issued the Insolvency and Bankruptcy Code (Second Amendment) Act, 2020. For details, refer to "Risk Factors – Risks Relating to India – The bankruptcy code in India may affect our Company's right to recover loans from our borrowers" on page 27 of this Offering Circular. If the provisions of the Indian Bankruptcy Code are invoked against our Company, our ability to pay back our creditors, including the holders of the Notes, may be affected. The enforcement of the creditor rights of the holders of the Notes, will be subject to the said provisions

An insolvency proceeding relating to us, even if brought in a jurisdiction outside India, would likely involve Indian insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy laws in jurisdictions outside India with which the holders of the Notes are familiar.

Notes that are listed or quoted or admitted to trading may not lead to greater liquidity

It is not possible to predict if and to what extent a Secondary Market may develop in the Notes or at what price the Notes will trade in the secondary market or whether such market will be liquid or illiquid. If the Notes are so listed or quoted or admitted to trading, no assurance is given that any such listing or quotation or admission to trading will be maintained.

The Notes may be very illiquid, and no secondary market may develop in respect thereof. Even if there is a secondary market for the Notes, it is not likely to provide significant liquidity. Potential Investors may have to hold the Notes until redemption to realize any value.

Some of the information included in this Offering Circular has been prepared by third parties and may be inaccurate or outdated.

This Offering Circular includes information on the Republic of India, the Indian economy and the Indian banking industry taken from third parties, which the Issuer believes are reliable. However, the information taken from third parties and included in this Offering Circular may be inaccurate and outdated, and the Issuer makes no representation or warranty, express or implied, as to the accuracy or completeness of this information. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Offering Circular. The Issuer also cannot provide any assurance that the third parties have used correct or sound methodology to prepare the information included in this Offering Circular.

Risks Relating to the Market

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Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Inflation risk

Noteholders may suffer erosion on the return of their investments due to inflation. Noteholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce the actual returns. Risks related to the Structure of an Issue of Notes. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Company

An optional redemption feature is likely to limit the market value of Notes. During any period when the Company may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. To the extent Notes have an optional redemption feature, the Company may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes are notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Company has the right to effect such a conversion, this may affect the secondary market and the market value of the Notes since the Company may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Company converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favorable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Company converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Third Parties

The Company may be a party to contracts with a number of other third parties that have agreed to perform services in relation to the Notes and the ability of the Company to make payments in respect of the Notes may depend upon the due performance by these other third parties, including the performance by the Paying Agent, the Transfer Agent, the Registrar and/or the Calculation Agent of their respective obligations. While the non-performance of any relevant parties will not relieve the Company of its obligations to make payments in respect of the Notes, the Company may not, in such circumstances, be able to fulfill its obligations to the Noteholders. The Company's obligation to pay additional amounts in respect of any withholding taxes is subject to limitations; the Company will not be required to pay additional amounts with respect to FATCA withholding taxes. The

Company's obligations to pay additional amounts in respect of any withholding taxes is subject to certain limitations described in Condition 8.

Risks relating to an Investment in Rupee denominated Notes

Rupee-denominated Notes are subject to exchange rate risks and exchange controls.
India maintains a managed floating exchange rate system under which market forces determine the exchange rate for Rupees. Under the RBI's policies, the RBI may intervene in the market to maintain orderly market conditions and limit sharp fluctuations in the exchange rate. Interventions by the RBI have taken the form of transparent measures and have included clearly delineated periods and amounts involved, as well as the explanations for these actions. The RBI's foreign exchange policy objectives include maintaining price stability, promoting and maintaining monetary stability and the convertibility of the INR and protecting its international reserves during times of impending or on-going exchange crises or national emergencies. The Rupee-denominated Notes that may be issued under this Offering Circular are denominated in INR but settled in U.S. dollars. Investors in the Rupee-denominated Notes are required to pay the issue price for their Rupee-denominated Notes in U.S. dollars at the prevailing exchange rate between INR and the U.S. dollars as at the pricing date of the Rupee-denominated Notes. This entails risks which are not associated with a similar investment in a U.S. dollars-denominated security. Such risks include, without limitation, the possibility of significant changes in the exchange rate between INR and U.S. dollars if such currency risk is unhedged and the possibility of imposition or modification of exchange controls by the RBI. Such risks are usually dependent on various economic and political events over which our Company does not have any control. Recently, exchange rates have been volatile and such volatility is expected in the near future as well, so the risk pertaining to exchange rate fluctuation persists. However, the recent fluctuations in exchange rates are not indicative in nature. The U.S. dollars return on the Rupee-denominated Notes, or yield to maturity, will depend on the principal amount, the interest and the premium converted into U.S. dollars at the prevailing exchange rate at the time of the relevant payments. Any volatility of the exchange rate between INR and the U.S. dollars during the term of the Rupee-denominated Notes will affect the return on the Rupee-denominated Notes in U.S. dollars. In particular, any devaluation of INR against the U.S. dollars during the term of the Rupee-denominated Notes will decrease the U.S. dollars return on the Rupee denominated Notes and will result in the yield to maturity of the Rupee-denominated Notes in U.S. dollars being less than the stated yield to maturity thereof, which is calculated in INR. In the event of a material devaluation of INR against the U.S. dollars, Noteholders may not receive the full U.S. dollars subscription money upon maturity or redemption of the Rupee-denominated Notes. Rates of exchange between U.S. dollars and INR may be significantly varied over time. However, historical trends do not necessarily indicate future fluctuations in rates and should not be relied upon as indicative of future trends. Political, economic or stock exchange developments in India or elsewhere could lead to significant and sudden changes in the exchange rate between INR and U.S. dollars. Although substantially all of our Company's revenues are denominated in INR, we are required to settle all amounts due under the Rupee-denominated Notes (including principal, premium, if any, as well as the interest and redemption payments) in U.S. dollars at the prevailing exchange rate between INR and the U.S. dollars at the time of payment. Furthermore, our Company's revenues are denominated in INR. Depreciation of INR against the U.S. dollars could adversely affect the U.S. dollars value of our Company's earnings and our ability to satisfy our obligations under the Rupee-denominated Notes. Furthermore, overseas investors are eligible to hedge the above-mentioned exchange rate risk only by way of permitted derivative products with (i) AD Category - I banks in India; (ii) offshore branches or subsidiaries of Indian Banks; or (iii) branches of foreign banks having a presence in India.

Notes denominated in INR or any other currency as may be applicable are subject to selling restrictions and may be transferred only to a limited pool of investors.

Notes denominated in INR or any other currency as may be applicable can only be issued to, and held by, investors who meet the Eligibility Requirements. While overseas branches/subsidiaries of banks incorporated in India are permitted to purchase, and hold, Notes issued in foreign currency, they are not permitted to purchase or hold the following: (i) Rupee-denominated Notes in any manner whatsoever, save and except as underwriters or arrangers or market makers or traders, subject to applicable prudential norms and accordingly they do not meet the Eligibility Requirements;; (ii) any Notes which fall within the categories mentioned in (b) to (e) of serial number V of paragraph 2.1 of Part I of the ECB Directions

SUMMARY OF THE OFFERING

The following is a summary of the terms of the Notes. This summary is derived from and should be read in conjunction with, the full text of the conditions, which prevail to the extent of any inconsistency with the terms set out in this section. Capitalized terms used herein and not otherwise defined have the respective meanings given to them in the *Terms and Conditions of Notes*.

1.	**Issuer**	Aavas Financiers Limited
2.	**Issue**	INR 3,60,00,00,000. Senior unsecured Social Term Notes
3.	**Issue Price**	The Notes will be issued at 100% of their principal amount.
4.	**Closing Date**	March 10, 2022
5.	**Maturity Date**	7 years from the Issue Closing Date i.e., March 10, 2029 The maturity date is subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to us, including but not limited to, the MAMP specified under the ECB Directions.
6.	**Interest**	The Rate of interest on the Notes for each Interest Period shall be determined as follows: (a) the Margin Rate will be calculated by reference to the Long-Term Credit Rating, from time to time, in the following manner: **Long-Term Credit Rating** — **Margin Rate** AA or higher — 2.75 per cent. AA- — 3.00 per cent. A+ or lower — 3.25 per cent. which, as of the Issue Date, is 3%. (b) any change in the Margin Rate will only take effect solely in relation to the immediately succeeding Interest Period; and (c) The Benchmark Rate shall be reset at the end of every two years from the Issue Date (each a "**Benchmark Rate Reset Date**") and the Issuer shall, from the beginning of the Interest Period immediately following the applicable Benchmark Rate Reset Date, pay interest on all the existing Notes at the then new applicable Rate of Interest. Each Interest Period shall be for three months (each, an "**Interest Period**") and the first Interest Period shall commence on (and include) the Issue Date, and shall end on (but exclude) the first Interest Payment Date that occurs after the Issue Date. Each subsequent Interest Period shall commence on (and include) an Interest Payment Date and shall end on (but exclude) the next occurring Interest Payment Date. Interest is payable on the last Business Day of each Interest Period.

		The last Interest Period shall end on the Maturity Date, assuming that the Issuer will redeem the Notes in full on the Maturity Date in accordance with these Conditions. Promptly after a change in the Long-Term Credit Rating, the Issuer shall deliver, or procure to be delivered, to the Fiscal Agent, details of the Long-Term Credit Rating and shall also notify the Fiscal Agent of the applicable Rate of Interest applicable to the subsequent Interest Period. *Rate of Interest and Interest payments in relation to the Notes shall be subject to applicable Indian laws including the all-in-cost ceiling prescribed under the ECB Guidelines and also subject to specific approval, if applicable, from the RBI or designated authorised dealer bank appointed in accordance with the ECB Guidelines or any other regulatory authority.*
7.	**Redemption at Maturity**	The Issuer shall redeem the following principal amount of the Notes (each, a "**Redemption Amount**") at a redemption price equal to 100 per cent. of the principal amount thereof, plus accrued and unpaid interest to (but not including) the applicable redemption date, at their respective Redemption Date. Notwithstanding the foregoing, if any part of the Notes are redeemed pursuant to Condition 7.2 (in relation to Condition 7.7(c)(iii) or Condition 7.3, then the Redemption Amount payable on each Redemption Date falling after the applicable partial redemption shall be reduced pro rata by the amount of Notes so redeemed. Under the ECB Directions, any repayment of an ECB prior to the prescribed MAMP requires the prior approval of the RBI or the AD Bank, as the case may be. Therefore, any redemption of the Notes prior to the prescribed MAMP will require the prior approval of the RBI or the AD Bank, as the case may be, under the ECB Directions.
8.	**Status**	The Notes are direct, unsecured, unconditional and unsubordinated obligations of the Issuer and will rank *pari passu* without any preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but in event of insolvency, only to the extent permitted by applicable laws relating to creditor's rights.
9.	**Redemption of Note in certain conditions**	The Issuer will make an offer to purchase all (except in the case of the Early Redemption Event referred to in Condition 7.7(c)(iii) for which the Investor

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		may only require the Issuer to purchase the Notes in an amount equal to the Sub-Loan Shortfall) at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the applicable Offer to (but not including) Purchase Payment Date not later than 30 days following any of the following Early Redemption Event: (a) any Person (other than the Existing Shareholders) controls, directly or indirectly, (A) the Issuer or (B) any Person with whom the Issuer consolidates with; (b) it becomes or will become unlawful or contrary to any regulation in any applicable jurisdiction for a Noteholder to hold the Notes; and/or (c) following the submission of the report (in a form agreed by the Investor and the Issuer from time to time), the Investor is not reasonably satisfied that the Issuer's portfolio of sub-loans has increased by an amount such that such portfolio of sub-loans is equal to the amount of the outstanding Notes (any such shortfall in the Issuer's portfolio of sub-loans, a "**Sub-Loan Shortfall**"). *unless*, in the case of paragraph (iii) below, the Noteholders have previously consented to the occurrence of any such event by way of the passing of an Ordinary Resolution.
10.	**Form and Denomination of the Notes**	The Rupee Denominated Notes will be issued in registered form in a minimum denomination of INR 1,00,00,000 per Note aggregating to INR 3,60,00,00,000. A Note certificate will be issued to each Noteholders in respect of its registered holding of Notes. The Notes will be initially be presented by a Global Certificate in registered form which will be registered in the name of a nominee of a common depositary for Euroclear and/or Clearstream, Luxembourg. As of the date of this Offering Circular, the Issuer is permitted to issue bonds denominated in Indian Rupees overseas.
11.	**Event of Default**	The Events of Default noted below are in summary form only. Each of the Event of Default summarised below will be subject to applicable remedy or cure period, threshold, carve out, exception or other qualifications as is set out in "*Terms and conditions of Notes*" and the investors should read the full text of that section to fully understand the Events of Defaults in respect of Notes inter alia will include: (a) Certain failures by the Issuer to pay and amount due and owing in respect of the Notes

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		(b) Certain breaches by the Issuer in performing or observing its other obligations under these Conditions (c) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any other reorganisation (d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant toor for the purposes of any applicable law, or is adjudicated or declared bankrupt or insolvent (e) if the Issuer is declared insolvent or bankrupt or is unable to pay its debts or stops, suspends or threatens to stop or suspend payment of all or a material part of its debts as they mature or applies for or consents to or suffers the appointment of an administrative or other receiver, manager, administrator, liquidator or other similar official, in relation to the whole or any part of the undertaking or assets of the Issuer, or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer (f) if the Issuer initiates or consents to or if any creditor of the Issuer initiates judicial proceedings relating to the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or (g) a moratorium is agreed or declared by the Issuer in respect of any Indebtedness for borrowed money (including any obligations arising under guarantees) of the Issuer or any of its Subsidiaries; or

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		(h) if: (i) any Indebtedness for borrowed money of the Issuer or any of its Subsidiaries becomes capable of being declared due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Subsidiaries fails tomake any payment in respect of any Indebtedness for borrowed money on the due date for payment; (iii) any security given by the Issuer or any of its Subsidiaries for the purpose of securing any Indebtedness for borrowed money becomes enforceable; or (iv) default is made by the Issuer or any its Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for borrowed money of any other person; (i) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or (j) a breach by the Issuer or any of its Subsidiaries of the environmental, social and business integrity requirements as mentioned in the Fiscal Agency Agreement, of Sanction Laws or (k) any merger or consolidation involving the Issuer adversely impacting the rights of the Noteholders; or (l) any material disposal of assets otherwise than in ordinary course of the Issuer's business; or (m) if any representation or warranty contained in Annex B of the Fiscal Agency Agreement is found to be incorrect in any material respect; (n) if the Issuer fails to comply with its undertaking as mentioned in Clause 3(a)(vi) of the Placement Agreement or reporting obligations under Clause 3(f) of the Placement Agreement; or (o) breach by Issuer of its obligations under an action plan prepared by the Issuer and in form and substance acceptable to the Investor as mentioned in Clause 3.(i)the Placement Agreement.
12.	**Registered Certificates**	Notes which are offered and sold will be represented by Registered Certificates, registered in the name of the Note Holder. See generally "*Subscription and Sale*" and "*Book-Entry Clearance Systems*"
13.	**Additional Tax Amounts**	All payments in respect of the Notes, including principal, premium (if any) and interest by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**"Taxes"**)

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		imposed or levied by or on behalf of the Relevant Jurisdiction, unless a Tax Event occurs, in which case, the Issuer shall pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in the absence of the withholding or deduction.
14.	**Selling Restrictions**	The Notes have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction and will not be offered or sold with the US and to US Person. There are other restrictions on the offer, sale and/or transfer of Notes in, among others, India, Japan, Singapore. For a description of the restriction see "*Subscription and Sale*" and "*Transfer Restrictions*"
15.	**Type and class of Debt Securities along with ISIN**	Senior Unsecured Social Term Notes
16.	**Listing**	Approval in-principle basis has been received for the listing and quotation of the Notes on the NSE IFSC.
17.	**Paying Agent**	The Hongkong and Shanghai Banking Corporation Limited
18.	**Registrar**	The Hongkong and Shanghai Banking Corporation Limited
19.	**Transfer Agent**	The Hongkong and Shanghai Banking Corporation Limited
20.	**Calculating Agent**	The Hongkong and Shanghai Banking Corporation Limited
21.	**Governing Law**	The Notes will be governed by and construed in accordance with English Laws.
22.	**Risk Factors**	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "*Risk Factors*"
23.	**Use of Proceeds**	To on-lend for the purpose of providing affordable housing finance in the form of mortgage-backed loans and/or MSME loans to the borrowers that meet following parameters, in accordance with the applicable ECB Directions ("**Sub-Loans**")

End use of the facility	To on-lend for the purpose of providing affordable housing finance ("**Home Sub-Loans**") and/or on-lending to MSME Loan ("**MSME Sub-Loans**"), other than for real estate activities, investment in capital market and equity investment, in accordance with ECB Directions
Gender of the owner/co-	Women

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		owner of the property	
		Ticket Size	Upto INR 20,00,000 per individual loan
24.	**Pre-Issue Trades Settlement**	It is expected that the delivery of the Notes will be made against the payment therefore on the Closing Date, which will be more than two business days following the date of pricing.	
25.	**Legal Entity Identifier**	335800TMNAGA7MPDP384	
26.	**ISIN/Common Code**	**ISIN**	XS2449330336
		Common code	244933033

Rights attached to the Debt

1. Reporting

1.1. The Issuer agrees that for so long as any Notes remain outstanding, it will deliver to the Noteholders by way of delivery to the Fiscal Agent and to the Investor, directly:

(a) as soon as they become available, but in any event within 120 calendar days after the end of each fiscal year end of the Issuer, copies of its audited financial statements (on a standalone basis and in the English language), audited by an auditor appointed pursuant to the RBI circular dated 27 April 2021 on the "Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)";

(b) as soon as they become available, but in any event (i) within 45 calendar days after the end of each of the first and third fiscal quarters of the Issuer, (ii) within 60 calendar days after the end of the second fiscal quarter of the Issuer and (iii) within 75 calendar days after the end of the fourth fiscal quarter of the Issuer, copies of its unaudited financial statements (on a standalone basis and in the English language), certified by the chief financial officer and/or the chief executive officer of the Issuer;

(c) all documents dispatched by the Issuer to (i) its shareholders (or any class of them), upon request by the Investor and to the extent permitted by the applicable laws or (ii) its creditors generally;

(d) details of any material litigation, arbitration of administrative proceedings or any material investigation by any authority involving the Issuer or any of its Subsidiaries;

(e) any notification of default received by the Issuer or any of its Subsidiaries;

(f) within three business days after its occurrence, notification of any serious social, labour, health and safety, security or environmental incident, accident or circumstance;

(g) such other information required by the Investor or mait Noteholder, as the case may be, in relation to its environmental and social requirements, business integrity requirements, and development impact monitoring requirements;

(h) such other information regarding the financial condition, business and operations of the Issuer or any of its Subsidiaries as the Investor or a Noteholder, as the case may be, may reasonably request;

(i) on the introduction of or any change in law, a change in the corporate status of the Issuer or any of its Subsidiaries or in any holder of at least 10% of the issued share capital of the Issuer in the aggregate, or a proposed assignment or transfer by the Investor, such documentation and other evidence as the Investor or a Noteholder, as the case may be, may reasonably request in order for the Investor or a Noteholder, as the case may be, to carry out and be satisfied with the results of all necessary "know your customer" or other checks in relation to the transactions contemplated in connection with the Notes.

1.2. The Issuer agrees that for so long as any Notes remain outstanding, it will provide to the Noteholders by way of delivery to the Fiscal Agent and, for as long as the Investor is a Noteholder, to the Investor, directly, a certificate in the form set out in [Annex D] signed by either the chief executive officer or the chief financial officer of the Issuer to the effect that as at a date not more than seven days before delivering such certificate (the "**certification date**"), there did not exist and had not existed since the certification date of the previous certificate (or in the case of the first such certificate, the date hereof) any Event of Default (or if such Event of Default exists or existed, specifying the same), and that during the period from and including the certification date of the last such certificate (or in the case of the first such certificate, the date hereof), to and including the certification date of such certificate of the Issuer, has complied with all of its obligations contained in these presents (including, for the avoidance of doubt, that each of the covenants as set out in Condition 4 are satisfied) or (if such is not the case) specifying the respects in which it has not complied, (i) within seven days after demand by any Noteholder therefor; and (ii) (without the necessity for any such demand) (x) promptly after the publication of its audited standalone financial statements and in any event not later than 120 calendar days after the end of each fiscal year of the Issuer; and (y) promptly after the publication of its unaudited standalone financial statements and in any event (i) not later than 45 calendar days after the end of each of the first and third fiscal quarters of the Issuer, (ii) not later than 60 calendar days after the end of the second fiscal quarter of the Issuer and (ii) within 75 calendar days after the end of the fourth fiscal quarter of the Issuer.

All financial statements will be prepared in accordance with Applicable Accounting Standards.

Redemption of the Debt Securities

For the avoidance of doubt, any redemption or repurchase of Notes shall be subject to regulatory preconditions, including the prior approval of the RBI, if applicable, and such approval is discretionary and may not be forthcoming.

1. Scheduled Redemption

The Issuer shall redeem the following principal amount of the Notes (each, a "**Redemption Amount**") at a redemption price equal to 100 per cent. of the principal amount thereof, plus accrued and unpaid interest to (but not including) the applicable redemption date, at their respective redemption dates (each, a "**Redemption Date**") indicated below:

Redemption Date	**Redemption Amount**
10 September 2025	INR 450,000,000
10 March 2026	INR 450,000,000
10 September 2026	INR 450,000,000
10 March 2027	INR 450,000,000
10 September 2027	INR 450,000,000
10 March 2028	INR 450,000,000
10 September 2028	INR 450,000,000
10 March 2029	INR 450,000,000

Notwithstanding the foregoing, if any part of the Notes are redeemed pursuant to Condition 7.2 (in relation to Condition 7.7(c)(iii) or Condition 7.3, then the Redemption Amount payable on each Redemption Date falling after the applicable partial redemption shall be reduced pro rata by the amount of Notes so redeemed.

A statement of the resolutions, authorizations and approvals by virtue of which the Debt Securities have been or will be created and/or issued

The shareholders of the Company, subject to the Memorandum and Articles of Association of the Company, have passed a resolution under Section 180(1)(c) of the Companies Act in a meeting held on August 10, 2021 which prescribes the maximum monetary limit for the purpose of borrowing as Rs. 14000 crore. The aggregate value of Notes offered through this document is within the approved borrowing limits.

Further, the Issue of Notes offered through this Offering Circular is being made pursuant to the resolution under Section 179(3)(c) of the Companies Act. Board of Directors of the Company, passed a resolution at their meeting held on April 29, 2021 which authorizes the Company to issue bonds and/or Debentures or other securities or Term Loans, Cash Credit facilities or other facilities in form of debt in the nature of Debentures, Commercial Papers, from Bank(s), Financial or other Institution(s), Mutual Fund(s), Non-Resident Indians (NRIs), Foreign Institutional Investors (FIIs) or any other person(s), body(ies) corporate, etc or by way of loan or in any other form whatsoever for an amount not more than Rs. 14,000 crore.

Further, the executive committee of the Board of Directors of the Company has passed a resolution dated February 9, 2022 approving *inter alia* the issuance of the Notes pursuant to the ECB Directions and the IFSCA (ILS) Regulations 2021 and other applicable laws.

Information Concerning the Admission of the Debt Securities to Trading

(1) The Exchanges or markets where listing or admission to trading is, or will be, sought or has already taken place.

The Notes will be listed on NSE IFSC with effect from March 11, 2022.

(2) Name and address of the natural or legal persons underwriting or guaranteeing the issue for the Issuer. Where not all of the issue is underwritten or guaranteed, a statement of the portion not covered.

NA

(3) If Debt Securities of the same class are already listed on one or more markets or exchanges, indication of these markets or exchanges.

NA

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FORM OF THE NOTES

The INR 3,60,00,00,000 senior unsecured Social Term Notes due 2029, which are payable in U.S. dollars are issued in registered form in amounts of INR 1,00,00,000 and integral multiples of INR 1,00,00,000 in excess thereof. A note certificate (Each **"Definitive Certificate"**) will be issued to each Note Holder in respect of its registered holding of the Notes. Each Definitive Certificate will be numbered serially with an identifying number which will be recorded on the relevant Definitive Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar. The Registered Notes will be issued outside the United States and only to non-U.S. persons. The Notes to be listed on the NSE IFSC will be accepted for clearance through Euroclear and/or Clearstream, Luxembourg.

Transfer of Interests

1. Transfers

A Note may be transferred by depositing the Definitive Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the agents.

2. Delivery of new Definitive Certificates

Each new Definitive Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Registrar or the relevant agent of the duly completed form of transfer endorsed on the relevant Definitive Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, "**Business Day**" shall mean a day on which banks are open for business in the city in which the specified office of the agent with whom a Definitive Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described herein, owners of interests in the Notes will not be entitled to receive physical delivery of Definitive Certificates. Issues of Definitive Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Fiscal Agency Agreement.

Where some but not all of the Notes in respect of which a Definitive Certificate is issued are to be transferred, a new Definitive Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant agent of the original Definitive Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

3. Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or any agent but upon payment (or the giving of such indemnity as the Issuer or any agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

4. Closed Periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest or payment on that Note.

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The Issuer shall not be required in the event of a partial redemption of Notes under Condition 7.2 (in relation to Condition 7.7(c)(iii)) and Condition 7.3:

4.1. to register the transfer of Notes (or parts of Notes) during the period beginning on the 65th day before the date of the partial redemption and ending on the day on which notice is given specifying the serial numbers of Notes called (*in whole or in part*) for redemption (both inclusive); or

4.2. to register the transfer of any Note, or part of a Note, called for redemption.

5. Regulations

All transfers of Notes and entries on the register of Noteholders will be made subject to the regulations concerning transfer of Notes scheduled to the Fiscal Agency Agreement and only as permissible under the ECB Guidelines. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

The Notes can only be sold, transferred or offered as security overseas subject to the transferee/offeree being a person who meets the FATF Requirements.

Interests in a Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Note. No beneficial owner of an interest in a Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and/or Clearstream, Luxembourg, *in each case to the extent applicable*. **Notes are also subject to the restrictions on transfer set forth therein, see '*Subscription and Sale*' and '*Transfer Restrictions*'.**

General

No Note-holder shall be entitled to proceed directly against the Issuer unless the Agent having become bound so to proceed fails so to do within a reasonable period and the failure shall continuing.

If the Terms and Conditions of the Notes are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

So long as any Notes are listed on the NSE IFSC and the rules of the NSE IFSC so require, the Issuer shall appoint and maintain a Paying Agent in Hong Kong, where such Notes may be presented or surrendered for payment or redemption, in the event that the Note representing such Notes is exchanged for definitive Notes. In addition, in the event that the Note representing such Notes is exchanged for definitive Notes, an announcement of such exchange will be made by the Issuer through the NSE IFSC and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Hong Kong.

TERMS AND CONDITIONS OF THE NOTES

As of the date of this Offering Circular prepared in connection with the Notes, the Issuer is permitted to issue Indian Rupee denominated bonds overseas, as well as foreign currency bonds, subject to compliance with the ECB Directions.

The following, subject to alteration and except for the paragraph in italics, are the Terms and Conditions of the Notes. For any redemption that would be in breach of the minimum maturity requirements as set out in the ECB Directions, under the Terms and Conditions of the Notes, as mentioned herein, the Issuer is requiredto obtain the prior approval of the RBI or the AD Bank in accordance with the ECB Directions, before providing notice for or effecting a redemption in breach of the minimum maturity requirements as set out in the ECB Directions and such approval may not be provided.

The issuance of, and the Terms and Conditions in relation to, the Notes are subject to applicable laws including the Foreign Exchange Management Act, 1999 and rules, regulations, circulars, and guidelines issued by the RBI in force from time to time.

The Notes will be offered, sold and transferred only to investors who are eligible to purchase Notes under applicable laws and regulations including the ECB Directions, and meet the Eligibility Requirements.

The INR 3,600,000,000 senior unsecured Notes due 2029, which are payable in U.S. dollars (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 11 and forming a single series with the originally issued Notes), of Aavas Financiers Limited (the "**Issuer**") are constituted by a Fiscal Agency Agreement dated on or about March 10, 2022 (the "**Fiscal Agency Agreement**"), made between the Issuer and The Hongkong and Shanghai Banking Corporation Limited, as fiscal agent (the "**Fiscal Agent**", which expression shall include its successor(s)) and The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**"), calculation agent (the "**Calculation Agent**"), paying agent (the "**Paying Agent**") and transfer agent (the "**Transfer Agent**", together with the Fiscal Agent, the Registrar, the Calculation Agent and the Paying Agent, the "**Agents**", and each, an "**Agent**").

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Fiscal Agency Agreement. Copies of the Fiscal Agency Agreement are available for holders of the Notes ("**Noteholders")** ") following prior written request and satisfactory proof of holding and identity by Noteholders to the Agent, during normal business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday except for public holidays), (i) at the registered office for the time being of the Agent, being at the date hereof Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong and at the Specified Office (as defined in the Fiscal Agency Agreement) of the Paying Agent or (ii) electronically via email from the Agent.

Early redemption of the Notes upon the occurrence of any Event of Default (as defined herein) will require the prior approval of the RBI if such redemption occurs prior to the completion of the stipulated minimum average maturity period in accordance with the ECB Guidelines before effecting such redemption and such approval is discretionary in nature, and therefore, may not be forthcoming.

Any reference to "**Note holders**" or "**Holders**" in relation to any Notes shall mean (in the case of Notes) the holders of the Notes and (in the case of Notes) the persons in whose names the Notes are registered.

The Note holders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Agency Agreement which are applicable to them. The statements in these Conditions include summaries of and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated.

1. FORM, DENOMINATION AND TITLE

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INR 3,60,00,00,000 senior unsecured Social Rupee Denominated Notes which are payable in U.S. dollars will be issued by the Issuer in registered form in amounts of INR 1,00,00,000 and integral multiples of INR 1,00,00,000 (referred to as the "Principal Amount" of a Note). A note certificate (each, a "**Definitive Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Definitive Certificate will be numbered serially with an identifying number which will be recorded on the relevant Definitive Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar. The Notes will be initially be represented by global certificate in registered form ("**Global Certificate**"), which will be registered in the name of the nominee of a common depository for Euroclear and/or Clearstream, Luxembourg. Please note that the Notes will not be issued in Bearer form.

The Title to the Notes passes only by the registration in the register of Noteholders and holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership or writing on it, the previous theft or loss of the Definitive Certificate issued in respect of it) and no person will be liable for so treating the holder.

2. TRANSFERS OF NOTES AND ISSUE OF DEFINITIVE CERTIFICATES

2.1 Transfer

A Note Holder may transfer the Note by depositing the Definitive Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the agents.

2.2 Delivery of new Definitive Certificates

Each new Definitive Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Registrar or the relevant agent of the duly completed form of transfer endorsed on the relevant Definitive Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition 2, "**Business Day**" shall mean a day on which banks are open for business in the city in which the specified office of the agent with whom a Definitive Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described herein, owners of interests in the Notes will not be entitled to receive physical delivery of Definitive Certificates. Issues of Definitive Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Fiscal Agency Agreement.

Where some but not all of the Notes in respect of which a Definitive Certificate is issued are to be transferred, a new Definitive Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant agent of the original Definitive Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or any agent but upon payment (or the giving of such indemnity as the Issuer or any agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Note holder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest or payment on that Note.

The Issuer shall not be required in the event of a partial redemption of Notes under Condition 7.2 (in relation to condition 7.7(c)(iii)) and condition 7.3:

(a) to register the transfer of Note (or parts of Notes) during the period beginning on the 65th day before the date of the partial redemption and ending on the day on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive), or

(b) to register the transfer of Note or a part of Note called for redemption.

2.5 **Regulations**

All transfers of Notes and entries on the register of Noteholders will be made subject to the regulations concerning transfer of Notes scheduled to the Fiscal Agency Agreement and only as permissible under the ECB Guidelines. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

The Notes can only be sold, transferred or offered as security overseas subject to the transferee/offeree being a person who meets the FATF Requirements. For the purposes of this Condition 2.5, "**FATF Requirements**" means an investor who is a resident of a country:

(a) that is a member of the FATF or a member of a FATF-style regional body;

(b) whose securities market regulator is a signatory to the International Organisation of Securities Commission's multilateral memorandum of understanding (appendix A signatories) or a signatory to bilateral memorandum of understanding with the Securities and Exchange Board of India for information sharing arrangements; and

(c) (which is not identified in a public statement of the FATF as:

   (i) being a jurisdiction having a strategic anti-money laundering or combating the financing of terrorism deficiencies to which counter measures apply; or

   (ii) being a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies.

2.6 **Costs of Registration**

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to it.

3. STATUS

The Notes are direct, unsecured, unconditional and unsubordinated obligations of the Issuer and will rank *pari passu* without any preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but in event of insolvency, only to the extent permitted by applicable laws relating to creditor's rights.

4. COVENANTS

4.1 **Maintenance Covenants**

(a) So long as any of the Notes remain outstanding, the Issuer shall ensure that, on each Measurement Date (to be calculated with reference to the Issuer's most recent annual audited or quarterly reviewed standalone financial statements (as applicable)):

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(i) its Portfolio at Risk Amount Over 30 Days is maintained (x) as of March 31, 2022 and June 30, 2022, at an amount which is below 10 per cent. of the outstanding principal amounts of all Borrower Loans, and (y) thereafter, at an amount which is below 8 per cent. of the outstanding principal amounts of all Borrower Loans as at the relevant Measurement Date;

(ii) its Gross Non-Performing Assets is maintained at a level that does not exceed 4 per cent. of the outstanding principal amounts of all Borrower Loans as at the relevant Measurement Date;

(iii) its ratio of Debt to Equity is, (i) if the Issuer, as at the relevant Measurement Date, holds a Long-Term Credit Rating below AA-, at a level that does not exceed 6:1, and (ii) if the Issuer, as at the relevant Measurement Date, holds a Long-Term Credit Rating of AA- or higher, at a level that does not exceed 8:1;

(iv) its minimum total capital adequacy ratio, as calculated in accordance with the requirements of the Indian National Housing Bank (the "**NHB**") or the RBI (in effect from time to time and as applicable), is, at or at least 150 per cent. of the minimum level as may be specified by the RBI (or, to the extent applicable, the NHB) and/or such other applicable regulatory authority in India from time to time; and

(v) its Maximum Security Coverage Ratio is, as at the relevant Measurement Date, at a level no greater than 1.15:1.0; and

(b) it shall manage its financial position in accordance with all applicable laws and the RBI's (or, to the extent applicable, NHB's) prudential standards (as applicable), including the maintenance of required thresholds for financial parameters and ratios as stipulated by the RBI (or, to the extent applicable, the NHB).

4.2 **Listing**

The Issuer shall pay all expenses incurred in relation to the obtaining and maintaining of a listing of the Notes on the Stock Exchange.

4.3 **Performance Covenants**

The Issuer shall, and the Issuer shall procure that its Subsidiaries will, at all times comply with: (i) the IFC Performance Standards; (ii) the environmental, social and business integrity requirements set forth in Annex C in the Fiscal Agency Agreement; and (iii) the corporate governance and fair practices code prescribed by the RBI (or, to the extent applicable, the NHB), including but not limited to the Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021.

4.4 **Reporting**

(a) The Issuer agrees that for so long as any Notes remain outstanding, it will deliver to the Noteholders by way of delivery to the Fiscal Agent and to the Investor, directly:

(i) as soon as they become available, but in any event within 120 calendar days after the end of each fiscal year end of the Issuer, copies of its audited financial statements (on a standalone basis and in the English language), audited by an auditor appointed pursuant to the RBI circular dated 27 April 2021 on the "Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)";

(ii) as soon as they become available, but in any event (i) within 45 calendar days after the end of each of the first and third fiscal quarters of the Issuer, (ii) within 60 calendar days after the end of the second fiscal quarter of the Issuer and (iii) within 75 calendar days after the end of the fourth fiscal quarter of the Issuer, copies of its unaudited financial statements (on a standalone basis and in the English language), certified by the chief financial officer and/or the chief executive officer of the Issuer;

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(iii) all documents dispatched by the Issuer to (i) its shareholders (or any class of them), upon request by the Investor and to the extent permitted by applicable laws or its creditors generally;
(iv) details of any material litigation, arbitration of administrative proceedings or any material investigation by any authority involving the Issuer or any of its Subsidiaries;
(v) any notification of default received by the Issuer or any of its Subsidiaries;
(vi) within three business days after its occurrence, notification of any serious social, labour, health and safety, security or environmental incident, accident or circumstance;
(vii) such other information required by the Investor or a Noteholder, as the case may be, in relation to its environmental and social requirements, business integrity requirements, and development impact monitoring requirements;
(viii) such other information regarding the financial condition, business and operations of the Issuer or any of its Subsidiaries as the Investor or a Noteholder, as the case may be, may reasonably request;
(ix) on the introduction of or any change in law, a change in the corporate status of the Issuer or any of its Subsidiaries or in any holder of at least 10% of the issued share capital of the Issuer in the aggregate, or a proposed assignment or transfer by the Investor, such documentation and other evidence as the Investor or a Noteholder, as the case may be, may reasonably request in order for the Investor or a Noteholder, as the case may be, to carry out and be satisfied with the results of all necessary "know your customer" or other checks in relation to the transactions contemplated in connection with the Notes.

(b) The Issuer agrees that for so long as any Notes remain outstanding, it will provide to the Noteholders by way of delivery to the Fiscal Agent and, for as long as the Investor is a Noteholder, to the Investor, directly, a certificate in the form set out in [Annex D] signed by either the chief executive officer or the chief financial officer of the Issuer to the effect that as at a date not more than seven days before delivering such certificate (the "**certification date**"), there did not exist and had not existed since the certification date of the previous certificate (or in the case of the first such certificate, the date hereof) any Event of Default (or if such Event of Default exists or existed, specifying the same), and that during the period from and including the certification date of the last such certificate (or in the case of the first such certificate, the date hereof), to and including the certification date of such certificate of the Issuer, has complied with all of its obligations contained in these presents (including, for the avoidance of doubt, that each of the covenants as set out in Condition 4.1 are satisfied) or (if such is not the case) specifying the respects in which it has not complied, (i) within seven days after demand by any Noteholder therefor; and (ii) (without the necessity for any such demand) (x) promptly after the publication of its audited standalone financial statements and in any event not later than 120 calendar days after the end of each fiscal year of the Issuer; and (y) promptly after the publication of its unaudited standalone financial statements and in any event (i) not later than 45 calendar days after the end of each of the first and third fiscal quarters of the Issuer, (ii) not later than 60 calendar days after the end of the second fiscal quarter of the Issuer and (ii) within 75 calendar days after the end of the fourth fiscal quarter of the Issuer.

All financial statements will be prepared in accordance with Applicable Accounting Standards.

4.5 **Interpretation**

In these Conditions:

(a) "**Applicable Accounting Standards**" means the accounting standards applicable to the Issuer as in effect from time to time and as required by law or regulation. All ratios and computations contained or referred to in the Fiscal Agency Agreement shall be computed in conformity with the Applicable Accounting Standards.
(b) "**Attributable Indebtedness**" means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate borne by the Notes of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

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(c) **"Board of Directors"** means the representative governing board elected or appointed by the stockholders of the Issuer to manage the business of the Issuer or any committee of such board duly authorised to take the action purported to be taken by such committee.

(d) **"Borrower Loan"** means each loan made by the Issuer as a lender.

(e) **"Capital Stock"** means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether or not outstanding on the Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

(f) **"Capitalised Lease"** means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with the Applicable Accounting Standards, is required to be capitalised on the balance sheet of such Person.

(g) **"Capitalised Lease Obligations"** means the capitalised amount of any rental obligations under a Capitalised Lease in accordance with the Applicable Accounting Standards, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of penalty.

(h) **"Commodity Hedging Agreement"** means any spot, forward, commodity swap, commodity cap, commodity floor or option commodity price protection agreements or other similar agreement or arrangement.

(i) **"Common Stock"** means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding on the Issue Date or issued thereafter, including, without limitation, all series and classes of such common stock or ordinary shares.

(j) **"Currency Hedging Agreement"** means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

(k) **"Debt"** means all short-term and long-term borrowings of the Issuer, including senior secured and senior unsecured, as measured on a standalone basis in accordance with the Applicable Accounting Standards.

(l) **"Disqualified Stock"** means any class or series of Capital Stock of any Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or otherwise is (i) required to be redeemed prior to the Stated Maturity of the Notes, (ii) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (iii) convertible into or exchangeable for Capital Stock referred to in paragraph (i) or (ii) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes.

(m) **"Equity"** means the total share capital and reserves, excluding any revaluation reserves, of the Issuer, as measured on a standalone basis in accordance with the Applicable Accounting Standards.

(n) **"Fair Market Value"** means the price that would be paid in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a board resolution.

(o) **"Gross Non-Performing Assets"** means the aggregate of all outstanding Borrower Loans where the obligor of such loan has not paid amounts due thereunder within 90 days of the due date therefor.

(p) **"Hedging Obligation"** (of any Person) means the obligations of such Person pursuant to any Currency Hedging Agreement or Interest Rate Hedging Agreement.

(q) **"IFC Performance Standards"** means the International Finance Corporation (**"IFC"**) 2012 Performance Standards on Social and Environmental Sustainability (including the technical reference documents known as World Bank Group Environmental, Health, and Safety (**"EHS"**) Guidelines) which may be downloaded from the IFC website as follows:

(i) IFC Performance Standards: http://www.ifc.org/PerformanceStandards; and

(ii) World Bank Group EHS Guidelines: http://www.ifc.org/EHSGuidelines.

(r) **"Incur"** means, with respect to any Indebtedness or Disqualified Stock, to, directly or indirectly, incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Disqualified Stock;

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provided that the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends on Disqualified Stock in the form of additional shares of Disqualified Stock (to the extent provided for when the Indebtedness or Disqualified Stock on which such interest or dividend is paid was originally issued) will not be considered an Incurrence of Indebtedness. The terms **"incurrence"** and **"incurred"** have meanings correlative with the foregoing.

(s) **"Indebtedness"** means, with respect to any Person at any date of determination (without duplication):
   (i) all indebtedness of such Person for borrowed money;
   (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
   (iii) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including any premium to the extent such premium has become due and payable);
   (iv) all obligations of such Person to pay the deferred and unpaid purchase price of property or services;
   (v) all Capitalised Lease Obligations and Attributable Indebtedness;
   (vi) all Indebtedness of other Persons secured by a security interest on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;
   (vii) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;
   (viii) to the extent not otherwise included in this definition, the Hedging Obligations; and
   (ix) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.
   (x) The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided* that:
   (xi) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortised portion of the original issue discount of such Indebtedness at such time as determined in conformity with the Applicable Accounting Standards;
   (xii) the amount of Indebtedness with respect to any Hedging Obligation will be equal to the net amount payable if the Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement giving rise to such Hedging Obligation terminated at that time due to default by such Person; and
   (xiii) without duplication for clause (ii) above, the amount of any Indebtedness for which there is a related Currency Hedging Agreement or Interest Rate Hedging Agreement at any time shall be calculated after giving effect to such Currency Hedging Agreement or Interest Rate Hedging Agreement.

(t) **"Interest Rate Hedging Agreement"** means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

(u) **"Long-Term Credit Rating"** means the long-term credit rating of the Issuer as issued by any of CARE Ratings Limited, CRISIL Limited, ICRA Limited or India Ratings and Research Limited (each, a **"Rating Agency"**, and collectively, the **"Rating Agencies"**) or any of their respective successors or assigns or (if none of them or any of their successor or assigns provide such long-term credit rating) a credit rating agency of national repute selected by the Issuer and notified to the Fiscal Agent. The highest rating from any one of the Rating Agencies will be the Long-Term Credit Rating. As at the date of the Fiscal Agency Agreement, the Long-Term Credit Rating of the Issuer is AA-.

(v) **"Maximum Security Coverage Ratio"** means the weighted average of all Security Coverage Ratios.

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(w) "**Measurement Date**" means the last day of each financial quarter which, as of the Issue Date, is 30 June, 30 September, 31 December and 31 March, respectively.

(x) "**Ordinary Resolution**" shall have the meaning ascribed to it in the Fiscal Agency Agreement.

(y) "**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof.

(z) "**Preferred Stock**", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

(aa) "**Portfolio At Risk Amount Over 30 Days**" means the aggregate amount of all outstanding principal amounts of all Borrower Loans included on the standalone balance sheet of the Issuer, that have one or more instalments of principal, interest, penalty interest, fees or any other expected payments which are past due by more than thirty (30) calendar days.

(bb) "**Relevant Indebtedness**" means any Indebtedness incurred by the Issuer, *provided* that, in the case of an overdraft facility, cash credit facility or revolving credit facility, Relevant Indebtedness shall mean the maximum amount of money that can be drawn under such facility as at the applicable date of determination.

(cc) "**Sale and Leaseback Transaction**" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Issuer transfers such property to another Person and the Issuer leases it from such Person.

(dd) "**Secured Property**" means any property, assets or receivables held by and/or charged in favour of and/or assigned to any creditor (or any agent for any such creditor) of the Issuer in relation to any Relevant Indebtedness to secure the Issuer's obligations under any such Relevant Indebtedness.

(ee) "**Security Coverage Ratio**" means, as at a date of determination in relation to any Relevant Indebtedness, the ratio of (i) the value of Secured Property as at such date of determination which secures such Relevant Indebtedness to (ii) the outstanding principal amount of such Relevant Indebtedness which is secured by such Secured Property as at such date of determination.

(ff) "**Stated Maturity**" means: (i) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final instalment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness; and (ii) with respect to any scheduled instalment of principal of, or interest on, any Indebtedness, the date specified as the fixed date on which such instalment is due and payable as set forth in the documentation governing such Indebtedness.

(gg) "**Stock Exchange**" means the NSE IFSC Limited, the London Stock Exchange, the Singapore Exchange Securities Trading Limited or such other stock exchange or exchanges or securities markets as is commonly used for the quotation or listing of debt securities as agreed by the Investor and the Issuer on or prior to the Issue Date.

(hh) "**Subsidiary**" means, in relation to any person (the "**first person**") at any particular time, any other person (the "**second person**"):

   (i) whose affairs and policies the first person controls or has power to control, whether by ownership or share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; or

   (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person.

All accounting expressions which are not otherwise defined herein shall be construed in accordance with the Applicable Accounting Standards.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

(a) The Issuer shall, until the Notes are fully redeemed or paid off, pay to the Noteholders interest on the principal amount of the Notes outstanding from time to time, at the Rate of Interest on each Interest Payment Date.

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(i) The Rate of Interest on the Notes for each Interest Period (as defined below) shall be determined as follows:

(ii) the margin rate (the "**Margin Rate**") will be calculated by reference to the Long-Term Credit Rating, from time to time, in the following manner:

Long-Term Credit Rating	**Margin Rate**
AA or higher	2.75 per cent.
AA-	3.00 per cent.
A+ or lower	3.25 per cent.

which, as of the Issue Date, is 3.00 per cent.;

(iii) any change in the Margin Rate will only take effect solely in relation to the immediately succeeding Interest Period; and

(iv) the Benchmark Rate shall be reset at the end of every two years from the Issue Date (each, a "**Benchmark Rate Reset Date**"); and the Issuer shall, from the beginning of the Interest Period immediately following the applicable Benchmark Rate Reset Date, pay interest on all the existing Notes at the then new applicable Rate of Interest.

Each Interest Period shall be for three months (each, an "**Interest Period**") and the first Interest Period shall commence on (and include) the Issue Date, and shall end on (but exclude) the first Interest Payment Date that occurs after the Issue Date. Each subsequent Interest Period shall commence on (and include) an Interest Payment Date and shall end on (but exclude) the next occurring Interest Payment Date. Interest is payable on the last Business Day of each Interest Period.
The last Interest Period shall end on the Maturity Date, assuming that the Issuer will redeem the Notes in full on the Maturity Date in accordance with these Conditions.

(b) Promptly after a change in the Long-Term Credit Rating, the Issuer shall deliver, or procure to be delivered, to the Fiscal Agent, details of the Long-Term Credit Rating and shall also notify the Fiscal Agent of the applicable Rate of Interest applicable to the subsequent Interest Period.

The Rate of Interest and interest payments in relation to the Notes shall be subject to applicable Indian laws including the all-in-cost ceiling prescribed under the ECB Guidelines and also subject to specific approval received, if applicable, from the RBI or designated authorised dealer bank appointed in accordance with the ECB Guidelines or any other regulatory authority.

(c) For the purposes of this Condition 5.1:
"**Benchmark Rate**" shall mean (i) from the Issue Date up to March 10, 2024, 4 per cent and (ii) for every two-year period thereafter, the applicable policy repo rate published by the RBI at the close of the date falling 15 days prior to the beginning of a particular two-year period.
"**Interest Payment Date**" shall mean 10 March, 10 June, 10 September and 10 December of each year.
"**Issue Date**" shall mean March 10, 2022.
"**Maturity Date**" shall mean the date falling on the seventh anniversary of the Issue Date.
"**Rate of Interest**" shall mean the aggregate of the applicable Benchmark Rate and the applicable Margin Rate.

5.2 **Interest Accrual**

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment.

5.3 **Calculation of Interest**

Interest shall be calculated on the basis of the actual number of days in the period from and including the date from which interest begins to accrue to but excluding the date on which it falls due divided by 365.

5.4 **Defaulted Interest**

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In the event of an Event of Default, the Issuer shall pay an additional amount of interest equal to 2.00 per cent. per annum of the principal amount of the Notes then outstanding, until such a time as such overdue amount(s) have been settled in full or as such a time as such Event of Default has been cured or waived, as the case may be.

The Rate of Interest on the Notes shall comply with Indian regulatory requirements (including but not limited to the ECB Directions) or any specific approval received by the Issuer from RBI or AD Bank in accordance with the ECB Directions or any other regulatory authority.

6. PAYMENTS

6.1 Payments in respect of Notes

Payment of principal, premium (if any) and interest will be made by transfer to the registered account of the Noteholder. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the "**record date**") being the 15th day before the relevant Interest Payment Date.

For the purposes of this Condition 6.1, a Noteholder's "**registered account**" means the U.S. dollars account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the register of Noteholders at the close of business, in the case of principal and premium (if any), on the second business day (as defined below) before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's "**registered address**" means its address appearing on the register of Noteholders at that time.

6.2 Payments subject to applicable laws

Payments in respect of principal, premium (if any) and interest on the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

So long as the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the Noteholder in the register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

6.3 No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 6.

6.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated or, in the case of a payment of principal and premium (if any) or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Definitive Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Definitive Certificate (if required to do so).

In this Condition 6.4, "**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Mumbai, Hong Kong and London and, in the case of presentation of a Definitive Certificate, in the place in which the Definitive Certificate is presented.

6.5 **Partial Payments**

If the amount of principal, premium (if any) or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal, premium (if any) or interest in fact paid.

6.6 **Agents**

The names of the initial agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Fiscal Agent, at any time to vary or terminate the appointment of any agent and to appoint additional or other agents, *provided* that there will at all times be:

(a) a Paying Agent;
(b) a Calculation Agent;
(c) a Registrar; and
(d) a Transfer Agent.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 11.

6.7 **Payments in U.S. dollars**

Principal, premium (if any) and interest will be payable by the Issuer in U.S. dollars. The amount of principal, premium (if any) and interest to be paid will be determined in Indian rupees and will be translated from Indian rupee to U.S. dollars at the Reference Rate (as defined below) for conversion of Indian rupee to U.S. dollars on the applicable Rate Fixing Date (as defined below).

6.8 **Adjustments to Interest Payment Date and Maturity Date**

If a Scheduled Rate Fixing Date is adjusted for an Unscheduled Holiday or if Valuation Postponement applies, then the Interest Payment Date or Maturity Date relating to such Scheduled Rate Fixing Date shall be one Payment Business Day after the date on which the Reference Rate for such Interest Payment Date or Maturity Date is determined. If any Interest Payment Date or Maturity Date is adjusted in accordance with the preceding sentence, then such adjustment (and the corresponding payment obligations to be made on such dates) shall apply only to such Interest Payment Date or the Maturity Date, as applicable, and no further adjustment shall apply to the amount of interest payable.

6.9 **Fallback Provisions**

In the event of a Price Source Disruption Event, the Calculation Agent shall apply each of the following price source disruption fallbacks (the "**Price Source Disruption Fallbacks**") for the determination of the Reference Rate, in the following order, until the Reference Rate can be determined.

Valuation Postponement	(as defined below)
Fallback Reference Price	(as defined below)
Fallback Postponement	(as defined below)

6.10 **Deferral Period for Unscheduled Holiday**

In the event the Scheduled Rate Fixing Date is postponed due to the occurrence of an Unscheduled Holiday, and if the Rate Fixing Date has not occurred on or before the 14th calendar day after the Scheduled Rate Fixing Date (any such period being a "**Deferral Period**"), then the next day after the Deferral Period that would have been a Business Day but for the Unscheduled Holiday, shall be deemed to be the Rate Fixing Date.

6.11 **Interpretation**

For the purposes of these Conditions:

(a) "**Cumulative Events**" has the following meaning:

Notwithstanding anything to the contrary, in no event shall the total number of consecutive calendar days during which either (i) valuation is deferred due to an Unscheduled Holiday, or

(ii) a Valuation Postponement shall occur (or any combination of paragraphs (i) and (ii)), exceed 14 consecutive calendar days in the aggregate. Accordingly, (A) if, upon the lapse of any such 14 calendar day period, an Unscheduled Holiday shall have occurred or be continuing on the day following such period that otherwise would have been a Fixing Business Day, then such day shall be deemed to be a Rate Fixing Date, and (B) if, upon the lapse of any such 14 calendar day period, a Price Source Disruption Event shall have occurred or be continuing on the day following such period on which the Reference Rate otherwise would be determined, then Valuation Postponement shall not apply and the Reference Rate shall be determined in accordance with the next Price Source Disruption Fallback.

(b) "**Fallback Postponement**" means that, in the event that the Fallback Reference Price is not available on or before the third Fixing Business Day (or the day that would have been a Fixing Business Day but for an Unscheduled Holiday) succeeding the end of either (i) a Valuation Postponement for a Price Source Disruption Event, (ii) a Deferral Period for an Unscheduled Holiday, or (iii) Cumulative Events, as applicable, then the Reference Rate will be determined in accordance with the next applicable Price Source Disruption Fallback on such day (which will be deemed to be the applicable Rate Fixing Date). For the avoidance of doubt, Cumulative Events, if applicable, do not preclude postponement of valuation in accordance with this provision.

(c) "**Fallback Reference Price**" means the Prevailing Market Rate, adjusted for the U.S. dollar/Indian rupee slippage (slippage will be added). The U.S. dollar/Indian Rupee slippage will be 1/100th of a decimal point, i.e. INR 0.01/USD, if the outflow Fallback Reference Price is determined up to one Business Day prior to the applicable payment date. The Fallback Reference Price shall be calculated by the Issuer and notice of such Fallback Reference Price shall be given by the Issuer to the Calculation Agent not later than one Business Day prior to the relevant Interest Payment Date or the Maturity Date.

(d) "**Fixing Business Day**" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, Hong Kong and Mumbai.

(e) "**Market**" means the generally available information on the U.S. Dollars/Indian Rupee spot rate between trading counterparties in the onshore foreign exchange market.

(f) "**Maximum Days of Postponement**" means 14 calendar days.

(g) "**Payment Business Day**" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, Hong Kong and Mumbai.

(h) "**Prevailing Market Rate**" means the Reference Rate for a given Rate Fixing Date will be the U.S. Dollars/Indian Rupee spot rate existing in the Market, if any, and offered by the authorized dealer bank, and agreed by the Issuer and the Investor.

(i) "**Price Source Disruption Event**" means it becomes impossible to obtain the Reference Rate on a Rate Fixing Date.

(j) "**Rate Fixing Date**" means the Scheduled Rate Fixing Date, subject to a Valuation Postponement.

(k) "**Reference Rate**" means the rate which will be calculated as the U.S. dollar/Indian rupee specified conversion rate, expressed as the amount of Indian rupees per one U.S. dollar, reported by the FBIL, which is published on the FBIL's website (www.fbil.org.in) (or any successor page) at approximately 1:30 p.m., Mumbai time, adjusted for the U.S. Dollar/Indian Rupee slippage (slippage will be added). The U.S. Dollar/Indian Rupee slippage will be 1/100th of a decimal point i.e. INR 0.01/USD if the outflow Reference Rate is determined up to one Business Days prior to the applicable payment date.

If a Price Source Disruption Event occurs on the Scheduled Rate Fixing Date, then the Reference Rate for such Rate Fixing Date shall be determined by the Issuer in accordance with the fallback provisions set out herein.

(l) "**Scheduled Rate Fixing Date**" means the date which is one Fixing Business Day prior to the Interest Payment Date or the Maturity Date or such other date on which an amount in respect of the Notes is due and payable. If the Scheduled Rate Fixing Date is an Unscheduled Holiday, the Rate Fixing Date shall be the next relevant Fixing Business Day, subject to the Deferral Period for an Unscheduled Holiday set out herein.

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(m) **"Unscheduled Holiday"** means a day that is not a Fixing Business Day, a fact of which the market was not aware (by means of a public announcement or by reference to other publicly available information) until a time later than 9:00 a.m. local time in Mumbai, one Fixing Business Day prior to the relevant Rate Fixing Date.

(n) **"Valuation Postponement"** means that the Reference Rate will be determined on the Fixing Business Day first succeeding the day on which the Price Source Disruption Event ceases to exist, unless the Price Source Disruption Event continues to exist (measured from the date that, but for the occurrence of the Price Source Disruption Event, would have been the Rate Fixing Date) for a consecutive number of calendar days equal to the Maximum Days of Postponement. In such event, the Reference Rate will be determined on the next Fixing Business Day after the Maximum Days of Postponement (which will, subject to the provisions relating to Fallback Postponement, be deemed to be the applicable Rate Fixing Date) in accordance with the next applicable Price Source Disruption Fallback.

(o) **Calculation of Reference Rate**
The Issuer shall provide the Reference Rate to the Calculation Agent and in no circumstance shall the Calculation Agent be liable for the accuracy of such calculation.

7. REDEMPTION AND PURCHASE

For the avoidance of doubt, any redemption or repurchase of Notes under this Condition 7 shall be subject to regulatory preconditions, including the prior approval of the RBI, if applicable, and such approval is discretionary in nature, and therefore may not be forthcoming.

7.1 Scheduled Redemption

The Issuer shall redeem the following principal amount of the Notes (each, a **"Redemption Amount"**) at a redemption price equal to 100 per cent. of the principal amount thereof, plus accrued and unpaid interest to (but not including) the applicable redemption date, at their respective redemption dates (each, a **"Redemption Date"**) indicated below:

Redemption Date	**Redemption Amount**
10 September 2025	INR450,000,000
10 March 2026	INR450,000,000
10 September 2026	INR450,000,000
10 March 2027	INR450,000,000
10 September 2027	INR450,000,000
10 March 2028	INR450,000,000
10 September 2028	INR450,000,000
10 March 2029	INR450,000,000

Notwithstanding the foregoing, if any part of the Notes are redeemed pursuant to Condition 7.2 (in relation to Condition 7.7(c)(iii)) or Condition 7.3, then the Redemption Amount payable on each Redemption Date falling after the applicable partial redemption shall be reduced pro rata by the amount of Notes so redeemed.

7.2 Early Redemption Events

(a) Not later than 30 days following an Early Redemption Event, the Issuer will make an offer to purchase all (except in the case of the Early Redemption Event referred to in Condition 7.7(c)(iii) for which the Investor may only require the Issuer to purchase the Notes in an amount equal to the Sub-Loan Shortfall (as defined in Condition 7.7(c)(iii) of the outstanding Notes) (each such offer, an **"Early Redemption Offer"**) at a purchase price equal to 100 per cent. of the principal amount thereof, plus accrued and unpaid interest, to (but not including) the applicable Offer to Purchase Payment Date.

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(b) Each Noteholder shall, not less than seven Business Days prior to the applicable Offer to Purchase Payment Date, give notice to the Issuer in accordance with Condition 11 (which notice shall be irrevocable) whether it will accept the Early Redemption Offer (except in the case of the Early Redemption Event referred to in Condition 7.7(c)(iii) for which a notice not less than five Business Days shall be given).

(c) No Agent shall be required to take any steps to ascertain whether an Early Redemption Event has occurred and no Agent shall be responsible or liable to the Noteholders, the Issuer or any other person for any loss arising from any failure to do so.

7.3 **Optional Redemption**

(a) At any time and from time to time prior to March 10, 2025, the Issuer may, at its option, redeem the Notes, in whole or in part, at a redemption price equal to the principal amount thereof, plus the Applicable Premium Amount and all accrued and unpaid interest on the Notes, if any, to (but not including) the applicable redemption date.

(b) At any time and from time to time on or after March 10, 2025, the Issuer may, at its option, redeem the Notes, in whole or in part, at a redemption price equal to 100.75 per cent. of the principal amount thereof, plus all accrued and unpaid interest on the Notes, if any, to (but not including) the applicable redemption date.

(c) At any time and from time to time, the Issuer may, at its option, redeem the Notes, in whole or in part, at a redemption price equal to 100.0 per cent. of the principal amount thereof, plus all accrued and unpaid interest on the Notes, if any, to (but not including) the applicable redemption date if the withholding tax rate on the Notes increases above the rate in effect as of the Issue Date.

(d) The Issuer shall provide notice to the Noteholders of any intention to redeem the Notes in accordance with Condition 7.3 of not less than ten Business Days before any intended date of redemption, which notice shall be irrevocable.

Early redemption of the Notes pursuant to Condition 7 will require the prior approval of the RBI if such redemption occurs prior to the completion of the stipulated minimum average maturity period in accordance with the ECB Directions before effecting such redemption and such approval is discretionary in nature, and therefore, may not be forthcoming.

7.4 **Pro rata redemption**

In the case of Condition 7.2 (in relation to Condition 7.7(c)(iii) and Condition 7.3, if less than all of the Notes are redeemed, the Notes will be selected for redemption as follows:

(a) if the Notes are listed on any securities exchange and/or being held through the clearing systems, in compliance with the requirements of the principal securities exchange on which the Notes are then listed, or the requirements of the clearing systems, as applicable; or

(b) if the Notes are not listed on any securities exchange and/or held through the clearing systems, on a pro rata basis or by lot or such other method as the Fiscal Agent may determine in its sole and absolute discretion, unless otherwise required by law.

A Note of INR10,000,000 in principal amount or less will not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed, the minimum amount of which is INR 25,00,00,000. A new Note in principal amount equal to the unredeemed portion will be issued (at the Issuer's expense) upon cancellation of the original Note. On and after the applicable redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

7.5 **Cancellations**

All Notes which are either redeemed or purchased by or on behalf of the Issuer or any of its Subsidiaries will forthwith be cancelled and accordingly may not be reissued or resold.

7.6 **Notices Final**

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Upon the expiry of any notice as is referred to in Condition 7.2(b), the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

7.7 Interpretation

For the purposes of these Conditions:

(a) **"Applicable Premium Amount"** means, as of the applicable redemption date, an amount equal to all remaining scheduled interest payments due on such Note (based on the Rate of Interest applicable on the applicable redemption date) through March 10, 2025 (but excluding accrued and unpaid interest, if any, to (but not including) the applicable redemption date).

(b) **"control"** (including, with correlative meanings, the terms **"controlling"**, **"controlled by"** and **"under common control with"**), as applied to any Person shall have the same meaning as given to the term "control" under Regulation 2(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (as amended or replaced from time to time).

(c) **"Early Redemption Event"** means the occurrence of one or more of the following events, *unless*, in the case of paragraph (iii) below, the Noteholders have previously consented to the occurrence of any such event by way of the passing of an Ordinary Resolution:
   (i) any Person (other than the Existing Shareholders) controls, directly or indirectly, (A) the Issuer or (B) any Person with whom the Issuer consolidates with;
   (ii) it becomes or will become unlawful or contrary to any regulation in any applicable jurisdiction for a Noteholder to hold the Notes; and/or
   (iii) following the submission of the report (in a form agreed by the Investor and the Issuer from time to time), the Investor is not reasonably satisfied that the Issuer's portfolio of sub-loans has increased by an amount such that such portfolio of sub-loans is equal to the amount of the outstanding Notes (any such shortfall in the Issuer's portfolio of sub-loans, a **"Sub-Loan Shortfall"**).

(d) **"Existing Shareholders"** means any of the private equity shareholders of the Issuer as of December 31, 2021, namely:
   (i) Lake District Holdings Limited;
   (ii) Partners Group ESCL Limited; and
   (iii) Partners Group Private Equity Master Fund LLC.

(e) **"Offer to Purchase Payment Date"** means the date of purchase (which shall be a Business Day no earlier than 30 calendar days nor later than 60 calendar days from the date an offer to purchase the Notes by the Issuer from the Noteholders commenced by mailing a notice to the Fiscal Agent and each Noteholder at its last address in the Notes register in accordance with Condition 11 (which notice shall be irrevocable)).

(f) **"Person"** means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof.

8. TAXATION

8.1 Payment

All payments in respect of the Notes, including principal, premium (if any) and interest by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**"Taxes"**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless a Tax Event occurs, in which case, the Issuer shall pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in the absence of the withholding or deduction.

A **"Tax Event"** shall occur if, as a result of change in, or amendment to, the laws and/or regulations of the Relevant Jurisdiction, a deduction or withholding is required for or on account of Taxes from any payment under the Notes.

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The Issuer has agreed, subject to receipt of reasonably appropriate written evidence in respect thereof, to indemnify any Noteholder (or any person having a beneficial interest therein), to compensate and indemnify, defend and hold harmless each Noteholder and its officers, directors, employees, agents and authorised representatives (if any) from and against any and all Taxes, and any resultant losses, liabilities, damages, demands, expenses (including interests and penalties with respect thereto, out-of-pocket expenses and reasonable attorneys' and accountants' fees), claims, assessments, interest and penalties, based upon or, arising out of, or in relation to, or in connection with, amounts payable by the Issuer to the Noteholder pursuant to the Noteholder's investment in the Notes. For the avoidance of doubt, this indemnity shall survive any redemption of the Notes in accordance with these Conditions and shall remain in full force and effect.

Any indemnity payments to any Noteholder pursuant to this clause may require the prior approval of RBI. The Issuer undertakes to use reasonable endeavours to promptly obtain all authorisations, consents and approvals from appropriate government agencies or bodies, including but not limited to RBI, that may be necessary to make any payment to any Noteholder and its officers, directors, employees, agents and authorised representatives (if any) under this clause.

8.2 **Interpretation**
In these Conditions, "**Relevant Jurisdiction**" means the Republic of India or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal, premium (if any) and interest on the Notes.

8.3 **Additional Amounts**
Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8 or under any undertakings given in addition to, or in substitution for, this Condition 8 pursuant to the Fiscal Agency Agreement.

8.4 **Agents**
Neither the Fiscal Agent nor any agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Fiscal Agent or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. EVENTS OF DEFAULT

9.1 **Events of Default**

Each holder of a Note may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any Note held by it to be immediately due and payable and such Note accordingly shall become immediatelyrepayable at its principal amount, together with interest accrued to the date of repayment, on the occurrence of any of the following events (each, an **Event of Default**):

(a) if default is made in the payment of any principal, premium or interest due in respect of the Notes or any of them, unless the failure to pay is caused by administrative or technical error and payment is made within two Business Days of its due date; or
(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no such continuation or notice as is

hereinafter mentioned will be required) the failure continues for the period of 14 days next following the service by any of the Noteholders on the Issuer of notice requiring the same to be remedied; or

(c) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any other reorganisation other than on terms previously approved in writing by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Noteholders; or

(d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of any reorganisation on terms previously approved in writing by an Extraordinary Resolution of the Noteholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or declared bankrupt or insolvent; or

(e) if (i) the Issuer is declared by a competent court or other authority insolvent or bankrupt or is unable to pay its debts or stops, suspends or threatens to stop or suspend payment of all or a material part of its debts as they mature or applies for or consents to or suffers the appointment of an administrative or other receiver, manager, administrator, liquidator or other similar official, or an administrative or other receiver, manager, administrator, liquidator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer, or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer, and (ii) in any such case (other than the appointment of an administrator) is not stayed or discharged within 45 days; or

(f) if the Issuer initiates or consents to or if any creditor of the Issuer initiates judicial proceedings relating to the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(g) a moratorium (which expression shall not include any deferral of principal originally contemplated and made in accordance with the terms of any loan or other financing related agreement) is agreed or declared by the Issuer in respect of any Indebtedness for borrowed money (including any obligations arising under guarantees) of the Issuer or any of its Subsidiaries; or

(h) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have, an analogous effect to any of the events referred to in paragraphs (c) to (g) above inclusive; or

(i) if: (i) any Indebtedness for borrowed money of the Issuer or any of its Subsidiaries becomes capable of being declared due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Subsidiaries fails to make any payment in respect of any Indebtedness for borrowed money on the due date for payment; (iii) any security given by the Issuer or any of its Subsidiaries for the purpose of securing any Indebtedness for borrowed money becomes enforceable; or (iv) default is made by the Issuer or any its Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for borrowed money of any other person; provided that no event described in this paragraph (i) shall constitute an Event of Default unless the relevant amount of Indebtedness for borrowed money or other relative liability, either alone or when aggregated (without duplication) with other amounts of Indebtedness for borrowed money and/or other liabilities relative to all (if any) other events specified in paragraphs (i) to (iv) above, amounts to at least INR50,000,000 (or its equivalent in any other currency); or

(j) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or

(k) a breach by the Issuer or any of its Subsidiaries of the environmental, social and business integrity requirements set forth in Annex C hereto; or

(l) a breach by the Issuer or any of its Subsidiaries of Sanctions Laws; or

(m) any merger or consolidation involving the Issuer adversely impacting the rights of the Noteholders; or

(n) any material disposal of assets otherwise than in ordinary course of the Issuer's business;

(o) if any representation or warranty contained in Annex B is found to be incorrect in any material respect; or

(p) if the Issuer fails to comply with its undertaking as set out in clause 3(a)(vi) of the placement agreement made on February 21, 2022 between the Investor and the Issuer (the "**Placement Agreement**"); or

(q) if the Issuer fails to perform its obligations under an action plan prepared by the Issuer and in form and substance acceptable to the Investor as set out in clause [3(i)] of the Placement Agreement; or

(r) if the Issuer fails to perform its reporting obligations as set out in clause [3.(f)] of the Placement Agreement.

Provided that upon transfer of Notes, Condition 9.1 (p), (q) and (r) shall cease to apply.

9.2 **Interpretation**

For the purposes of these Conditions:

(a) "**Sanctioning Body**" means any one or a combination of the Office of Foreign Assets Control of the Department of the Treasury of the United States of America, the United Nations Security Council, the European Union and/or Her Majesty's Treasury of the United Kingdom; and

(b) "**Sanctions Laws**" means the economic sanctions, regulations and restrictive measures of a Sanctioning Body.

10. REPLACEMENT OF DEFINITIVE CERTIFICATES

If any Definitive Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

11. NOTICES

11.1 Notices to the Noteholders

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar. Any notice shall be deemed to have been given on the fourth day after being so mailed or, if so published more than once or on different dates, on the date of the first publication.

So long as the Global Certificate is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg, any notice to the Noteholders shall be validly given by the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

11.2 Notices to the Issuer

All notices required or permitted by the Conditions of the Notes to be given by the holders of the Notes are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the mails of the relevant jurisdiction, if intended for the Issuer or any Subsidiary, addressed to the Issuer or such Subsidiary, as the case may be. Any such notice will be deemed to have been sufficiently given or served when so sent or deposited by mail to:

Attention:	Mr. Ghanshyam Rawat
Address:	Aavas Financiers Limited 201-202, 2nd Floor, Southend Square,

AAVAS FINANCIERS LIMITED

	Mansarovar Industrial Area, Jaipur-302020 India			
Telephone:	+91 141 4659244			
Email:	ghanshyam.rawat@aavas.in, financeteam@aavas.in, compliance@aavas.in			

12. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

12.1 Meetings of Noteholders

The Fiscal Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Fiscal Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes the modification of certain of the provisions of these Conditions and certain of the provisions of the Fiscal Agency Agreement (as described in Schedule 3 of the Fiscal Agency Agreement), the necessary quorum for passing an Extraordinary Resolution will be one or more eligible persons present and holding or representing in the aggregate not less than two-thirds of the aggregate principal amount of the Notes or at any adjourned meeting not less than one-third of the aggregate principal amount of the Notes for the time being outstanding. The Fiscal Agency Agreement provides that: (i) a resolution passed at a meeting duly convened and held in accordance with Schedule 3 of the Fiscal Agency Agreement by a majority consisting of not less than three-fourths of the eligible Persons voting thereat upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-fourths of the votes cast on such poll; or (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths of the aggregate principal amount of the Notes for the time being outstanding which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders; or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the holders of not less than three-fourths of the aggregate in principal amount of the Notes for the time being outstanding shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

Any modifications to the terms of the Notes will have to be in compliance with the ECB Guidelines and if required under the ECB Guidelines, necessary approvals from the designated authorised dealer or RBI as applicable shall have to be obtained before any amendments are effective.

In the event of any substitution of the Issuer, the parties may have to obtain the prior approval of the authorised dealer bank or the RBI, as may be applicable in accordance with the ECB Guidelines, and the new entity must either be eligible to be the issuer in respect of the Notes then outstanding in accordance with the ECB Guidelines, or should have obtained the prior approval in writing of the RBI to step in as the issuer in this regard.

12.2 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and any modification or substitution shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

13. FURTHER ISSUES

AAVAS FINANCIERS LIMITED

Subject to the other Conditions hereof, the Issuer may from time to time without the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Fiscal Agency Agreement or any supplemental fiscal agency agreement shall, and any other further notes or bonds may (with the consent of the Fiscal Agent), be constituted by a deed supplemental to the Fiscal Agency Agreement.

14. GOVERNING LAW AND SUBMISSION TO JURISDICTION

14.1 Governing Law

The Fiscal Agency Agreement and the Notes and any non-contractual obligations arising out of or in connection with the Fiscal Agency Agreement and the Notes are governed by, and construed in accordance with, English law.

14.2 Submission to Jurisdiction

(a) Subject to paragraph (c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Fiscal Agency Agreement or the Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Fiscal Agency Agreement or the Notes (a "**Dispute**") and, each of the Issuer, the Fiscal Agent and any Noteholder in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 14, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) To the extent allowed by law, the Fiscal Agent and the Noteholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

14.3 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited, located at 8th Floor, 100 Bishopsgate, London, EC2N 4AG as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Fiscal Agent as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition 14 shall affect the right to serve process in any other manner permitted by law.

14.4 Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of the Notes, except to the extent (if any) that the Conditions of the Notes expressly provides for such Act to apply to any of its terms or conditions but this does not affect any right or remedy of any person which exists or is available apart from that Act.

14.5 Waiver of Immunity

To the fullest extent permitted by law, the Issuer irrevocably and unconditionally:

AAVAS FINANCIERS LIMITED

(a) submits to the jurisdiction of the Courts of England in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of Courts of England in relation to any Dispute (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf;

(b) submits to the jurisdiction of Courts of England and the courts of any other jurisdiction in relation to the recognition of any judgment or order of Courts of England or the courts of any other jurisdiction in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of Courts of England or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agrees to ensure that no such claim is made on its behalf; and

(c) consents to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in Courts of England and the courts of any other jurisdiction whether before or after final judgment including, without limitation:

   (i) relief by way of interim or final injunction or order for specific performance or recovery of any property;

   (ii) attachment of its assets; and

   (iii) enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use) and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of Courts of England or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf.

AAVAS FINANCIERS LIMITED

USE OF PROCEEDS

To on-lend for the purpose of providing affordable housing finance in the form of mortgage-backed loans and/or MSME loans to the borrowers that meet following parameters, in accordance with the applicable ECB Directions (“**Sub-Loans**”)

End use of the facility	To on-lend for the purpose of providing affordable housing finance (“**Home Sub-Loans**”) and/or on-lending to MSME Loan (“**MSME Sub-Loans**”), other than for real estate activities, investment in capital market and equity investment, in accordance with ECB Directions
Gender of the owner/co-owner of the property	Women
Ticket Size	Upto INR 20,00,000 per individual loan

AAVAS FINANCIERS LIMITED

CAPITALIZATION

Issuer is controlled collectively by the Promoter and Promoter Group of the Company. There is no arrangement, known to the Company, the operation of which may at a subsequent date result in a change in control of the issuer.

Major Controlling Shareholders

List of top 10 holders of equity shares of the Company as on December 31, 2021

Sr. No.	Name of the Shareholders	Total no. of Equity Shares	No. of Shares held in Demat Form	Total Shareholding as % of Total no. of Equity Shares
1	Lake District Holdings Limited	18186219	18186219	23.0404
2	Partners Group Escl Limited	8868091	8868091	11.2351
3	Smallcap World Fund, Inc	6311980	6311980	7.9967
4	Partners Group Private Equity (Master Fund), LLC	3891752	3891752	4.9305
5	Government Of Singapore	3368619	3368619	4.2678
6	Sushil Kumar Agarwal	2746438	2746438	3.4795
7	Nomura India Investment Fund Mother Fund	1911567	1911567	2.4218
8	SBI Life Insurance Co. Ltd	1486027	1486027	1.8827
9	Kotak Funds - India Midcap Fund	1419874	1419874	1.7989
10	UTI Flexi Cap Fund	1398661	1398661	1.772

Details of Debt and Equity of the Issuer

	Rs. in Lakh	Rs. in Lakh
Borrowing:	**March-2021**	**March-2020**
Debt securities	1,46,466.15	1,16,846.54
Borrowings (other than debt securities)	4,78,102.49	4,08,391.40
Subordinated liabilities	9,973.65	9,965.61
Total Borrowings as per Ind-AS	**6,34,542.29**	**5,35,203.55**

Shareholders' Funds		
Share Capital	7,850.46	7,832.27
Other Equity	2,32,290.02	2,01,961.10
Shareholders' Funds as per Ind-AS	**2,40,140.48**	**2,09,793.37**

AAVAS FINANCIERS LIMITED

SELECTED FINANCIAL AND OTHER DATA

Financial Statements-

Consolidated Balance Sheet (Rs. in lakh)

Particulars	As at September 30, 2021[1]	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
ASSETS				
Financial assets				
Cash and cash equivalents	5,709.38	2,209.81	35,059.39	16,002.99
Bank balance other than cash and cash equivalents	1,16,612.59	1,10,307.11	84,613.13	52,378.61
Derivative financial instruments	-	-	-	87.86
Loans	8,20,749.42	7,52,328.63	6,18,079.83	4,72,449.00
Other financial assets	22,726.01	22,607.25	18,111.12	16,348.94
Total financial assets	**9,65,797.40**	**8,87,452.80**	**7,55,863.47**	**5,57,267.40**
Non-financial assets				
Current tax assets (net)	2.27	92.06	1,443.24	1,707.73
Property, plant and equipment	2,503.09	2,507.08	2,700.97	1,922.97
Capital work-in-progress	-	-	30.99	-
Intangible assets under development	12.48	40.54	39.90	9.08
Other intangible assets	395.93	345.56	414.84	359.12
Right-of-use assets	3,291.62	2,973.70	2,874.20	-
Other non-financial assets	1,130.70	674.47	630.46	434.92
Total non-financial assets	**7,336.09**	**6,633.41**	**8,134.60**	**4,433.82**
Assets held for sale	**1,780.12**	1,839.58	1,804.30	988.79
Total assets	**9,74,913.61**	**8,95,925.79**	**7,65,802.37**	**5,62,690.01**
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities				
Payables				
(I) Trade payables				
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	899.04	285.40	1,738.64	950.24
Debt securities	1,44,572.73	1,46,466.15	1,16,846.54	43,705.08
Borrowings (other than debt securities)	5,35,999.31	4,78,102.49	4,08,391.40	3,11,661.72
Subordinated liabilities	9,977.98	9,973.65	9,965.61	9,958.30
Lease liabilities	3,613.08	3,229.82	3,012.91	-
Other financial liabilities	17,982.04	13,486.63	10,694.78	7,163.18
Total financial liabilities	**7,13,044.18**	**6,51,544.14**	**5,50,649.88**	**3,73,438.52**
Non-financial liabilities				

[1] Unaudited financial statement

AAVAS FINANCIERS LIMITED

Current tax liabilities (net)	1,293.49			
Provisions	509.13	372.40	827.04	443.05
Deferred tax liabilities (net)	2,040.53	2,829.19	3,167.20	4,274.93
Other non-financial liabilities	1,187.96	1,099.03	1,366.73	831.50
Total non-financial liabilities	**5,031.11**	**4,300.62**	**5,360.97**	**5,549.48**
Equity				
Equity share capital	7,891.22	7,850.46	7,832.27	7,810.79
Other equity	2,48,947.10	2,32,230.57	2,01,959.25	1,75,891.22
Total equity	**2,56,838.32**	**2,40,081.03**	**2,09,791.52**	**1,83,702.01**
Total liabilities and equity	**9,74,913.61**	**8,95,925.79**	**7,65,802.37**	**5,62,690.01**

Consolidated Statement of profit and loss				
				(Rs. in lakh)
Particulars	**For the half year ended September 30, 2021[2]**	**For the Year ended March 31, 2021**	**For the year ended March 31, 2020**	**For the year ended March 31, 2019**
Revenue from operations				
Interest income	**54,177.28**	97,657.92	78,667.67	59,374.89
Fees and commission income	**1,944.64**	3,655.37	3,327.60	2,602.73
Net gain on derecognition of financial instruments under amortized cost category	**3,309.28**	8,635.53	7,658.88	7,828.01
Net gain on fair value changes	**247.01**	387.16	600.43	1,211.42
Total revenue from operations	**59,678.21**	1,10,335.98	90,254.58	71,017.05
Other income	**69.37**	216.05	79.99	100.27
Total income	**59,747.58**	1,10,552.03	90,334.57	71,117.32
Expenses				
Finance costs	**22,878.50**	45,824.27	35,607.15	25,536.71
Fees and commission expense	**357.19**	618.46	490.05	492.20
Impairment on financial instruments	**2,175.27**	3,713.86	1,533.78	889.77
Employee benefits expense	**10,460.28**	17,305.14	14,740.79	11,723.54
Depreciation, amortization and impairment	**1,077.11**	2,061.09	1,956.26	972.34
Other expenses	**3,616.78**	5,773.85	5,812.90	5,717.79
Total expenses	**40,565.13**	75,296.67	60,140.93	45,332.35
Profit/(loss) before tax	**19,182.45**	35,255.36	30,193.64	25,784.97
Tax expense:				
(1) Current tax	**4,875.88**	6,701.45	6,397.21	5,042.18

[2] Unaudited financial statement

AAVAS FINANCIERS LIMITED

(2) Deferred tax	**(788.66)**	(338.01)	(1,107.73)	3,139.70
Profit/(loss) for the year	**15,095.23**	28,891.92	24,904.16	17,603.09
Other comprehensive income				
a) Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit liability	**28.9**	111.45	(6.97)	35.07
Income tax effect	**(7.27)**	(28.05)	1.75	(12.25)
b) Items that will be reclassified to profit or loss	**-**	-	-	-
Other comprehensive income, net of income tax	**21.63**	83.40	(5.22)	22.82
Total comprehensive income for the year	**15,116.86**	28,975.32	24,898.94	17,625.91
Earnings per equity share				
Basic (Rs.)	**19.21**	36.86	31.85	23.66
Diluted (Rs.)	**19.05**	36.54	31.48	23.10
Nominal value per share (Rs.)	**10**	10.00	10.00	10.00

Consolidated Cash flow statement

(Rs. in lakh)

	Particulars	**Half year ended**	**Year ended**	**Year ended**	**Year ended**
		30-Sep-21[3]	**31-Mar-20**	**31-Mar-19**	**31-Mar-21**
A	**Cash flow from operating activities:**				
	Net profit before tax as per statement of profit and loss	**19,182.45**	**30,193.64**	**25,784.97**	**35,255.36**
	Adjustments for				
	Depreciation and amortisation of PPE and right of use assets	1,077.10	1,956.27	972.34	2,061.09
	Interest on lease liabilities	142.32	249.58	-	217.95
	Net gain on derecognition on assigned loans	377.48	(2,154.54)	(4,232.09)	(2,150.55)
	Provision for expected credit loss (ECL)	2,175.27	1,026.98	563.25	3,713.86
	Provision for employee benefits	152.04	281.30	155.11	305.47
	Derivative mark to market gain	-	(3.23)	(28.97)	-
	Provision for CSR expenditure	-	17.28	44.79	-
	Share based payments	664.55	647.14	686.02	850.84

[3] Unaudited financial statement

AAVAS FINANCIERS LIMITED

	Operating profit before working capital changes	**23,771.21**	**32,214.42**	**23,945.42**	**40,254.02**
	Changes in working capital				
	Increase in loans	(70,543.57)	(1,46,461.03)	(1,39,566.53)	(1,37,099.87)
	Increase in financial and other assets	(1,196.58)	(1,569.30)	(4,349.93)	(5,548.43)
	Net Increase/(decrease) in financial and other liabilities	5,212.67	4,722.78	(808.16)	697.16
	Total of changes in working capital	**(66,527.48)**	**(1,43,307.55)**	**(1,44,724.62)**	**(1,41,951.14)**
	Direct taxes paid/refund received	(3,499.87)	(6,130.92)	**(6,811.54)**	(5,419.64)
	Net cash flow used in operating activities (A)	**(46,256.14)**	**(1,17,224.05)**	**(1,27,590.74)**	**(1,07,116.76)**
B	**Cash flow from investing activities:**				
	Inflow (outflow) on account of:				
	Investment in fixed deposits	(6,305.48)	(32,234.53)	(31,281.20)	(25,693.98)
	Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	(529.78)	(1,955.45)	(1,427.34)	(829.17)
	Sale of Property, plant and equipment (including capital work-in-progress)	21.84	14.43	9.62	31.33
	Net cash flow used in investing activities (B)	**(6,813.42)**	**(34,175.55)**	**(32,698.92)**	**(26,491.82)**
C	**Cash flow from financing activities:**				
	Issue of equity shares (including share premium)	975.9	547.42	47,513.35	466.54
	Share / debenture issue expenses	-	(908.10)	(1,292.90)	(73.47)
	Proceeds from borrowings	1,41,064.25	2,36,122.26	1,46,533.36	2,35,184.87
	Repayment of borrowings	(84,806.52)	(64,283.88)	(52,309.87)	(1,33,688.76)
	Repayment of lease Liabilities	(664.5)	(1,021.70)	-	(1,130.18)
	Net Cash flow generated from financing activities (C)	**56,569.13**	**1,70,456.00**	**1,40,443.94**	**1,00,759.00**
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**3,499.57**	**19,056.40**	**(19,845.72)**	**(32,849.58)**
	Cash and cash equivalents as at the beginning of the year	2,209.81	16,002.99	35,848.71	35,059.39
	Cash and cash equivalents at the end of the year	5,709.38	**35,059.39**	**16,002.99**	**2,209.81**

Standalone Balance Sheet

(Rs. in lakh)

Particulars	**As at Half year ended**	**As at March 31, 2021**	**As at March 31, 2020**	**As at March 31, 2019**

AAVAS FINANCIERS LIMITED

	September 30, 2021[4]			
<u>**ASSETS**</u>	-			
Financial assets				
Cash and cash equivalents	5,663.47	2,189.12	35,022.40	15,966.22
Bank balance other than cash and cash equivalents	1,16,112.59	1,09,907.11	84,183.13	51,948.61
Derivative financial instruments		-	-	87.86
Loans	8,20,749.42	7,52,328.63	6,18,079.83	4,72,449.00
Investments	450	450.00	450.00	450.00
Other financial assets	22,971.50	22,604.91	18,136.68	16,359.12
Total financial assets	**9,65,946.98**	**8,87,479.77**	**7,55,872.04**	**5,57,260.81**
Non-financial assets				
Current tax assets (net)	-	90.45	1,438.03	1,707.41
Property, plant and equipment	2,502.81	2,506.66	2,699.83	1,922.97
Capital work-in-progress	-	-	30.99	-
Intangible assets under development	12.48	40.54	39.90	9.08
Other intangible assets	395.93	345.56	414.84	359.12
Right-of-use assets	3,291.62	2,973.70	2,874.20	-
Other non-financial assets	1,199.17	728.44	629.73	434.61
Total non-financial assets	**7,402.01**	**6,685.35**	**8,127.52**	**4,433.19**
Assets held for sale	**1,780.12**	1,839.58	1,804.30	988.79
Total assets	**9,75,129.11**	**8,96,004.70**	**7,65,803.86**	**5,62,682.79**
<u>**LIABILITIES AND EQUITY**</u>				
-				
LIABILITIES				
Financial liabilities				
Payables				
(I) Trade payables	-	-		
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	898.5	284.31	1,737.64	949.25
Debt securities	1,44,572.73	1,46,466.15	1,16,846.54	43,705.08
Borrowings (other than debt securities)	5,35,999.31	4,78,102.49	4,08,391.40	3,11,661.71
Subordinated liabilities	9,977.98	9,973.65	9,965.61	9,958.30
Lease liabilities	3,613.08	3,229.82	3,012.91	-
Other financial liabilities	17,976.27	13,486.63	10,694.78	7,163.18
Total financial liabilities	**7,13,037.87**	**6,51,543.05**	**5,50,648.88**	**3,73,437.52**
Non-financial liabilities				
Current tax liabilities (net)	**1,293.49**			

[4] Unaudited financial statement

AAVAS FINANCIERS LIMITED

Provisions	509.13	372.40	827.04	443.05
Deferred tax liabilities (net)	2,099.70	2,852.27	3,170.30	4,274.93
Other non-financial liabilities	1,184.59	1,096.50	1,364.27	831.36
Total non-financial liabilities	**5,086.91**	**4,321.17**	**5,361.61**	**5,549.34**
Equity				
Equity share capital	7,891.22	7,850.46	7,832.27	7,810.79
Other equity	2,49,113.11	2,32,290.02	2,01,961.10	1,75,885.14
Total equity	**2,57,004.33**	**2,40,140.48**	**2,09,793.37**	**1,83,695.93**
Total liabilities and equity	**9,75,129.11**	**8,96,004.70**	**7,65,803.86**	**5,62,682.79**

Standalone Statement of profit and loss				
				(Rs. in lakh)
Particulars	**For half year ended September 30, 2021[5]**	**For the year ended March 31, 2021**	**For the year ended March 31, 2020**	**For the year ended March 31, 2019**
Revenue from operations				
Interest income	54,174.90	97,639.40	78,642.51	59,354.82
Fees and commission income	1,944.64	3,655.37	3,327.60	2,602.73
Net gain on derecognition of financial *instruments under amortized cost* category	3,309.28	8,635.53	7,658.88	7,828.01
Net gain on fair value changes	247.01	387.16	600.43	1,211.42
Total revenue from operations	**59,675.83**	**1,10,317.46**	**90,229.42**	**70,996.98**
Other income	69.37	216.05	79.99	100.27
Total income	**59,745.20**	**1,10,533.51**	**90,309.41**	**71,097.25**
Expenses				
Finance costs	22,878.51	45,824.27	35,607.15	25,536.71
Fees and commission expense	357.19	618.46	490.05	492.20
Impairment on financial instruments	2,175.27	3,713.86	1,533.78	889.77
Employee benefits expense	10,317.27	17,213.61	14,707.45	11,723.54
Depreciation, amortization and impairment	1,076.98	2,060.37	1,956.13	972.34
Other expenses	3,614.89	5,770.00	5,810.18	5,713.47
Total expenses	**40,420.11**	**75,200.57**	**60,104.74**	**45,328.03**
Profit/(loss) before tax	**19,325.09**	**35,332.94**	**30,204.67**	**25,769.22**
Tax expense:				
(1) Current tax	4,875.88	6,701.45	6,397.21	5,038.29

[5] Unaudited financial statement

AAVAS FINANCIERS LIMITED *

(2) Deferred tax	-752.57	(318.03)	(1,104.63)	3,139.70
Profit/(loss) for the year	**15,201.78**	**28,949.52**	**24,912.09**	**17,591.23**
Other comprehensive income				
a) Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit liability	28.9	111.45	(6.97)	35.07
Income tax effect	-7.27	(28.05)	1.75	(12.25)
b) Items that will be reclassified to profit or loss		-	-	-
Other comprehensive income, net of income tax	**21.63**	**83.40**	**(5.22)**	**22.82**
Total comprehensive income for the year	**15,223.41**	**29,032.92**	**24,906.87**	**17,614.05**
Earnings per equity share				
Basic (Rs.)	19.35	36.94	31.86	23.65
Diluted (Rs.)	19.18	36.62	31.49	23.08
Nominal value per share (Rs.)	10	10.00	10.00	10.00

Standalone Cash flow statement for the year					
					(Rs. in lakh)
Particulars		**Half Year ended**	**Year ended**	**Year ended**	**Year ended**
		30-Sep-21[6]	**31-Mar-21**	**31-Mar-20**	**31-Mar-19**
A	**Cash flow from operating activities:**				
	Net profit before tax as per statement of profit and loss	**19,325.09**	**35,332.94**	**30,204.67**	**25,769.22**
	Adjustments for				
	Depreciation and amortisation of PPE and right of use assets	1,076.98	2,060.37	1,956.13	972.34
	Interest on lease liabilities	142.32	217.95	249.58	-
	Net gain on derecognition on assigned loans	377.48	(2,150.55)	(2,154.54)	(4,232.09)
	Provision for expected credit loss (ECL)	2,175.27	3,713.86	1,026.98	563.25
	Provision for employee benefits	152.04	305.47	281.30	155.11
	Derivative mark to market gain	-	-	(3.23)	(28.97)
	Provision for CSR expenditure	-	-	17.28	44.79
	Share based payments	664.55	850.84	647.14	686.02
	Operating profit before working capital changes	**23,913.73**	**40,330.88**	**32,225.31**	**23,929.67**
	Changes in working capital				

[6] Unaudited financial statement

	Increase in loans	(70,543.58)	(1,37,099.87)	(1,46,461.03)	(1,39,566.53)
	Increase in financial and other assets	(1,194.23)	(5,550.48)	(1,572.05)	(4,352.77)
	Net Increase/(decrease) in financial and other liabilities	5,191.93	668.65	4,708.25	(808.29)
	Total of changes in working capital	**(66,545.88)**	**(1,41,981.70)**	**(1,43,324.83)**	**(1,44,727.59)**
	Direct taxes paid	(3,499.21)	(5,419.64)	(6,126.03)	**(6,809.60)**
	Net cash flow used in operating activities (A)	**(46,131.36)**	**(1,07,070.46)**	**(1,17,225.55)**	**(1,27,607.52)**
B	**Cash flow from investing activities:**				
	Inflow (outflow) on account of:				
	Investment in fixed deposits	(6,205.48)	(25,723.98)	(32,234.53)	(31,301.20)
	Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	(529.78)	(829.17)	(1,954.17)	(1,427.34)
	Sale of Property, plant and equipment (including capital work-in-progress)	21.84	31.33	14.43	9.62
	Net cash flow used in investing activities (B)	**(6,713.42)**	**(26,521.82)**	**(34,174.27)**	**(32,718.92)**
C	**Cash flow from financing activities:**				
	Issue of equity shares (including share premium)	975.9	466.54	547.42	47,513.36
	Share / debenture issue expenses	-	(73.47)	(908.10)	(1,292.90)
	Proceeds from borrowings	1,40,814.25	2,35,184.87	2,36,122.26	1,46,533.36
	Repayment of borrowings	(84,806.52)	(1,33,688.76)	(64,283.88)	(52,309.87)
	Repayment of lease Liabilities	(664.5)	(1,130.18)	(1,021.70)	-
	Net Cash flow generated from financing activities (C)	**56,319.13**	**1,00,759.00**	**1,70,456.00**	**1,40,443.95**
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**3,474.35**	**(32,833.28)**	**19,056.18**	**(19,882.49)**
	Cash and cash equivalents as at the beginning of the year	2,189.12	35,022.40	15,966.22	35,848.71
	Cash and cash equivalents at the end of the year	5,663.47	**2,189.12**	**35,022.40**	**15,966.22**

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Global economic review

One year into the COVID-19 pandemic, the accumulating human toll continues to raise concerns, even as growing vaccine coverage lifts sentiment. In the second half of fiscal 2021, global financial markets remained largely buoyant, fueled by optimism around a speedy vaccine-led recovery. The Covid-19 induced disruptions aggravated the situation and the operating environment turned more challenging in FY2021.

The global economy reported a de-growth of 3.5% in 2020 compared to a growth of 2.9% in 2019, the worst contraction since World War II. This sharp decline in global economic growth was largely due to the outbreak of the novel coronavirus and the consequent suspension of economic activities due to the pandemic-induced lockdown. This led to supply chain disruptions across the globe, resulting in the de-growth of some of the largest global economies.

Region	2020	2019
World output	(3.5)	2.9
Advanced economies	(4.9)	1.7
Emerging and developing economies	(2.4)	3.7

(Source: IMF)

Performance of some major economies

The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis.

United States: The country witnessed a GDP de-growth of 3.4% in 2020 compared to a growth of 2.3% in 2019, the worst year since World War II. Despite recording an impressive growth rate of 33.4% in the third quarter, it slumped to a growth rate of 4% in the final quarter mainly due to increasing coronavirus cases in that country.

China: The country's Gross Domestic Product grew 2.3% in 2020 compared to 6.1% in 2019 despite being the epicenter of the outbreak of the novel coronavirus. It was the only major economy able to avoid GDP contraction in CY2020.

United Kingdom: Britain's GDP shrank 9.9% in 2020 compared to growth of 1.4% in 2019, the biggest decline since the Great Frost in 1709 and 2x the annual contraction recorded in the aftermath of the financial crisis in 2009. The second wave of the virus and extended lockdown were some of the biggest factors responsible for the economic weakness.

Japan: Japan economy witnessed a contraction of 4.8% in 2020, the first instance of contraction since 2009. Having started the year with a quarterly contraction of 2.1%, it was followed by an increase in the contraction in Q2, 2020 on account of the Covid-19 crisis, which stood at 10.3% and then further followed by 5.8% and 1.1% GDP growth rates recorded in Q3 and Q4, 2020, respectively. This revival in the country's economy could be attributed to the increase in exports.
(Source: CNN, IMF, Economic Times, trading economics, Statista, CNBC)

Global economic growth

Year	2016	2017	2018	2019	2020 (E)
Real GDP growth (%)	3.1	3.8	3.6	2.9	(3.5)

(Source: IMF; E: Estimated)

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Outlook

The global economy is projected to have stronger recovery in 2021 and 2022 for the global economy compared to our previous forecast, with growth projected to be 6 % in 2021 and 4.4 percent in 2022 largely due to the successful roll-out of vaccines across the globe, coupled with additional policy support in the large economies. (Source: IMF)

Indian economic review

The Covid-19 pandemic has impacted most countries, including India. This resulted in countries announcing lockdown and quarantine measures that sharply stalled economic activity. Several countries took unprecedented fiscal and monetary actions to help alleviate the impact of the crisis. The Indian economy passed through one of the most volatile periods in living memory in 2020-21.

At the start of 2020, India was among the six largest global economies; its economic growth rate was the fastest among major economies (save China); its population at 1.36 bn the second largest in the world; its rural population of the under-consumed is the largest in the world.

The Indian government announced a complete lockdown in public movement and economic activity from the third week of March 2020. As economic activity came to a grinding halt, the lockdown had a devastating impact on an already-slowing economy as 1.36 billion Indians were required to stay indoors - one of the most stringent lockdowns enforced in the world.
The outbreak of the novel coronavirus and the consequent suspension of economic activities due to the pandemic-induced lockdown, coupled with muted consumer sentiment and investments, had a severe impact on the Indian economy during the first quarter of the year under review. The Indian economy de-grew 23.9 per cent in the first quarter of 2020-21, the sharpest de-growth experienced by the country ever since the index was recorded.

The Central and state governments selectively lifted controls on movement, public gatherings and events from June onwards, each stage of lockdown relaxation linked to corresponding economic recovery. Interestingly, the recovery was not merely linear and across-the-board. As controls relaxed what the country observed was a new normal: where individuals were encouraged to work from home; where inter-city business travel was replaced by virtual engagement; where a greater premium was placed on the ownership of personal mobility modes (cars and two-wheelers); there was a sharp increase in home purchase following the need to accommodate an additional room for home working.

The result is that India's relief consumption following the lifting of social distancing controls translated into a full-blown economic recovery. A number of sectors in India – real estate, steel, cement, home building products and consumer durables, among others - reported unprecedented growth. The result is that India de-grew at an improved 7.5 per cent in the July-September quarter and reported 0.4 per cent growth in the October-December quarter and a 1.6% growth in the last quarter of the year under review.

The result is that India's GDP contracted 7.3% during 2020-21, largely on account of the sharp depreciation of the first quarters. This sharp Indian recovery – one of the most decisive among major economies – validated India's robust long-term consumption potential.

India began to report improving Goods and Services Tax (GST) collections month-on-month following the relaxation of the lockdown. The per capita income was estimated to have declined by 5% from Rs 1.35 lakh in 2019-20 to Rs 1.27 lakh in 2020-21.

Despite the gloomy economic scenario, foreign direct investments (FDI) in India increased 13% to reach a value of US$57 billion in 2020, the digital sector being the biggest catalyst. The gap between government expenditure and revenue was estimated at ~Rs 12 trillion due to increased borrowing by the government in May 2020 to deal with the COVID-19 outbreak.

India jumped 14 places to 63 in the 2020 World Bank's Ease of Doing Business ranking and is the only country in the emerging market basket that received positive FPIs of $23.6 billion in 2020, ranking eighth among the world's top stock markets with an m-cap of $2.5 trillion in 2020.

The Government of India had announced various measures to support the economy during this period. The Government sustained a number of economic reforms to revive investor sentiment. The Government initiated structural reforms in agriculture, labour laws and medium-small enterprise segments. The labour reforms were intended to benefit MSMEs increase employment, enhance labour productivity and wages.

The RBI had also announced several measures to ease the financial system stress, including enhancing system liquidity, reducing interest rates, moratorium on loan repayments for borrowers, asset classification standstill benefit to overdue accounts where a moratorium had been granted amongst others to alleviate the economic stress induced by the pandemic which had an impact across sectors that were already showing signs of a slowdown even before the outbreak.

India extended the Partial Credit Guarantee Scheme by relaxing the criteria and allowing state-owned lenders more time to purchase liabilities of shadow banks. Under the Rs 45,000-crore partial credit guarantee scheme, announced as a part of the Atmanirbhar Bharat package, three additional months were given to banks to purchase the portfolio of non-banking financial companies.

The Government relaxed foreign direct investment (FDI) norms for sectors like defence, coal mining, contract manufacturing and single-brand retail trading. The Union Cabinet approved the production-linked incentive (PLI) scheme for 10 sectors: pharmaceuticals, automobiles and auto components, telecom and networking products, advanced chemistry cell batteries, textile, food products, solar modules, white goods, and specialty steel. These incentives could attract investments in modern technology, catalysing India's journey towards becoming a global player.

Y-o-Y growth of the Indian economy

	FY18	FY19	FY20	FY21
Real GDP growth (%)	7	6.1	4.2	(7.3)

Growth of the Indian economy, 2020-21

	Q1, FY21	Q2, FY21	Q3 FY21	Q4,FY21
Real GDP growth (%)	(23.9)	(7.5)	0.4	1.6

(Source: Economic Times, IMF, EIU, Business Standard, McKinsey)

Outlook

India is projected to grow in the high single-digits percentages in 2021-22 following the second surge of the pandemic in March 2021.

Housing Finance Sector

Even as India's housing finance sector enjoys a multi-year growth story on account of a growing population, increased aspirations, government incentives and stable real estate prices, there was a setback for a part of 2020-21 on account of the Covid-19 pandemic. There was a decline in non-bank credit growth, which commenced in the second half of fiscal 2019, continuing through fiscal 2020, accentuated first by the ongoing economic slowdown and thereafter by the pandemic.

The Covid-19 induced slowdown affected the performance of housing finance companies (HFCs), which were encountering slow growth as well as liability and asset quality-related challenges. ICRA estimated housing credit

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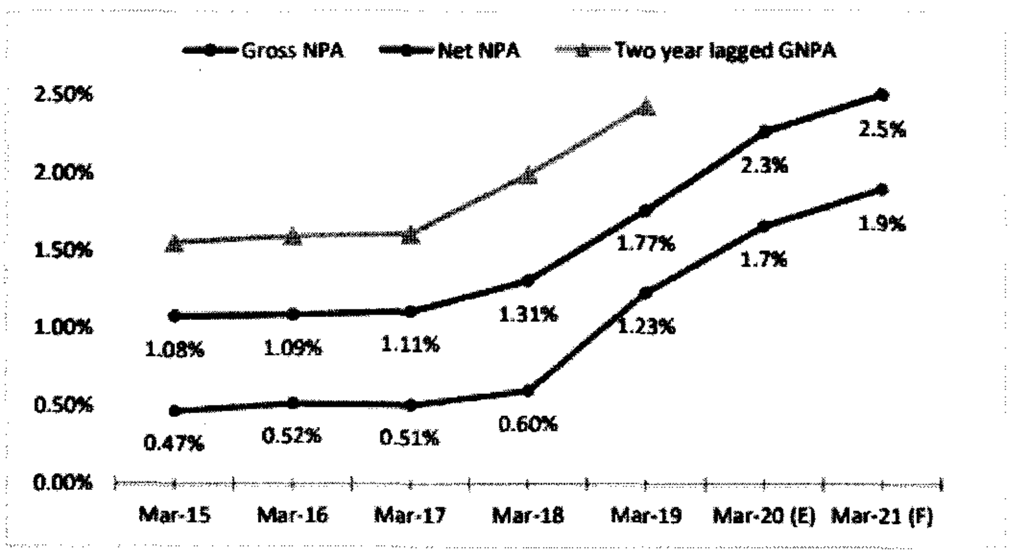
growth at 9-12% in FY2021 (lower than the last three years' CAGR of 16%), creditable in view of the lockdown across the first quarter of the last financial year and sluggish conditions thereafter. This validates the long-term health of the sector, whose relevance only increased at a time when individuals were expected to stay at home.

With the gradual pick-up in demand for housing credit in the industry in the last two quarters of FY 2020-21, most of the HFCs have already reached near pre-Covid level disbursements and are now striving to achieve higher disbursement targets. This is expected to push up the growth rate for FY2021 to 6-8%. Subsequently, the growth is estimated to be of 8-10% for on-book portfolio of HFCs in FY2022.

Given the stress in cash flows encountered by the borrowers, the overdues of the housing finance companies have risen in FY2021. Moreover, the asset quality indicators have been impacted majorly in this financial year. It is anticipated for the GNPAs of HFCs for FY2021 to be 50-100 basis points higher than that for FY2020 and the increase continued to remain in FY2022 as well. A relatively lower business growth than the ones recorded in the previous years and asset quality pressures limited the profitability of the HFCs in FY2021.

From liquidity perspective, the HFCs are maintaining healthy on-balance sheet liquidity for the last few quarters and have gradually reduced their reliance on short-term funding sources like Commercial Papers, which has helped in improving asset liability mismatches in the near-term buckets. HFCs are expected to maintain healthy liquidity in the near-term given the challenging environment.

Trend in asset quality of HFCs



E: Estimate, F: Forecast

(Source: NHB, BWR research)

On the profitability side, housing finance companies were affected by increased delinquencies, rise in provisions and moderation in interest income. The moderation in interest income came on account of the weaker growth in the advances given by housing finance companies. The total loan securitization undertaken by housing finance companies, NBFCs and MFIs stood at Rs 90,000 crore compared to Rs 1.9 lakh crore in FY2020. Moreover, the uncertainty related to incomes translated into a higher incidence of repayment defaults during FY20-21. The asset quality in the self-employed segment niche of the affordable housing finance sector worsened more than the salaried segment.

By customer type, India's home loan market was segmented into the salaried and self-employed segments. The salaried segment accounted for ~88% market share in 2020. By tenure, the market was segmented up to 5 years, 6-10 years, 11-24 years, and 25-30 years, the 11-24 year segment accounting for the highest share (preferred tenure being 20 years).

(Source: ICRA, Business Today)

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The Affordable Housing Finance Segment

The affordable housing finance segment is the largest – and most challenging - within India's housing finance sector. India's typical AHFC customer lives in Tier-2 and Tier-3 cities, is new to the concept of credit, earns a low informal income, does not possess income documents and is usually self-employed. These realities warrant the use of specialized expertise in addition to what is used in conventional lending.

The portfolio growth in the affordable segment slowed down as well but remained higher than HFCs although on lower base, supported by robust demand and liquidity support from NHB, leading to a growth of 8% in 9M FY2021 following the growth of 18% in FY2020. With the demand in this segment remaining intact, it is expected to continue growing at a faster pace than the overall industry.
(Source: ICRA)

The usual characteristics of affordable housing finance niche are captured in the following realities:
Low average ticket size: Nearly 70 per cent of the niche is accounted for by loans of Rs 10 lacs or lower.

Self-employed: Nearly 85% AHFCs cater to the growing needs of the self-employed where yields are typically higher over the salaried segment

Format: Much of the financing is for single units and self-occupied houses, indicating that they are for active use and not investment

Low loan to value: More than 60 per cent of the loans made in the affordable housing finance niche have a loan to value of less than 70 per cent, indicating a higher skin in the game for the borrower and correspondingly lower risk for the lender.

Undocumented income: This segment is marked by a distinctive reality where most of the loans are without documentation related to formal income; they are sought by customers who are new to credit and the entire process warrants a cash flow-based assessment.

RBI support: The RBI changed rules for new home loans to support the sector, rationalising the risk weights and linking them to LTV ratios only for all new housing loans sanctioned up to March 31, 2022, expected to increased credit availability to borrowers. The RBI extended the scheme for co-lending to all NBFCs and HFCs to ease credit availability for the real estate sector.

Outlook

India's home loan market is anticipated to grow at a CAGR of around 22% during 2021-2026 (source: Reportlinker).

Housing Finance Sector Catalysts

Housing shortage: India's urban housing shortage is around 10 million units, a majority in Economically Weaker Section (EWS) and Lower Income Group Segment (LIG). To support 40% of the population in the urban area, there would be an additional demand for 25 million additional affordable units.

Mortgage penetration: The mortgage penetration in India from formal lending sources is only 9%, while the remaining 91% of the houses are built using own funds and informal borrowing sources, widening the room for housing finance companies (Source: Assocham)

Awareness: There is a growing awareness among the salaried/self-employed segments that residential rental payments are equivalent to monthly instalments that would be paid against home loans, growing the housing financed market.

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Monetary measures: The RBI announced the highest reduction in repo and reverse repo rates to stimulate demand for home ownership and housing finance. RBI also announced Rs 5000 crore to be infused in National Housing Bank.

Government support: The Government is committed to its 'Housing for all' vision under the Pradhan Mantri Awas Yojana (PMAY). The Credit Linked Subsidy Scheme (CLSS) for the Economically Weaker Section (EWS) and Lower Income Group (LIG) has been extended till March 2022.

Urbanization: By 2030, 40% of the country's population, or 600 million people, are expected to reside in cities. The country requires 700 to 900 million square meters of residential and commercial space (equivalent to Chicago) to be built annually till 2030 to accommodate this 600 million i.e., 70% of India of 2030 is likely to be built in the coming decade, widening the market for housing finance. This migration means that nearly 90% of the demand is likely to be generated from the bottom of the economic pyramid.

Demographics: Close to 65% of India's population is under 35 years, a class of the population considered economically productive. The number of nuclear families is rising sharply on account of job dispersal and other social realities.

Cost: The cost of housing finance in India is among the lowest amongst developing economies. Besides, lower fixed deposit /saving accounts returns are incentivizing investments in home ownership. Besides, the cost of real estate has remained steady for one of the longest periods in recent times, enhancing home ownership affordability.

Country wise mortgage to GDP ratio (%)

Sweden	82%
United Kingdom	69%
United States	63%
Singapore	50%
Hong Kong	45%
Germany	36%
Malaysia	34%
Korea	31%
Thailand	20%
China	18%
South Africa	18%
India	10%
India FY23E	13%

Rise in India's nuclear households

CY11	52%
CY25E	74%

House value as a multiple of annual income in India

	CY10	CY18
Mumbai	11	7
NCR	6	5
Chennai	5	4
Kolkata	6	3

The indicative Indian affordable housing finance market

Demand by FY22 Housing units (million)	Income category	Annual household income (INR million)
~14	Low income group	0.3-0.6

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	Size (sq. ft.)	Price/unit (INR million)	Disbursement potential (INR trillion)
MIG	600-1200	2-4	3.7
LIG	300-600	1-2	2.9
EWS	150-300	<1	1.9

Government policies for the housing finance companies

In June 2020, the RBI released draft framework for the regulation of Housing Finance Companies. The Draft Framework proposed to bring HFCs under the regulatory umbrella of the RBI, putting it on a level playing field with other Non-Banking Finance Companies.

The RBI issued a master circular titled 'Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021' on February 17, 2021, which supersedes the previously issued directions by National Housing Bank (NHB) and the RBI. The circular provides a consolidated regulatory framework applicable to HFCs.

(a) To qualify as HFC, 60% of the total assets (net of intangible assets) should comprise of housing finance, of which at least 50% should be towards individual housing loans
(b) HFCs to achieve CRAR of 15% by March 2022
(c) RBI permitted lending to individual home buyers or construction of the same project
(d) Capital market exposure has been capped at 40% of the net worth for HFCs
(e) HFCs to achieve minimum Net owned fund of ₹20 crore by March 31, 2023

The Government of India approved a scheme to improve NBFC/HFC liquidity through a SPV to minimize systemic risks. The eligible non-bank lenders were to be provided short-term liquidity through a special purpose vehicle (SPV) that would purchase the short-term papers from eligible NBFCs/housing finance companies (HFCs) and utilise proceeds for extinguishing existing liabilities. (Source: https://realty.economictimes and ICICI Direct)

Budgetary provisions of Union Budget 2021 on the sector

(a) Extension of additional tax deduction of Rs 1.5 lakh on interest paid on housing loan for purchase of affordable homes by one more year to March 31, 2022. This additional deduction of Rs 1.5 lakh over and above Rs. 2 lakh was introduced in the 2021 Budget. This was allowed for those buying homes for the first time and of up to Rs 45 lakh.
(b) To encourage the supply of affordable houses it was proposed that housing projects could avail of a tax holiday for one additional year till 31st March 2022.

Outlook

The outlook of India's housing finance sector is likely to be robust across the long-term for a fundamental reason: more Indians want to buy houses for enhanced security and asset creation even though renting could be cheaper in the short-term.

As the Indian economy matures, the mortgage-to-GDP ratio of less than 10% (which is significantly lower than other countries) could move towards the mid-teens and make the housing finance a USD 750 billion market over five years, creating a sweet spot for specialized AHFCs.

The housing finance sector is expected to grow sustainably on account of utilize sustained population growth, rapid growth coming out of non-metro India, increased per capita incomes, home ownership preference, affordable home prices along with need for external financing, consistent government support and extensive under-penetration.

Projected Indian housing finance market growth

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Year	Loan assets (INR trillion)
FY13	7
FY14	9
FY15	10
FY16	12
FY17	14
FY18	17
FY19	19
FY20E	22
FY21E	26
FY22E	31
FY23E	37
FY25E	54

Source: Avendus

Projected growth
FY13-FY19: CAGR 17%
FY19-FY25E: CAGR 19%
Source: Avendus

Urban housing needs (million units)

CY11	19
CY16	29
CY22E*	46

*Estimate

Rural housing need (million units)

CY11	29
CY16	34
CY22E*	46

*Estimate

Government initiatives for the overall sector

Atmanirbhar Bharat 3.0: Income tax relief measures for real estate developers and homebuyers for primary purchase/sale of residential units of value (up to Rs. 2 crore (US$ 271,450.60) from November 12, 2020, to June 30, 2021).

Affordable Housing Fund: Created in National Housing Bank with an initial corpus of Rs. 10,000 crore using priority sector lending short fall of banks/financial institutions for micro financing of housing finance companies

Alternative Investment Fund: Approved by the Union Cabinet for setting up a Rs. 25,000 crore fund to revive ~1,600 stalled housing projects

Pradhan Mantri Awas Yojana (Urban): Some 1.12 crore houses were sanctioned in urban areas.

RERA: In October 2020, the government announced the application of Real Estate (Regulation & Development) Act, 2016 to Jammu & Kashmir, which paved the way for any Indian citizen to buy non-agricultural land and property in that state

Tax moderation: GST Council cut tax to 5% from 12% on premium houses and to 1% from 8% for affordable houses. (Source: IBEF)

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About Aavas Financiers

Aavas Financiers Limited (Aavas) is a housing finance company based in Jaipur, Rajasthan. The Company is primarily engaged in providing housing loans in rural and semi-urban areas. It is present in 11 states in north, west and central India with a branch network of 280 (as on 31 March 2021) and AUM of Rs. 9,454.29 crore (including assignment of Rs. 2,004.68 crore) as on 31 March 2021.

SCOT analysis of Aavas

Strengths	Challenges
*Ability to appraise the informal segment with better asset quality *Focused market presence with deep branch network *Strong reliance on technology * Positive ALM; no Commercial Paper *Low balance sheet leverage	*Overall economic downturn *Slowdown in the real estate sector
Opportunities	**Threats**
*Lower mortgage penetration *Growing urbanization requiring more residential units *Growing aspiration levels in the rural and semi-urban regions *Continuous focus on affordable housing segment	*Economic vulnerability owing to pandemic situation *Reduced credit flow following NBFC fiasco *Growing competition

AAVAS' PERFORMANCE REVIEW, FY 2020-21

A. FINANCIAL PERFORMANCE

1. Income & Profits

Total Income of the Company for the year ended March 31, 2021 was Rs. 1,105.34 crore compared to Rs. 903.09 crore in the previous year, representing a growth of 22%.
For the year ended March 31, 2021, the Company reported a Profit Before Tax of Rs. 353.33 crore as against Rs. 302.05 crore for the year ended March 31, 2020, representing a growth of 17%.
The Company reported Total Comprehensive Income of Rs. 290.33 crore for the year ended March 31, 2021 as against Rs. 249.07 crore for the year ended March 31, 2020, a growth of 17% over the previous year.

2. Statement of Profit and Loss

Key elements of the statement of Profit & Loss for the year ended March 31, 2021 were:

(a) Profit before tax grew 17% as against Rs. 302.05 crore in the previous year.
(b) Total Comprehensive Income grew by 17% as against Rs. 249.07 crore in the previous year
(c) Net Interest Margin for the year was 7.71% as against 8.16% in the previous year
(d) The Company's Operating Expense ratio (to average total assets) was 3.01% for the year ended March 31, 2021.
(e) Total Expenses of Company grew by 11.4% during the year ended March 31, 2021
(f) The Earnings per share (Basic) was Rs. 36.94 in 2020-21 as against Rs. 31.86 in the previous year.
(g) Return on average net worth for the year was 12.91% in 2020-21 as against 12.66% in the previous year.
(h) Interest coverage ratio for 2020-21 was 1.82 times as against 1.90 times in the previous year.
(i) Debt-equity ratio for the year was 2.65 times for 2020-21 as against 2.57 times in the previous year.
(j) Operating profit margin for the year was 37.19% in 2020-21 as against 37.31% in the previous year.

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(k) Net profit margin for the year was 26.27 % in 2020-21 as against 27.58% in the previous year.

B. OPERATIONAL PERFORMANCE

Aavas is a retail affordable housing finance company primarily serving low and middle-income self-employed customers in semi-urban and rural areas in India. It offers customers home loans for the purchase or construction of residential properties, and for the extension and repair of existing housing units.

As of March 31, 2021, a majority of the home loans that it disbursed were for single-unit properties, almost all of which were to be occupied by the borrowers themselves. A majority of its customers have limited access to formal banking credit.

The Company has a dedicated team who looks after subsidy cases. The Company's presence in the cities with lower credit penetration provides it an opportunity to connect with prospective customers eligible for the scheme. Additionally, the place where Aavas is present matched the pin codes provided under the scheme. The Company addressed several first-time borrowers (approximately 60-70%) living in kuccha houses and aspiring to live in pucca homes. Aavas possessed the quality of assessing people eligible for the scheme. The sales team visited small vendors/businessmen who did not have formal income documentation but were eligible to avail subsidised loans.

1. Loan products

The Company offers customers home loans for the purchase or construction of residential properties, and for the extension and repair of existing housing units.

In addition to home loans, the Company offers customers other mortgage loans including loans against property, which accounted for 26.52% of our Gross Loan Assets as of March 31, 2021. As of March 31, 2021, 65.16% of our Gross Loan Assets were from customers who belonged to the economically weaker section and low income group, earning less than Rs. 50,000 per month and 31.46% of our Gross Loan Assets were from customers who were new to credit.

2. Sanctions

The Company sanctioned Rs. 2,812.94 crore housing loans during 2020-21. The cumulative loan sanctions since inception of your Company stood at Rs. 14,459.13 crore until March 31, 2021.

3. Disbursements

The Company disbursed Rs. 2,656.85 crore housing loans during 2020-21 as compared to Rs. 2,930.39 crore in the previous year. The cumulative loan disbursement since inception as of March 31, 2021 was Rs. 13,754.76 crore.

4. Assets under Management (AUM)

The AUM of Company stood at Rs. 9,454.29 crore (including assignment of Rs. 2,004.68 crore) as of March 31, 2021 as against Rs. 7,796.09 crore in the previous financial year, a growth of 21%. As of March 31, 2021, the average loan sanctioned was Rs. 8.49 lakh and average tenure was 184.53 months in the AUM (on origination basis).

5. Spread on loans

The average yield on loan assets during 2020-21 was 13.16% per annum compared to 13.63% in the previous year. The cost of funds was 7.40% per annum during 2020-21 as compared to 8.44% in 2019-20. The spread on loans for the year was 5.76%.

6. Non-Performing Assets (NPA)

The Company maintained its gross NPAs at Rs. 73.91 crore (0.98%) as on March 31, 2021. The Company reviewed its delinquency and loan portfolio on a regular basis. The Company conformed to a defined policy with procedures to address delinquencies and collections. As a result, Gross NPA and net NPA as of March 31, 2021 were 0.98% and 0.71% respectively (against 0.46% and 0.34% respectively in the previous financial year).

7. Capital Ratio

As per the provisions of clause 6.1 of Chapter IV- Capital of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021, the Company was required to maintain a minimum capital ratio of 14% on a standalone and consolidated basis on March 31, 2021. The Company's Capital Ratio as of March 31, 2021 was 54.54%% (previous financial year 55.86%), far above the minimum required level of 14%.

8. Lending operations

The Company's lending operations continued to be robust, given the strong demand for housing loans. During the year, in value terms, loans to the EWS and LIG segment grew by 23.81% and 25.14% respectively compared to the previous year. The average home loan to the EWS and LIG segment stood at Rs. 4.66 lakh and Rs. 8.89 lakh, respectively.

9. Branch network

Aavas engaged in contiguous on-ground expansion across regions; As of 31st December 2021, we conducted our operations through 298 branches and the premises of all our branches have been taken on a lease or leave and license basis The Company has its registered office in Jaipur, Rajasthan.

C. RESOURCE MOBILIZATION

1. Share Capital

The issued and paid-up Equity Share Capital of the Company as on March 31, 2021 stood at Rs. 78,50,45,510 (Rupees Seventy eight crore fifty lakh forty five thousand five hundred and ten) consisting of 7,85,04,551 (Seven crore eighty five lakh four thousand five hundred and fifty one) Equity Shares of Rs. 10/- each as compared to Rs. 78,32,26,610 (Rupees Seventy eight crore thirty two lakh twenty six thousand six hundred and ten) consisting of 7,83,22,661 (Seven crore eighty three lakh twenty two thousand six hundred and sixty one) Equity Shares of Rs. 10/- each in previous year.

2. ESOP allotment

The Company issued and allotted 1,81,890 Equity Shares during the year pursuant to the exercise of stock options by the eligible employees of the Company under ESOP plans.

3. Term loans from banks and financial institutions

During the year, the Company received fresh loan sanctions from banks amounting to Rs. 1550 crore and availed loans aggregating Rs. 840 crore.
The outstanding term loans from Banks and Financial Institutions as of March 31, 2021 were Rs. 2818.98 crore. The average tenure of term loans raised during the financial year under review is 9.16 years.

4. Securitization/Assignment of Loan Portfolio

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During FY20-21, the Company received a purchase consideration of Rs. 549.59 crore from assets assigned in pool buyout transactions. The pool buyout transactions were carried out in line with RBI guidelines on Securitization of standard assets and securitized assets have been de-recognized in the books of the Company.

5. *Refinance from* National Housing Bank (NHB)

During the year, the Company received a sanction of fresh refinance assistance of Rs. 850 crore under the NHB refinance scheme to HFCs and Rs. 366 crore under Special Refinance Scheme of NHB. The Company availed funds from NHB under the Refinance Scheme for 'Affordable Housing Fund','Regular Refinance Scheme' and 'Special Refinance Facility' and outstanding refinance at the end of the current financial year stood at Rs. 1872.39 crore (previous year Rs. 951.29 crore).

The Company availed funds of Rs. 252 crore under subsidized scheme of NHB (Affordable Housing Fund) and reduced the effective rate of interest for the eligible customers to 8.74% being fixed for next 7 years.

Non-Convertible Debentures (NCDs) issued to Banks, Domestic Financial Institutions and Multilateral/Development Financial Institutions

During FY20-21, the Company added Central Bank of India and Kotak Mahindra Bank Limited as new lenders for NCDs. The NCDs of the Company are listed on the Wholesale Debt Market segment of BSE Limited.

The Company redeemed secured NCDs amounting to Rs. 50 crore before their maturity and made part principal repayment of Rs. 5 crore during the financial year under review.

As on March 31, 2021, the Company's outstanding NCDs from:

(a) Multilateral/Development Financial Institutions stood at Rs. 911.38 crore as compared to Rs. 909.86 crore as on March 31, 2020.

(b) Domestic Financial Institutions stood at Rs. 109.41 crore as compared to Rs. 59.92 crore as on March 31, 2020

(c) Banks stood at Rs. 244.9 crore as compared to Nil as on March 31, 2020.

The subordinated debt in the form of NCDs stood at Rs. 99.74 crore as compared to Rs. 99.66 crore as on March 31, 2020.

6. Commercial Paper (CP)

The Company had not issued any Commercial Paper and Short-Term Instrument during the Financial Year 2020-21 and as on March 31, 2021, the Company's Commercial Paper outstanding was nil.

7. Credit Rating

India's accredited rating agencies have assigned ratings to the Company. The credit ratings assigned to the Company are mentioned below:

Rating Agency	**Rating Type**	**Nature of Borrowing**	**External Credit Rating**
CARE	Long Term Rating	Long Term Banking Facilities, Non-Convertible Debentures and Instrument-Subordinated Debt	CARE AA- / Positive

	Short Term Rating	Commercial Paper	CARE A1+
ICRA	Long Term Rating	Long Term Banking Facilities and Non-Convertible Debentures	ICRA AA- /Positive
	Short Term Rating	Commercial Paper	ICRA A1+
India Ratings	Short Term Rating	Commercial Paper	A1+

The ratings continue to reflect Company's healthy earnings profile, adequate capitalization, strong net worth base and steady improvement in its scale of operations.

8. Human resources

Aavas believes that its competitive advantage lies in its people. The Company's people bring to the stage multi-sectoral experience, technological experience and domain knowledge. The Company's HR culture is rooted in its ability to subvert age-old norms in a bid to enhance competitiveness. The Company always takes decisions in alignment with the professional and personal goals of employees, achieving an ideal work-life balance and enhancing pride in association. The Company's employee count stood at 5679 as of March 31, 2021.

9. Internal control systems and their adequacy

The Company's internal financial control over financial reporting 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. The Company's internal financial control over financial reporting includes those policies and procedures that:

(a) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company
(b) 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 authorizations of management and Directors of the Company and
(c) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. The Company has a robust internal audit programme, where the internal auditors, an independent firm of Chartered Accountants, conduct a risk-based audit with a view to not only test adherence to policies and procedures but also to suggest improvements in processes and systems. Their audit program is agreed upon by the Audit Committee. Internal audit observations and recommendations are reported to the Audit Committee, which monitors the implementation of such recommendations.

10. Cautionary statement

This statement made in this section describes the Company's objectives, projections, expectation and estimations which may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Forward–looking statements are based on certain assumptions and expectations of future

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events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized by the Company. Actual result could differ materially from those expressed in the statement or implied due to the influence of external factors which are beyond the control of the Company. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent developments.

BUSINESS

Unless the context otherwise requires, the financial information in this section has been derived from our Standalone and consolidated *Financial Statements (to the extent applicable), accounting records and management information systems. The industry-related information contained in this section is derived from the ICRA Report. We commissioned the ICRA Report for the purposes of confirming our understanding of the industry in connection with the Offer. Neither our Company, nor any other person connected with the Offer, has independently verified the information in the ICRA Report or other publicly available information cited in this section.*

Unless the context otherwise requires, the financial information in this section has been derived from the Company's Financial Statements, accounting records and management information systems.

Incorporation: AAVAS FINANCIERS LIMITED (Formerly known as Au Housing Limited), was originally incorporated as a private limited company in February 2011, changed its name to AAVAS FINANCIERS LIMITED from Au HOUSING FINANCE LIMITED with a fresh certificate of incorporation in March 2017.

AAVAS Financiers Limited is registered with National Housing Bank as a Housing Finance Company and got the license from National Housing Bank in August, 2011.

Product Segment: AAVAS Financiers Limited ("**Aavas**") is engaged mainly in 4 types of products mentioned below under its Housing Finance business:-

1. **Finance for purchase** – Ready built Property/Flat (including apartments in Low cost buildings, cluster units, residential units, etc.).

2. **Finance for construction on a land already acquired** – The product is designed to offer loans for construction on a plot of land, which has been already acquired.

3. **Finance for home extension**: This product is designed to offer loans to individuals for extension of an existing home unit, which can include construction of additional rooms, floor etc.

4. **Finance for affordable housing**: Especially under the Indian Government's credit linked subsidy scheme, Pradhan Mantri Awas Yojana (PMAY).

Branch Network: The Company caters the needs of various small families in towns and semi urban areas to meet their life time dream to own their own house. Presently AAVAS is operating in 13 states namely Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Delhi, Uttar Pradesh, Haryana, Chhattisgarh, Uttarakhand, Himachal Pradesh and Punjab, Orissa and Karnataka with the network of 298 branches as on December 31, 2021. Company would expand its Branches in these states to leverage the customer base for housing finance business in rural and semi urban areas.

Subsidiary: As on the date of this offer letter, the Company has one wholly owned Subsidiary named as Aavas Finserv Limited ("**Aavas Finserv**").

Aavas Finserv was incorporated under the Companies Act, 2013 on November 30, 2017 as a public limited company with the RoC with CIN U65929RJ2017PLC059623 and registered office located at 203-205, 2nd Floor, South End Square Mansarovar Industrial Area, Jaipur 302020, Rajasthan, India. Aavas Finserv by its memorandum of association, to engage in the business of providing finance whether by way of loans or advances to individuals, association of individuals (whether incorporated or not), industry or corporates. Aavas Finserv has not yet commenced its business operations.

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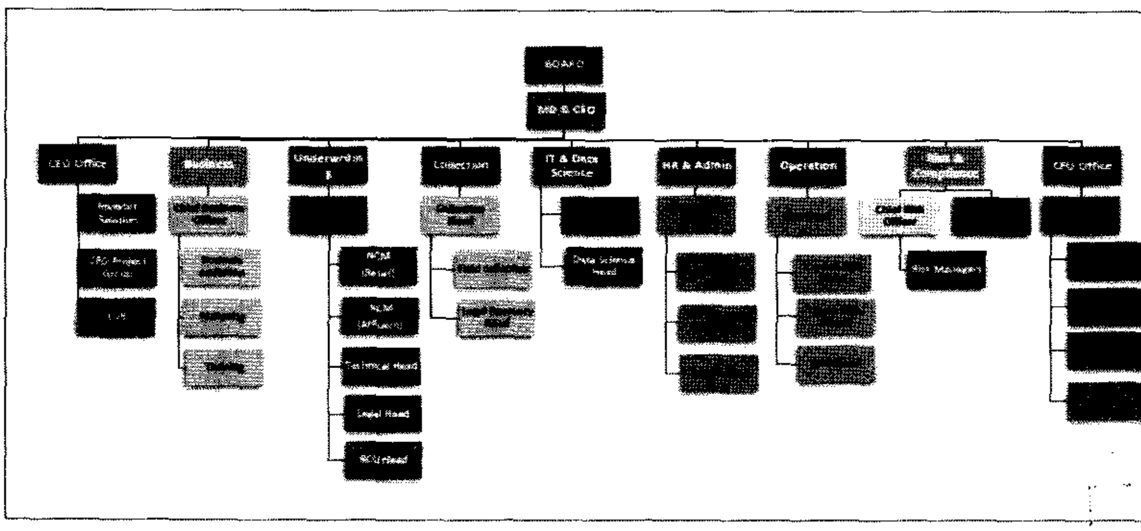
Aavas Foundation is a Public Charitable Trust settled by the Company for the purpose of carrying its CSR (Corporate Social Responsibilities) Activities. The Trust has been formed vide a Registered Trust Deed on March 26, 2019 registered by Sub Registrar, Registration and Stamps Dept., Govt. of Rajasthan under Document No. 201901190002048.

Customer Segment: AAVAS is primarily engaged in the business of providing housing loan to customers belonging to low and middle income segment in semi urban and rural areas. These are credit worthy customers who may or may not have the income proof documents like IT return, salary slip and hence are financially excluded by other large mortgage companies. AAVAS uses unique appraisal methodology to assess these customers individually. The financing solution need to be appropriated and suitable to them.

As of 31st December 2021, we conducted our operations through 298 branches and the premises of all our branches have been taken on a lease or leave and license basis.

State-wise Branch Status as on 31st December, 2021	
State	**No. of Branches**
Rajasthan	96
Maharashtra	44
MP	40
Gujarat	40
UP	22
Delhi	4
Haryana	15
Chhattisgarh	7
Uttarakhand	9
Punjab	2
Himachal Pradesh	4
Odisha	4
Karnataka	11
Total	**298**

Organisational Structure



Details regarding the directors of the Company:

Details of the current directors of the Company:

This table sets out the details regarding the Company's Board of Directors as on date of the Information Memorandum:

S. No.	Name, Designation and DIN	Age (years)	Address	Director of the company since	Details of other directorship	Whether Willful Defaulter (Yes/No)
1.	Mr. Sandeep Tandon, (Chairperson of the Board and Independent Director) DIN: 00054553	52	Tandon Beach House, Plot 35-C/2, CTS No. 1069, Tps-2 Azad Road, Juhu Koliwada, Santacruz West, Mumbai 400 049, Maharashtra, India	27-07-2017	1. RADICAL PLASTICS PRIVATE LIMITED 2. INFINX SERVICES PRIVATE LIMITED 3. SYRMA SGS TECHNOLOGY LIMITED 4. TANCOM ELECTRONICS PRIVATE LIMITED 5. J T HOLDINGS PRIVATE LIMITED 6. EBONY ELECTRONICS PRIVATE LIMITED 7. WELLTIME GOLD AND INVESTMENTS PRIVATE LIMITED 8. DREAMPLUG TECHNOLOGIES PRIVATE LIMITED	No
2	Mr. Sushil Kumar Agarwal (Managing Director and Chief Executive Officer) DIN: 03154532	45	19, Jagdamba Colony, Naya Kheda Ambabari, Jaipur, 302023, Rajasthan, India	23-02-2011	N/A	No
3	Mrs. Kalpana Iyer (Independent Director) DIN: 01874130	55	601, Ann Abode 18-A, St Martin Road, Bandra (W) Mumbai 400050, Maharashtra, India	23-06-2016	1. ECOM EXPRESS LIMITED 2. SVAKARMA FINANCE PRIVATE LIMITED	No
4	Mrs. Soumya Rajan (Independent Director) DIN: 03579199	50	Hill Park Building 2, Fiat-22,3rd Floor, Dr AG Bell Road, Malabar Hill Mumbai – 400006	29-08-2019	1. WATERFIELD FUND MANAGERS PRIVATE LIMITED 2. WATERFIELD ADVISORS PRIVATE LIMITED 3. WATERFIELD FINANCIAL AND INVESTMENTADVISORS PRIVATE LIMITED	No

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S. No.	Name, Designation and DIN	Age (years)	Address	Director of the company since	Details of other directorship	Whether Willful Defaulter (Yes/No)
					4. CENTER FOR STUDY OF SCIENCE TECHNOLOGY AND POLICY 5. S R IYER AND SRILATA IYER MUSIC FOUNDATION 6. THE RAJAN FAMILY CHARITABLE FOUNDATION 7. SWAMI SWAPRAKASHANANDA EDUCATION AND HEALTHCARE FOUNDATION	
5	Mr. Ramachandra Kasargod Kamath (Nominee Director) DIN: 01715073	65	333, Embassy Pristine, Iblur, Bellandur, Sarjapur Outer Ring Road, Bengaluru – 560 102, Karnataka	14-07-2016	1. SPANDANA SPHOORTY FINANCIAL LIMITED 2. CENTRUM CAPITAL LIMITED 3. MANIPAL TECHNOLOGIES LIMITED 4. CONATUS FINSERVE PRIVATE LIMITED 5. ASHIMARA HOUSING PRIVATE LIMITED 6. NEW OPPORTUNITY CONSULTANCY PRIVATE LIMITED	No
6	Mr. Vivek Vig (Nominee Director) DIN: 01117418	58	1901, Flr: 19, Beaumonde, Appasaheb Marathe Mg, Prabhadevi Mumbai 400025, Maharashtra, India	14-07-2016	1. CENTRUM HOUSING FINANCE LIMITED 2. RESPO FINANCIAL CAPITAL PRIVATE LIMITED 3. SVAKARMA FINANCE PRIVATE LIMITED 4. SVAKARMA SOCIAL FOUNDATION 5. INTERNATIONAL DEVELOPMENT ENTERPRISES(INDIA)	No
7	Mr. Nishant Sharma (Promoter Nominee Director) DIN: 03117012	42	Tower 2 APT 102 Planet Godrej Simplex Mills Mahalaxmi Mumbai 400 011, Maharashtra, India	23-06-2016	1. AMI LIFESCIENCES PVT LTD 2. UNIVERSAL NUTRISCIENCE PRIVATE LIMITED 3. VISHAL E-COMMERCE PRIVATE LIMITED 4. URBAN MOBILITY TRANSFORMATION SERVICES PRIVATE LIMITED 5. VERITAS FINANCE PRIVATE LIMITED 6. AAVAS FINSERV LIMITED 7. VIJAYA DIAGNOSTIC	No

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S. No.	Name, Designation and DIN	Age (years)	Address	Director of the company since	Details of other directorship	Whether Willful Defaulter (Yes/No)
					CENTRE LIMITED 8. VISHAL MEGA MART PRIVATE LIMITED	
8	Mr. Manas Tandon (Promoter Nominee Director) DIN: 05254602	43	A-1402, 14th Floor, Lodha Bellissimo, N M Joshi Marg, Near Apolo Mill Compound, Mahalaxmi, Mumbai 400 011, Maharashtra, India	23-06-2016	1. ECOM EXPRESS LIMITED 2. AAVAS FINSERV LIMITED 3. PARTNERS GROUP (INDIA) PRIVATE LIMITED 4. VISHAL MEGA MART PRIVATE LIMITED	No
9	Mr. Kartikeya Dhruv Kaji (Promoter Nominee Director) DIN: 07641723	38	The Imperial, Apartment 3901, B B Keji Nakashe Marg, Tardeo AC Market, Tardeo, Tulsiwadi, Mumbai 400 034, Maharashtra, India	27-07-2017	1. SPANDANA SPHOORTY FINANCIAL LIMITED 2. CRISS FINANCIAL LIMITED 3. CARE HEALTH INSURANCE LIMITED	No

Details regarding the Auditors of the Company:

This table sets out the details regarding the Company's Auditors as on date of the Offering Circular:

Name of the Auditor	Address	Auditor Since
Walker Chandiok & Co. LLP	11th Floor, Tower II, One Financial Center, S B Marg, Elphinstone (W), Mumbai, Maharashtra 400013	December 02, 2021

Details of Management of the Company

Brief profile of Directors of the Company

Mr. Sandeep Tandon – Chairperson of the Board and Independent Director

He is the Chairperson of the Board and an Independent Director of Aavas. He holds a Bachelor's degree in Science (Electrical Engineering) from the University of Southern California. Additionally, Sandeep Tandon has completed the Harvard Business School YPO President Program. He previously served as the Managing Director of Tandon Advance Device Private Limited and as a Director on the Board of Accelyst Solutions Private Limited. At present, Mr. Tandon is acting as the Executive Director of Syrma Technology Private Limited and serves as a Director in various private companies.

Mrs. Kalpana Iyer – Independent Director

She is an Independent Director of Aavas. She holds a Bachelor's Degree in Commerce from Madurai Kamaraj University. She is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants of India. Kalpana Iyer was previously associated with Citibank N.A., India as its Senior Vice-President, during which she was responsible for women's banking and microfinance. She has also previously held the position of Director

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at IncValue Advisors Private Limited. At present, she is acting as a Managing Director of Svakarma Finance Private Limited.

Mrs. Soumya Rajan – Independent Director

Mrs. Soumya Rajan is the Founder, MD and CEO of Waterfield Advisors, India's largest independent Multi-Family Office that advises on assets of ~US$3.5bn. She previously worked at Standard Chartered Bank India for 16 years, where she headed their Private Banking Division from 2008 to 2010. Having served till earlier this year as Vice Chairperson of Reach to Teach, a UK charity focused on primary education for disadvantaged children in India, Mrs. Soumya Rajan currently serves on the Boards of several other non-profit organisations – Peepul, a charity focused on creating a school transformation platform for government schools; the Indian Institute of Technology (IIT) Gandhinagar's Research Park and Entrepreneurship Centre; and CSTEP, a research think tank that recommends public policy on the use of new emerging technologies for social and economic development in the areas of energy, environment and infrastructure. Mrs. Soumya Rajan was by AIWMI in 2019 amongst India's Top 100 Women in Finance.

Mr. Sushil Kumar Agarwal – Managing Director and CEO

He is the Managing Director and CEO of Aavas. He has been associated with Aavas since its incorporation in 2011. Mr. Agarwal is a qualified Chartered Accountant and had secured the tenth rank in his final examination. Further, he is a qualified Company Secretary. He was previously associated with AuSFB as its Business Head – SME & Mortgages. Sushil Kumar Agarwal has previously worked with ICICI Bank Limited as its Chief Manager and with Kotak Mahindra Primus Limited as an Assistant Manager. He has more than 19 years of experience in the field of retail financial services.

Mr. Ramachandra Kasargod Kamath – Nominee Director

He is a Nominee Director appointed on the Board of Aavas by Lake District and Kedaara AIF-1. He holds a Bachelor's Degree in Commerce from the University of Mysore. He is a honorary Fellow of the Indian Institute of Banking and Finance. Further, Mr. Kamath is a certified associate of the Indian Institute of Bankers. He was previously associated with Corporation Bank as its General Manager and with Punjab National Bank as its chairman and managing director. Mr. Kamath has also served as the Chairman and Managing Director of Allahabad Bank and as an Executive Director of Bank of India.

Mr. Vivek Vig – Nominee Director

He is a Nominee Director appointed on the Board of Aavas by Partners Group ESCL and Partners Group Master Fund. He holds a post-graduate diploma in management from Indian Institute of Management at Bangalore. Vivek Vig has previously served as the Managing Director and Chief Executive Officer of Destimoney Enterprises Limited. Further, he was previously associated with the Centurion Bank of Punjab (which was subsequently merged with HDFC Bank) as its Country Head – Retail Bank and has also acted as a Director on the Board of PNB Housing Finance Limited. In the past, he has also been associated with Citibank N.A., India, where he has held various positions across the consumer bank.

Mr. Nishant Sharma – Promoter Nominee Director

Mr. Sharma is a Promoter Nominee Director appointed on the Board of Aavas by one of our promoters, Lake District Holdings Limited. He is the Chief Investment Officer (CIO) and Managing Partner of Kedaara Capital and co-founded the firm in 2011 Mr. Sharma has over 17 years of investment experience, encompassing the full lifecycle of private equity from sourcing investments across sectors, driving value creation to successfully divesting investments over this period. Before cofounding Kedaara, Mr. Sharma was at General Atlantic ("**GA**") and co-led GA's investments across financial services, healthcare, business services and technology including investments in IndusInd Bank, Jubilant Lifesciences, IBS Software among others. Prior to GA, Mr. Sharma worked as a management consultant with McKinsey & Company, serving clients across IT/BPO, financial services, healthcare and public policy. In addition, Mr. Sharma worked at the Bill & Melinda Gates Foundation in setting up the largest HIV/AIDS prevention program in India. Mr. Sharma holds the Economic Times 40 under 40 Award given to business leaders in India. Mr. Sharma holds an M.B.A. from Harvard Business School, and a Dual Degree (B.Tech. and M.Tech) in Biochemical Engineering and Biotechnology from Indian Institute of Technology, Delhi. He is a member of the Mumbai chapter of the Young Presidents' Organization (YPO).

Mr. Manas Tandon – Promoter Nominee Director

Mr. Tandon is a Promoter Nominee Director appointed on the Board of Aavas by ESCL and Master Fund. He is Head of Partners Group's Mumbai office and Co-Head of the Private Equity Goods and Products business unit. He has 23 years of industry experience, also serving on the Board of Directors of the firm's portfolio companies Ecom Express, Vishal Mega Mart and Aavas Financiers. Prior to joining Partners Group, Mr. Tandon co-led TPG Growth's investments in India, having started his investing career with Matrix Partners, where he was responsible for investments in mobility and financial services. Before that, Manas was engaged in designing and selling cutting-edge telecom solutions for start-ups such as MaxComm Technologies (acquired by Cisco Systems) and Camiant Inc. (now part of Oracle). Mr. Tandon holds an MBA in Finance from The Wharton School of the University of Pennsylvania, where he was a Palmer Scholar, and a Bachelor's Degree in Technology (Electrical Engineering) from the Indian Institute of Technology, Kanpur, where he was awarded the General Proficiency Medal for outstanding academic performance. Mr. Tandon holds eight US patents and is a member of the Mumbai chapters of the Young Presidents' Organization (YPO) and the Entrepreneurs' Organization (EO).

Mr. Kartikeya Kaji – Promoter Nominee Director

Mr. Kaji is a Promoter Nominee Director and is appointed on the Board of Aavas by one of our Promoters, Lake District Holdings Limited. He is a Director at Kedaara Capital, a leading India focused private equity firm, where he leads the financial services investing practice. Mr. Kaji has over 9 years of investment experience, encompassing the full lifecycle of private equity across geographies and sectors. Prior to Kedaara, Mr. Kaji was at the Mumbai office of the global investment firm Temasek Holdings, where he focused on public and private market investments across sectors. Previously, he worked as investment banker in New York, first at Merrill Lynch & Co., and then at leading boutique firm Perella Weinberg Partners. Mr. Kaji holds an MBA from The Wharton School of the University of Pennsylvania, and a Bachelor of Arts in Economics from Dartmouth College. He is a member of the Mumbai chapter of the Entrepreneurs Organization.

Brief profile of Key Managerial Personnel

S. No.	Name of Key Management Personnel	Brief Profile
1	Mr. Ghanshyam Rawat (Chief Financial Officer)	He is the Chief Financial Officer (finance and treasury) of our Company. He is associated with the Company since 2013. He presently heads our finance and treasury; accounts; internal audit; compliance; budget and analytics departments. He holds a bachelor's degree in commerce from Rajasthan University and is a fellow member of the Institute of Chartered Accountants of India. He has been previously associated with First Blue Home Finance Limited, Accenture India Private Limited and Deutsche Postbank Home Finance Limited. Further, he has also worked with Pan Asia Industries Limited and Indo Rama Synthetics (I) Limited.
2	Mr. Sharad Pathak (Company Secretary and Compliance officer)	He is our Company Secretary and Compliance Officer. He holds a bachelor's degree in commerce from Rajasthan University and is a qualified company secretary. He has been previously associated with Star Agriware housing & Collateral Management Limited as its company secretary. He has been with the company since its inception, having experience of more than 9 years in corporate Sector.

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INDUSTRY OVERVIEW

The information contained in this section is taken from various sources including the Economic Times, IMF, EIU, Business Standard, McKinsey, Business Today, ICRA Affordable Housing Finance Industry Report. Neither we, nor any other person connected with the Offer has independently verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends.

The Covid-19 pandemic has impacted most countries, including India. This resulted in countries announcing lockdown and quarantine measures that sharply stalled economic activity. Several countries took unprecedented fiscal and monetary actions to help alleviate the impact of the crisis. The Indian economy passed through one of the most volatile periods in living memory in 2020-21.

At the start of 2020, India was among the six largest global economies; its economic growth rate was the fastest among major economies (save China); its population at 1.36 bn the second largest in the world; its rural population of the under-consumed is the largest in the world.

Despite the gloomy economic scenario, foreign direct investments (FDI) in India increased 13% to reach a value of US$57 billion in 2020, the digital sector being the biggest catalyst. The gap between government expenditure and revenue was estimated at ~Rs 12 trillion due to increased borrowing by the government in May 2020 to deal with the COVID-19 outbreak.

India jumped 14 places to 63 in the 2020 World Bank's Ease of Doing Business ranking and is the only country in the emerging market basket that received positive FPIs of $23.6 billion in 2020, ranking eighth among the world's top stock markets with an m-cap of $2.5 trillion in 2020.

The RBI had also announced several measures to ease the financial system stress, including enhancing system liquidity, reducing interest rates, moratorium on loan repayments for borrowers, asset classification standstill benefit to overdue accounts where a moratorium had been granted amongst others to alleviate the economic stress induced by the pandemic which had an impact across sectors that were already showing signs of a slowdown even before the outbreak.The Government relaxed foreign direct investment (FDI) norms for sectors like defense, Coal mining, contract manufacturing and single-brand retail trading.

Housing finance sector

The Covid-19 induced slowdown affected the performance of housing finance companies (HFCs), which were encountering slow growth as well as liability and asset quality-related challenges. ICRA estimated housing credit growth at 9-12% in FY2021 (lower than the last three years' CAGR of 16%), creditable in view of the lockdown across the first quarter of the last financial year and sluggish conditions thereafter. This validates the long-term health of the sector, whose relevance only increased at a time when individuals were expected to stay at home.

With the gradual pick-up in demand for housing credit in the industry in the last two quarters of FY 2020-21, most of the HFCs have already reached near pre-Covid level disbursements and are now striving to achieve higher disbursement targets. This is expected to push up the growth rate for FY2021 to 6-8%. Subsequently, the growth is estimated to be of 8-10% for on-book portfolio of HFCs in FY2022.

Given the stress in cash flows encountered by the borrowers, the overdues of the housing finance companies have risen in FY2021. Moreover, the asset quality indicators have been impacted majorly in this financial year. It is anticipated for the GNPAs of HFCs for FY2021 to be 50-100 basis points higher than that for FY2020 and the increase continued to remain in FY2022 as well. A relatively lower business growth than the ones recorded in the previous years and asset quality pressures limited the profitability of the HFCs in FY2021.

From liquidity perspective, the HFCs are maintaining healthy on-balance sheet liquidity for the last few quarters and have gradually reduced their reliance on short-term funding sources like Commercial Papers, which has helped in improving asset liability mismatches in the near-term buckets. HFCs are expected to maintain healthy liquidity in the near-term given the challenging environment.

On the profitability side, housing finance companies were affected by increased delinquencies, rise in provisions and moderation in interest income. The moderation in interest income came on account of the weaker growth in the advances given by housing finance companies. The total loan securitization undertaken by housing finance companies, NBFCs and MFIs stood at Rs 90,000 crore compared to Rs 1.9 lakh crore in FY2020. Moreover, the uncertainty related to incomes translated into a higher incidence of repayment defaults during FY20-21. The asset quality in the self-employed segment niche of the affordable housing finance sector worsened more than the salaried segment.

By customer type, India's home loan market was segmented into the salaried and self-employed segments. The salaried segment accounted for ~88% market share in 2020. By tenure, the market was segmented up to 5 years, 6-10 years, 11-24 years, and 25-30 years, the 11-24 year segment accounting for the highest share (preferred tenure being 20 years).

The affordable housing finance segment

The affordable housing finance segment is the largest – and most challenging – within India's housing finance sector. India's typical AHFC customer lives in Tier-2 and Tier-3 cities, is new to the concept of credit, earns a low informal income, does not possess income documents and is usually self-employed. These realities warrant the use of specialized expertise in addition to what is used in conventional lending.

The portfolio growth in the affordable segment slowed down as well but remained higher than HFCs although on lower base, supported by robust demand and liquidity support from NHB, leading to a growth of 8% in 9M FY2021 following the growth of 18% in FY2020. With the demand in this segment remaining intact, it is expected to continue growing at a faster pace than the overall industry.

India's home loan market is anticipated to grow at a CAGR of around 22% during 2021-2026.

Budgetary provisions of Union Budget 2021 on the sector

(a) Extension of additional tax deduction of Rs 1.5 lakh on interest paid on housing loan for purchase of affordable homes by one more year to March 31, 2022. This additional deduction of Rs 1.5 lakh over and above Rs. 2 lakh was introduced in the 2021 Budget. This was allowed for those buying homes for the first time and of up to Rs 45 lakh.

(b) To encourage the supply of affordable houses it was proposed that housing projects could avail of a tax holiday for one additional year till 31st March 2022.

The outlook of India's housing finance sector is likely to be robust across the long-term for a fundamental reason: more Indians want to buy houses for enhanced security and asset creation even though renting could be cheaper in the short-term.

As the Indian economy matures, the mortgage-to-GDP ratio of less than 10% (which is significantly lower than other countries) could move towards the mid-teens and make the housing finance a USD 750 billion market over five years, creating a sweet spot for specialized AHFCs.

The housing finance sector is expected to grow sustainably on account of sustained population growth, rapid growth coming out of non-metro India, increased per capita incomes, home ownership preference, affordable home prices along with need for external financing, consistent government support and extensive under-penetration.

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REGULATIONS AND POLICIES

The following is an overview of certain sector-specific relevant laws and regulations which are applicable to the operations of the Issuer and its business. The description of laws and regulations set out below is not exhaustive and is only intended to provide general information to Noteholders. The information in this section is neither designed nor intended to be a substitute for professional legal advice.

The statements below are based on the current provisions of Indian law, and the judicial, regulatory and administrative interpretations thereof, which are subject to change or modification by legislative, regulatory, administrative, quasi-judicial or judicial decisions/actions.

Regulations governing housing finance

The NHB Act

The National Housing Bank was set up under the NHB Act as a principal agency to promote and regulate Housing Finance Companies in India. The NHB promotes, establishes and supports HFCs by providing financial, administrative and technical assistance to HFCs, framing guidelines for HFCs, subscribing to securities such as bonds of HFCs, guaranteeing financial obligations of HFCs and dealing in the mortgaged securities of HFCs. Under the terms of the NHB Act, the NHB has the power to direct deposit accepting HFCsto furnish such statements, information or particulars relating to deposits received by the HFC, as may be specified by the NHB.

Under the NHB Act, HFCs are required to be registered under the NHB Act and meet the stipulated net owned fund requirements (presently ₹ 100 million or such higher amount as prescribed by the RBI) for carrying on the housing finance business in India. Further, every HFC is required to invest and continue to invest a prescribed proportion of its public deposits which are outstanding at the close of business on the last working day of the second preceding quarter, in the unencumbered approved securities in India.

Additionally, HFCs are required to maintain: (i) an account with a scheduled bank either in term deposits; or certificate of deposits (free of charge or lien); or (ii) in deposits with the NHB or by way of subscription to the bonds issued by the NHB, or partly in such account or in such deposit, or partly by way of such subscription, a sum which, at the close of business on any day, together with the investment made in the unencumbered approved securities as specified above, shall not be less than ten per cent. or such higher percentage not exceeding twenty-five per cent as the Reserve Bank may, from time to time and by notification specify, of the deposits outstanding in the books of the HFC at the close of business on the last working day of the second preceding quarter. HFCs are also required to create a reserve fund and transfer therein, a sum not less than 25% of its net profit every year as disclosed in the profit and lossaccount and before any dividend is declared.

The NHB may (or at any time or on being directed so to do by the Reserve Bank, shall) cause an inspection to be made of any deposit-accepting HFC, for the purpose of verifying the correctness or completeness of any statement, information or particulars furnished to the NHB or for the purposeof obtaining any information or particulars which the HFC has failed to furnish on being called upon to do so.

The Finance (No.2) Act, 2019 amended the NHB Act, conferring certain powers for regulating HFCs to RBI. The GOI notified 9 August 2019 as the date for these amendments to come into effect. Accordingly, HFCs are treated as NBFCs regulated by RBI. The RBI upon review of the extant regulatory framework issued Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 pursuant to notification no. RBI/2020-21/73 dated 17 February 2021. NHB would continue with certain powers such as supervision of HFCs, grievance redressal mechanism and certain reporting by HFCs.

Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 ("RBI Master Directions")

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The RBI Master Directions define the term 'housing finance company' as a company incorporated under the Companies Act that fulfils the following conditions:

a) It is an NBFC whose financial assets, in the business of providing finance for housing, constitute at least 60% of its total assets (netted off by intangible assets); and
b) Out of the total assets (netted off by intangible assets), not less than 50% should be by way of housing finance for individuals.

Net owned funds

In terms of the RBI Master Directions, every HFC is required to meet the requirement of net owned funds of ₹20 crores for commencing housing finance as one of its principal business or carrying on the business of housing finance as one of its principal businesses. Provided that a housing finance company holding a certificate of registration and having net owned fund of less than ₹20 crores, may continue to carry on the business of housing finance, if such company achieves net owned fund of ₹15 crores by March 31, 2022 and ₹20 crores by March 31, 2023. Further, for HFCs whose net owned fund at the time of notification of the RBI Master Directions stands below ₹20 crores, are required to submit a statutory auditor's certificate to RBI within a period of one month evidencing compliance with the prescribed levels as at the end of the period indicated above and HFCs failing to achieve the prescribed level within the stipulated period shall not be eligible to hold the Certificate of Registration (CoR) as HFCs and registration for such HFCs shall be liable to be cancelled. Such companies, who wish to be treated as NBFC – Investment and Credit Companies (NBFC-ICCs), will be required to approach RBI for conversion of their Certificate of Registration from HFC to NBFC-ICC.

Capital Requirement

As per the RBI Master Directions, every HFC is required to maintain a minimum capital ratio, on an ongoing basis consisting of tier I capital and tier II capital. Currently HFCs are required to comply with a capital ratio, consisting of tier I and tier II capital, of at least 14% on or before March 31, 2021 and 15% on or before March 31, 2022 and thereafter, of its aggregate risk weighted assets and of risk adjusted value of off-balance sheet items. At a minimum, tier I capital of HFCs cannot be less than 10%. Further, the total tier II capital at any point of time, should not exceed 100% of tier I capital.

Accounting Standards

HFCs that are required to implement Indian Accounting Standards as per the Companies (Indian Accounting Standards) Rules, 2015 are to prepare their financial statements in accordance with Ind AS notified by the Government of India and comply with the regulatory guidance specified in terms of the paragraph 3.1.7 of the RBI Master Directions. Other HFCs are to comply with the requirements of notified Accounting Standards (AS) insofar as they are not inconsistent with any of the directions provided under the RBI Master Directions.

Source of funds

HFCs can generally raise funds by way of borrowings or through equity. The sourcing of funds by HFCs is primarily regulated by the RBI, NHB, and SEBI. The limits on borrowings by HFCs are governed by the RBI Master Directions. The RBI Master Directions currently permit HFCs to borrow up to 14 times their net owned funds until March 31, 2021 and after which this limit shall be further reduced to 13 times of their net owned funds until March 31, 2022 and subsequently to 12 times of their net owned funds thereafter. Further, the guidelines on private placement of NCDs under the RBI Master Directions require HFCs to have in place a board approved policy for resource planning.

In accordance with the RBI Master Directions, the Company has put in place a board approved policy for resource planning ("**Resource Planning Policy**"). The Resource Planning Policy seeks to maintain a balance in the source of funds by borrowing from the debt capital market as well as traditional borrowings from banks and others, reduce the weighted average cost of borrowing by borrowing across multiple maturities, support disbursement growth by providing adequate liquidity, and proper balancing of asset and liability mismatch within the permitted tolerance level.

Income Recognition and Provisioning Requirements

The RBI Master Directions require that income recognition be based on recognised accounting principles. Amongst others, income including interest, discount or any other charges on NPA shall be recognised only when it is actually realised. Any such income recognised before the asset became non-performing and remaining unrealised shall be reversed. Further, the RBI Master Directions require the board of directors of every HFC to frame investment policy for the company and shall implement the same.

Every HFC shall, after taking into account the time lag between an account becoming non-performing, its recognition as such, the realisation of the security and the erosion over time in the value of security charged, make provision against standard assets, sub-standard assets, doubtful assets and loss assets as provided under the RBI Master Directions.

Regulatory Restrictions

A HFC cannot lend against its own shares. Further, no HFC shall grant housing loans to individuals up to (a) ₹30 lakhs with LTV ratio exceeding 90%; (b) above ₹30 lakhs and up to ₹75 lakhs with LTV ratio exceeding 80%; and (c) above ₹75 lakhs with LTV ratio exceeding 75%. In inclusion, the RBI Master Directions provide for the definition of LTV ratio. Additionally, the RBI Master Directions provide that disbursement of housing loans sanctioned to individuals should be strictly linked to completion of various stages of construction. Further, the RBI has mandated that the HFCs should set up a well-defined mechanism for monitoring the various stages of construction of housing projects and for obtaining consent of the borrower(s) prior to release of payments to the builder / developer.

Further, the fair practice code under RBI Master Directions (**"Fair Practices Code"**) requires HFCs to convey certain terms and conditions at the time of sanction of loans such as the interest rate, equated monthly instalments (**"EMI"**) structure and prepayment charges.

Further, in terms of the PSL Master Directions, issued by the RBI, bank loans to HFCs (approved by NHB for their refinance) for on-lending is permitted, for up to ₹2 million per borrower, for purchase/construction/ reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers.

Acceptance / renewal of public deposits

No housing finance company shall accept or renew public deposit unless the HFC has obtained minimum investment grade rating for fixed deposits from any one of the approved credit rating agencies, at least once a year and a copy of the rating is sent to the NHB and it is complying with all the prudential norms.

Acquisition / Transfer of Control

In terms of the RBI Master Directions, prior written permission of RBI shall be required for any takeover or acquisition of control of an HFC, which may or may not result in change of management, any change in the shareholding of an HFC accepting / holding public deposits, including progressive increases over time, which would result in acquisition/ transfer of shareholding of 10% or more of the paid-up equity capital of the HFC by / to a foreign investor or any change in the shareholding of an HFC, including progressive increases over time, which would result in acquisition / transfer of shareholding of 26% or more of the paid-up equity capital of the HFC. Provided that, prior approval would not be required in case of any shareholding going beyond 10% or 26%, as applicable, due to buyback of shares / reduction in capital where it has approval of a competent court. However, the same shall be reported to the NHB not later than one month from the date of its occurrence.

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Corporate Governance

In terms of the RBI Master Directions, the corporate governance norms prescribed in chapter IX of the RBI Master Directions shall be applicable to all public deposit accepting / holding HFCs and every non-public deposit accepting HFC with assets size of ₹50 crores and above, as per the last audited balance sheet ("**Applicable HFCs**"). The Applicable HFCs are required to constitute audit committee, nomination and remuneration committee, asset liability management committee and a risk management committee. The audit committee must ensure that an information system audit of the critical and significant internal systems and processes is conducted at least once in two years to assess operational risks faced by the HFC.

At regular intervals, as may be prescribed, the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Applicable HFC must be placed before the board of directors. The Applicable HFCs are also required to adhere to certain other norms in connection with disclosure, transparency and rotation of partners of the statutory audit firm.

Further, the RBI Master Directions provide for appointment of a chief risk officer ("**CRO**") for HFCs with an asset size of ₹ 5,000 crores with clearly specified role and responsibilities. The CRO, who shall be a senior official in the hierarchy of an HFC and shall possess adequate professional qualification / experience in the area of risk management, is required to function independently so as to ensure highest standards of risk management.

Further, all HFCs shall ensure that a policy is put in place with the approval of the board of directors for ascertaining the 'fit and proper' criteria of the directors at the time of appointment, and on a continuing basis. The policy on the 'fit and proper' criteria shall be on the lines of the guidelines contained in annex VIII of the RBI Master Directions.

Guidelines on private placement of NCDs ("HFC NCD Guidelines")

An HFC can issue non-convertible debentures ("**Debentures**") for deployment of funds for creation of own assets. No HFC shall issue non-convertible debentures to facilitate resource requests of or utilisation by group entities/ parent company/ associates. The Debentures proposed to be issued by an HFC shall not be issued for maturities of less than 12 months from the date of the issue. Further, exercise date of option (put/call), if any, attached to the Debentures shall not fall within the period of one year from the date of issue. Further, certain HFCs shall obtain credit rating for the for the issue of Debentures from one of the credit rating agencies, viz., the Credit Rating Information Services of India Limited or the Investment Information and Credit Rating Agency of India Limited or the Credit Analysis and Research Limited or the FITCH Ratings India Private Limited or Brickwork Ratings India Private Limited or such other agencies registered with SEBI or such other credit rating agencies as may be specified by RBI for the purpose.

In terms of the HFC NCD Guidelines, there shall be a limit of 200 subscribers for every financial year, for issuance of Debentures with a maximum subscription of less than ₹1 crore, and such subscription shall be fully secured. There shall be no limit on the number of subscribers in respect of issuances with a minimum subscription of ₹1 crore and above; and the option to create security in favour of subscribers to Debentures will be with the issuers of such Debentures. Further, the minimum subscription per investor shall be ₹0.2 lakhs.

The issues under the HFC NCD Guidelines are to be completed within a period of 30 days from the date of issue opening. The HFC NCD Guidelines require the offer document of the issue to be made within a maximum period of 6 months from the date of the board resolution authorizing the issue. The HFC must also have in place a board approved policy for resource planning which covers the planning horizon and the periodicity of the private placement of non-convertible debentures.

Refinance Scheme for Housing Finance Companies, 2013 ("Refinance Scheme")

Pursuant to the Refinance Scheme and the clarification provided by the NHB by way of the circular NHB (ND)/ROD/HFC/Refinance Circular 1/2015-16 and the refinance booklet dated September 11, 2018 issued by

NHB, HFCs registered with the NHB if they fulfil the following criteria, will be eligible to draw refinance from NHB:

a) HFC should be registered with NHB to carry out housing finance activity in the country;
b) The HFCs are required to provide long-term finance for purchase// construction// repair/ upgradation of dwelling units by home-seekers;
c) At least 51% of the total tangible assets less cash & bank balance should be utilized for individual housing loans;
d) The HFC should have a net owned fund ("**NOF**") of not less than ₹1,000 lakhs. NOF will carry the same meaning as defined in the HFC (NHB) Directions, 2010 (which have now been replaced by the RBI Master Direction);
e) The HFC should comply with the provisions of the NHB Act and HFC (NHB) Directions, 2010 (the latter has now been replaced by the RBI Master Direction), as amended from time to time;
f) The Net Non-Performing Assets ("**NNPA**") of the HFC should not be more than 3.50% of the Net Advances. NPA shall carry the same meaning as defined in the HFC (NHB) Directions, 2010 (which have now been replaced by the RBI Master Direction). NNPA means 'NPA less provision'. Net Advances shall mean 'Advances less provision'. 'Advances' shall, apart from housing loans, include mortgage loans, lease transactions, hire purchase assets, bills of exchange, inter-corporate deposits and unquoted debentures; and

Owing to the COVID-19 pandemic, the RBI has provided a special liquidity facility of ₹10,00,000 lakhs to the NHB in order to enable it to infuse liquidity into the housing sector through HFCs at more affordable rates and to meet the credit needs of the sector. Accordingly, the NHB has launched the Special Refinance Facility ("**SRF**") scheme. The objective of the scheme is to provide short term refinance support to HFCs which will partially mitigate their liquidity risk and improve the much-needed liquidity into the overall housing finance system. The total amount allocated under this scheme shall be ₹10,00,000 lakhs. A HFC would be eligible for the SRF if (i) its max NNPA should not be more than 7.5%; (ii) its ratio of individual housing loans to total assets should be a minimum of 51% as under the liberalized refinance scheme of the NHB; and (iii) the HFC should have extended moratorium to its customers and this should have adversely impacted at least 15% of the cash flows of the HFC during the period of moratorium. In June 2020, the NHB revised the SRF parameters, including fixing the ratio of individual housing loans to total assets to a new minimum of 41% as opposed to 51%.

In 2021, RBI again, provided a special liquidity facility of ₹10,00,000 lakhs to the NHB. Accordingly, NHB launched Special Refinance Facility-2021 ("**SRF-2021**") scheme. The objective of the RBI was to sustain the growth momentum, in light of recent surge of COVID-19 cases. A HFC would be eligible for SRF-2021 if (i) it availed financial assistance under SRF/additional special refinance facility scheme including other eligible HFCs; (ii) its max NNPA should not be more than 7.5% and (iii) its ratio of individual housing loans to total assets should be a minimum of 51% as under the liberalized refinance scheme of the NHB.

The financial assistance can be drawn by HFCs in respect of loans already advanced by them and also for prospective disbursements. The security for refinance from the NHB may generally be secured by a charge on the book debts of an HFC. If at any time NHB is of the opinion that the security provided by the HFC has become inadequate to cover the outstanding refinance, it may advise the HFC to furnish such additional security as may be acceptable to NHB to cover such deficiency.

External Commercial Borrowings

Pursuant to the Master Direction – External Commercial Borrowings, Trade Credits and Structured Obligations dated March 26, 2019 issued by the RBI, all entities eligible to receive FDI (as well as other entities as specified in the ECB Framework) are eligible to avail external commercial borrowings to the extent of USD 750 million or its equivalent per financial year, under the automatic route i.e., without the prior approval of the RBI. ECBs exceeding USD 750 million shall remain subject to the approval of the RBI. The lender is required to meet the eligibility requirements specified by the ECB Framework including, but not limited to:

(a) Being a resident of a country, which is a member of the FATF Compliant Country or IOSCO Compliant

Country, including on transfer of the ECB;

(b) A multilateral and regional financial institution where India is a member country;

(c) Individuals shall only be permitted to be lenders if they are foreign equity holders or for subscription to bonds/debentures held abroad; and

(d) Foreign branches/ subsidiaries of Indian banks are permitted as recognised lenders only for foreign currency ECB (except foreign currency convertible bonds and foreign currency exchangeable bonds). Foreign branches / subsidiaries of Indian banks, subject to applicable prudential norms, can participate as arrangers/underwriters/market-makers/traders for Rupee denominated bonds issued overseas. However, underwriting by foreign branches/subsidiaries of Indian banks for issuances by Indian banks will not be allowed.

The minimum average maturity period (**"MAMP"**) is for a period of three years. The call and put options, if any, shall not be exercisable prior to the completion of MAMP. The all-in-cost ceiling per annum cannot exceed the benchmark rate plus 450 bps spread, in relation to INR Denominated ECBs. For conversion to rupee, the exchange rate shall be the rate prevailing on the date of settlement. Overseas investors are eligible to hedge their exposure in rupee through permitted derivative products with AD Category I banks in India. Changing the currency from the ₹ to any freely convertible foreign currency is not permitted.

Additionally, the MAMP in case of the following ECBs is not three years, but is specifically prescribed as follows:

(a) ECBs raised by manufacturing sector companies up to U.S.$50.00 million or its equivalent per fiscal year are required to have a MAMP of one year;

(b) ECB from foreign equity holders for working capital purposes, general corporate purposes or repayment of Rupee loans are required to have a MAMP of five years;

(c) ECB raised for (i) working capital purposes, or general corporate purposes; or (ii) on-lending by NBFCs for working capital purposes or general corporate purposes are required to have a MAMP of ten years;

(d) ECB raised for (i) repayment of Rupee loans availed domestically for capital expenditure; or (ii) for on-lending by NBFC for the same purpose, are required to have a MAMP of of seven years; and

(e) ECB raised for (i) repayment of Rupee loans availed domestically for purposes other than capital expenditure; or (ii) for on-lending by NBFCs for the same purpose, are required to have a MAMP of 10 years.

Additionally, given below is a negative list of end-uses provided under the ECB Framework for which the proceeds of the ECB cannot be used:

(a) Real estate activities.

(b) Investment in capital markets.

(c) Equity investment.

(d) Working capital purposes except in case of ECB mentioned at (b) and (c) in the preceding paragraph.

(e) General corporate purposes except in case of ECB mentioned at (b) and (c) in the preceding paragraph.

(f) Repayment of rupee loans except in case of ECB mentioned at (d) and (e) in the preceding paragraph.

(g) On-lending to entities for the above activities, except in case of ECB raised by NBFCs as above at (c), (d) and (e) in the preceding paragraph.

The term 'Real estate activities' has been defined in the ECB Directions and specifically excludes construction/development of industrial parks/integrated township/SEZ, purchase/long term leasing of industrial land as part of new project/ modernization or expansion of existing units, and any activity under the 'infrastructure sector', as defined in the 'Harmonized Master List of Infrastructure Sub-sectors' notified by the Government of India, from time to time.

Priority Sector Lending

Master Directions – Reserve Bank of India (Priority Sector Lending) – (Targets and Classifications) Directions, 2020 dated September 4, 2020 (**"PSL Master Directions"**), were enacted with a view to harmonize the instructions issued in relation to priority sector lending by commercial banks including regional rural banks, small finance banks, local area banks and primary urban co-operative banks, other than salary earners' banks licensed to operate in India. The PSL Master Directions govern priority sector advances and loans granted by banks (excluding regional rural banks, small finance banks and local area banks) to HFCs (approved by NHB for the purpose of refinance), for on-lending for purchase, construction or reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of ₹2 million per borrower. The eligibility under the PSL Master Directions to HFCs for on-lending is restricted to 5% of the individual bank's total PSL. The average maturity of such priority sector assets created by those who are eligible intermediaries should be co-terminus with the maturity of the bank loan.

Guidelines for Recovery Agents Engaged by HFCs

In the event customers do not adhere to the repayment schedule for loans provided by HFCs, the FPC requires HFCs and its members and staff to follow the defined process provided under the applicable law during collection and security repossession. In the event, the HFC engages recovery agents for this purpose, they are required to comply with guidelines given under annex XI of the RBI Master Directions, which includes requirements such as due diligence while hiring such recovery agents, training of recovery agents and prescribes methods to be employed by such recovery agents. HFCs are required to have a due diligence process in place for the engagement of recovery agents. HFCs are required to ensure that the recovery agents engaged by them carry out verification of the antecedents of their employees. HFCs are also required to ensure that their recovery agents are properly trained to handle their responsibilities with care and sensitivity, with respect to, for example,hours of calling and privacy of customer information. To ensure due notice and appropriate authorization, HFCs are also required to inform the borrower of the details of recovery agency firms/ companies while forwarding default cases to the recovery agency.

These guidelines for engaging recovery agents under annex XI of RBI Master Direction also provide guidelines for taking possession of property mortgaged to HFCs. It is provided that where HFCs have incorporated a pre-possession clause in the contract with the borrower and rely on such pre-possession clause for enforcing their rights, they should ensure that the pre-possession clause is legally valid, complies with the Indian Contract Act in letter and spirit, and that such pre-possession clause is clearly brought to the notice of the borrower at the time of execution of the contract. The terms and conditionsof the contract should be strictly in the terms of the disclosed recovery policy and should contain provisions regarding (a) the notice period before taking possession; (b) the circumstances under which the notice periodcan be waived; (c) the procedure for taking possession of the security; (d) the final chance to be given to the borrower for repayment of loan before sale/ auction of property; (e) the procedure for giving repossession to the borrower; and (f) the procedure for sale/auction of the property.

Guidelines on Wilful Defaulters

Pursuant to the advice of the RBI and recommendations of the Puri Committee Report, the NHB under the Wilful Defaulters Guidelines has laid down the mechanism for identification and reporting requirements of wilful defaulters by the HFCs. Every instance above the ₹25 lakhs limit of siphoning or diversion of funds along with all instances of default by wilful defaulters above this threshold shall merit a disclosure and intimation to all credit information companies (**"CIC"**) on a monthly basis or more frequent basis, latest by 15th of the subsequent month. The penal provisions envisaged under the Wilful Defaulters Guidelines include: (a) restriction of any further facilities being advanced to a listed wilful defaulter; (b) legal proceedings for recovery along with foreclosure for recovery of dues to be initiated expeditiously along with pursuing criminal proceedings wherever necessary; (c) a proactive approach towards seeking a change of management of a wilful defaulter entity; and (d) a covenant to be included in the lending terms restricting any entity to whom financing is provided, to refrain from inducting a listed wilful defaulter on its board. The HFCs are required to put in place transparent mechanisms so that the penal provisions are not misused and timely intimation to the CICs may be made as required.

Guidelines on "Know Your Customer" and "Anti-Money Laundering Measures"

In terms of the provisions of the PMLA and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, HFCs are required to follow certain customer identification procedures while undertaking a transaction either by establishing an account-based relationship or otherwise by monitoring their transactions. Further, the guidelines on 'Know Your Customer' ("**KYC**") & 'Anti-Money Laundering Measures' for HFCs issued by the NHB by way of its circular dated March 11, 2019, were applicable on HFCs until May 19, 2020.

On May 19, 2020, RBI issued a circular wherein applicability of Master Direction –Know Your Customer (KYC) Direction, 2016 ("**KYC Direction**"), as amended was extended to HFCs and the NHB's circular on KYC and AML measures stood repealed. As per the RBI Master Direction, the KYC Direction continues to apply to HFCs. The KYC Direction requires an HFC to formulate a Board approved KYC policy which is required to include four key elements (i) customer acceptance policy formulated by a HFC, which includes requirements applicable at the time of opening of the account by the customers and client due diligence requirements; (ii) risk management, which requires risk categorization of customers based on certain parameters such as identity, social/financial status, nature of business activity and information on client's business and their location; (iii) undertake customer identification procedures when, inter alia, commencement of an account based relationship, when there is a doubt about the authenticity or adequacy of the customer identification data, when carrying out international money transfer for non-account holder, when or when selling third party products; and (iv) monitoring of transactions. Customer due diligence procedures envisaged under the KYC Direction involves obtaining certain identification documents (such as PAN, Aadhaar number or any other officially verified document) from the individual when he establishes an account based relationship or when dealing with the individual who is the 'beneficial owner', authorized signatory or power of attorney holder related to the legal entity. Similarly, diligence requirements have been provided in relation to customers who are not individuals. HFCs also have to undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds.

Guidelines for Asset Liability Management System for HFCs

Guidelines for Asset Liability Management System for HFC ("**ALM Guidelines**") were issued by the NHB on 11 October 2010. The ALM Guidelines set forth broad guidelines for HFCs in respect of the management of liquidity and interest rate risks. The ALM Guidelines provide that the board of directors of an HFC should have overall responsibility for management of risks and should decide the risk management policy and set limits for liquidity, interest rate, exchange rate and equity price risks. Additionally, an asset-liability committee is required to be constituted consisting of members of the HFC's senior management, including the chief executive officer, for ensuring adherence to the limits set by the board as well as for deciding the business strategy of the HFC (on the assets and liabilities sides) in line with the HFC's budget and decided risk management objectives. Asset-liability management support groups constituting operating staff are required to be responsible for analyzing, monitoring and reporting the risk profiles to the asset-liability committee.

The ALM Guidelines also recommended classification of various components of assets and liabilities into different time buckets for the preparation of gap reports (liquidity and interest rate sensitive). In accordance with the ALM Guidelines, HFCs which are better equipped to reasonably estimate the behavioral pattern of various components of assets and liabilities on the basis of past data/empirical studies could classify them in the appropriate time buckets, subject to approval by the asset-liability committee/board of the HFC.

In addition, each HFC is required to set prudential limits on individual gaps in various time buckets with the approval of the Board/Management committee. Such prudential limits should have a relationship with the total assets, earning assets or equity. Since gap analysis measures mismatches between the rate sensitive liabilities and rate sensitive assets including off-balance sheet positions, it has been provided that the gap reports are instrumental in indicating whether the institution is in a position to benefit from rising interest rates by having a positive gap or vice versa. An asset or liability is classified as rate sensitive if: (a) there is a cash flow within the time interval under consideration; (b) the interest rates resets/reprices contractually during the interval; (c) it is contractually pre-payable or withdrawable before the stated maturities; and (d) it is dependent on the changes in the bank rate by RBI.

Fair Practice Code

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The RBI Master Directions also provide for a fair practices code ("**FPC**") which replaces the erstwhile "Master Circular - Fair Practices Code" dated July 1, 2019 issued by the NHB. The FPC requires all communications to the borrower must be in the vernacular language or a language understood by the borrower. For instance, whenever loans are given, HFCs should explain to the customer the repayment process, including the amount, tenure, and periodicity of repayment. Further, HFCs are required to include in the loan application forms all necessary information so that the applicant may make a meaningful comparison with the terms offered by other HFCs, to devise a system of giving acknowledgement for receipt of all loan applications and to communicate in writing the reasons for rejection of the application. HFCs are required to ensure that advertising and promotional material is clear, and factual, and that privacy and confidentiality of the customers' personal information is maintained. The FPC requires the board of directors of HFCs to lay down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances and requires every HFC to have a system and a procedure for receiving, registering and disposing of complaints and grievances in each of its offices, including for complaints received online. Further, though interest rates are not regulated by RBI, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice. Therefore, HFCs must lay out appropriate internal principles and procedures in determining interest rates and processing and other charges (including penal interest, if any) and in this regard the directions in the FPC about transparency in respect of terms and conditions of the loans are to be kept in view. Every HFC is required to have its own board approved "fair practices code" (preferably be in vernacular language or a language as understood by the borrower) based on the directions outlined in the FPC and the same is to be put up on their website, for the information of various stakeholders.

Regulations governing general financing operations

The Recovery of Debts and Bankruptcy Act, 1993

The Recovery of Debts and Bankruptcy Act, 1993 (the "**DRT Act**") provides for the establishment of the Debts Recovery Tribunals (the "**DRTs**") for expeditious adjudication and recovery of debts due to banks and financial institutions, insolvency resolution and bankruptcy of individuals and partnership firms. Under the DRT Act, the procedures for recovery of debt have been simplified and time frames have been fixed for speedy disposal of cases. The DRT Act lays down the rules for the establishment of DRTs, the procedure for making application to the DRTs, powers of the DRTs and modes of recovery of debts determined by DRTs. These modes of recovery include the attachment and sale of movable and immovable property of the defendant, taking possession of property over which security interest is created or any other property of the defendant and appointing receiver for such property and to sell the same, arrest of the defendant and defendant's detention in prison, appointment of a receiver for the management of the movable or immovableproperties of the defendant) any other mode of recovery as may be prescribed by the central government of India.

The DRT Act also provides that a bank or financial institution having a claim to recover its debt may join an ongoing proceeding filed by some other bank or financial institution, against its debtor, at any stage of the proceedings before the final order is passed, by making an application to the DRT.

The Prevention of Money Laundering Act, 2002

The Prevention of Money Laundering Act, 2002 (the "**PMLA**") was enacted to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering. In terms of the PMLA, every financial institution, including an HFC, is required to maintain record of all transactions including the value and nature of such transactions, furnish information of such transactions to the "Director" (as defined under PMLA) and verify and maintain the records of the identity of all its clients, in such a manner as may be prescribed. The PMLA also provides for the power of summons, searches, and seizures to the authorities under the PMLA.

In terms of PMLA, whosoever, directly or indirectly, attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime, including its concealment, possession, acquisition or use, and projecting or claiming it as untainted property shall be guilty of the offence of money laundering. The NHB circular NHB(ND)/DRS/POL No. 13/2006 dated April 10, 2006, had introduced anti-money laundering measures wherein the HFCs were advised, among other things, to follow the customer identification procedure, maintenance of records of transactions and period of preservation of such record keeping in view of the provisions of PMLA. Further, the aforesaid circular introducing anti-money laundering measures were reviewed and revised circular NHB (ND)/DRS/POL-No. 33/2010-11 dated11 October 2010 ("**2010 Notification**") in light of amendments to the PMLA and the rules framed thereunder. Further, it was directed in the NHB(ND)/DRS/Misc. circular No.13/2014 dated 20 January 2014, that the HFCs shall ensure that the documents are not given directly to the customers for verification etc., to obviate any frauds. Further, as per the rules notified under the PMLA, HFCs are required to verify the identity of their clients and obtain information on the intended nature and purpose of the business relationship at the time of commencement of an account based relationship. In all other cases, HFCs are required to verify the identity of persons carrying out (i) transactions of an amount equal to or exceeding ₹ 50,000, whether conducted as a singletransaction or several connected transactions, or (ii) any international money transfer operations.

The SARFAESI Act

The SARFAESI Act regulates the securitization and reconstruction of financial assets of banks and financial institutions. The SARFAESI Act provides for measures in relation to the enforcement of security interests and rights of the secured creditor in case of default.

The SARFAESI Act also enables banks and financial institutions to enforce the underlying security of an NPA without court intervention. The RBI Master Directions prescribe guidelines for classifying an account as an NPA. Pursuant to an asset being classified as an NPA, the security interest can be enforced as per the procedure laid down in the SARFAESI Act and Security Interest Enforcement Rules, 2002.

The SARFAESI Act provides that any asset reconstruction company may acquire the assets of a bankor financial institution by either entering into an agreement with such bank or financial institution for the transfer of such assets to the company or by issuing a debenture or bond or any other security in the nature of the debenture, for consideration, as per such terms and conditions as may be mutually agreed between them. TheRBI has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank or a financial institution may sell financialassets to an asset reconstruction company provided the asset is an NPA. These assets are to be sold on a without recourse basis only. The SARFAESI Act further provides that if the bank or financial institution is a lender in relation to any financial assets acquired by the asset reconstruction company as stated above, then such company shall be deemed to be the lender in relation to those financial assets, and all the rights of such bank or financial institution shall vest in such company in relation to such financial assets. Upon such acquisition, all contracts, deeds, bonds, etc. entered into by the bank or financial institution, in relation to the financial assets, shall also get transferred in favour of the securitisation/reconstruction company.

A securitisation company may, for the purposes of asset reconstruction, provide for measures such as the proper management of the business of the borrower, by change in, or takeover of, the management of the business of the borrower, the sale or lease of a part or whole of the business of the borrower and certain other measures.

Additionally, under the provisions of the SARFAESI Act, any securitisation company or reconstruction company may act as an agent for any bank or financial institution for the purpose of recovering its dues from theborrower on payment of such fee or charges as may be mutually agreed between the parties.

Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019 dated June 7, 2019 ("Prudential Framework")

The Prudential Framework mandates that in cases where a resolution plan is to be implemented, all lenders shall enter into an inter-creditor agreement, within thirty days from default (**"Review Period"**), to provide for finalisation and implementation of the resolution plan in respect of borrowers with credit facilities from more than one lender.

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Due to the impact of COVID-19, the RBI vide circular RBI/2019-20/219 DOR.No.BP.BC.62/21.04.048/2019-20 dated April 17, 2020, decided to extend the resolution timelines under the Prudential Framework, which were further extended by the RBI vide circular RBI/2019-20/245 DOR.No.BP.BC.72/21.04.048/2019-20 dated May 23, 2020 in the following manner:

a) for accounts which were within the Review Period as on March 1, 2020, the period from March 1, 2020 to August 31, 2020 shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period shall resume from September 1, 2020, upon expiry of which the lenders shall have the usual 180 days for resolution; and
b) for accounts where the Review Period was over, but the 180-day resolution period had not expired as on March 1, 2020, the timeline for resolution shall get extended by 180 days from the date on which the 180-day period was originally set to expire.

Further, the RBI through its 'Statement of Developmental and Regulatory Policies' dated August 6, 2020, stated that with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, it has been decided to provide a separate resolution framework under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as "standard"" subject to specified conditions. The RBI has also issued a notification on August 6, 2020 titled 'Resolution Framework for COVID-19-related Stress' (**"COVID-19 Resolution Framework"**). Under the COVID-19 Resolution Framework, lending institutions are required to frame policies, as approved by their board of directors, for implementation of viable resolution plans for eligible borrowers pursuant to the COVID-19 Resolution Framework and ensure that the resolution plans under this facility are extended only to borrowers bearing stress on account of the COVID-19 pandemic. Exposures of housing finance companies where the account has been rescheduled after March 1, 2020 in terms of para 2(1)(zc)(ii) (which defined "sub-standard assets")") of the Master Circular - The Housing Finance Companies (NHB) Directions, 2010, are not eligible for a resolution plan under COVID-19 Resolution Framework, unless a resolution plan has been invoked by other lending institutions thereunder. However, from the date of COVID-19 Resolution Framework, any resolution plan necessitated on account of the economic fallout of COVID-19 pandemic, shall be undertaken only under the COVID-19 Resolution Framework.

Shops and commercial establishment's legislations

A number of states and union territories of India, have passed laws for regulating shops and commercial establishments. Such laws require registrations to be obtained, and also the regulation of working hours, payment of wages, leave, holidays, terms of service and other conditions of work of persons employed in shops and commercial establishments. Contraventions of provisions of such laws may entail punishment such as imprisonment along with monetary penalty.

International Financial Services Centre Authority (Issuance and Listing of Securities) Regulations, 2021

The International Financial Services Centre Authority (**IFSCA**) is a statutory authority established under the International Financial Services Centres Authority Act, 2019 (**IFSCA Act**) for the development and regulation of financial products, financial services and financial institutions situated at the International Financial Services Centres (**IFSC**).

The provisions relating to issuance and listing of securities specified under the Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015, have been superseded by the IFSCA (ILS) Regulations, 2021 notified by the IFSCA.

The IFSCA (ILS) Regulations 2021 is a comprehensive regulatory framework which permits issuance of debt securities in IFSCs and provides the relevant provisions for governing the issuance and listing of securities by various issuers in the capital markets.

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The regulatory powers of financial services regulators in India, namely, the RBI, SEBI, Insurance Regulatory Development Authority of India (**IRDAI**), and the Pension Fund Regulatory Development Authority of India (**PFRDAI**), have been vested in IFSCA with respect to regulation of financial institutions, financial services and financial products in IFSCs, making it a unified regulator for IFSCs in India.

The IFSCA (ILS) Regulations, 2021 are meant to serve as an all-encompassing unified regulatory framework specifying the requirements for issuance and listing of various types of securities, and disclosures. The IFSCA (ILS) Regulations, 2021 seek to create an ecosystem and supervise the procedures involved in the listing of Starts-ups and SME Companies, Special Purpose Acquisition Companies (**SPACs**), Depository Receipts, Debt Securities and ESG Debt Securities, while also simplifying the issuance of securities and disclosure of material information.

The IFSCA (ILS) Regulations, 2021 seek to ensure greater transparency in the securities markets, pertaining specifically to IFSCs. Further, they also provide for the responsibilities of merchant bankers and require companies to obtain and maintain credit ratings to improve accountability, thereby paving the path for a more mature securities eco-system.

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BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (the **Clearing System**) *currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Agents nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg, each, holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg has established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

Transfers of Notes

Transfers of any interests in Notes within Euroclear and/or Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the clearing system. Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale*" and "*Transfer Restrictions*", cross-market transfers directly or indirectly through Euroclear and/or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Paying Agent and any custodian (**Custodian**) with whom the Notes have been deposited.

Euroclear and/or Clearstream, Luxembourg have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Notes among participants and accountholders of Euroclear and/or Clearstream, Luxembourg. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer nor the Agents will be responsible for any performance by Euroclear and/or Clearstream, Luxembourg or their direct or indirect participants or accountholders of their obligations under the rules and procedures governing their operations nor will the Issuer nor any Agent have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

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TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Notes. In particular, the information does not consider any specific facts or circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws applicable in India, the country of which they are residents or the country of purchase, holding or disposal of the Notes. Additionally, in view of the number of jurisdictions where local laws may apply, this Offering Circular does not discuss the local tax consequences to a potential holder, purchaser or seller arising from the acquisition, holding or disposition of the Notes. Prospective investors must therefore inform themselves as toany tax, exchange control legislation or other laws and regulations in force relating to the subscription, holdingor disposition of Notes at their place of ordinance, and the countries of which they are citizens or countries of purchase, holding or disposition of Notes.

Taxation in India

The following is a summary of the existing principal Indian tax consequences for non-resident investors("**NRIs**") subscribing to the Notes issued by the Issuer. The summary is based on existing Indian taxation law and practice in force at the date of this Offering Circular and is subject to change, possibly with retroactive effect. The summary does not constitute legal or tax advice and is not intended to represent a complete analysis of the tax consequences under Indian law of the acquisition, ownership or disposal of the Notes. Prospective investors should, therefore, consult their own tax advisers regarding the Indian tax consequences, as well as the tax consequences under any other applicable taxing jurisdiction, of acquiring, owning and disposing of the Notes.

Payments through India

Any payments the Issuer makes on the Notes, including additional amounts, made through India will be subject to the regulations of RBI along with taxation laws of India.

Taxation of interest

If the proceeds of the Notes are used for the purposes of the business of the Issuer in India, NRIs will be liable topay tax on the interest paid on the Notes. As of the date of this Offering Circular, the rate of tax under the Income Tax Act, 1961 (**"ITA"**) is 5.00 per cent (plus applicable surcharge and health & education cess). Further, the rate of tax is 4.00 per cent (plus applicable surcharge and health & education cess) in respect of monies borrowed from a source outside India by way of issue of any long-term bond or rupee denominated bond on or after 1 day of April 2020 but before 1 day of July 2023, which is listed only on a recognized stock exchange located in any IFSC. As the interest payable on the Notes is subject to taxation in India, there is a requirement to withhold tax at the applicable rate for the Notes, subject to any beneficial rate of tax provided by an applicable Tax Treaty (as defined below) read with the Multilateral Convention to Implement Tax Treaty (**MLI**), and depending on the legal and tax residential status of the NRI and its taxable income in India.

The beneficial rate of tax shall be available if the beneficial recipient is a resident of a country with whom the Government of India has entered into an agreement for the avoidance of double taxation or prevention of fiscal evasion with respect to taxes on income (a "**Tax Treaty**") read with MLI and the conditions prescribed under the

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provisions of such Tax Treaty and the ITA, are fulfilled.

An NRI will be responsible and obliged to undertake all the necessary compliances in India such as filing of annual return of income disclosing its taxable income arising from India (including interest income from the Notes) and pay such income tax in an amount equal to, or will be entitled to a refund of taxes, as the case may be. It is further clarified that NRI would be entitled to any difference between amounts withheld in respect of interest paid on the Notes in India and its ultimate Indian tax liability on such interest income, subject to and in accordance with the provisions of the ITA read with the applicable Tax Treaty. If requested, the Issuer shall provide the NRI with the relevant withholding tax certificate with respect to the interest income arising from the Notes. All NRIs will be obliged to provide all necessary information and documents as may be required by the Issuer in this regard.

Withholding Tax

As interest payable on the Notes is subject to taxation in India, there is a requirement pursuant to the ITA to withhold tax at the rate of 5 per cent (plus, applicable surcharge and health & education cess). Further, the rate of withholding tax is 4 per cent (plus applicable surcharge and health & education cess) in respect of monies borrowed from a source outside India by way of issue of any long-term bond or rupee denominated bond on or after 1 day of April 2020 but before 1 day of July 2023, which is listed only on a recognized stock exchange located in any IFSC. The aforesaid withholding tax rate provided under the ITA is subject to any lower rate of tax provided under an applicable Tax Treaty read with MLI.

Besides the aforesaid taxation of interest on Notes and withholding tax provisions under the ITA, pursuant to the Condition 9 *(Taxation)*, all payments of principal and interest on the Notes will be made free and clear of and without withholding or deduction on account of any present or future taxes within India unless it is required by law. Further to Condition 9 (*Taxation*), the Issuer will pay additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, subject to certain exceptions.

Taxation of gains arising on disposition

Any capital gain arising to an NRI from the disposition of the Notes held (or deemed to be held) as a capital asset will generally be chargeable to income tax in India if the Notes are regarded as property situated in India. An NRI will generally not be charged to tax in India on any disposition of the Notes held as a capital asset providedthe Notes are regarded as being situated outside of India. The issue as to where the Notes should properly be regarded as being situated is not free from doubt. The ultimate decision will depend on the view taken by the Indian tax authorities on the position with respect to the status of the rights being offered in respect of the Notes.There is a possibility that the Indian tax authorities may treat the Notes as being located in India as the Issuer is incorporated in and resident in India.

If the Notes are regarded as situated in India by the Indian tax authorities, upon disposition of a Note to a tax resident in India:

(a) Capital gains, arising if any, pursuant to the transfer of Notes made by the NRI on a recognized stock exchange located in IFSC and where the consideration for such transaction is paid or payable in foreign currency, will not be subject to capital gain tax in India.

(b) Where the conditions stated above in clause (a) are not met, then an NRI, who has held the Notes for a period of more than 36 months immediately preceding the date of their dispositions, would be liable to pay capital gains tax at the rate of 10% of the capital gains (plus applicable surcharge and health & education cess) in accordance with the provisions of the ITA. This rate is subject to any lower rate provided by an applicable Tax Treaty read with the MLI;

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(c) Where the conditions stated above in clause (a) are not met, then an NRI who has held the Notes for 36 months or less will be liable to pay short-term capital gains tax at a rate of up to 40 per cent. of the capital gains (plus applicable surcharge and health & education cess), depending on the legal and tax residential status of the NRI and his taxable income in India, subject to lower rate, if any, provided under the applicable Tax Treaty read with the MLI; and

(d) any income arising to an NRI from the disposition of the Notes held as stock-in-trade would be subject to income tax in India to the extent, if any, that the surplus is attributable to a "business connection in India" or, where a Tax Treaty applies, to a "permanent establishment" in India of such NRI. An NRI would be liable to pay Indian tax on the surplus which is so attributable at a rate of up to 40% of the income as profits and gains of business or profession (plus applicable surcharge and health & education cess), depending on the legal and tax residential status of the NRI and his taxable income in India, subject to any lower rate provided under a Tax Treaty read with the MLI.

(e) in the case of an NRI, any capital gains arising on account of appreciation of the Rupee against a foreign currency at the time of redemption of the Notes subscribed by such NRI shall be ignored for the computation of full value of consideration. Accordingly, such gains arising to the NRI on account of the appreciation of the Rupee against a foreign currency at the time of redemption of the Notes, shall not be taxable as capital gains. This does not, however, deal with capital gains tax treatment in respect of the gains arising to investors prior to redemption during the life of the Notes;

(f) If applicable, tax shall be withheld by the person making any payment to an NRI on long-term capital gains at the rate of 10 per cent (plus, applicable surcharge and health & education cess) and in case of short-term capital gains or profits and gains of business or profession up to the rate of 40 per cent (plus, applicable surcharge and health & education cess), depending on the legal and tax residential status of the NRI, subject to any lower rate provided under a Tax Treaty. Tax payable shall be computed in a manner as prescribed under the ITA or the Tax Treaty, whichever is more beneficial for the NRI. For the purpose of tax withholding, the NRI shall be obliged to provide the permanent account number allotted by the tax authorities and all prescribed information and documents, including a tax residency certificate (issued by the tax authorities of the country in which the NRI is resident) in order to claim the Tax Treaty benefits.

It may be noted that in absence of a permanent account number, the NRI may alternatively furnish documentation including a tax residency certificate, a tax identification number and other details including their name, address, email and contact number, pursuant to Rule 37BC of the Income Tax Rules, 1962.

Potential investors should, in any event, consult their own tax advisers on the tax consequences of transfer of the Notes.

Estate Duty

No estate duty is payable at present in India in relation to the Notes.

Gift Tax

There is no gift tax payable at present in India in relation to the Notes.

Stamp Duty

A transfer of the Notes outside India will not give rise to any Indian stamp duty liability unless brought into India. Stamp duty will be payable if the Notes are brought into India for enforcement or for any other purpose. The amount of stamp duty payable will depend on the applicable State Stamp Act and the duty will have to be paid within a period of three months from the date the Notes are first brought into India.

United Kingdom Taxation

The following applies only to persons who are absolute beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs' (HMRC) practice (which may or may not be binding on HMRC) relating only to the United Kingdom withholding tax treatment of payments of interest and of annual payments (as each term is understood for United Kingdom tax purposes) in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Interest on the Notes

Payment of Interest on the Notes that do not have a United Kingdom source may be made without deduction or withholding on account of United Kingdom income tax.

If interest paid on the Notes does have a United Kingdom source, then payments may be made without deduction or withholding on account of United Kingdom income tax in any of the following circumstances. Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognized stock exchange" (within the meaning of section 1005 of the Income Tax Act 2007 (the "Act") for the purposes of section 987 of the Act). Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognized stock exchange", interest on the Notes will be payable without deduction of or withholding on account of United Kingdom tax. While the Notes are and continue to be admitted to trading on a multilateral trading facility operated by a regulated recognized stock exchange within the meaning of sections 987 and 1005 of the Act, payments of interest by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax. Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, where the relevant payments of interest are treated as having a United Kingdom source, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20.00%), subject to any other available exemptions and reliefs.

However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty). An amount may also be required to be withheld from payments on the Notes that have a United Kingdom source and are not interest but are treated as annual payments for United Kingdom tax purposes, on account of United Kingdom income tax at the basic rate. Where Notes are to be issued at an issue price of less than 100% of their principal amount, any discount element on any such Notes would not generally be subject to United Kingdom withholding tax pursuant to the provisions mentioned above. Where Notes are, or may fall, to be redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest for United Kingdom tax purposes. Payments of interest may be subject to the United Kingdom withholding tax unless an exemption or relief applies as outlined above.

The references to "interest" above mean "interest", and references to "annual payments" above mean "annual payments", as such terms are understood for United Kingdom tax purposes. The statements above do not take account of any different definitions of "interest" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Noteholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes that does not constitute "interest" as such term is understood for United Kingdom tax purposes.

SUBSCRIPTION AND SALE

The Fiscal Agent have, in Fiscal Agency Agreement, agreed with our Company a basis upon which they or any of them agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Fiscal Agency Agreement, our Company has agreed to reimburse the Fiscal Agent for certain of their expenses in connection with the issue of Notes and to indemnify the Fiscal Agent against certain liabilities incurred by them in connection therewith. The Fiscal Agency Agreement entitles the Fiscal Agent to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to our Company.

The Fiscal Agent and their affiliates may engage in investment or commercial banking and other dealings in the ordinary course of business with our Company or our affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, the Fiscal Agent and their affiliates may, from time to time after completion of the offering of Notes, engage in other transactions with, and perform services for, our Company or our affiliates in the ordinary course of their business. The Fiscal Agent or their affiliates may also purchase Notes for asset management and/or proprietary purposes but not with a view to distribution or may hold the Notes on behalf of clients or in the capacity of investment advisers. While the Fiscal Agent and their affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause the Fiscal Agent or their affiliates or their clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. The Fiscal Agent may receive returns on such transactions and have no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes.

India

Each Agent has represented and acknowledged that (a) this Offering Circular has not been and will not be registered, filed, produced or published as an offer document (whether a prospectus in respect of a public offer or information memorandum or other offering material in respect of any private placement under the Companies Act and the rules framed thereunder or any other applicable Indian laws) with the Registrarof Companies, the Securities and Exchange Board of India, the NHB, the RBI, any Indian stock exchange or anyother statutory or regulatory body of like nature in India, save and except for any information from any part of this Offering Circular which is mandatorily required to be disclosed or filed in India under any applicable Indianlaws, including but not limited to, the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, as amended, and under the listing agreement with any Indian stock exchange pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 orpursuant to the sanction of any regulatory and adjudicatory body in India and (b) the Notes have not been and will not be offered or sold in India by means of any document, other than to persons permitted to acquire the Notes under Indian law, whether as a principal or an agent, and (c) this Offering Circular or any other offering document or material relating to the Notes has not been and will not be circulated or distributed, directly or indirectly, to any person or to the public or any member of the public in India or otherwise generally distributed or circulated in India which would constitute an advertisement, invitation, offer, sale or solicitation of and offer to subscribe for or purchase any securities in violation of applicable Indian laws and (d) the Notes will not be offered or sold or transferred and have not been offered or sold or transferred to any person who does not meet the Eligibility Requirements.

Each Agent has acknowledged that (a) this Offering Circular has not been and will not be registered, filed, produced or published as an offer document (whether a prospectus in respect of a public offer or information memorandum or other offering material in respect of any private placement under the Companies Act and the rules framed thereunder or any other applicable Indian laws) with the Registrar of Companies, the Securities and Exchange Board of India, the NHB, the RBI, any Indian stock exchange or any other statutoryor regulatory body of like nature in India, save and except for any information from any part of this Offering Circular which is mandatorily required to be disclosed or filed in India under any applicable Indian laws, including but not limited to, the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, as amended, and under the listing agreement with any Indian stock exchange pursuant to the Securities and Exchange Board

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of India (Listing Obligations and Disclosure Requirements) Regulations 2015 orpursuant to the sanction of any regulatory and adjudicatory body in India; (b) the Notes will not be offered or sold, and have not been offered or sold, in India by means of any document and this Offering Circular or any other offering document or material relating to the Notes will not be circulated or distributed and has not been circulated or distributed, directly or indirectly, to any person or the public or any member of the public in India or otherwise generally distributed or circulated in India. The Notes have not been, and will not be, offered or sold directly or indirectly in India or to, or for the account or benefit of, any person resident in India. The Notes have not been offered or sold and will not be offered or sold in India in circumstances which would constitute an offer to the public within the meaning of the Companies Act, to the extent notified; and other applicable Indian law for the time being in force, advertisement, invitation, offer, sale or solicitation of an offer to subscribe for or purchase or transfer of any securities in violation of any Indian laws; and (c) this Offering Circular or any material relating to the Notes has not been andwill not be circulated or distributed to any prospective investor who does not meet the Eligibility Requirements or to any offshore branch or subsidiary of an Indian bank, and (d) the Notes will not be offered or sold or transferred and have not been offered or sold or transferred to any person who does not meet the Eligibility Requirements or to any offshore branch or subsidiary of an Indian bank.

Each Agent has represented and agreed that, to the best of its knowledge and belief, the Notes are only being issued and sold to a person who meets the Eligibility Requirements and have not been issued or sold to a person resident in India or any offshore branch or subsidiary of an Indian bank. Further, this Offering Circular or any other material relating to the Notes has not been and will not be circulated or distributed to any prospective investor who does not meet the Eligibility Requirements and who is a person resident in India or any offshore branch or subsidiary of an Indian bank. As per the ECB Directions, while foreign branches/ subsidiaries of Indian banks may be recognised lenders for ECBs issued in foreign currency, they are not permitted to purchase or hold: (i) Rupee denominated Notes in any manner whatsoever, save and except as underwriters or arrangers or market makers or traders, subject to applicable prudential norms; (ii) Notes which fall within the categories mentioned in (b) to (e) of serial number V of paragraph 2.1 of Part I of the ECB Master Directions.

Disclosure of information relating to holders of the Notes

Holders and beneficial owners of the Notes shall be responsible for compliance with restrictions on theownership and transfer of the Notes imposed from time to time by applicable laws, Indian laws or by any regulatory authority or otherwise. In this context, holders and beneficial owners of Notes shall be deemed to have acknowledged, represented and agreed that such holders and beneficial owners are eligible to purchase the Notes under applicable laws and regulations and are not prohibited under any applicable law or regulation from acquiring, owning, transferring or selling the Notes.

The holders and beneficial owners of Notes shall be deemed to confirm that for so long as they hold any Notes, they will meet the Eligibility Requirements. Further, all Noteholders represent and agree that the Notes willnot be offered or sold on the secondary market to any person who does not meet the Eligibility Requirements.

The holders and beneficial owners of Notes shall be deemed to confirm that for so long as they hold any Notes, they shall comply with the requirements or conditions as set out under the ECB Directions and any other applicable regulations, notifications, circulars or guidelines issued in respect of external commercial borrowings, as construed in accordance with the Foreign Exchange Management Act, 1999, and Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 (each as amended, modified or replaced, from time to time).

To comply with applicable laws and regulations, the Issuer or its duly appointed agent may from time to time request Euroclear and/or Clearstream, Luxembourg to provide them with details of the accountholders within Euroclear and/or Clearstream, Luxembourg, as may be appropriate, that hold the Notes and the amount of Notes held by each such accountholder. Euroclear and/or Clearstream, Luxembourg, as the case maybe participants which are holders of the Notes or intermediaries acting on behalf of such Noteholders would be deemed to have hereby authorized Euroclear and/or Clearstream, Luxembourg, as may be appropriate, to disclose such information to the Issuer or its duly appointed agent.

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United Kingdom

Each Agent has represented and agreed, and each further Agent appointed in relation to this Notes will be required to represent and agree, that:

(a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for thepurposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Italy

Each Agent has represented, warranted and undertaken, and each further Agent appointed in relation to the Notes will be required to represent, warrant and undertake, that the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **"Financial Services Act"**) and Article 34-*ter*, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time **"Regulation No. 11971"**); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must:

(a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **"Banking Act"**); and

(b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the BankingAct and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirementrules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

The Netherlands

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Each Agent has represented and agreed, and each further Agent appointed in relation to this Notes will be required to represent and agree, that the Notes will only be offered in The Netherlands to qualified investors (as defined in the Prospectus Directive), unless such offer is made in accordance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

Singapore

Each Agent has acknowledged, and each further Agent appointed in relation to this Notes will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority Singapore (the **"MAS"**). Accordingly, each Agent has represented, warranted and agreed, and each further Agent appointed in relation to this Notes will be required to represent, warrant and agree, that it has not offered orsold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (the **"SFA"**)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) ofthe SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or "securities-based derivative contracts" (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or
(b) where no consideration is or will be given for the transfer; or
(c) where the transfer is by operation of law; or
(d) as specified in Section 276(7) of the SFA; or
(e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued shall be 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04- N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

Each Agent has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) Hong Kong) (the **"SFO"**) other than (a) to "professional investors" as defined in the SFOand any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the **"C(WUMP)O"**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitationor document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **"FIEA"**) and each Agent has represented and agreed, and each further Agent appointed in relation to the Notes will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Agent has represented, warranted and undertaken and each further Agent appointed herein will be required to represent, warrant and undertake that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither our Company nor any of the other Agent shall have any responsibility therefor.

None of our Company and the Agent represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. With regard to Notes, the Agent will be required to comply with such other restrictions as our Company and the Agent shall agree and as shall be set out in this Offering Circular.

Other Relationships

The Agent and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Agents may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with our Company or our subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Agents and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity as investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of our Company or our subsidiaries, jointly controlled entities or associated companies, including Notes issued may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes.

Broker-dealer Affiliates

If a jurisdiction requires that such offering be made by a licensed broker or dealer or any affiliate of it is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by it or such affiliate on behalf of our Company in such jurisdiction.

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TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Note with a view to holding it in the form of an interest in the same Note) or person wishing to transfer interest from one Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Note with a view to holding it in the form of an interest in the same Note will be deemed to have acknowledged, represented and agreed, as follows:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR (II) IN THE CASE OF SECURITY ISSUED IN RELIANCE ON CATEGORY 2 OF REGULATION S UNDER THE SECURITIES ACT, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES AND TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS IN EACH CASE, THE HOLDER AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN TO THE ISSUER OR ANY AFFILIATE THEREOF, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE JURISDICTION. THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF BUT UPON NOTICE TO THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF. TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION, THEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON").

Our Company and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agree that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify us; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make, and does make, the foregoing acknowledgements, representations and agreements on behalf of each such account.

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SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND IND-AS

The Issuer's annual financial statements included in this Offering Circular have been prepared in accordance with accounting policies followed by the Issuer which conform to IND-AS as applicable to the Issuer. IND-AS differs in certain significant respects from IFRS. Such differences involve methods for measuring amounts in the financial statements as well as in disclosures.

The following table summarizes certain general differences between IFRS and IND-AS that could have a significant impact on the financial position and operations of the Issuer if its financial statements were prepared under IFRS. The summary below should not be considered exhaustive and no attempt has been made to identify possible future differences among IND-AS and IFRS as a result of prescribed changes in accounting standards nor to identify future differences that may affect the Issuer's financial statements as a result of transactions or events that may occur in the future. No attempt has been made by the Issuer to quantify the effects of those differences, nor has a reconciliation of IND-AS to IFRS been undertaken by the Issuer. Had any such quantification or reconciliation been undertaken, other potential significant accounting and disclosure differences may have come to its attention, which are not identified below.

Prospective investors should consult their own professional advisers for an understanding of the principal differences between IFRS and IND-AS and how these differences might affect the financial statements of the Issuer presented in this Offering Circular.

Summary of Certain Differences

Topic	IFRS	IND-AS
Presentation of Financial Statements — Components of financial statements	The requirements for the presentation of financial statements, and the guidelines for their structure and content are set out in IAS 1. A complete set of financial statements under IFRS comprises: (a) a statement of financial position; (b) a statement of profit or loss and other comprehensive income (presented as a single statement or by presenting the profit and loss section in a separate statement of profit or loss, immediately followed by a statement presenting comprehensive income beginning with profit or loss; (c) statement of cash flow; (d) statement of changes in equity; and (e) Notes comprising a summary of significant accounting policies and explanatory Notes.	Similar to IFRS. Further, Schedule III, Division II, to the Companies Act sets out the requirements for the presentation of financial statements which are in conformity with IND-AS 1
Presentation of Financial Statements — Disclosure of Reclassification	The disclosure of reclassification of comparative amounts includes the nature, amount and reason for reclassification.	Similar to IFRS
Presentation of Financial Statements — Balance sheet/statement of financial position.	An entity is required to present current and non-current assets, and current and non-current liabilities, as separate classifications on the cover of the statement of financial position except when a presentation based on liquidity provides information that is more reliable and more relevant. Minimum line item requirements are set out in IAS 1.	Similar to IFRS. Minimum line item requirements are set out in Schedule III to the Companies Act
Presentation of Financial Statements — Presentation of income statement	An analysis of expenses is presented using a classification based on either the nature of those expenses or their function or by whichever method that provides information that is reliable and more relevant. If presented by function, specific disclosures by nature are provided in the Notes. Profit or loss attributable to noncontrolling interests and equity holders of the parent are disclosed in the statement of	Entities should present an analysis of expenses recognized in profit or loss using a classification based only on the nature of the expense.

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	comprehensive income/income statement (if presented separately) as allocations of profit or loss for the period.	
Presentation of Financial Statements — Statement of changes in equity	A statement of changes in equity is presented showing: (a) total comprehensive income for the period, separately showing the total amounts attributable to owners of the parent and to NCI; (b) for each component of equity, the effects of retrospective application or retrospective restatement recognized in accordance with IAS 8; and (c) for each component of equity, a reconciliation between the carrying amount at the beginning and at the end of the period, separately disclosing changes resulting from: Profit or loss; OCI; and transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control	Similar to IFRS
Presentation of Financial Statements — Critical Judgments	The critical judgements made by the management in applying accounting policies are to be disclosed separately.	Similar to IFRS
Presentation of Financial Statements — Disclosure of Capital	The disclosure of information about management of capital and compliance with externally imposed capital requirements, if any, is required.	Similar to IFRS
Presentation of Financial Statements — Extraordinary items	Presentation of any items of income or expense as extraordinary is prohibited. However, it requires that when some items of income or expense are material, an entity shall disclose their nature and amount separately	Similar to IFRS
Inventories — Net realizable value and reversal of write-down of inventory	A new assessment of net realizable value is required to be made in each subsequent period. Write down of inventory is reversed if circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in the net realizable value because of changes in economic circumstances	Similar to IFRS
Cash Flow Statement — Bank overdrafts	Included in cash & cash equivalents if they form an integral part of an entity's cash management. Usually, these bank balances often fluctuate between being positive and being overdrawn.	Similar to IFRS
Cash Flow Statement — Cash flows from extraordinary items	As presentation of items as extraordinary is not permitted in accordance with IAS 1, a cash flow statement does not reflect any items of cash flow as extraordinary.	Similar to IFRS
Cash Flow Statement — Interest and dividend	May be classified as operating, investing or financing activities in a manner consistent from period to period.	Interest and dividends received are required to be classified as investing activities. Interest and dividends paid are required to be classified as financing activities other than for financial enterprises.
Changes in Accounting Policies and Errors	Retrospective application of changes in accounting policies is made by adjusting the opening balance of the affected component of equity for the earliest prior period presented and the other comparative amounts for each period presented as if the new accounting policy were always applied. If retrospective	Similar to IFRS

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	application is impracticable for a particular prior period, or for a period before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied needs to be stated. Material prior year errors are corrected retrospectively by restating the comparative amounts for prior periods presented in which the error occurred, or if the error occurred before the earliest period presented, by restating the opening statement of financial position.	
New accounting pronouncements	New accounting pronouncements that have been issued but which are not effective on the date of the statement of financial position are disclosed. Known or reasonably estimable information relevant to assessing the possible impact of the new accounting pronouncements on initial application on the financial statements is disclosed.	Similar to IFRS
Events after balance sheet date/reporting period — Dividends	Liability for dividends declared to holders of equity instruments are recognized in the period when declared.	Similar to IFRS
Income Taxes — Recognition of deferred tax liabilities	Deferred tax liability shall be recognized for all taxable temporary differences except to the extent they arise from initial recognition of: (a) goodwill; or (b) an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither the accounting nor the tax profit.	Similar to IFRS
Income Taxes — Recognition of deferred tax assets	Deferred tax assets are recognized for carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilized.	Similar to IFRS
Income Taxes — Recognition of taxes on items recognized in other comprehensive income or directly in equity	Current tax and deferred tax is recognized outside profit or loss if the tax relates to items that are recognized in the same or a different period, outside profit or loss. Therefore, the tax on items recognized in other comprehensive income, or directly in equity, is also recorded in other comprehensive income or in equity, as appropriate.	Similar to IFRS
Income Taxes — Investments in subsidiaries, branches and associates, and interests in joint ventures	Deferred tax should not be recognized for temporary differences in respect of investment in subsidiaries, branches, associates and interest in joint ventures if certain conditions are satisfied.	Similar to IFRS
Income Taxes — Deferred tax on unrealized intra-group profits	Deferred tax on unrealized intragroup profits is recognized at the buyer's rate	Similar to IFRS
Property, Plant and Equipment — Cost of major inspection	Costs of major inspections and overhauls are recognized as a separate component of property, plant and equipment.	Similar to IFRS
Property, Plant and Equipment — Spare parts	Spare parts are recognized in accordance with IAS 16 when they meet the definition of property, plant and	Similar to IFRS

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	equipment. Otherwise, such items are classified as inventory.	
Property, Plant and Equipment — Revaluation	If an entity adopts the revaluation model, revaluations are required to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the date of the statement of financial position.	Similar to IFRS
Property, Plant and Equipment — Change in Method of Depreciation	A change in depreciation method is considered to be a change in the accounting estimate and accounted for prospectively.	Similar to IFRS
Property, Plant and Equipment — Changes in existing, decommissioning, restoration and similar liabilities	Provisions for decommissioning, restoration and similar liabilities that have previously been recognized as part of the cost of an item of property, plant and equipment are adjusted for changes in the amount or timing of future costs and for changes in market-based discount rates.	Similar to IFRS
Leases — Interest in leasehold land	Recognized as an operating/finance lease unless the leasehold interest is accounted for as investment property in accordance with IAS 40 and the fair value model is adopted.	Similar to IFRS, except that a property interest in an operating lease cannot be accounted for as investment property as the fair value model, is not permissible under IND-AS 40.
Determining whether an arrangement contains a lease	An arrangement that does not take the legal form of a lease, but the fulfillment of which is dependent on the use of specific assets and which conveys the right to use the assets, is accounted for as a lease in accordance with IAS 17.	Similar to IFRS
Operating Leases — Incentives	The lessor and lessee recognize lease incentives as an increase or reduction of rental expense over the lease term, on a straight line basis, unless another systematic basis is representative of the time pattern of the lessee's benefit from use of the leased asset.	Similar to IFRS
Revenues — Definition	Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Amounts collected on behalf of third parties such as sales and service taxes and value added taxes are excluded from revenues.	Similar to IFRS
Revenues — Measurement	Fair value of revenue from the sale of goods and services when the inflow of cash and cash equivalents are deferred is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of consideration is recognized as interest revenue using the effective interest method.	Similar to IFRS
Revenues — Interest	Interest income is recognized using the effective interest method	Similar to IFRS
Employee benefits — Actuarial gains and losses	Actuarial gains and losses arising on post retirement defined benefit obligations shall be recognized immediately in other comprehensive income and not reclassified to profit or loss in a subsequent period.	Similar to IFRS

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Employee benefits — Discount rate	Market yields at the date of the statement of financial position on high-quality corporate bonds are used as discount rates. In countries where there are no deep markets for such bonds, market yields on government bonds are used.	The rate used to discount shall be determined by reference to market yields at the end of the reporting period on government bonds.
Government Grants — Nonmonetary assets	The asset and the grant may be accounted for at fair value. Alternatively, these can be accounted for a nominal value.	The asset and the grant should be accounted for at fair value.
Government Grants — Repayment	If repayment of a government grant relating to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable, the cumulative additional depreciation that would have been recognized in the absence of the grant is immediately recognized as an expense. It is prohibited from being disclosed as an extraordinary item.	Recognized by reducing the deferred income balance by the amount repayable. It is prohibited from being disclosed as an extraordinary item.
Effects of Changes in Foreign Exchange Rates — Functional and presentation currency	Functional currency is the currency of the primary economic environment in which the entity operates. Foreign currency is a currency other than functional currency. Presentation currency is the currency in which the financial statements are presented.	Similar to IFRS
Effects of Changes in Foreign Exchange Rates — Exchange differences	Exchange differences arising on translation or settlement of foreign currency monetary items are recognized in profit or loss in the period in which they arise.	Similar to IFRS.
Effects of Changes in Foreign Exchange Rates — Translation in consolidated financial statements	Assets and liabilities should be translated from functional to presentation currency at the closing rate at the date of the statement of financial position; income and expenses at the actual/average rate for the period; exchange differences are recognized as a separate component of equity and recycled to income statement on the disposal of the investment/operation.	Similar to IFRS.
Borrowing cost — Recognition	Capitalized if these costs are attributable to the acquisition, construction or production of a qualifying asset. Interest expense included in borrowing costs is calculated using the effective interest method as described in IFRS 9: Financial Instruments. It is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Transaction costs are taken into account when determining the initial net carrying amount and their recognition in profit or loss is effectively spread over the life of the instrument.	Similar to IFRS.
Related Party Disclosures — Identification	Related party includes post-employment benefit plans for the benefit of employees of the reporting entity or any entity that is a related party of the reporting entity.	Similar to IFRS.
Related Party Disclosures — Key management personnel	Key management personnel include both executive and non-executive directors.	Similar to IFRS.
Related Party Disclosures —	Government related entities require disclosure of:	Similar to IFRS.

Government related entities	The name of the government and its relationship with the reporting entity. (The nature and amount of each significant transaction and a qualitative or quantitative indication of other transactions which are significant collectively.	
Consolidated Financial Statements — Definition of control of investee	An investor controls an investee when the investor is exposed, or has the right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee	Similar to IFRS.
Consolidated Financial Statements — Potential voting rights	Potential voting rights are considered only if they are substantive. For a right to be substantive it must give the holder the current ability to direct the relevant activities of an investee when necessary and the holder must have the practical ability to exercise that right.	Similar to IFRS.
Consolidated Financial Statements — Exclusion of subsidiaries	If the acquisition of a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5, it is included in the consolidation but is accounted for under that standard.	Similar to IFRS.
Consolidated Financial Statements — Reporting dates	The difference between the reporting date of the subsidiary and that of the parent shall be no more than three months.	Similar to IFRS.
Consolidated Financial Statements — Uniform Accounting policies	Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.	Similar to IFRS.
Consolidated Financial Statements — Disposals	Partial disposal of a subsidiary where control is retained is accounted for as an equity transaction, and gain or loss is not recognized. Partial disposal of a subsidiary resulting in loss of control triggers re-measurement of the residual holding to fair value. Any difference between the fair value and the carrying value is recognized as gain or loss in profit or loss.	Similar to IFRS
Separate Financial Statements — Accounting for investments in subsidiaries in separate financial statements of the parent	Accounted for either at cost less impairment loss or as available for sale in accordance with IFRS 9.	Similar to IFRS. However, Equity method is not permitted in separate financial statements.
Investments in Associates and Joint Ventures — Significant influence	The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing significant influence.	Similar to IFRS.
Investments in Associates and Joint Ventures — Capital Reserve/Negative Goodwill	Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.	Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is recognized directly in equity as capital reserve in the period in which the investment is acquired.

Investments in Associates and Joint Ventures — Reporting date	The difference between the reporting date of the associate and that of the parent shall be no more than three months.	Similar to IFRS.
Investments in Associates and Joint Ventures — Method of Accounting	Investments in associates or joint ventures are to be accounted for using the equity method in consolidated financial statements.	Similar to IFRS.
Financial Instruments: Presentation — Classification of convertible debts	Split the instrument into its liability and equity components at issuance.	Similar to IFRS, except for conversion option embedded in a foreign currency convertible bond under certain circumstances.
Financial Instruments: Presentation — Treasury shares	If an entity reacquires its own shares (treasury shares), these are shown as a deduction from equity.	Similar to IFRS.
Earnings per share — Extraordinary items	Since IAS 1 prohibits disclosure of extraordinary items, no separate consideration is given to such items while calculating Earnings Per Share (EPS).	Similar to IFRS.
Earnings per share — Disclosure	IAS 33 requires separate disclosures for EPS from continuing and discontinued operations. Disclosure is also required for instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.	Similar to IFRS.
Impairment of Assets — Reversal of impairment loss for goodwill	Impairment loss recognized for goodwill is prohibited from reversal in a subsequent period.	Similar to IFRS.
Provisions, Contingent Liabilities and Contingent Assets — Discounting	Where the effect of time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects the current market assessment of the time value of money and risks specific to the liability. The discount rate does not reflect risk for which future cash flow estimates have been adjusted.	Similar to IFRS.
Provisions, Contingent Liabilities and Contingent Assets — Contingent assets	Contingent assets are disclosed in the financial statements where an inflow of economic benefits is probable.	Similar to IFRS.
Intangible assets — Measurement	Intangible assets can be measured at either cost or revalued amount.	Similar to IFRS.
Intangible assets — Useful life	Useful life may be either finite or indefinite.	Similar to IFRS.
Financial Instruments: Recognition and Measurement — Investments, loans and receivables	Financial assets are classified as at fair value through profit and loss, fair value through OCI, and amortized cost. Financial assets are classified as fair value through profit and loss if they are acquired principally for the purpose of selling and are part of a portfolio that is managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Investments are classified as fair value through OCI when an entity's business model's	Similar to IFRS.

	objective is achieved both by collecting cash flows and by selling financial assets. Investments at amortized cost are investments which meet the SPPI criteria. These investments are measured at amortized cost using the effective interest method.	
Financial Instruments: Recognition and Measurement — Impairment	Impairment losses recognized in profit or loss for equity investments cannot be reversed through profit or loss.	Similar to IFRS.
Financial Instruments: Recognition and Measurement — Foreign currency contracts	A forward exchange contract is measured at fair value as at the statement of financial position date. If the forward exchange contract meets the criteria of an effective hedge in accordance with IFRS 9: Financial Instruments, the gain or loss arising on fair valuation is recognized in the statement of changes in equity. If the hedge is ineffective, the gain or loss is recognized in the determination of net income.	Similar to IFRS.
Financial Instruments: Recognition and Measurement — Derivatives and embedded derivatives	Measured at fair values.	Similar to IFRS.
Financial Instruments: Recognition and Measurement — Derivatives and hedge accounting	Hedge accounting (recognizing the offsetting effects of fair value changes of both the hedging instrument and the hedged item in the same period's profit or loss) is permitted in certain circumstances, provided that the hedging relationship is clearly defined, measurable and actually effective. IFRS 9 provides for three types of hedges: • fair value hedge: if an entity hedges a change in fair value of a recognized asset or liability or firm commitment, the change in fair values of both the hedging instrument and the hedged item are recognized in profit or loss when they occur; • cash flow hedge: if an entity hedges changes in the future cash flows relating to a recognized asset or liability or a highly probable forecast transaction, then the change in fair value of the hedging instrument is recognized in other comprehensive income until such time as those future cash flows occur. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss in the period of such change; and • hedge of a net investment in a foreign entity: this is treated as a cash flow hedge. A hedge of foreign currency risk in a firm commitment may be accounted for as a fair value hedge or as a cash flow hedge.	Similar to IFRS.
Non-current assets held for sale — Recognition and measurement	Non-current assets to be disposed of are classified as held for sale when the asset is available for immediate sale and the sale is highly probable. Depreciation ceases on the date when the assets are classified as held for sale. Non-current assets classified as held for sale are measured at the lower of their carrying value and fair value less costs to sell.	Similar to IFRS.

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Non-current assets held for sale and discontinued operations — Classification	An operation is classified as discontinued when it has either been disposed of or is classified as held for sale.	Similar to IFRS.
Exploration for and evaluation of mineral resources — General	Exploration and evaluation assets are measured at cost or revaluation less accumulated amortization and impairment loss. An entity determines the policy specifying which expenditures are recognized as exploration and evaluation assets.	Similar to IFRS
Operating Segments — Determination of segments	Operating segments are identified based on the financial information that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.	Similar to IFRS.
Operating Segments — Measurement	Segment profit or loss is reported on the same measurement basis as that used by the chief operating decision maker. There is no definition of segment revenue, segment expense, segment result, segment asset or segment liability. Requires reconciliation of segment performance measures, and segment assets and liabilities with the corresponding amounts reported in the financial statements.	Similar to IFRS.
Operating Segments — Entitywide disclosures	Requires disclosure of: (a) external revenues from each product or service; (b) revenues from customers in the country of domicile and from foreign countries; and (c) geographical information on non-current assets located in the country of domicile and foreign countries. Information on major customers including total revenues from each major customer is disclosed if revenues from each customer are 10 per cent. or more of total segment revenues.	Similar to IFRS.
First Time Adoption		
Previous GAAP	IFRS 1 defines previous GAAP as the basis of accounting that a first time adopter used immediately before adopting IFRS.	IND-AS 101 defines previous GAAP as the basis of accounting that a first-time adopter used for its reporting requirement in India immediately before adopting IND-AS.
Treatment of Changes in Retained Earnings	The first-time adopter shall account for the resulting change in the first-time adopter shall account for the resulting change in the retained earnings as at the transition date except in specific instances to make adjustment with goodwill.	The first-time adopter shall account for the resulting change in the retained earnings as at the transition date. In specific instances, IND-AS allowed adjustment to be made with capital reserve to the extent such adjustment amount does not exceed the balance available in capital reserve.
Additional Exemptions	No such exemptions provided in IFRS.	IND-AS 101 provides certain optional exemptions relating to the long-term foreign currency monetary items and service concession arrangements relating to toll roads. An entity may continue the policy adopted for accounting for exchange differences arising from the

		translation of long term foreign currency monetary items recognized in the financial statements for the period ending immediately after the beginning of the first IND-AS financial reporting period as per previous GAAP.
Transitional Relief — Property, Plant and Equipment	No such option provided in IFRS.	Paragraph D7AA provides the option to use carrying values of all of its property, plant and equipment as at the date of transition to IND-AS, measured as per previous GAAP and to use them at its deemed cost as at the date of transition.
Transitional Relief — Lease	No such option provided in IFRS.	When the lease includes land and building elements, an entity may assess the classification as a finance or operating lease as at the date of transition to IND-AS based on the facts and circumstances existing at that date.

AAVAS FINANCIERS LIMITED

GENERAL INFORMATION

Authorisation

1. The borrowing limits for the fiscal year 2022, update of the issue of Notes have been duly authorised by the resolution of the Issuer's Board dated April 29, 2021.

2. The borrowing limits of the Issuer has been duly authorised by the resolutions of the shareholders dated August 10, 2021 under Section 180(1)(c) of the Companies Act.

3. The issuance of the Notes has been duly authorised by the resolution of the Executive Committee of the Issuer's Board dated February 9, 2022.

RBI/ NHB Approvals

4. An approval from the RBI prior to any drawdown, if required, will be obtained in accordance with the ECB Directions.

5. The Issuer has obtained approval from the NHB by way a no-objection certificate of NHB dated November 9, 2021 and an email dated February 1, 2022 for issuance of the Notes within the overall limit of INR 1,500,00,00,000

Listing

6. Application has been made to NSE IFSC for permission to deal in, and quotation of any Note issued and which are agreed at or prior to the time of issue thereof to be so listed on NSE IFSC. The listing of the Notes is in compliance with the IFSCA (ILS) Regulations, 2021, as amended from time to time.

Clearing Systems

7. The Notes to be issued have been accepted for clearance through Euroclear and/or Clearstream, Luxembourg. The appropriate common code and ISIN for the Notes allocated by Euroclear and/or Clearstream Luxembourg will be specified in this Offering Circular.

8. The issuance of the Notes would be eligible for electronic settlement and this is in accordance with all applicable Indian laws and is duly authorized by the Issuer's constitutional documents as well as other applicable statutory and other consents.

No Significant Change

9. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of our Company and our group and no material adverse change in the financial position or prospects of our Company and our group since March 31, 2021.

Litigation

10. The Issuer is not involved in any material legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on our financial position.

AAVAS FINANCIERS LIMITED

Accounts

11. The auditors of our Company in respect of the audited standalone and consolidated financial statements for the year ended March 31, 2021, were as follows:

Name of the Auditor	Address	Membership Details in a Professional Body	Date of Appointment	Date of Cessation, if applicable	Date of Resignation, if applicable
S.R. Batliboi & Associates LLP	2nd & 3rd Floor, Golf View Corporate Tower-B , Sector 42, Sector Road, Gurugram -122 002	ICAI Registration No: 101049W/ E300004	July 26, 2017	November 10, 2021	October 19, 2021

Such auditors have audited our financial statements, without qualification, in accordance with IND-AS for the years ended March 31, 2019, 2020 and 2021.

Name of the Auditor	Address	Membership Details in a Professional Body	Auditor Since
Walker Chandiok & Co. LLP	11th Floor, Tower II, One Financial Center, S B Marg, Elphinstone (W), Mumbai, Maharashtra 400013	ICAI Registration No: 001076N/N500013	December 02, 2021**

** **Note**: M/s Walker Chandiok & Co. LLP has been appointed as statutory auditor of the Company by the shareholders for a period of 3 (three) consecutive years w.e.f Thursday, December 02, 2021.

Documents Available

12. So long as Notes are capable of being issued, copies of the following documents will, when published, be available at our corporate office and (subject to our providing the same to the Paying Agents) i) available for inspection at the specified office of the Paying Agent in Hong Kong or ii) available electronically via e-mail, following written request therefor and evidence satisfactory to the Paying Agent as to its holding of such Notes and identity:

(a) our audited standalone and consolidated financial statements in respect of the financial years ended March 31, 2019, 2020 and 2021;
(b) the Agency Agreement and the forms of the Notes, the Notes in definitive form;
(c) a copy of this Offering Circular;

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(d) any future offering circulars, prospectuses, information memoranda and supplements to this Offering Circular and any other documents incorporated herein or therein by reference.

Description of Interests

13. All of the Issuer's Directors may be deemed to be interested to the extent of remuneration and fees payable to them for services rendered as Directors of the Issuer such as attending meetings of the Board or a committee thereof and to the extent of other reimbursements of expenses payable to them under the Issuer's Articles of Association. Some of the Issuer's Directors also hold equity shares in the Issuer in their individual capacity and are interested to the extent of any dividend payable to them in respect of the same. Except as disclosed in this Offering Circular, the Issuer's Directors do not have any other interest in its business.

FOR AAVAS FINANCIERS LIMITED

AAVAS FINANCIERS LIMITED

AUTHORISED SIGNATORY

NAME: SHARAD PATHAK
TITLE: COMPANY SECRETARY AND COMPLIANCE OFFICER
DATE: MARCH 04, 2022

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AAVAS FINANCIERS LIMITED

THE ISSUER

AAVAS FINANCIERS LIMITED
201-202, 2nd Floor, Southend Square, Mansarovar Industrial Area, Jaipur-302020
CIN: L65922RJ2011PLC034297

FISCAL AGENT, REGISTRAR, CALCULATION AGENT, PAYING AGENT, AND TRANSFER AGENT

The Hongkong and Shanghai Banking Corporation Limited

Level 24, HSBC Main Building, 1 Queens Road Central, Hong Kong

AAVAS FINANCIERS LIMITED

Annexure

Aavas Social Finance Framework

Aavas Financiers Limited ("Aavas" or "The Company") will apply the net proceeds from the sale of the Notes to finance investments which would fulfil its Social Bond Objectives in accordance with International Capital Market Association Social Bond Principles 2021 and as maybe permitted by the ECB Guidelines and in accordance with the approvals granted by RBI from time to time in this relation. See "Social Bond Objectives - *Use of Proceeds.*

Introduction

Aavas commenced its operation in March 2012 with a vision to enrich lives of people by enabling them to achieve their dream of owning a home. The Company is primarily engaged in providing housing loans and other mortgaged loans in rural and semi-urban areas

Aavas has funded around 1.5 lakh individual customers. As of December 2021, the Company has total active cases of around 1.4 lakh aggregating to assets under management (AUM) of Rs 10,612 Crore with average ticket size of Rs 8.6 lakh and 99%+ contribution from retail individual customers. The Company is operating in 13 states with a branch network of 298 branches as on December 31, 2021.

Aavas strategy and social mission

In a developing country, choice of affordable housing loan is crucial for lower and middle income groups. While the Indian government has been pushing for creating more affordable housing options by way of various schemes that facilitate providing affordable housing loans at low interest rate. Keeping in line with such national objectives to provide affordable housing, Aavas also helps in facilitating housing for all.

Micro, Small and Medium Enterprises (MSME) have a very vital role in fuelling the economic growth of the country. The MSME sector is the backbone of the Indian economic structure and are the growth accelerators of the Indian economy, contributing about 30% of the country's gross domestic product (GDP). MSMEs also play an important role in employment generation, they employ around 110 million people across the country. Interestingly, MSMEs are intertwined with the rural economy as well, as more than half of the MSMEs operate in rural India. To ensure that MSMEs continue to lead the country towards economic growth, the Government of India has from time-to-time announced various schemes to support the development of this sector. Recently, in view of the economic hardship caused by COVID-19, the government has announced schemes under 'Aatmanirbhar Bharat' i.e. Self-reliant India initiative. It further attracts employers, employees and create jobs in the market. This also generates more tax revenue for the government and boosts consumer spending. This, in turn, has a positive effect on overall economic growth.

The company focuses on lending individuals who are underprivileged/ underserved, small business owners, low salaried employees who lack high end financial inclusion on account of formal documents, or insufficient credit history. The company's lending portfolio consists of approximately 83% of total number of loans consists of EWS (Economically weaker sections) and LIG (Low Income Group) category borrowers

The Company provides loans except for the activities that fall under the "Exclusion list of Prohibited activities", which include activities such as child labour, forced labour prohibition of financing for production of harmful substances like alcohol, tobacco or any other illegal activities (more particularly in the Use of Proceeds)

The bond proceeds will be largely utilized towards finance upto ticket size of Rs 20 Lakhs against women owned / co-owned property, thereby empowering women.

The Use of Proceeds :

1. The Use of Proceeds
2. Project Selection Process
3. Management Proceeds
4. Reporting

Use of Proceeds

The eligible category for the use of proceeds includes affordable housing and MSME financing. Funds raised through social bond will be eligible for providing loans for affordable housing, Micro, Small & Medium Enterprises (MSME). The home property loan will be allocated 100% to women owned / co-owned property.

Around 60% of the company's AUM constitute of Self-employed customers with an Average Ticket Size (ATS) of Rs. 8.4 lakh and around 40% constitute of Salaried Customers with average ticket size of Rs. 8.9 lakh, as on Dec-2021. The company's products offerings include affordable housing projects contribute positively to improving the availability and quality of affordable housing in the country, in line with the Government's objective of housing for all which is driving up demand for housing and at the same impactful to consumers who enjoy home ownership. On the MSME space, Aavas is providing access to credit for the underbanked enterprises, further generating employment opportunities.

In 2015, countries adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals ("SDG"). A portfolio which is created under the company's Social Bond objectives qualifies as use of proceeds under the categories and eligibility requirements listed in the below table.

The company enables sustainability in its lending operations and offers lending towards affordable housing and MSME segment with women owned / co-owned property as underlying collateral.

The Company's present Bond issuance aims to fulfil its social Bond Objectives which help achieve below SDG goals and targets (not exhaustive).

SDG 5: Gender Equality

SDG 11. Sustainable Cities and Communities

SDG 8. Decent Work and Economic Growth

The Bond objectives supports UN Sustainable Development Goal 8, and 11. Additionally the Company targets to increase women owned property loan portfolio, thereby supporting UN SDG 5. In providing loans to MSMEs socioeconomic advancement and employment generation is also achieved. In alignment with SDG 11, the Company partnered with International Finance Corporation (IFC) to pave way for 'green mortgages' in the Indian housing finance market to reduce adverse construction impacts on the environment.

Exclusion List for prohibited activities :

I. production or activities involving harmful or exploitative forms of forced labor or child labor;
II. production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phaseouts or bans, such as (a) pharmaceuticals, pesticides, and herbicides, (b) ozone-depleting substances, (c) polychlorinated biphenyls and other hazardous chemicals, (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora, and (e) transboundary trade in waste or waste products;

III. production of or trade in weapons and munitions, including paramilitary materials;
IV. production of or trade in alcoholic beverages, excluding beer and wine;
V. production of or trade in tobacco;
VI. gambling, casinos, and equivalent enterprises;
VII. production of or trade in radioactive materials, including nuclear reactors and components thereof;
VIII. production of, trade in, or use of unbonded asbestos fibers;
IX. commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and
X. Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

Project Selection Process

The bond proceeds will only be utilised in eligible social financing. The parameters by which the Company will use the proceeds are:

- Maximum Ticket size of the loans funded would be upto Rs 20 Lakhs and
- The mortgaged property must be Owned / co-owned by Women

Evaluation of utilised proceeds will be undertaken by various departments within the Company like operations, underwriter, Risk, Finance & Treasury which are led by CBO / CCO / CRO / and CFO who manage their respective verticals. The team will be responsible for the review, selection, and validation and management of potential ESG risk. The team will also look after quarterly / annual reporting of the proceeds.

All social bonds proceeds will be distributed according to their predefined allocation.

Management of Proceeds

Aavas intends to use the proceeds for Eligible social financing according to criteria, evaluation and selection predefined that is, 100% of the bond issuance proceeds will be lent against women owned / co-owned property. To ensure the proceeds are allocated according to social finance objectives, investments will be tracked. To maintain the track record of net proceeds and use of proceeds internal tracking system will be placed. Any unallocated funds may be kept in cash or cash equivalent or subject to RBI ECB guidelines. Investor may ask for Prepayment of un-allocated funds subject to RBI and other regulatory compliances. The net proceeds of the social bond will be utilised for individual disbursements and will be tracked by Aavas in an appropriate manner.

Reporting

Aavas intends to report on the allocation of net proceeds and associated output and impact indicators within one year from issuance date and annually thereafter until the proceeds have been fully allocated, and as necessary in the event of material development. This report can be published as a standalone Social Financing report or as part of annual report, and can be found here : www.aavas.in

Allocation Reporting

The allocation report will provide:

- Amount or percentage of allocation under social financing portfolio.
- Balance of unallocated proceeds

Impact Reporting

Wherever feasible, Aavas may report on the aggregated impact of the Eligible Social Portfolio on a category level.

External Review

AAVAS FINANCIERS LIMITED

Second Party Opinion

Aavas has engaged ESG Risk, a third-party verifier to issue a Second Party Opinion on the allocation and impact of the use of proceeds of the Eligible Social Financing to provide independent review. Kindly refer to Appendix A for Second Party Opinion provided by ESG Risk.

AAVAS FINANCIERS LIMITED

APPENDIX A

ESG Risk
Assessments & Insights

Second Party Opinion

Aavas Financiers Limited Social Bond Framework

February 2022

Report Sections

Contents

Evaluation Summary

ESG Risk Assessments and Insights Limited (ESGRisk.ai) is of the opinion that the Social Bond of Aavas Financier Limited is credible and impactful and aligns with the four core components of the Social Bond Principles 2021. As part of this engagement, ESGRisk.ai held discussions with Aavas Financiers Limited team and reviewed public documents, the general ESG framework, Sustainability Report and Business Responsibility Report of Aavas Financiers Limited to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Aavas Financiers social bond.

Evaluation Date	5th February 2022
Issuer Name	Aavas Financiers Limited
Issuer Location	Jaipur
Scope of Verification	General Framework of Aavas on ESG parameter, Business Responsibility Report and Sustainability report
Review Provider	ESG Risk Assessments and Insights Limited
Reviewer Location	Mumbai

AAVAS FINANCIERS LIMITED

Introduction

Aavas Financiers Limited (hereafter Aavas Financiers) is a housing finance company. The company's product portfolio includes home loan, land purchase and construction loan, home improvement loan, extension and repair of existing housing units, home equity, MSME loan, and others. The Company operates in approximately 13 states with 298 branches across Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Delhi, Uttar Pradesh, Chhattisgarh Haryana, Uttarakhand, Orissa, Karnataka, Himachal Pradesh, and Punjab as of December 2021. Aavas Financiers Limited has been listed on Bombay Stock Exchange Limited and National Stock Exchange since October 2018. The company's customer target primarily belongs to low and middle income segment constituting self-employed segments in suburban and rural India. Aavas provides accessible finance in unserved communities in semi-urban and rural areas, where there is little or no access to formal banking credit.

The company enables sustainability in its lending operations and offers lending towards affordable housing and MSME segment with women owned / co-owned property as underlying collateral.

In our view Aavas Financiers Limited Social Bond is credible and impactful and aligns with the four core components of the Social Bond Principles 2021:

1. The Use of Proceeds
2. Project Selection Process
3. Management Proceeds
4. Reporting

Please find below, ESGRisk.ai's Second Party Opinion Summary in detail.

AAVAS FINANCIERS LIMITED

ESGRisk.ai's Second Party Opinion Summary

Use of Proceeds

Use of proceeds categories as per Social Bond Principles:

- ☐ Affordable basic infrastructure
- ☐ Access to essential services
- ☑ Affordable housing
- ☑ Employment generation / programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises including through the potential effect SME financing and microfinance
- ☐ Food security and sustainable food systems
- ☑ Socioeconomic advancement and empowerment

The eligible category for the utilization of proceeds includes affordable housing and MSME financing. Funds raised through social bond will be eligible for providing loans for affordable housing, Micro, Small & Medium Enterprises (MSME). Aavas Financiers targets unserved community, small business owners, low waged salaried employees who lack high end financial inclusion due to lack of documents, low salaried employees, or individuals with insufficient credit history. The bond proceeds will only be used in eligible social portfolio and will not be used in high-risk sectors that are part of the exclusionary list. The home property loan will be allocated 100% to women. Around 60% of Aavas Financiers AUM constitute of Self-employed customers with an Average Ticket Size (ATS) of Rs. 8.4 lakh and around 40% constitute of Salaried Customers with average ticket size of Rs. 8.9 lakh, as per Dec-2021.

ESGRisk.ai believes that the loans for affordable housing projects will positively contribute to improve the availability and quality of affordable housing in the country, in line with the Government's thrust to provide affordable housing to all including towards Pradhan Mantri Awas Yojana (PMAY). Providing funds for affordable housing loans is driving up demand for housing and at the same impactful to consumers who enjoy home ownership. On the MSME space, Aavas Financiers is providing access to credit for the underbanked enterprises, further generating employment opportunities.

Similarly, the bond supports UN Sustainable Development Goal 8, and 11. Additionally the company targets to increase women owned property loan portfolio, thereby supporting UN SDG 5. In providing loans to MSMEs socioeconomic advancement and employment generation is also achieved. In alignment with SDG 11, the company partnered with International Finance Corporation (IFC) to pave way for 'green mortgages' in the Indian housing finance market to reduce adverse construction impacts on the environment.

AAVAS FINANCIERS LIMITED

Process for Project Evaluation and Selection

Evaluation and selection as per Social Bond Principles:

☑ Credentials on the issuer's social objectives
☑ Documented process to determine that projects fit within defined categories
☑ Defined and transparent criteria for projects eligible for Social Bond proceeds
☑ Documented process to identify and manage potential ESG risks associated with the project
☐ Summary criteria for project evaluation and selection publicly available

The bond proceeds will only be utilised in eligible social portfolio. The parameters by which the company will use the proceeds are: .

- Maximum Ticket size of the loans funded would be upto Rs 20 Lakhs and
- The mortgaged property must be Owned / co-owned by Women

Evaluation of proceeds will be undertaken by various departments within the company like operations, underwriter, Risk, Finance & Treasury. These department are led by high- profiles like CBO / CCO / CRO / and CFO who manage their respective verticals. The team will be responsible for the review, selection, and validation and management of potential ESG risk. The team will also look after quarterly / annual reporting of the proceeds.

All social bonds proceeds will be distributed according to their predefined allocation. Aavas Financiers target group, community are in line with market expectation and practices and is highly regulated.

AAVAS FINANCIERS LIMITED

Management of Proceeds

Tracking of proceeds as per Social Bond Principles:

☑ Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
☐ Disclosure of intended types of temporary investment instruments for unallocated proceeds
☐ Other (please specify):

Additional disclosure:

☐ Allocations to future investments only
☐ Allocations to both existing and future investments
☑ Allocation to individual disbursements
☐ Allocation to a portfolio of disbursements
☑ Disclosure of portfolio balance of unallocated proceeds
☐ Other (please specify):

Aavas intends to use the proceeds in their Eligible social portfolio accordance to criteria, evaluation and selection predefined that is, 100% of the bond issuance proceeds will be lent to women. To ensure the use of proceeds are allocated according to lending objectives of Aavas Financiers, investments will be tracked. To maintain the track record of net proceeds and use of proceeds internal tracking system will be placed. Any unallocated funds may be kept in cash or cash equivalent or subject to RBI ECB guidelines, Investor may ask for Prepayment of un-allocated funds subject to RBI and other statutory regulations. The net proceeds of the social bond will be allocated to individual disbursements and will be tracked by Aavas Financiers in an appropriate manner.

The Social Bond Principles encourage a high level of transparency and recommend that an issuer's management of proceeds be supplemented using an external auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Social Bond proceeds. The company is engaged with reputed, experience firms for various audit processes, presently the company has Branch Auditor, Independent Internal Auditor, Secretarial Auditor and apart from all these independent Audit department in addition to Statutory auditor.

AAVAS FINANCIERS LIMITED

Reporting

Use of proceeds reporting:

☐ Project-by-project
☑ On a project portfolio basis
☐ Linkage to individual bond(s)
☐ Other (please specify):

Information reported:

☑ Allocated amounts
☐ Social Bond financed share of total investment
☐ Other (please specify):

Frequency:

☑ Annual
☐ Semi-annual
☐ Other (please specify): Quarterly

Aavas Financiers is expected to report on the allocation of their proceeds.

Aavas intends to report on the allocation of net proceeds and associated output and impact indicators within one year from issuance date and annually thereafter until the proceeds have been fully allocated, and as necessary in the event of material development.

Their reporting practices are in lined with current market practices and will maintain an updated list of all the individual/ projects that have been financed.

AAVAS FINANCIERS LIMITED

Sustainability Performance and Strategy of the Issuer

The typical borrower profile of the company includes low-and-middle income self-employed & salaried customers in semi-urban and rural areas, individuals/ enterprises involved in basic and essential economic activities like grocery shop, dairy product, garment shops, saloons, services such as drivers, carpenters, electricians, and plumber etc.

Aavas Financiers is taking initiatives and has a framework for the material Environmental and Social Issues. In corporate governance the company has policies towards business ethics in accordance with Companies Act 2013 and SEBI listing guidelines. In the governance aspect the company has policies towards anti- corruption, anti – money laundering, risk management, whistle blower and fraud detection and prevention policy. The company focuses on lending individuals who are underprivileged/ underserved, small business owners, low waged salaried employees who lack high end financial inclusion due to lack of documents, or insufficient credit history.

The company's lending portfolio consists of approximately 83% of total number of loans consists of EWS (Economically weaker sections) and LIG (Low Income Group) category borrowers. We are of the opinion that Aavas financiers has a strong social structure and corporate responsibility due to following programs-

- "Gram Siddhi"; a program aimed at making rural women self-reliant through skill training.
- Aao Ghar Mein Seekho program – facilitation of WhatsApp based virtual learning for children living in villages of Rajasthan by bringing schools to the doorsteps
- Project Vishwakarma - is a project dedicated to work towards safety, security and well-being of construction workers and their families by providing on-site training for safety, educating about preventive measures at the construction sites and providing free safety gears.
- Aimed to improve the air quality and reduce carbon emissions, the Foundation develops self-sustaining forest gardens, under various programs like Aavas Jhalana Reforestation, Aavas Van, RTO Jagatpura etc. In the previous Financial Year, a total of 6,300 trees were planted and 1,800 tree guards were provided to Jaipur Development Authority.

The Company may provide loans except for the activities that fall under the "Exclusion list of Prohibited activities" attached as part of Annexure, that includes child labour, forced labour prohibition of financing for production of harmful substances like alcohol, tobacco or any other illegal activities. The Company has also partnered with IFC for a Green Housing Program to revolutionize housing finance in the South Asian market by introduction of green lending products. The program aims to reduce the adverse impacts of construction activities on the environment.

AAVAS FINANCIERS LIMITED

Alignment with ESGRisk.ai Methodology

Aavas Financiers sustainability initiatives and policies improves ESG performance. The company is performing well in the material ESG indicators according to ESGRisk.ai's taxonomy. Additionally, the company has CSR policy, Sustainability report, Business Responsibility report and ESG framework.

ESGRisk.ai Indicators	Aavas Financiers performance
Does the company invest in any Environmental Project Finance schemes	Yes, Green Housing Program with IFC
Does the company engage in community Lending Microfinance schemes	No, Community Lending microfinance schemes currently. However, Company has catered to unserved and undeserved customers
Does the company support communities, farmers and underprivileged through skill trainings and literacy programmes?	Yes, Aavas Financiers launched "Gram Siddhi", a program aimed at making rural women self-reliant through skill training, built resilient infrastructure in the form of a Whatsapp-based learning model under Aao Ghar Mein Seekho program, skill training laboratories (Program Cheer) and Silai schools cum production-centers (Gram Siddhi).
Total employee volunteering hours .	Around 1000 hours
Does the company participate in socially responsible investment to help minorities/MSMEs?	Approx. 83% of total number of loans consists of EWS (Economically weaker sections) and LIG (Low Income Group) category borrowers.
Does the company have a target on community services?	Yes, the company has set various targets such as Improved access to affordable housing for women borrowers especially in lagging states and improving women's knowledge on financial literacy.

AAVAS FINANCIERS LIMITED

Contribution to United Nations Sustainable Development Goals (UNSDGs)

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

Aavas Financiers Social Bond aims to contribute to the following SDGs:

SDG 5: Gender Equality

SDG 11. Sustainable Cities and Communities

SDG 8. Decent Work and Economic Growth

AAVAS FINANCIERS LIMITED

The Importance of finance for affordable housing and MSMEs

In a developing country, an affordable housing loan choice is crucial for lower and middle-income groups. While the Indian government has been pushing for creating more affordable housing options by way of "Pradhan Mantri Awas Yojana" that provides affordable housing loans at low interest rate, NBFCs/ HFCs. Keeping in line with such national objectives to provide affordable housing, Avaas Financiers also helps in facilitating housing for all. In addition, the bond proceeds will be largely utilized towards finance against women owned / co-owned property, thereby empowering women.

Micro, Small and Medium Enterprises have a very vital role in fueling the economic growth of the country. The MSME sector is the backbone of the Indian economic structure and are the growth accelerators of the Indian economy, contributing about 30% of the country's gross domestic product (GDP). MSMEs also play an important role in employment generation, as they employ about 110 million people across the country. Interestingly, MSMEs are intertwined with the rural economy as well, as more than half of the MSMEs operate in rural India. To ensure that MSMEs continue to lead the country towards economic growth, the Government of India has from time-to-time announced various schemes to support the development of this sector. Recently, in view of the economic hardship caused by covid 19, the government has announced few schemes under 'Aatmanirbhar Bharat' i.e. Self-reliant India initiative. It further attracts employers, employees and create jobs in the market. This also generates more tax revenue for the government and boosts consumer spending. This, in turn, has a positive effect on overall economic growth.

AAVAS FINANCIERS LIMITED

About ESGRisk.ai

ESGRisk.ai, is a wholly owned subsidiary of Acuité Ratings & Research Limited and is India's first ESG rating company with an India specific assessment framework.

ESGRisk.ai's rating, second party opinions and gap assessment is an objective, independent and unbiased opinion on a company's ability to mitigate future/emerging risks associated with Environment, Social, and Governance issues that have material financial impact based on publicly available data.

To actively contribute to and be aligned with the worldwide ESG movement and policy dialogue, we are signatories of various global frameworks. Being a member of the GRI community, ESGRisk.ai actively contributes to advancing sustainability reporting. Acuité Ratings & Research Ltd together with ESGRisk.ai are also signatories to the UN Principles of Responsible Investment (PRI). Moreover, Acuité is the first credit rating agency from India to become a signatory of PRI's ESG in Credit Risk and Ratings Statement to enhance the systematic and transparent consideration of financial material ESG factors in the assessment of creditworthiness.

We follow ICMA's ethical and professional standards which are guided by five fundamental principles:

- Integrity
- Objectivity
- Professional competence and due care
- Confidentiality
- Professional behaviour

Reviewer Providers

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AAVAS FINANCIERS LIMITED

Annexure - I

Exclusion list for Financing Activities

Production or activities involving harmful or exploitative forms of forced labor or child labor;
Production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phaseouts or bans, such as (a) pharmaceuticals, pesticides, and herbicides, (b) ozone-depleting substances, (c) polychlorinated biphenyls and other hazardous chemicals, (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora, and (e) transboundary trade in waste or waste products;
Production of or trade in weapons and munitions, including paramilitary materials;
Production of or trade in alcoholic beverages, excluding beer and wine
Production of or trade in tobacco;
Gambling, casinos, and equivalent enterprises;
Production of or trade in radioactive materials, including nuclear reactors and components thereof;
Production of, trade in, or use of unbonded asbestos fibers
Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and
Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

AAVAS FINANCIERS LIMITED

Annexure – II

Social Bond/ Social Bond Programme - External Review Form

Issuer name: Aavas Financiers Limited

Social Bond ISIN or Issuer Social Bond Framework Name, if applicable: NA

Independent External Review provider's name: ESG Risk Assessments and Insights Limited

Completion date of this form: 5th February 2022

Publication date of review publication:

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the SBPs:

- ☑ Use of Proceeds
- ☑ Process for Project Evaluation and Selection
- ☑ Management of Proceeds
- ☑ Reporting

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- ☑ Second Party Opinion
- ☐ Certification
- ☐ Verification
- ☐ Scoring/Rating
- ☐ Other *(please specify)*:

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Please refer to Use of Proceeds above.

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Use of proceeds categories as per SBP:

- ☐ Affordable basic infrastructure
- ☐ Access to essential services
- ☑ Affordable housing
- ☐ Employment generation / programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises
- ☐ Food security and sustainable food systems
- ☑ Socioeconomic advancement and empowerment
- ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs
- ☐ Other *(please specify)*:

If applicable please specify the social taxonomy, if other than SBPs:

Target populations:

- ☐Living below the poverty line
- ☐Excluded and/or marginalised populations and /or communities
- ☐People with disabilities
- ☑Migrants and /or displaced persons
- ☐Undereducated
- ☑Underserved, owing to a lack of quality access to essential goods and services
- ☐Unemployed
- ☑Women and/or sexual and gender minorities
- ☐Aging populations and vulnerable youth
- ☐Other vulnerable groups, including as a result of natural disasters
- ☐Other *(please specify)*:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Please refer to Project evaluation and selection above.

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Evaluation and selection

- ☑ Credentials on the issuer's social objectives
- ☑ Defined and transparent criteria for projects eligible for Social Bond proceeds
- ☐ Summary criteria for project evaluation and selection publicly available
- ☑ Documented process to determine that projects fit within defined categories
- ☐ Documented process to identify and manage potential ESG risks associated with the project
- ☐ Other *(please specify)*:

Information on Responsibilities and Accountability

- ☐ Evaluation / Selection criteria subject to external advice or verification
- ☐ Other *(please specify)*:
- ☑ In-house assessment

3. MANAGEMENT OF PROCEEDS

Please refer to Management of proceeds above.

Tracking of proceeds:

- ☑ Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☐ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other *(please specify)*:

Additional disclosure:

- ☐ Allocations to future investments only
- ☑ Allocation to individual disbursements
- ☐ Disclosure of portfolio balance of unallocated proceeds
- ☐ Allocations to both existing and future investments
- ☑ Allocation to a portfolio of disbursements
- ☐ Other *(please specify)*:

4. REPORTING

Please refer to reporting above.

AAVAS FINANCIERS LIMITED

Use of proceeds reporting:

- ☐ Project-by-project
- ☑ On a project portfolio basis
- ☐ Linkage to individual bond(s)
- ☐ Other *(please specify)*:

Information reported:

- ☑ Allocated amounts
- ☐ Social Bond financed share of total investment
- ☑ Other *(please specify)*: Unallocated amounts

Frequency:

- ☑ Annual
- ☐ Semi-annual
- ☐ Other *(please specify)*:

Impact reporting:

- ☐ Project-by-project
- ☑ On a project portfolio basis
- ☐ Linkage to individual bond(s)
- ☐ Other *(please specify)*:

Frequency:

- ☑ Annual
- ☐ Semi-annual
- ☐ Other *(please specify)*:

Information reported (expected or ex-post):

- ☑ Number of beneficiaries
- ☐ Target populations
- ☐ Other ESG indicators *(please specify)*:

Means of Disclosure

- ☐ Information published in financial report
- ☐ Information published in sustainability report
- ☐ Information published in ad hoc documents
- ☑ Other *(please specify)*: Company Website
- ☐ Reporting reviewed *(if yes, please specify which parts of the reporting are subject to external review)*:

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- ☑ Second Party Opinion
- ☐ Certification
- ☐ Verification
- ☐ Scoring/Rating

AAVAS FINANCIERS LIMITED

☐ Other *(please specify)*:

Review provider(s):
ESG Risk Assessments and Insights Limited

Date of publication:
February 2022

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP

- **Second Party Opinion:** An institution with social expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
- **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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Disclaimer

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AAVAS FINANCIERS LIMITED

S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

2nd & 3rd Floor
Golf View Corporate Tower - B
Sector - 42, Sector Road
Gurugram - 122 002, Haryana, India
Tel: +91 124 681 6000

Independent Auditor's Review Report on the Quarterly and Year to Date Unaudited Standalone Financial Results of the Company Pursuant to the Regulation 33 and 52(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

Review Report to
The Board of Directors
Aavas Financiers Limited

1. We have reviewed the accompanying statement of unaudited standalone financial results of Aavas Financiers Limited (the "Company") for the quarter ended September 30, 2021 and year to date from April 01, 2021 to September 30,2021 (the "Statement") attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 and 52(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").

2. This Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standards ('Ind AS') specified under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.

Emphasis of Matter

5. We draw attention to Note 6 of the Statement, which describes the continuing impact of the COVID-19 pandemic on the Company's operations and its financial metrics, particularly on the expected credit loss on financial assets, which are dependent on uncertain future events. Our conclusion is not modified in respect of this matter.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

per Amit Kabra
Partner
Membership No.: 094533

S.R. BATLIBOI & ASSOCIATES LLP

UDIN: 21094533AAAAME8171
Jaipur
October 28, 2021

S.R. Batliboi & Associates LLP, a Limited Liability Partnership with LLP Identity No. AAB-4295
Regd. Office : 22, Camac Street, Block 'B', 3rd Floor, Kolkata-700 016

AAVAS FINANCIERS LIMITED
(CIN: L65922RJ2011PLC034297)
Statement of standalone financial results for the quarter and half year ended September 30, 2021

(INR in lakh)

	Particulars	Quarter ended			Half year ended		Year ended
		30.09.2021	30.06.2021	30.09.2020	30.09.2021	30.09.2020	31.03.2021
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
I	**Revenue from operations**						
	Interest income	27,871.04	26,303.86	24,302.41	54,174.90	47,167.22	97,639.40
	Fees and commission income	1,203.85	740.79	814.12	1,944.64	1,183.96	3,655.37
	Gain on derecognition of financial instruments under amortised c	3,309.28	-	1,844.14	3,309.28	1,844.14	8,635.53
	Net gain on fair value changes	101.96	145.05	76.52	247.01	186.97	387.16
	Total revenue from operations	**32,486.13**	**27,189.70**	**27,037.19**	**59,675.83**	**50,382.29**	**1,10,317.46**
II	Other Income	60.04	9.33	3.19	69.37	17.52	216.05
III	**Total income (I+II)**	**32,546.17**	**27,199.03**	**27,040.38**	**59,745.20**	**50,399.81**	**1,10,533.51**
IV	**Expenses**						
	Finance costs	11,599.14	11,279.37	11,436.49	22,878.51	22,618.56	45,824.27
	Fees and commission expense	159.96	197.23	175.08	357.19	298.48	618.46
	Impairment on financial instruments	474.66	1,700.62	805.60	2,175.27	1,401.18	3,713.86
	Employee benefits expense	5,767.23	4,550.04	4,296.42	10,317.27	7,900.65	17,213.61
	Depreciation, amortization and impairment	576.48	500.50	511.63	1,076.98	987.83	2,060.37
	Other expenses	2,135.82	1,479.07	1,354.42	3,614.89	2,409.79	5,770.00
	Total expenses (IV)	**20,713.29**	**19,706.83**	**18,579.64**	**40,420.11**	**35,616.49**	**75,200.57**
V	**Profit before tax (III-IV)**	**11,832.88**	**7,492.20**	**8,460.74**	**19,325.09**	**14,783.32**	**35,332.94**
VI	**Tax expense:**						
	(1) Current tax	2,504.14	2,371.75	1,973.01	4,875.88	3,832.02	6,701.45
	(2) Deferred tax expense/(credit)	116.26	(868.83)	(131.03)	(752.57)	(675.19)	(318.03)
	Total tax expense (VI)	**2,620.40**	**1,502.92**	**1,841.98**	**4,123.31**	**3,156.83**	**6,383.42**
VII	**Profit for the period (V-VI)**	**9,212.48**	**5,989.28**	**6,618.76**	**15,201.78**	**11,626.49**	**28,949.52**
	Other comprehensive income						
	a) Items that will not be reclassified to profit or loss						
	Remeasurements of defined benefit liability	28.90	-	48.13	28.90	48.13	111.45
	Income Tax Effect	(7.27)	-	(12.11)	(7.27)	(12.11)	(28.05)
	b) Items that will be reclassified to profit or loss	-	-	-	-	-	-
VIII	**Other comprehensive income , net of income tax**	**21.63**	**-**	**36.02**	**21.63**	**36.02**	**83.40**
IX	**Total comprehensive income for the period (VII+VIII)**	**9,234.11**	**5,989.28**	**6,654.78**	**15,223.41**	**11,662.51**	**29,032.92**
X	**Earnings per equity share (EPS for the quarters/half years are not annualised)**						
	Basic (Amount in INR)	11.71	7.63	8.45	19.35	14.84	36.94
	Diluted (Amount in INR)	11.62	7.56	8.37	19.18	14.71	36.62
	Face value per share (Amount in INR)	10.00	10.00	10.00	10.00	10.00	10.00

S.R. BATLIBOI & ASSOCIATES LLP

AAVAS FINANCIERS LIMITED

AAVAS FINANCIERS LIMITED
(CIN: L65922RJ2011PLC034297)
Statement of standalone financial results for the quarter and half year ended September 30, 2021

Notes to the financial results :

1 The financial results have been prepared in accordance with applicable accounting standards prescribed under section 133 of Companies Act, 2013 read with (Indian Accounting Standard| Rules, 2015 (Ind AS), as amended from time to time, and other accounting principles generally accepted in India and in compliance with Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations")

2 The above results have been reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on October 28, 2021 and subjected to limited review by the statutory auditors of the Company.

3

Statement of Assets and Liabilities	(INR in Lakh)		
	As at		
Particulars	30.09.2021	30.09.2020	31.03.2021
	(Unaudited)	(Unaudited)	(Audited)
ASSETS			
Financial assets			
Cash and cash equivalents	5,663.47	2,510.94	2,189.12
Other bank balance	1,16,112.59	1,48,040.44	1,09,907.11
Loans	8,20,749.42	6,68,734.46	7,52,328.63
Investments	450.00	450.00	450.00
Other financial assets	22,971.50	18,029.83	22,604.91
Sub-total - Financial Assets	**9,65,946.98**	**8,37,765.67**	**8,87,479.77**
Non-financial assets			
Current tax assets (net)	-	758.44	90.45
Property, plant and equipment	2,502.81	2,506.88	2,506.66
Capital work-in-progress	-	1.71	-
Intangible assets under development	12.48	51.67	40.54
Other Intangible assets	395.93	388.81	345.56
Right-of-use assets	3,291.62	2,745.75	2,973.70
Other non- financial assets	1,199.17	838.22	728.44
Sub-total - Non-financial Assets	**7,402.01**	**7,291.48**	**6,685.35**
Assets held for sale	**1,780.12**	**1,463.64**	**1,839.58**
Total Assets	**9,75,129.11**	**8,46,520.79**	**8,96,004.70**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables			
Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	898.50	1,359.41	284.31
Debt securities	1,44,572.73	1,26,929.18	1,46,466.15
Borrowings (other than Debt Securities)	5,35,999.31	4,65,723.40	4,78,102.49
Subordinated liabilities	9,977.98	9,969.54	9,973.65
Lease liabilties	3,613.08	2,955.99	3,229.82
Other financial liabilities	17,976.27	13,413.46	13,486.63
Sub-total - Financial Liabilities	**7,13,037.87**	**6,20,350.98**	**6,51,543.05**
Non-financial liabilities			
Current tax liabilities (net)	1,293.49	-	-
Provisions	509.13	466.14	372.40
Deferred tax liabilities (net)	2,099.70	2,495.11	2,852.27
Other non-financial liabilities	1,184.59	1,059.16	1,096.50
Sub-total - Non-financial Liabilities	**5,086.91**	**4,020.41**	**4,321.17**
Equity			
Equity share capital	7,891.22	7,838.41	7,850.46
Other equity	2,49,113.11	2,14,310.99	2,32,290.02
Sub-total - Equity	**2,57,004.33**	**2,22,149.40**	**2,40,140.48**
Total Liabilities and Equity	**9,75,129.11**	**8,46,520.79**	**8,96,004.70**

S.R. BATLIBOI & ASSOCIATES LLP

AAVAS FINANCIERS LIMITED

AAVAS FINANCIERS LIMITED
(CIN: L65922RJ2011PLC034297)
Statement of standalone financial results for the quarter and half year ended September 30, 2021

4

Standalone Cash flow statement	**(INR in Lakh)**		
	Period ended		
Particulars	**30.09.2021**	**30.09.2020**	**31.03.2021**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Cash flow from operating activities:			
Net profit before tax as per statement of profit and loss	**19,325.09**	**14,783.32**	**35,332.94**
Adjustments for			
Depreciation and amortisation of PPE and right of use assets	1,076.98	987.83	2,060.37
Interest on lease liabilities	142.32	81.58	217.95
Net gain on derecognition on assigned loans	377.48	1,281.63	(2,150.55)
Provision for expected credit loss (ECL)	2,175.27	1,398.02	3,713.86
Provision for employee benefits	152.04	162.33	305.47
Share based payments	664.55	489.00	850.84
Operating profit before working capital changes	**23,913.73**	**19,183.71**	**40,330.88**
Changes in working capital			
Increase in loans	(70,543.58)	(51,953.34)	(1,37,099.87)
Increase in financial and other assets	(1,194.23)	(1,584.78)	(5,550.48)
Increase in financial and other liabilities	5,191.93	856.78	668.65
Total of changes in working capital	**(66,545.88)**	**(52,681.34)**	**(1,41,981.70)**
Direct taxes paid	(3,499.21)	(3,164.55)	(5,419.64)
Net cash flow used in operating activities (A)	**(46,131.36)**	**(36,662.18)**	**(1,07,070.46)**
Cash flow from investing activities:			
Inflow (outflow) on account of :			
Investment in fixed deposits	(6,205.48)	(63,857.30)	(25,723.98)
Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	(529.78)	(244.39)	(829.17)
Sale of Property, plant and equipment	21.84	0.39	31.33
Net cash flow used in investing activities (B)	**(6,713.42)**	**(64,101.30)**	**(26,521.82)**
Cash flow from financing activities:			
Issue of equity shares (including share premium)	975.90	207.72	466.54
Share / debenture issue expenses	-	(14.34)	(73.47)
Proceeds from borrowings	1,40,814.25	1,08,509.04	2,35,184.87
Repayment of borrowings	(84,806.52)	(39,934.55)	(1,33,688.76)
Repayment of lease liabilities	(664.50)	(515.85)	(1,130.18)
Net Cash flow from financing activities (C)	**56,319.13**	**68,252.02**	**1,00,759.00**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**3,474.35**	**(32,511.46)**	**(32,833.28)**
Cash and cash equivalents as at the beginning of the year	2,189.12	35,022.40	35,022.40
Cash and cash equivalents at the end of the period	**5,663.47**	**2,510.94**	**2,189.12**

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5 The Company has allotted 3,48,101 and 59,529 equity shares to eligible employees under Employee stock Option Plan (ESOP) 2016 at a price of INR 215.25 and INR 328 per equity share at premium of INR 205.25 and INR 318 per equity share respectively.

6 The extent to which COVID-19 pandemic will continue to impact the Company's operations and financial metrics will depend on future developments, which are uncertain. The Company has used the principles of prudence to provide for the impact of pandemic on the financial statements specifically while assessing the expected credit loss on financial assets by applying management overlays, which was INR 1,481.70 lakhs as on September 30, 2021, as approved by its Board of Directors. The Company will closely monitor any material changes to future economic conditions and resultant impact, if any on the expected credit loss provision.

7 Details of resolution plan implemented under the RBI Resolution Framework - 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses dated May 5, 2021 are given below:

SL No.	Description	Individual Borrowers		Small Businesses
		Personal Loans	Business Loans	
(A)	Number of requests received for invoking resolution process under Part A	2733	157	-
(B)	Number of accounts where resolution plan has been implemented under this window	2201	125	-
(C)	Exposure to accounts mentioned at (B) before implementation of the plan	13,804.81	607.24	-
(D)	Of (C), aggregate amount of debt that was converted into other securities	-	-	-
(E)	Additional funding sanctioned, if any, including between invocation of the plan and implementation	-	-	-
(F)	Increase in provisions on account of the implementation of the resolution plan	1,807.24	62.66	-

8 The Company is engaged primarily in the business of housing finance and accordingly there are no separate reportable segments as per Ind AS 108 dealing with Operating Segments.

9 Figures for the previous year/period have been regrouped and / or reclassified wherever considered necessary.

S.R. BATLIBOI & ASSOCIATES LLP

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
(Managing Director and CEO)

Place: Jaipur
Date: October 28, 2021

S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

2nd & 3rd Floor
Golf View Corporate Tower - B
Sector - 42, Sector Road
Gurugram - 122 002, Haryana, India
Tel: +91 124 681 6000

Independent Auditor's Review Report on the Quarterly and Year to Date Unaudited Consolidated Financial Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

Review Report to
The Board of Directors
Aavas Financiers Limited

1. We have reviewed the accompanying Statement of Unaudited Consolidated Financial Results of Aavas Financiers Limited (the "Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), for the quarter ended September 30, 2021 and year to date from April 01, 2021 to September 30, 2021 (the "Statement") attached herewith, being submitted by the Holding Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").

2. This Statement, which is the responsibility of the Holding Company's Management and approved by the Holding Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

   We also performed procedures in accordance with the Circular No. CIR/CFD/CMD1/44/2019 dated March 29, 2019 issued by the Securities and Exchange Board of India under Regulation 33(8) of the Listing Regulations, to the extent applicable.

4. The Statement includes the results of the following entity:
   i) Aavas Finserv Limited

5. Based on our review conducted and procedures performed as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with recognition and measurement principles laid down in the aforesaid Indian Accounting Standards ('Ind AS') specified under Section 133 of the Companies Act, 2013, as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.

Emphasis of Matter

6. We draw attention to Note 7 of the Statement, which describes the continuing impact of the COVID-19 pandemic on the Group's operations and its financial metrics, particularly on the expected credit loss on financial assets, which are dependent on uncertain future events. Our conclusion is not modified in respect of this matter.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

per Amit Kabra
Partner
Membership No.: 094533

UDIN: 21094533AAAAMF1235
Jaipur
October 28, 2021

S.R. BATLIBOI & ASSOCIATES LLP

S.R. Batliboi & Associates LLP, a Limited Liability Partnership with LLP Identity No. AAB-4295
Regd. Office : 22, Camac Street, Block 'B', 3rd Floor, Kolkata-700 016

AAVAS FINANCIERS LIMITED
(CIN: L65922RJ2011PLC034297)
Statement of consolidated financial results for the quarter and half year ended September 30, 2021

(INR in lakh)

	Particulars	Quarter ended			Half year ended		Year ended
		30.09.2021	30.06.2021	30.09.2020	30.09.2021	30.09.2020	31.03.2021
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
I	**Revenue from operations**						
	Interest income	27,869.87	26,307.41	24,307.98	54,177.28	47,178.67	97,657.92
	Fees and commission income	1,203.85	740.79	814.12	1,944.64	1,183.96	3,655.37
	Gain on derecognition of financial instruments under amortised	3,309.28	-	1,844.14	3,309.28	1,844.14	8,635.53
	Net gain on fair value changes	101.96	145.05	76.52	247.01	186.97	387.16
	Total revenue from operations	**32,484.96**	**27,193.25**	**27,042.76**	**59,678.21**	**50,393.74**	**1,10,335.98**
II	Other Income	60.04	9.33	3.19	69.37	17.52	216.05
III	**Total income (I+II)**	**32,545.00**	**27,202.58**	**27,045.95**	**59,747.58**	**50,411.26**	**1,10,552.03**
IV	**Expenses**						
	Finance costs	11,598.18	11,280.33	11,436.49	22,878.50	22,618.56	45,824.27
	Fees and commission expense	159.96	197.23	175.08	357.19	298.48	618.46
	Impairment on financial instruments	474.66	1,700.62	805.60	2,175.27	1,401.18	3,713.86
	Employee benefits expense	5,794.92	4,665.36	4,318.52	10,460.28	7,943.18	17,305.14
	Depreciation, amortization and impairment	576.55	500.56	511.81	1,077.11	988.19	2,061.09
	Other expenses	2,137.44	1,479.34	1,356.97	3,616.78	2,412.73	5,773.85
	Total expenses (IV)	**20,741.71**	**19,823.44**	**18,604.47**	**40,565.13**	**35,662.32**	**75,296.67**
V	**Profit before tax (III-IV)**	**11,803.29**	**7,379.14**	**8,441.48**	**19,182.45**	**14,748.94**	**35,255.36**
VI	**Tax expense:**						
	(1) Current tax	2,504.14	2,371.75	1,973.01	4,875.88	3,832.02	6,701.45
	(2) Deferred tax expense/(credit)	108.72	(897.38)	(135.99)	(788.66)	(684.06)	(338.01)
	Total tax expense (VI)	**2,612.86**	**1,474.37**	**1,837.02**	**4,087.22**	**3,147.96**	**6,363.44**
VII	**Profit for the period (V-VI)**	**9,190.43**	**5,904.77**	**6,604.46**	**15,095.23**	**11,600.98**	**28,891.92**
	Other comprehensive income						
	a) Items that will not be reclassified to profit or loss						
	Remeasurements of defined benefit liability	28.90	-	48.13	28.90	48.13	111.45
	Income Tax Effect	(7.27)	-	(12.11)	(7.27)	(12.11)	(28.05)
	b) Items that will be reclassified to profit or loss	-	-	-	-	-	-
VIII	**Other comprehensive income , net of income tax**	**21.63**	**-**	**36.02**	**21.63**	**36.02**	**83.40**
IX	Total comprehensive income for the period (VII+VIII)	**9,212.06**	**5,904.77**	**6,640.48**	**15,116.86**	**11,637.00**	**28,975.32**
X	**Earnings per equity share (EPS for the quarters/half years are not annualised)**						
	Basic (Amount in INR)	11.69	7.52	8.43	19.21	14.81	36.86
	Diluted (Amount in INR)	11.60	7.46	8.36	19.05	14.68	36.54
	Face value per share (Amount in INR)	10.00	10.00	10.00	10.00	10.00	10.00

S.R. BATLIBOI & ASSOCIATES

AAVAS FINANCIERS LIMITED

AAVAS FINANCIERS LIMITED
(CIN: L65922RJ2011PLC034297)
Statement of consolidated financial results for the quarter and half year ended September 30, 2021

Notes to the financial results :

1 The consolidated financial results have been prepared in accordance with Ind AS 110 – Consolidated Financial Statements, prescribed under section 133 of the Companies Act, 2013 (the "Act") read with the relevant rules issued thereunder and in compliance with Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations")

2 The above results have been reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on October 28, 2021 and subjected to limited review by the statutory auditors of the Company.

3 **Statement of Assets and Liabilities**

Particulars	(INR in Lakh) As at 30.09.2021 (Unaudited)	30.09.2020 (Unaudited)	31.03.2021 (Audited)
ASSETS			
Financial assets			
Cash and cash equivalents	5,709.38	2,956.56	2,209.81
Other bank balance	1,16,612.59	1,48,040.44	1,10,307.11
Loans	8,20,749.42	6,68,734.46	7,52,328.63
Other financial assets	22,726.01	18,030.31	22,607.25
Sub-total - Financial Assets	**9,65,797.40**	**8,37,761.77**	**8,87,452.80**
Non-financial assets			
Current tax assets (net)	2.27	764.51	92.06
Property, plant and equipment	2,503.09	2,507.66	2,507.08
Capital work-in-progress	-	1.71	-
Intangible assets under development	12.48	51.67	40.54
Other Intangible assets	395.93	388.81	345.56
Right-of-use assets	3,291.62	2,745.75	2,973.70
Other non- financial assets	1,130.70	798.80	674.47
Sub-total - Non-financial Assets	**7,336.09**	**7,258.91**	**6,633.41**
Assets held for sale	**1,780.12**	**1,463.64**	**1,839.58**
Total Assets	**9,74,913.61**	**8,46,484.32**	**8,95,925.79**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables			
Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	899.04	1,359.95	285.40
Debt securities	1,44,572.73	1,26,929.18	1,46,466.15
Borrowings (other than Debt Securities)	5,35,999.31	4,65,723.40	4,78,102.49
Subordinated liabilities	9,977.98	9,969.54	9,973.65
Lease liabilties	3,613.08	2,955.99	3,229.82
Other financial liabilities	17,982.04	13,413.46	13,486.63
Sub-total - Financial Liabilities	**7,13,044.18**	**6,20,351.52**	**6,51,544.14**
Non-financial liabilities			
Current tax liabilities (net)	1,293.49	-	-
Provisions	509.13	466.14	372.40
Deferred tax liabilities (net)	2,040.53	2,483.13	2,829.19
Other non-financial liabilities	1,187.96	1,061.48	1,099.03
Sub-total - Non-financial Liabilities	**5,031.11**	**4,010.75**	**4,300.62**
Equity			
Equity share capital	7,891.22	7,838.41	7,850.46
Other equity	2,48,947.10	2,14,283.64	2,32,230.57
Sub-total - Equity	**2,56,838.32**	**2,22,122.05**	**2,40,081.03**
Total Liabilities and Equity	**9,74,913.61**	**8,46,484.32**	**8,95,925.79**

S.R. BATLIBOI & ASSOCIATES LLP

AAVAS FINANCIERS LIMITED

AAVAS FINANCIERS LIMITED
(CIN: L65922RJ2011PLC034297)
Statement of consolidated financial results for the quarter and half year ended September 30, 2021

4 Consolidated Cash flow statement

Particulars	(INR in Lakh) Period ended 30.09.2021 (Unaudited)	30.09.2020 (Unaudited)	31.03.2021 (Audited)
Cash flow from operating activities:			
Net profit before tax as per statement of profit and loss	**19,182.45**	**14,748.94**	**35,255.36**
Adjustments for			
Depreciation and amortisation of PPE and right of use assets	1,077.10	988.19	2,061.09
Interest on lease liabilities	142.32	81.58	217.95
Net gain on derecognition on assigned loans	377.48	1,281.63	(2,150.55)
Provision for expected credit loss (ECL)	2,175.27	1,398.02	3,713.86
Provision for employee benefits	152.04	162.33	305.47
Share based payments	664.55	489.00	850.84
Operating profit before working capital changes	**23,771.21**	**19,149.69**	**40,254.02**
Changes in working capital			
Increase in loans	(70,543.57)	(51,953.34)	(1,37,099.87)
Increase in financial and other assets	(1,196.58)	(1,584.44)	(5,548.43)
Increase in financial and other liabilities	5,212.67	869.95	697.16
Total of changes in working capital	**(66,527.48)**	**(52,667.83)**	**(1,41,951.14)**
Direct taxes paid	(3,499.87)	(3,165.41)	(5,419.64)
Net cash flow used in operating activities (A)	**(46,256.14)**	**(36,683.55)**	**(1,07,116.76)**
Cash flow from investing activities:			
Inflow (outflow) on account of :			
Investment in fixed deposits	(6,305.48)	(63,427.30)	(25,693.98)
Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	(529.78)	(244.39)	(829.17)
Sale of Property, plant and equipment	21.84	0.39	31.33
Net cash flow used in investing activities (B)	**(6,813.42)**	**(63,671.30)**	**(26,491.82)**
Cash flow from financing activities:			
Issue of equity shares (including share premium)	975.90	207.72	466.54
Share / debenture issue expenses	-	(14.34)	(73.47)
Proceeds from borrowings	1,41,064.25	1,08,509.04	2,35,184.87
Repayment of borrowings	(84,806.52)	(39,934.55)	(1,33,688.76)
Repayment of lease liabilities	(664.50)	(515.85)	(1,130.18)
Net Cash flow from financing activities (C)	**56,569.13**	**68,252.02**	**1,00,759.00**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**3,499.57**	**(32,102.83)**	**(32,849.58)**
Cash and cash equivalents as at the beginning of the year	2,209.81	35,059.39	35,059.39
Cash and cash equivalents at the end of the year	**5,709.38**	**2,956.56**	**2,209.81**

5 The consolidated financial results include result of the following Company:

Name of the Company	% Shareholding and voting power of Aavas Financiers Limited	Consolidated as
Aavas Finserv Limited	100%	Subsidiary

S.R. BATLIBOI & ASSOCIATES LLP

AAVAS FINANCIERS LIMITED

AAVAS FINANCIERS LIMITED
(CIN: L65922RJ2011PLC034297)
Statement of consolidated financial results for the quarter and half year ended September 30, 2021

6 The Holding Company has allotted 3,48,101 and 59,529 equity shares to eligible employees under Employee stock Option Plan (ESOP) 2016 at a price of INR 215.25 and INR 328 per equity share at premium of INR 205.25 and INR 318 per equity share respectively.

7 The extent to which COVID-19 pandemic will continue to impact the Company's operations and financial metrics will depend on future developments, which are uncertain. The Company has used the principles of prudence to provide for the impact of pandemic on the financial statements specifically while assessing the expected credit loss on financial assets by applying management overlays, which was INR 1,481.70 lakhs as on September 30, 2021, as approved by its Board of Directors. The Company will closely monitor any material changes to future economic conditions and resultant impact, if any on the expected credit loss provision.

8 Details of resolution plan implemented under the RBI Resolution Framework - 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses dated May 5, 2021 are given below:

SL No.	Description	Individual Borrowers		Small Businesses
		Personal Loans	Business Loans	
(A)	Number of requests received for invoking resolution process under Part A	2733	157	-
(B)	Number of accounts where resolution plan has been implemented under this window	2201	125	-
(C)	Exposure to accounts mentioned at (B) before implementation of the plan	13,804.81	607.24	-
(D)	Of (C), aggregate amount of debt that was converted into other securities	-	-	-
(E)	Additional funding sanctioned, if any, including between invocation of the plan and implementation	-	-	-
(F)	Increase in provisions on account of the implementation of the resolution plan	1,807.24	62.66	-

9 The Holding Company is engaged primarily in the business of housing finance and accordingly there are no separate reportable segments as per Ind AS 108 dealing with Operating Segments.

10 Figures for the previous year/period have been regrouped and / or reclassified wherever considered necessary.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
(Managing Director and CEO)

Place: Jaipur
Date: October 28, 2021

S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

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29 Senapati Bapat Marg
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INDEPENDENT AUDITOR'S REPORT
To the Members of Aavas Financiers Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of Aavas Financiers Limited ("the Company"), which comprise the Balance sheet as at March 31 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone 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 standalone 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, 2021, 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 standalone 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 Standalone Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the 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 standalone financial statements.

Emphasis of Matter – Impact of COVID-19

We draw attention to Note 45 to the standalone financial statement, which describes the extent to which the COVID-19 pandemic will impact the Company's operations and its financial metrics including the expected credit loss on financial assets which are dependent on uncertain future developments. 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 standalone financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 standalone 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 standalone 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 standalone financial statements.

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Key audit matters	How our audit addressed the key audit matter
Impairment of Financial assets *(as described in Note 4 of the standalone financial statements)*	
Ind AS 109 requires the Company to provide for impairment of its financial assets using the expected credit loss ('ECL') approach involving an estimation of probability of loss on the financial assets over their life, considering reasonable and supportable information about past events, current conditions and forecasts of future economic conditions which could impact the credit quality of the Company's financial assets. In the process, a significant degree of judgement has been applied by the management in respect of following matters: a) Grouping of the loan portfolio under risk-based categories determined using Company's risk-management framework. Loans grouped under a particular category are assumed to represent a homogenous pool thereby expected to demonstrate similar credit characteristics; b) Staging of loans (i.e. classification in 'significant increase in credit risk' ("SICR") and 'default' categories); c) Estimation of expected loss from historical observations. d) Estimation of losses in respect of those groups of loans which had no/ minimal defaults in the past. e) Management overlay for macro-economic factors and estimation of their impact on the credit quality. The Company has developed models that derive key assumptions used within the provision calculation such as probability of default (PD) and loss given default (LGD). The output of these models is then applied to the provision calculation with other information including and the exposure at default (EAD). The impact of COVID-19 on the ECL is highly uncertain, however the Company has factored the higher risk in its computation of the ECL provision and has applied management overlays which are approved by the Board of Directors. Considering the significance of such provision to the overall financial statements and the degree of management's judgment, any error or misstatement in such estimate may give rise to a material misstatement of the	• Our audit procedures included considering the Company's accounting policies for impairment of financial instruments and assessing compliance with the policies in terms of Ind AS 109 and pursuant to Reserve Bank of India guidelines issued on February 17, 2021. • Assessed the assumptions used by the Company for grouping and staging of loan portfolio into various categories and default buckets and their appropriateness for determining the probability-weighted default (PD) and loss-given default (LGD) rates. • Tested controls for staging of loans based on their past-due status. Also tested samples of stage 1 and Stage 2 loans to assess whether any loss indicators were present requiring them to be classified under higher stage. • Tested samples of the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records. • Assessed the management overlays applied by the Company to factor the impact of COVID-19 on the ECL as approved by their Board of Directors. • Tested the arithmetical accuracy of computation of ECL provision performed by the Company. • Assessed that the assumptions, used by the management for estimation of allowance for expected credit losses as at March 31, 2021, are presented and disclosed in the financial statements. • Assessed the Company's policy with respect to moratorium pursuant to the RBI circular and tested the implementation of such policy on a sample basis. • Assessed the additional considerations applied by the management for staging of loans as SICR/ default in view of Company's policy on moratorium. • Read and assessed the specific disclosures made in the financial statements with regards to managements evaluation of the uncertainties arising from COVID-19, its impact on ECL and other disclosures as prescribed by RBI relating to moratorium granted.

Key audit matters	How our audit addressed the key audit matter
financial statements or omission of any disclosure required by the standards. Therefore, it is considered as a key audit matter.	
Information Technology ("IT") systems and controls	
Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Due to the pervasive nature and complexity of the IT environment, we have ascertained IT systems and controls as a key audit matter.	• In assessing the reliability of electronic data processing, we included specialized IT auditors as part of the audit team. • Tested the design and operating effectiveness of the IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. • Tested the Company's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorisation. • Considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.

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 standalone financial statements and our auditor's report thereon.

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

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

Responsibilities of Management for the Standalone 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 standalone 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
In preparing the standalone financial statements, 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.

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

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended March 31, 2021 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.

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Report on Other Legal and Regulatory Requirements

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

    (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

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

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

    (d) In our opinion, the aforesaid standalone 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, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;

    (f) With respect to the adequacy of the internal financial controls over the financial reporting of the Company with reference to standalone 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, 2021 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 does not have any pending litigations which would impact its financial position;
        ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
        iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sarvesh Warty.

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 21121411AAAADF4046
Place of Signature: Mumbai
Date: April 29, 2021

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

Re: Aavas Financiers Limited

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

(b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment 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) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given 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, 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. The provisions relating to duty of excise and sales-tax are not applicable to the Company.

(b) According to the information and explanations given to 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, there are no dues 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.

(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 borrowing to a financial institution, bank or government or dues to debenture holders.

(ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of initial public offer and debt instruments in the nature of Non-convertible debentures for the purposes for which they were raised.

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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 gainfully invested in liquid investments payable on demand. The maximum amount of idle/surplus funds invested during the year was Rs. 207.61 crores, of which Rs. Nil was outstanding at the end of the year.

(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 material 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 and 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 not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.

(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, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sarvesh Warty.

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 21121411AAAADF4046
Place of Signature: Mumbai
Date: April 29, 2021

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

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

We have audited the internal financial controls over financial reporting of Aavas Financiers Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the standalone 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 Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone 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 Companies Act, 2013, 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 standalone 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 standalone 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 standalone 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 standalone financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these standalone 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 standalone 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

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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 Standalone Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone 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 standalone financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone 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 standalone financial statements and such internal financial controls over financial reporting with reference to these standalone financial statements were operating effectively as at March 31, 2021, 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 & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sarvesh Warty.

per Sarvesh Warty
Partner
Membership Number: 121411
Place of Signature: Mumbai
Date: April 29, 2021

AAVAS FINANCIERS LIMITED
Standalone Balance Sheet As at March 31, 2021

(Rs. in lakh)

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
ASSETS			
Financial assets			
Cash and cash equivalents	2	2,189.12	35,022.40
Bank balance other than cash and cash equivalents	2	1,09,907.11	84,183.13
Loans	3	7,52,328.63	6,18,079.83
Investments	4	450.00	450.00
Other financial assets	5	22,604.91	18,136.68
Total financial assets		**8,87,479.77**	**7,55,872.04**
Non-financial assets			
Current tax assets (net)		90.45	1,438.03
Property, plant and equipment	6(a)	2,506.66	2,699.83
Capital work-in-progress	6(b)	-	30.99
Intangible assets under development	6(c)	40.54	39.90
Other intangible assets	6(d)	345.56	414.84
Right-of-use assets	7	2,973.70	2,874.20
Other non-financial assets	8	728.44	629.73
Total non-financial assets		**6,685.35**	**8,127.52**
Assets held for sale	9	1,839.58	1,705.37
Total assets		**8,96,004.70**	**7,65,704.93**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables	10		
(I) Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		284.31	1,737.64
Debt securities	11	1,46,466.15	1,16,846.54
Borrowings (other than debt securities)	12	4,78,102.49	4,08,391.40
Subordinated liabilities	13	9,973.65	9,965.61
Lease liabilties	14	3,229.82	3,012.91
Other Financial liabilitres	15	13,486.63	10,694.78
Total financial liabilities		**6,51,543.05**	**5,50,648.88**
Non-financial liabilities			
Provisions	16	372.40	728.11
Deferred tax liabilities (net)	17	2,852.27	3,170.30
Other non-financial liabilities	18	1,096.50	1,364.27
Total non-financial liabilities		**4,321.17**	**5,262.68**
Equity			
Equity share capital	19	7,850.46	7,832.27
Other equity	20	2,32,290.02	2,01,961.10
Total equity		**2,40,140.48**	**2,09,793.37**
Total liabilities and equity		**8,96,004.70**	**7,65,704.93**
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements
As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: April 29, 2021

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

AAVAS FINANCIERS LIMITED
Standalone Statement of profit and loss for the Year ended March 31, 2021

(Rs. in lakh)

Particulars	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from operations			
Interest income	21	97,639.40	78,642.51
Fees and commission income	22	3,655.37	3,327.60
Gain on derecognition of financial instruments under amortised cost category		8,635.53	7,658.88
Net gain on fair value changes	23	387.16	600.43
Total revenue from operations		**1,10,317.46**	**90,229.42**
Other income	24	216.05	79.99
Total income		**1,10,533.51**	**90,309.41**
Expenses			
Finance costs	25	45,824.27	35,607.15
Fees and commission expense	26	618.46	490.05
Impairment on financial instruments	27	3,713.86	1,533.78
Employee benefits expense	28	17,213.61	14,707.45
Depreciation, amortization and impairment	6&7	2,060.37	1,956.13
Other expenses	29	5,770.00	5,810.18
Total expenses		**75,200.57**	**60,104.74**
Profit/(loss) before tax		**35,332.94**	**30,204.67**
Tax expense:	17		
(1) Current tax		6,701.45	6,397.21
(2) Deferred tax		(318.03)	(1,104.63)
Profit/(loss) for the year		**28,949.52**	**24,912.09**
Other comprehensive income			
a) Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability	28	111.45	(6.97)
Income tax effect	17	(28.05)	1.75
b) Items that will be reclassified to profit or loss		-	-
Other comprehensive income , net of income tax		**83.40**	**(5.22)**
Total comprehensive income for the year		**29,032.92**	**24,906.87**
Earnings per equity share	30		
Basic (Rs.)		36.94	31.86
Diluted (Rs.)		36.62	31.49
Nominal value per share (Rs.)		10.00	10.00
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sarvesh Warty

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Date: April 29, 2021

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

AAVAS FINANCIERS LIMITED
Statement of Changes in Equity for the year ended March 31, 2021

(Rs. in lakh)

a. Equity Share Capital

Particulars	Amount
Balance as at March 31, 2019	7,810.79
Shares issued during the year ended March 31, 2020	21.48
Balance as at March 31, 2020	7,831.27
Shares issued during the year ended March 31, 2021	18.19
Balance as at March 31, 2021	7,850.46

b. Other Equity

Equity Component of compounded financial instruments	Reserves and surplus				Total
	Securities premium account	Share based payments reserve	Special Reserve	Retained earnings	
Balance as at March 31, 2019	1,32,004.33	742.35	8,343.43	34,795.03	1,75,885.14
Profit for the year (A)	-	-	-	24,912.09	24,912.09
Other comprehensive income for the year (B)	-	-	-	(5.22)	(5.22)
Total comprehensive income for the year (A+B)	-		-	24,906.87	24,906.87
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	4,981.37	(4,981.37)	-
Issue of share capital	523.25	-	-	-	523.25
Transaction cost	(3.99)	-	-	-	(3.99)
Share based payments	-	647.14	-	-	647.14
Share options exercised during the year	220.20	(220.20)	-	-	-
Balance as at March 31, 2020	1,32,743.79	1,169.29	13,324.80	54,720.53	2,01,958.41
Profit for the year (C)	-	-	-	28,949.52	28,949.52
Other comprehensive income for the year (D)	-	-	-	83.40	83.40
Total comprehensive income for the year (C+D)	-	-	-	29,032.92	29,032.92
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	5,806.58	(5,806.58)	-
Issue of share capital	447.87	-	-	-	447.87
Transaction cost	(0.50)	-	-	-	(0.50)
Share based payments	-	850.84	-	-	850.84
Share options exercised during the year	212.13	(212.13)	-	-	-
Balance as at March 31, 2021	1,33,403.29	1,808.00	19,131.38	77,946.87	2,32,289.54

Share application money pending allotment

Balance as at March 31, 2019	-
Application money received during the year	2.69
Balance as at March 31, 2020	2.69

Balance as at March 31, 2020	2.69
Application money adjusted against shares issued during the year	(2.21)
Balance as at March 31, 2021	0.48

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sarvesh Warty

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Date: April 29, 2021

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

AAVAS FINANCIERS LIMITED
Standalone Cash flow statement for the year ended March 31, 2021

(Rs. in lakh)

Particulars	Notes	Year ended March 31, 2021	Year ended March 31, 2020
A Cash flow from operating activities:			
Net profit before tax as per statement of profit and loss		35,332.94	30,204.67
Adjustments for			
Depreciation and amortisation of PPE and right of use assets	6 & 7	2,060.37	1,956.13
Interest on lease liabilities		217.95	249.58
Net gain on derecognition on assigned loans		(2,150.55)	(2,154.54)
Provision for expected credit loss (ECL)	27	3,713.86	1,533.78
Provision for employee benefits		305.47	281.30
Derivative mark to market gain	23	-	(3.23)
Provision for CSR expenditure		-	17.28
Share based payments	28	850.84	647.14
Operating profit before working capital changes		**40,330.88**	**32,732.11**
Changes in working capital			
Increase in loans		(1,37,099.87)	(1,46,461.03)
Increase in financial and other assets		(5,550.48)	(2,078.85)
Increase in financial and other liabilities		668.65	4,708.25
Total of changes in working capital		**(1,41,981.70)**	**(1,43,831.63)**
Direct taxes paid/refund received		(5,419.64)	(6,126.03)
Net cash flow used in operating activities (A)		**(1,07,070.46)**	**(1,17,225.55)**
B Cash flow from investing activities:			
Inflow (outflow) on account of :			
Investment in fixed deposits		(25,723.98)	(32,234.53)
Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	6	(829.17)	(1,954.17)
Sale of Property, plant and equipment (including capital work-in-progress)		31.33	14.43
Net cash flow used in investing activities (B)		**(26,521.82)**	**(34,174.27)**
C Cash flow from financing activities:			
Issue of equity shares (including share premium)		466.54	547.42
Share / debenture issue expenses		(73.47)	(908.10)
Proceeds from borrowings		2,35,184.87	2,36,122.26
Repayment of borrowings		(1,33,688.76)	(64,283.88)
Repayment of lease liabilities		(1,130.18)	(1,021.70)
Net Cash flow generated from financing activities (C)		**1,00,759.00**	**1,70,456.00**
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**(32,833.28)**	**19,056.18**
Cash and cash equivalents as at the beginning of the year		35,022.40	15,966.22
Cash and cash equivalents at the end of the year	2	**2,189.12**	**35,022.40**
Components of cash and cash equivalents			
Cash on hand		122.94	43.71
Balance in franking machine*		0.95	0.95
Balance with banks			
In current accounts		501.16	-
In cash credit		1,564.07	2.74
In deposit account		-	34,975.00
Total cash and cash equivalents	2	**2,189.12**	**35,022.40**
Operational Cash Flow from Interest			
Interest Received		94,268.99	75,657.63
Interest Paid		(39,957.99)	(30,189.46)
Summary of significant accounting policies	1		

* The Company can utilize the balance towards stamping of loan agreements executed with their borrowers and also for the agreements executed by the Company for its own borrowings.

Note:-

1. Cash flow statement has been prepared under indirect method as set out in the IND AS 7 "Cash Flow Statement".
2. Previous year figures have been regrouped/ reclassified wherever applicable.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sarvesh Warty.

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Date: April 29, 2021

For and on behalf of the Board of Directors of AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

AAVAS FINANCIERS LIMITED

Notes to the Standalone Financial Statements for the year ended March 31, 2021

A. Corporate Information

AAVAS FINANCIERS LIMITED ("the Company") is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is registered as a housing finance company with National Housing Bank (NHB) vide Registration No. 04.0151.17 and is engaged in the long term financing activity in the domestic markets to provide housing finance. The Company is a public limited company and its shares are listed on BSE Limited and National Stock Exchange of India Limited

B. Basis of preparation of financial statements

a) Basis of preparation

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

The standalone financial statements have been prepared on a historical cost basis, except for, derivative financial instruments and other financial assets held for trading and all of which have been measured at fair value. The standalone financial statements are presented in Indian Rupees (INR) and all values are rounded to the nearest lakh, except when otherwise indicated.

b) Basis of measurement

The financial statements have been prepared on an accrual basis as a going concern and under the historical cost convention, except for foreign currency borrowings denominated in INR that are measured at fair value at the end of each reporting date as required under relevant Ind AS.

1 Summary of significant accounting policies

1.1 Use of estimates

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting year. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future years.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

1.1.1 Business Model Assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The company considers the frequency, volume and timing of sales in prior years, the reason for such sales, and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an holistic assessment of how company's stated objective for managing the financial assets is achieved and how cash flows are realised. Therefore, the company considers information about past sales in the context of the reasons for those sales, and the conditions that existed at that time as compared to current conditions.

If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Based on this assessment and future business plans of the Company, the management has measured its financial assets at amortised cost as the asset is held within a business model whose objective is to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ('the 'SPPI criterion').

1.1.2 Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and other post-employment benefits and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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1.1.3 Impairment losses on financial assets

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

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

• The Company's model, which assigns Probability of default (PD)s
• The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime expected credit loss (LTECL) basis
• The segmentation of financial assets when their ECL is assessed on a collective basis
• Development of ECL models, including the various formulas and the choice of inputs
• Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposure at default (EAD)s and Loss given default (LGD)s
• Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
• Recognition of the potential impact of COVID-19 in the Company's collective provision as outlined in Note 3(a)(3)(vii).

1.1.4 Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

1.1.5 Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

1.1.6 Leases

With effect from 1 April 2019, the Company has applied Ind AS 116 'Leases' for all 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 payment discounted using the Company's incremental cost of borrowing rate. Subsequently, the lease liability is
(i) Increased by interest on lease liability;
(ii) Reduce by lease payment made; and

Measurement of Right-of-Use asset

At the time of initial recognition, the Company measures 'Right-of-Use assets' as present value of all lease payment discounted using the Company's incremental cost of borrowing rate w.r.t said lease contract. Subsequently, 'Right-of-Use assets' is measured using cost model i.e. at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease liability specified in Ind AS 116 'Leases'.
Depreciation on 'Right-of-Use assets' is provided on straight line basis over the lease period

Covid-19 Related rent concession

As a practical expedient Effective from 1 April 2020, Company has elected not to assess whether a rent concession that meets the conditions in paragraph 46B of Ind As-116 is a lease modification. That makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification.
(i) Company has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B of Ind As-116
(ii) The amount Recognized in profit or loss for the Financial Year ending 31st March , 2021 to reflect changes in lease payments that arise from rent concessions to which the company has applied the practical expedient in paragraph 46A of Ind As-116 is Rs. 72.99 Lakh.

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1.2 Cash and cash equivalents

Cash and cash equivalent comprises cash in hand, demand deposits and time deposits with original maturity of less than three months held with bank, debit balance in cash credit account and balance in franking machine.

1.3 Revenue recognition

1.3.1 Interest and similar income

Interest income, for all financial instruments measured either at amortised cost or at fair value through other comprehensive income, is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the contractual life of the financial instrument to the gross carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable and are an integral part of the EIR, but not future credit losses.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

1.3.2 Other charges and other interest

1.3.2.1 Overdue interest in respect of loans is recognized upon realisation.

1.3.2.2 Other ancillary charges are recognized upon realisation.

1.3.3 Commission on Insurance Policies

Commission on insurance policies sold is recognised on accrual basis when the Company under its agency code sells the insurance policies.

1.3.4 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 shareholders approve the dividend .

1.4 Foreign currency

The Company's financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Income and expenses in foreign currencies are initially recorded by the Company at the exchange rates prevailing on the date of the transaction.

Foreign currency denominated monetary assets and liabilities are translated at the functional currency spot rates of exchange at the reporting date and exchange gains and losses arising on settlement and restatement are recognized in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

1.5 Property, plant and equipment (PPE) and Intangible assets

PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

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Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

1.6 Depreciation and amortization

Depreciation

Depreciation is provided over the useful life of the asset as per Schedule-II of Companies Act 2013 and depreciation rates have been worked out by applying written down value method. The Company has used the following useful lives to provide depreciation on its PPE.

PPE	Useful Life (In Years)
Freehold Land	NIL
Building	60
Furniture and fixtures	10
Office equipment	5
Motor Vehicles	8
Servers	6
Computers and printers	3

All fixed assets individually costing Rs. 5,000/- or less are fully depreciated in the year of installation/purchase.

Amortization

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company estimates the useful life of an intangible asset will not exceed four years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds four years, the Company amortizes the intangible asset over the best estimate of its useful life.

1.7 Impairment of non-financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

1.8 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a 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.The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.9 Contingent liabilities and assets

The Company does not recognize a contingent liability but discloses its existence in the financial statements Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation.
- A present obligation arising from past events, when no reliable estimate is possible.
- A possible obligation arising from past events, unless the probability of outflow of resources is remote.

Contingent liabilities are reviewed at each balance sheet date.

Contingent assets are not recognised. A contingent asset is disclosed, as required by Ind AS 37, where an inflow of economic benefits is probable.

1.10 Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Company provides gratuity benefits which is a defined benefit scheme. The cost of providing gratuity benefits is determined on the basis of actuarial valuation at each year end. Separate actuarial valuation is carried out for each plan using the projected unit credit method.

Remeasurements, 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 (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the year in which they occur. Remeasurements are not reclassified to profit or loss in subsequent years.

Past service costs are recognised in Profit or Loss on the earlier of: The date of the plan amendment or curtailment, and The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss

Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and Net interest expense or income

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 absence as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long term employee benefit for measurement purposes.

1.11 Taxes

Tax expense comprises current and deferred tax.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with Income tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised.

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 utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised 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 realised 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 recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised 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.

1.12 Earning per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting year.

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

1.13 Share based payments

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note 32.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting year, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting year, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share Based Payments Reserve.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

1.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.14.1 Financial Assets

1.14.1.1 Initial recognition and measurement

Financial assets, with the exception of loans and advances to customers, are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are disbursed to the customers. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

1.14.1.2 Classification and Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

1.14.1.3 Debt instruments at amortised costs

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:
- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit and loss.

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1.14.1.4 Debt instruments at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:
• The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
• The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

1.14.1.5 Debt instruments at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

1.14.1.6 Business Model Test

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis. The Company considers all relevant information available when making the business model assessment. The Company takes into account all relevant evidence available such as:- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel; The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or whether they reflect a new business model.

1.14.1.7 Equity Instruments

All equity instruments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

The Company has accounted for its investments in Subsidiary at cost less impairment loss (if any).

1.14.2 Financial Liabilities

1.14.2.1 Initial recognition and measurement

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading or it is designated as on initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

1.14.2.2 Classification and Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

1.14.2.3 Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

1.14.3 Derivative financial instruments

The Company holds derivative to mitigate the risk of changes in exchange rates on foreign currency exposures as well as interest fluctuations. The counterparty for these contracts is generally a bank.

Financial assets or financial liabilities, at fair value through profit or loss
This category has derivative financial assets or liabilities which are not designated as hedges. Any derivative that is not designated a hedge is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in Statement of Profit and Loss.

1.14.4 Reclassification of financial assets and liabilities

The company doesn't reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

1.14.5 De-recognition of financial assets and liabilities

1.14.5.1 Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Company also de-recognised the financial asset if it has transferred the financial asset and the transfer qualifies for de recognition.

The Company has transferred the financial asset if, and only if, either:
• It has transferred its contractual rights to receive cash flows from the financial asset or
• It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the year between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:
- The Company has transferred substantially all the risks and rewards of the asset or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.14.5.2 Financial Liabilities

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

1.15 Impairment of financial assets

1.15.1 Overview of the ECL principles

The Company is recording the allowance for expected credit losses for all loans and other debt Financial assets not held at FVTPL, together with loan commitments and Excess Interest Spread (EIS) receivable, (in this section all referred to as 'financial instruments'). Equity instruments are not subject to impairment under Ind AS 109.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 1.16.2. The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 3(a)(3)(v).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company's policy for grouping financial assets measured on a collective basis is explained in Note 3(a)(1).

The Company has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition. This is further explained in Note3(a)(3)(v).

Based on the above process, the Company group its loans into Stage 1, Stage 2, Stage 3, as described below:
Stage 1: When loans are first recognised, the group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.
Stage 2: When a loan has shown a significant increase in credit risk since origination, the group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3: Loans considered credit-impaired (as outlined in Note 3(a)(3)(i)). The group records an allowance for the LTECLs.

For financial assets for which the company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced.

1.15.2 The calculation of ECLs

The Company calculates ECLs on loans and FIS Receivable based on a probability-weighted scenarios and historical data to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Loan commitments: When estimating ECLs for undisbursed loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.For loan commitments, the ECL is recognised within Provisions.
Provisions for ECLs for undisbursed loan commitments are assessed as set out in Note 3(a)(2).
The mechanics of the ECL calculations are outlined below and the key elements are, as follows:
• PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.
• EAD - The Exposure at Default is an exposure at a default date. The EAD is further explained in Note 3(a)(3)(iii).
• LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3(a)(3)(iv).

The maximum year for which the credit losses are determined is the expected life of a financial instrument.
The mechanics of the ECL method are summarised below:
Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to an EAD and multiplied by the expected LGD.
Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.
Stage 3: For loans considered credit-impaired (as defined in Note 3(a)(3)(i)), the Company recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

1.15.3 Forward looking information

While estimating the expected credit losses, the company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyses if there is any relationship between key economic trends like GDP, Property Price Index, Unemployment rates, Benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Company based on its internal data. While the internal estimates of PD, LGD rates by the Company may not be always reflective of such relationships, temporary overlays are embedded in the methodology to reflect such macro-economic trends reasonably.

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1.15.4 Collateral repossession

To mitigate the credit risk on financial assets, the Company seeks to use collateral, where possible as per the powers conferred on the HFC under SARFAESI act. In its normal course of business, the company does not physically repossess properties or other assets in its retail portfolio, but generally engages external or internal agents to recover funds generally at auctions to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and are treated as assets held for sale at (i) fair value less cost to sell or (ii) principle outstanding, whichever is less, at the repossession date.

1.15.5 Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to Statement of profit and loss account.

1.16 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date using valuation techniques.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

1.17 Dividend

The Company recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and Interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

1.18 New Technical Pronouncement

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 01, 2021.

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(Rs. in lakh)

2 Cash and bank balances

Particulars	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents		
Cash on hand (refer note 2(a))	123.89	44.66
Balance with banks		
In Current accounts	501.16	-
In Cash credit accounts	1,564.07	2.74
In Deposits with original maturity of less than three months	-	34,975.00
	2,189.12	**35,022.40**
Bank balances other than above		
Deposit with original maturity of more than 3 months less than 12 months	86,791.77	82,975.00
Deposit with original maturity of more than 12 months (refer note 2(b))	23,115.34	1,208.13
	1,09,907.11	**84,183.13**
Total	**1,12,096.23**	**1,19,205.53**

2(a) Cash on hand includes of Rs. 0.95 lakh (P.Y. Rs. 0.95 lakh) balance of franking machine.

2(b) Other Bank Balance in deposit accounts include deposits under lien aggregating to Rs. 1,248.34 lakh (P.Y. Rs 1,208.13 lakh) towards the first loss guarantee provided by the Company under the securitization agreements.

3 Loans

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Loan assets	7,57,286.55	6,20,186.67
Total Gross	**7,57,286.55**	**6,20,186.67**
Less: Impairment loss allowance	(4,957.92)	(2,106.84)
Total Net	**7,52,328.63**	**6,18,079.83**
Secured by tangible assets (Property including land and building)	7,57,286.55	6,20,186.67
Total Gross	**7,57,286.55**	**6,20,186.67**
Less: Impairment loss allowance	(4,957.92)	(2,106.84)
Total Net	**7,52,328.63**	**6,18,079.83**
Loans in India		
Public Sector	-	-
Others	7,57,286.55	6,20,186.67
Total Gross	**7,57,286.55**	**6,20,186.67**
Less: Impairment loss allowance	(4,957.92)	(2,106.84)
Total Net	**7,52,328.63**	**6,18,079.83**

i) Loans and receivables are non-derivative financial assets which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.

ii) Loans granted by the Company are secured by equitable mortgage/registered mortgage of the property and/or undertaking to create a security and/or personal guarantees and/or hypothecation of assets and/or assignments of life insurance policies. The process of security creation was in progress for loans to the extent of Rs. 23,866.12 lakh at March 31, 2021 (P.Y. Rs. 18,045.05 lakh)

iii) Loans sanctioned but undisbursed amount is Rs. 32,189.19 lakh as on March 31, 2021 (P.Y. Rs. 26,240.62 lakh)

iv) The company is not granting any loans against gold jewellery as collateral.

v) The company is not granting any Loans against security of shares as collateral.

vi) The Company has assigned a pool of certain loans amounting to Rs.62,454.90 lakh (P.Y. Rs.73,859.15 lakh) by way of a direct assignment transaction. These loan assets have been de-recognised from the loan portfolio of the Company as the sale of loan assets is an absolute assignment and transfer on a 'no-recourse' basis. The Company continues to act as a servicer to the assignment transaction on behalf of assignee. In terms of the assignment agreement, the Company pays to assignee, on a monthly basis, the pro-rata collection amounts.

vii) The Company has granted certain loans to staff secured by equitable mortgage/registered mortgage of the property amounting to Rs. 993.56 lakh as on March 31,2021 (P.Y. Rs 1,039.80 lakh).

viii) Loan assets include two loans which became doubtful due to fraudulent misrepresentation by the borrowers and same has been provided for.

ix) Impairment loss allowance includes Rs. 1,902.62 lakh (P.Y. Rs. Rs 443.75 lakh) on account of COVID-19 and management overlay.

Break up of total financial assets carried at amortised cost

Particulars	As at March 31, 2021	As at March 31, 2020
Loans (Note 3)	7,52,328.63	6,18,079.83
Other financial assets (Note 5)	22,604.91	18,136.68
Total financial assets carried at amortised cost	**7,74,933.54**	**6,36,216.51**

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(Rs. in lakh)

3(a)(1) Grouping financial assets measured on a collective basis

As explained in Note 1.15, the Company calculates ECLs on collective basis on following asset classes:

- Housing-Salaried lending
- Housing-Self Employed lending
- Non Housing-Salaried lending
- Non Housing-Self Employed lending

The Company groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans such as Product type and customer type

An analysis of changes in the gross carrying amount and the corresponding ECL allowances have been explained below and ECL allowances includes an additional impairment allowance of Rs. 1,902.62 lakh recognised for the expected impact of COVID-19 on the collective provision as at March 31, 2021 as outlined in Note3(a)(3)(vii).

An analysis of changes in the gross carrying amount of loans and the corresponding ECL allowances in relation to loans are, as follows:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**	4,63,858.34	7,640.27	2,227.04	**4,73,725.65**
New assets originated	2,73,959.65	-	-	**2,73,959.65**	2,83,041.68	-	-	**2,83,041.68**
Assets derecognised or repaid	(1,34,549.15)	(778.76)	(1,138.72)	**(1,36,466.63)**	(1,33,538.03)	(1,709.64)	(1,116.55)	**(1,36,364.22)**
Transfers from Stage 1	(24,235.66)	19,484.69	4,750.97	-	(4,948.10)	3,731.53	1,216.57	-
Transfers from Stage 2	1,801.56	(3,217.41)	1,415.85	-	2,378.76	(3,185.35)	806.59	-
Transfers from Stage 3	29.18	105.52	(134.70)	-	83.94	30.42	(114.36)	-
Amounts written off	(42.79)	(7.13)	(343.22)	**(393.14)**	(38.33)	-	(178.11)	**(216.44)**
Gross carrying amount closing balance	**7,27,801.05**	**22,094.14**	**7,391.36**	**7,57,286.55**	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**

Reconciliation of ECL balance is given below:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL opening balance	**1,289.94**	**77.20**	**739.70**	**2,106.84**	719.68	71.15	485.81	**1,276.64**
ECL Remeasurements due to changes in EAD/Credit Risk/Assumptions (Net)	844.90	756.34	1,373.70	**2,974.94**	574.75	1.63	(102.63)	**473.75**
Transfers from Stage 1	(49.88)	39.48	10.40	-	(8.51)	32.54	250.61	**274.64**
Transfers from Stage 2	12.37	(30.15)	17.78	-	3.93	(28.38)	166.16	**141.71**
Transfers from Stage 3	1.42	2.50	(3.92)	-	0.14	0.26	(23.56)	**(23.16)**
Amounts written off		-	(123.86)	(123.86)	(0.05)	-	(36.69)	**(36.74)**
ECL closing balance	**2,098.75**	**845.37**	**2,013.80**	**4,957.92**	**1,289.94**	**77.20**	**739.70**	**2,106.84**

3(a)(2) Loan commitments

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loan commitments is, as follows:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**26,160.43**	**69.10**	**11.09**	**26,240.62**	25,045.96	132.77	32.63	**25,211.36**
New assets originated	26,097.54	-	-	**26,097.54**	21,564.86	-	-	**21,564.86**
Assets disbursed or cancelled	(20,116.86)	(21.01)	(11.09)	**(20,148.96)**	(20,406.59)	(96.38)	(32.63)	**(20,535.60)**
Transfers from Stage 1	(355.34)	241.82	113.52	-	(53.45)	45.10	8.35	-
Transfers from Stage 2	1.85	(48.10)	46.25	-	9.65	(12.39)	2.74	-
Gross carrying amount closing balance	**31,787.62**	**241.81**	**159.77**	**32,189.20**	**26,160.43**	**69.10**	**11.09**	**26,240.62**

Reconciliation of ECL balance is given below:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL opening balance	**45.76**	**0.60**	**2.29**	**48.65**	44.76	1.19	5.91	**51.86**
ECL Remeasurements due to changes in EAD/Credit Risk/Assumptions (Net)	13.28	1.82	31.28	**46.38**	1.08	(0.95)	(5.90)	**(5.77)**
Transfers from Stage 1	(0.82)	0.58	0.24	-	(0.10)	0.46	1.72	**2.08**
Transfers from Stage 2	0.00	(0.47)	0.47	-	0.02	(0.10)	0.56	**0.48**
ECL closing balance	**58.22**	**2.53**	**34.28**	**95.03**	**45.76**	**0.60**	**2.29**	**48.65**

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(Rs. In lakh)

3(a)(3) Impairment assessment

The references below show where the Company's impairment assessment and measurement approach is set out in these notes. It should be read in conjunction with the Summary of significant accounting policies.

3(a)(3)(i) Definition of default

The Company considers a financial instrument as defaulted and considered it as Stage 3 (credit-impaired) for ECL calculations in all cases, when the borrower becomes more than 90 days past due on its contractual payments. The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.

3(a)(3)(ii) The Company's process for managing risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers , investments in debt securities and derivatives that are an asset position. The Company considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

3(a)(3)(iii) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.
To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

3(a)(3)(iv) Loss given default

The Company segments its retail lending products into smaller homogeneous portfolios (housing and non housing), based on key characteristics that are relevant to the estimation of future cash flows. The data applied is collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

3(a)(3)(v) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when contractual payments are more than 30 days past due.
In accordance with the COVID-19 Regulatory Packages announced by RBI on March 27, 2020, April 17, 2020 and May 23, 2020, the Company has offered moratorium on the payment of all installments and/or interest, as applicable, falling due between March 01, 2020 and August 31, 2020 to all eligible borrowers. For all such accounts that were granted moratorium, the prudential assets classification remained standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under Income Recognition, Asset Classification and Provisioning Norms).
When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

3(a)(3)(vi) Risk assessment model

The Company has designed and operates its risk assessment model that factors in both quantitative as well as qualitative information on the loans and the borrowers. The model uses historical empirical data to arrive at factors that are indicative of future credit risk and segments the portfolio on the basis of combinations of these parameters into smaller homogenous portfolios from the perspective of credit behaviour.

3(a)(3)(vii) Risk assessment for COVID-19

The Company has used the principles of prudence in applying judgments, estimates and possible forward looking scenarios to assess and provide for the impact of the COVID-19 pandemic on the Financial Statements specifically while assessing the expected credit loss on financial assets by applying the customer profiling within salaried and self-employed portfolio and management overlays, approved by its Board of Directors. This has resulted in an additional provision of Rs. 1,458.87 lakh (P.Y. Rs. 443.75 lakh) against financial assets during the year, taking the overall additional provision of INR 1,902.62 lakh as of March 31, 2021.

3(a)(4) Collateral

The Company holds collateral to mitigate credit risk associated with financial assets The main types of collateral and the types of assets these are associated with are listed in the table below. The collateral presented relates to instruments that are measured at amortised cost.

Particulars	As at March 31, 2021	As at March 31, 2020
Registered/equitable mortgage property	7,57,286.55	6,20,186.67

The Company did not hold any financial instrument for which no loss allowance is recognised because of collateral at March 31, 2021. There was no change in the Company's collateral policy or collateral quality during the year.

Refer note 44(C) for risk concentration based on Loan to value(LTV).

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(Rs. in lakh)

4 **Investments**

Particulars	Amortised Cost	At fair Value: Through other comprehensive income	Through profit or loss	Designated at fair value through profit or loss	Subtotal	Others*	Total
As at March 31, 2021							
Aavas Finserv Limited (Subsidiary Company)	-	-	-	-	-	450.00	450.00
Total Gross (A)	-	-	-	-	-	**450.00**	**450.00**
Investments outside India	-	-	-	-	-	-	-
Investments in India	-	-	-	-	-	450.00	450.00
Total (B)	-	-	-	-	-	**450.00**	**450.00**
Less: Allowance for impairment loss (C)	-	-	-	-	-	-	-
Total Net D = (A) -(C)	-	-	-	-	-	**450.00**	**450.00**
As at March 31, 2020							
Aavas Finserv Limited (Subsidiary Company)	-	-	-	-	-	450.00	450.00
Total Gross (A)	-	-	-	-	-	**450.00**	**450.00**
Investments outside India	-	-	-	-	-	-	-
Investments in India	-	-	-	-	-	**450.00**	**450.00**
Total (B)	-	-	-	-	-	**450.00**	**450.00**
Less: Allowance for Impairment loss (C)	-	-	-	-	-	-	-
Total Net D = (A) -(C)	-	-	-	-	-	**450.00**	**450.00**

* The Company has accounted for its investments in Subsidiary at cost less impairment loss (if any).

5 **Other financial assets**

Particulars	As at March 31, 2021	As at March 31, 2020
Interest accrued on Bank Deposits	1,654.56	839.22
Security Deposit	319.53	272.77
EIS Receivable (Refer note 5(a))	19,216.70	17,066.15
Other financial assets	1,493.21	-
Total Gross	**22,684.00**	**18,178.14**
Less: Impairment loss allowance (on EIS Receivable assets)	(79.09)	(41.46)
Total Net	**22,604.91**	**18,136.68**

5(a) Under Ind AS, with respect to Assignment deals, Company has created an Excess Interest Spread (EIS) receivable , with corresponding credit to Statement of Profit and loss for the year, which has been computed by discounting EIS to present value.

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6(a) Property, plant and equipment (Rs. in lakh)

	Building and premises	Computers and printers	Furniture and fixtures	Motor vehicles	Office equipment	Land	Total
Cost							
At March 31, 2019	474.26	1,154.67	1,221.67	398.76	497.51	4.95	3,751.82
Purchase	567.27	238.37	448.74	218.75	196.66	-	1,669.79
Disposals	-	(8.15)	(4.50)	(17.68)	(15.18)	-	(45.51)
At March 31, 2020	**1,041.53**	**1,384.89**	**1,665.91**	**599.83**	**678.99**	**4.95**	**5,376.10**
Purchase	-	366.09	94.19	118.58	79.66	-	658.52
Disposals	-	(36.81)	(5.24)	(50.57)	(4.63)	-	(97.25)
At March 31, 2021	**1,041.53**	**1,714.17**	**1,754.86**	**667.84**	**754.02**	**4.95**	**5,937.37**
Depreciation							
At March 31, 2019	119.28	787.78	530.91	108.01	282.88	-	1,828.86
Charge for the year	30.94	284.85	277.01	124.10	161.53	-	878.43
Disposals	-	(7.44)	(4.31)	(8.03)	(11.25)	-	(31.03)
At March 31, 2020	**150.22**	**1,065.19**	**803.61**	**224.09**	**433.16**	-	**2,676.27**
Charge for the year	43.40	274.32	252.97	127.06	131.79	-	829.54
Disposals	-	(35.60)	(4.50)	(30.69)	(4.31)	-	(75.10)
At March 31, 2021	**193.62**	**1,303.91**	**1,052.08**	**320.46**	**560.64**	-	**3,430.71**
Net Block							
At March 31, 2020	**891.31**	**319.70**	**862.30**	**375.74**	**245.83**	**4.95**	**2,699.83**
At March 31, 2021	**847.91**	**410.26**	**702.78**	**347.38**	**193.38**	**4.95**	**2,506.66**

6(b) Capital work-in-progress

	PPE	Total
Gross block		
At March 31, 2019	-	-
Capitalised during the year	-	-
Purchase	30.99	30.99
At March 31, 2020	30.99	**30.99**
Capitalised during the year	37.81	37.81
Purchase	6.82	6.82
At March 31, 2021	-	-

6(c) Intangible assets under development

	Software	Total
Gross block		
At March 31, 2019	9.08	9.08
Capitalised during the year	9.08	9.08
Purchase	39.90	39.90
At March 31, 2020	39.90	**39.90**
Capitalised during the year	24.84	24.84
Purchase	25.48	25.48
At March 31, 2021	**40.54**	**40.54**

6(d) Other Intangible assets

	Software/Other intangible assets	Total
Gross block		
At March 31, 2019	586.15	586.15
Purchase	222.57	222.57
Disposals	-	-
At March 31, 2020	808.72	808.72
Purchase	131.90	131.90
Disposals	-	-
At March 31, 2021	**940.62**	**940.62**
Amortization		
At March 31, 2019	227.03	227.03
Charge for the year	166.85	166.85
At March 31, 2020	**393.88**	**393.88**
Charge for the year	201.18	201.18
At March 31, 2021	**595.06**	**595.06**
Net block		
At March 31, 2020	**414.84**	**414.84**
At March 31, 2021	**345.56**	**345.56**

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(Rs. in lakh)

7 Right-of-use assets

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Value of Right of Use Asset	3,785.03	2,302.98
Addittion	1,129.14	1,482.05
Disposal	-	
Gross Carrying Value	4,914.17	3,785.03
Depreciation		
Opening Accumulated Depreciation	910.83	-
Depreciation for the year	1,029.64	910.83
Closing Accumulated Depreciation	1,940.47	910.83
Net Carrying value	**2,973.70**	**2,874.20**

8 Other non-financial assets

Particulars	As at March 31, 2021	As at March 31, 2020
Prepaid Expenses	288.91	134.39
Advance to staff	136.16	218.99
Advance to vendors	172.18	191.96
Other Recoverable	131.19	84.39
Total	**728.44**	**629.73**

9 Assets held for sale

Particulars	As at March 31, 2021	As at March 31, 2020
Assets held for sale (Refer note 9(a))	2,220.77	1,804.30
Total Gross	**2,220.77**	**1,804.30**
Less: Impairment loss allowance	(381.19)	(98.93)
Total Net	**1,839.58**	**1,705.37**

9(a) Assets obtained by taking possession of collateral

The Company obtained the following assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Company's policy is to realise collateral on a timely basis. The Company does not use non-cash collateral for its operations.

Particulars	As at March 31, 2021	As at March 31, 2020
Residential properties	2,220.77	1,804.30
Total assets obtained by taking possession of collateral	**2,220.77**	**1,804.30**

10 Payables

Particulars	As at March 31, 2021	As at March 31, 2020
Trade Payables		
Total outsanding dues of Micro Enterprises and Small Enterprises	-	-
Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	284.31	1,737.64
Total	**284.31**	**1,737.64**

11 Debt Securities

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Secured		
Debentures (Refer note 11(a))	1,26,568.97	96,978.28
Unsecured		
Debentures (Refer note 11(a))	19,897.18	19,868.26
Total	**1,46,466.15**	**1,16,846.54**
Debt securities in India	1,26,568.97	96,978.28
Debt securities outside India	19,897.18	19,868.26
Total	**1,46,466.15**	**1,16,846.54**

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Notes to the Standalone Financial Statements for the year ended March 31, 2021

(Rs. in lakh)

11(a). Detail of Redeemable Non-Convertible Debentures

ISIN No.	Date of	Date of redemption	Nominal	Total	Rate of Interest	Face value	As at March 31, 2021	As at March 31, 2020	Secured/	Terms of redemption
INE216P07126	20-Dec-16	19-Oct-20	10	500	9.15%	5,000	-	4,995.05	Secured	Redeemed at par during the year
INE216P07134	18-Jul-17	18-May-22	10	1,300	8.43%*	13,000	12,952.93	12,915.12	Secured	Redeemable at par
INE216P07159	17-Apr-18	17-Apr-23	10	100	8.90%*	1,000	998.01	997.18	Secured	Redeemable at par
LRN-201812124	20-Dec-18	20-Dec-25	100	200	8.93%**	20,000	19,897.18	19,868.26	Unsecured	Redeemable at par
INE216P07167	16-Sep-19	15-Sep-24	100	345	8.39%*	34,500	34,208.65	34,139.81	Secured	Redeemable at par
INE216P07175	30-Mar-20	30-Mar-28	10	4,444	8.65%*	44,440	43,976.39	43,931.12	Secured	Redeemable at par
INE216P07183	22-Jun-20	22-Dec-21	10	1,500	6.60%*	15,000	14,999.08	-	Secured	Redeemable at par
INE216P07191	04-Nov-20	04-Nov-25	10	1,000	6.70%	10,000	9,942.56	-	Secured	Redeemable at par
INE216P07209	31-Dec-20	31-Dec-25	10	1,000	6.63%	10,000	9,491.35	-	Secured	Redeemable at par
						Total	1,46,466.15	1,16,846.54		

*ROI p.a (payable half yearly)
**ROI p.a (payable quarterly)

Terms of repayment of Debentures outstanding as at March 31, 2021

Particulars		Due within 1 year		Due 1 to 3 years		Due 3 to 5 years		Due 5 to 10 years		Total	
Original maturity of loan	Interest rate	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount
Quarterly											
Above 3 years	6%-8%	4	1,980.05	8	3,975.87	7	3,478.89	-	-	19	9,434.81
Half yearly											
Above 3 years	8%-10%	1	3,384.35	8	23,531.05	8	23,531.05	4	13,591.37	21	64,037.82
Bullet end											
Less than 3 years	6%-8%	1	14,850.33	-	-	-	-	-	-	1	14,850.33
Above 3 years	6%-8%	-	-	-	-	1	9,939.68	-	-	1	9,939.68
	8%-10%	1	990.02	1	12,921.59	1	34,291.90	-	-	3	48,203.51
Total		7	21,204.75	17	40,428.51	17	71,241.52	4	13,591.37	45	1,46,466.15

(Rs. in lakh)

12 Borrowings

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Secured		
Term loans (refer note 12(h))		
From National Housing Bank (NHB) (Refer note 12(a))	1,87,239.16	95,129.03
From Banks (Refer note 12(b))	2,73,719.91	2,87,113.25
From Financial institutions (Refer note 12(c))	61.07	89.78
From Insurance Companies (Refer note 12(d))	8,117.44	9,365.27
Others		
Cash Credit (refer note 12(e))	0.01	5,570.90
Others (refer note 12(f))	8,964.90	11,123.17
Total	**4,78,102.49**	**4,08,391.40**
Borrowings in India	4,78,102.49	4,08,391.40
Borrowings outside India	-	-
Total	**4,78,102.49**	**4,08,391.40**

12(a) Secured term loans from National Housing Bank carry rate of interest in the range of 3.00% to 8.50% p.a. The loans are having tenure of 1 to 15 years from the date of disbursement and are repayable in quarterly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Company.

12(b) Secured term loans from Banks include loans from various banks and carry rate of interest in the range of 7.20% to 9.05% p.a. The loans are having tenure of 5 to 10 years from the date of disbursement and are repayable in monthly or quarterly or yearly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Company. Secured term loan from banks include auto loans of Rs. 240.63 lakh (P.Y. Rs. 260.46 lakh) carrying rate of interest in the range of 7.35% to 9.20% p.a. which are secured by hypothecation of Company's vehicles.

12(c) Loans from financial institutions include auto loans of Rs. 61.07 lakh (P.Y. Rs. 89.78 lakh) carrying rate of interest in the range of 8.46% to 9.26% p.a. which are secured by hypothecation of Company's vehicles.

12(d) Secured term loan from Insurance Company carry rate of interest of 7.60% p.a. The loan is having tenure of 8 years from the date of disbursement and is repayable in half yearly instalments. The Loan is secured by hypothecation (exclusive charge) of the loans given by the Company.

12(e) Cash credit borrowings from bank are secured against hypothecation of housing loans given by the Company, are repayable on demand and carry interest rates ranging from 7.75% to 11.20%

12(f) Other borrowings includes associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS.

12(g) **Changes in liabilities arising from financing activities**

Particulars	As at March 31, 2020	Cash flows	Other*	As at March 31, 2021
Debt securities	1,16,846.54	29,500.00	119.61	1,46,466.15
Borrowings	4,08,391.40	71,168.13	(1,457.04)	4,78,102.49
Subordinate liabilities	9,965.61	(0.00)	8.04	9,973.65
Total	**5,35,203.55**	**1,00,668.13**	**(1,329.39)**	**6,34,542.29**

*Other column includes amortisation of transaction cost.

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Notes to the Standalone Financial Statements for the year ended March 31, 2021

12(h) Terms of repayment of long term borrowings outstanding as at March 31, 2021

(Rs. in lakh)

Particulars		Due within 1 year		Due 1 to 3 years		Due 3 to 5 years		Due 5 to 10 years		Above 10 years		Total	
Original maturity of loan	Interest rate	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount
Monthy repayment schedule													
Above 3 years	6%-8%	304	7,497.94	551	21,362.62	303	17,192.43	363	28,982.34	9	-	1,530	75,035.33
	8%-10%	426	3,122.86	443	6,662.33	91	9.74	-	-	-	-	960	9,794.93
Quarterly repayment schedule													
Above 3 years	2%-4%	6	2,809.53	16	7,495.68	16	7,495.68	13	6,674.31	-	-	51	24,475.20
	4%-6%	39	6,424.47	104	17,140.17	100	15,924.52	113	16,033.49	16	2,039.58	372	57,562.23
	6%-8%	175	19,155.14	477	66,191.10	367	56,374.49	393	66,397.10	4	316.91	1,416	2,08,434.74
	8%-10%	66	1,571.83	136	15,496.36	132	14,914.13	137	17,195.66	-	-	471	49,177.98
Half yearly repayment schedule													
Above 3 years	6%-8%	2	1,248.01	4	2,497.23	4	2,497.23	3	1,872.92	-	-	13	8,115.39
At the end of tenure													
Less than 3 years	4%-6%	1	36,541.80	-	-	-	-	-	-	-	-	1	36,541.80
Total		1,019	78,371.58	1,731	1,36,845.49	1,013	1,14,408.22	1,022	1,37,155.82	29	2,356.49	4,814	4,69,137.60

The above table doesn't include associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS amounting to Rs. 8,964.90 lakh (Due within 1 year Rs. 827.78 lakh and due more than 1 year Rs. 8,137.12 lakh)

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(Rs. in lakh)

13 Subordinated Liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
At Amortised cost		
Debentures (Refer note 13(a))	9,973.65	9,965.61
Total	**9,973.65**	**9,965.61**
Subordinated Liabilities in India	9,973.65	9,965.61
Subordinated Liabilities Outside India	-	-
Total	**9,973.65**	**9,965.61**

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Notes to the Standalone Financial Statements for the year ended March 31, 2021

(Rs. in lakh)

13(a). Detail of Subordinated Liabilities

ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Total number of debentures	Rate of Interest p.a.	Face value	As at March 31, 2021	As at March 31, 2020	Secured/ Unsecured	Terms of redemption
INE216P08017	22-Dec-17	22-Dec-23	10	1,000	9.49%	10,000	9,973.65	9,965.61	Unsecured	Redeemable at par

Terms of repayment of Subordinated liabilities outstanding as at March 31, 2021

Particulars		Due within 1 year		Due 1 to 3 years		Total	
Original maturity of loan	Interest rate	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount
At the end of tenure							
Above 3 years	8%-10%	-	(8.86)	1	9,982.51	1	9,973.65

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Notes to the Standalone Financial Statements for the year ended March 31, 2021

(Rs. in lakh)

14 Lease liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Lease liabilties	3,229.82	3,012.91
Total	**3,229.82**	**3,012.91**

Disclosures as required by Ind AS 116 'Leases' are stated below
A Lease Liability Movement

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Balance	3,012.91	2,302.98
Add: Addition during the year	1,129.14	1,482.05
Interest on Lease Liability	217.95	249.58
Less: Lease rental Payment	(1,130.18)	(1,021.70)
Closing Balance	3,229.82	3,012.91

The following is the breakup of current and non-current portion of lease liability as on March 31, 2021

Particulars	Amount
Current	885.78
Non-Current	2,344.04
Total lease liability as on March 31, 2021	**3,229.82**

15 Other financial liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Interest accrued but not due		
From non convertible debentures	1,143.24	731.94
From unsecured non convertible debentures	316.43	326.21
From Bank- term Loan	154.98	1,896.93
From Financial Institution- term Loan	0.30	0.45
Due to assignees towards collections in derecognised assets	2,569.98	3,219.41
Employee benefits payable	2,291.81	964.09
Others	7,009.89	3,555.75
Total	**13,486.63**	**10,694.78**

Break up of total financial liabilities carried at amortised cost	As at March 31, 2021	As at March 31, 2020
Payables (note 10)	284.31	1,737.64
Debt Securities (note 11)	1,46,466.15	1,16,846.54
Borrowings (note 12)	4,78,102.49	4,08,391.40
Subordinated Liabilities (note 13)	9,973.65	9,965.61
Lease liabilities (note 14)	3,229.82	3,012.91
Other financial liabilities (note 15)	13,486.63	10,694.78
Total	**6,51,543.05**	**5,50,648.88**

16 Provisions

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
Leave availment	214.23	162.23
Gratuity	63.14	517.23
ECL on undisbursed loan commitment	95.03	48.65
Total	**372.40**	**728.11**

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(Rs. in lakh)

17 Tax Expenses

The major components of income tax expense for the Year ended March 31, 2021

Profit or loss section

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Current income tax:		
Current income tax charge	6,701.45	6,397.21
Adjustments in respect of current income tax of previous year	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(318.03)	(1,104.63)
Income tax expense reported in the statement of profit or loss	**6,383.42**	**5,292.58**

OCI

Deferred tax related to items recognised in OCI during the year.

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Net loss/(gain) on re-measurements of defined benefit plans	28.05	(1.75)
Income tax charged to OCI	**28.05**	**(1.75)**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2021.

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Accounting profit before tax from continuing operations	35,332.94	30,204.67
Accounting profit before income tax	35,332.94	30,204.67
Tax at statutory Income Tax rate of 25.17% (P.Y. 25.17%)	8,892.59	7,601.91
Expenses Disallowed in Income tax Act	206.78	116.30
Other permanent difference	(867.25)	(207.93)
Expenses Disallowed u/s 43B of Income tax Act	13.09	16.36
Provision for special reserve u/s 29C of NHB Act read with section 36 (1) (viii) of IT Act, 1961	(1,242.71)	(1,052.27)
Incremental defered tax liabilities /(assets) on account of Financial assets and other items	(619.09)	(1,181.79)
Tax at effective Income Tax rate of 18.07% (P.Y. 17.52%) (a)	6,383.42	5,292.58
Tax on Other comprehensive income (b)	28.05	(1.75)
Total Tax expenses at effective tax rate of 18.15% (P.Y. 17.52%) (a+b)	**6,411.47**	**5,290.83**

Deferred Tax liabilities / (assets)	As at March 31, 2021	As at March 31, 2020
Deferred tax liability		
Unamortized Borrowings cost	392.32	392.55
Upfront EIS income	4,836.46	4,295.21
Gross deferred tax liability	**5,228.78**	**4,687.76**
Deferred tax asset		
Expected credit loss (ECL)	(906.01)	(413.26)
Unamortized Processing fee	(1,028.93)	(653.72)
Fair Valuation of SARFAESI	(83.01)	(68.08)
Provision for gratuity and Leave availment	(69.81)	(171.01)
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(224.29)	(176.48)
Other adjustments	(64.46)	(34.91)
Gross deferred tax asset	**(2,376.51)**	**(1,517.46)**
Net Deferred Tax Liability	**2,852.27**	**3,170.30**

Deferred Tax charged to statement of profit and loss account	Year ended March 31, 2021		Year ended March 31, 2020	
	Profit and Loss	OCI	Profit and Loss	OCI
Unamortized Borrowings cost	(0.23)	-	263.48	-
Upfront EIS income	541.25	-	(915.50)	-
Expected credit loss (ECL)	(492.74)	-	(68.36)	-
Unamortized Processing fee	(375.21)	-	(256.24)	-
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(47.82)	-	(33.79)	-
Other adjustments	56.72	28.05	(94.22)	(1.75)
Deferred Tax charged to statement of profit and loss account	**(318.03)**	**28.05**	**(1,104.63)**	**(1.75)**

18 Other Non-financial Liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Statutory Dues Payable	204.33	248.73
Provision for Expenses	816.96	914.08
Others	75.21	201.46
Total	**1,096.50**	**1,364.27**

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19 Equity share capital (Rs. In lakh)

Details of authorized, issued, subscribed and paid up share capital

Particulars	As at March 31, 2021	As at March 31, 2020
Authorized Share Capital		
85,000,000 (P.Y. 85,000,000) Equity Shares of Rs. 10/- each	8,500.00	8,500.00
	8,500.00	**8,500.00**
Issued, Subscribed & Paid up capital		
Issued and Subscribed Capital		
78,504,551 (P.Y. 78,322,661) Equity Shares of Rs. 10/- each	7,850.46	7,832.27
Called-Up and Paid Up Capital		
Fully Paid-Up		
78,504,551 (P.Y. 78,322,661) Equity Shares of Rs. 10/- each	7,850.46	7,832.27
Total	**7,850.46**	**7,832.27**

19(a) The reconciliation of equity shares outstanding at the beginning and at the end of the reporting year.

Particulars	As at March 31, 2021		As at March 31, 2020	
	No. of shares	Rs. In lakh	No. of shares	Rs. In lakh
Equity Share at the beginning of year	7,83,22,661	7,832.27	7,81,07,901	7,810.79
Add:				
Equity Share Allotted during year				
Shares issued under ESOP	1,81,890	18.19	2,14,760	21.48
Equity share at the end of year	**7,85,04,551**	**7,850.46**	**7,83,22,661**	**7,832.27**

19(b) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at March 31, 2021		As at March 31, 2020	
	No. of shares	% of holding	No. of shares	% of holding
Lake District Holdings Limited	2,31,40,827	29.48%	2,31,40,827	29.55%
23,140,827 Equity Shares of Rs. 10/- each fully paid				
Partners Group ESCL Limited	1,12,40,151	14.32%	1,30,18,256	16.62%
11,240,151 Equity Shares of Rs. 10/- each fully paid				
Smallcap World Fund, Inc	54,97,038	7.00%	NA	NA
5,497,038 Equity Shares of Rs. 10/- each fully paid				
Partners Group Private Equity Master Fund LLC	49,32,728	6.28%	57,13,047	7.29%
4,932,728 Equity Shares of Rs. 10/- each fully paid				
AU Small Finance Bank Limited	NA	NA	49,65,757	6.34%
3,383 Equity Shares of Rs. 10/- each fully paid				
Total	**4,48,10,744**	**57.08%**	**4,68,37,887**	**59.80%**

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

19(c) **Rights, preferences and restrictions attached to shares**

Equity shares.

The Company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

19(d) **Aggregate number of bonus shares issued during the year of five years immediately preceding the reporting date**

Particular	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	-	-	-	-	53,66,658

19(e) **For details of shares reserved for issue under the employee stock option plan (ESOP) of the Company, refer note 32**

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(Rs. in lakh)

20 Other equity

Particulars	As at March 31, 2021	As at March 31, 2020
Securities premium Account (refer note 20(a))	1,33,403.29	1,32,743.79
Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act, 1961(refer note 20(a))	19,131.38	13,324.80
Share Based Payments Reserve (refer note 20(a))	1,808.00	1,169.29
Retained earnings	77,946.87	54,720.53
Share Application money received	0.48	2.69
Total	**2,32,290.02**	**2,01,961.10**

20(a) Nature and purpose of reserve

Securities premium Account
Securities premium Account is used to record the premium on issue of shares. The reserve is utilised in accordance with provisions of the Companies Act, 2013.

Special reserve
Section 29C (i) of The National Housing Bank Act, 1987 defines that every housing finance institution which is a Company shall create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. For this purpose any special reserve created by the Company under Section 36(1) (viii) of Income tax Act 1961, is considered to be an eligible transfer. During the year ended March 31, 2021, The Company has transferred an amount of Rs. 4,937.65 lakh (P.Y. Rs. 4,181.00 lakh) to special reserve in terms of Section 36(1) (viii) of the Income Tax Act 1961 considered eligible for special reserve u/s 29C of NHB Act 1987 and also transferred an amount of Rs. 868.93 lakh (P.Y. Rs. 800.38 lakh) to the Reserve in terms of Section 29C of the National Housing Bank ("NHB") Act, 1987

Share Based Payments Reserve
This Reserve relates to stock options granted by the Company to employees under various ESOP Schemes. This Reserve is transferred to Securities Premium Account on exercise of vested options.

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(Rs. in lakh)

21 Interest income

Particulars	Year ended March 31, 2021			Year ended March 31, 2020		
	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss
Interest on Loans (Refer note 21(a))	-	89,939.42	-	-	73,676.40	-
Interest on deposits with Banks	-	7,301.74	-	-	4,966.11	-
Interest on deposits with Corporates	-	398.24	-	-	-	-
Total	-	97,639.40	-	-	78,642.51	-

21(a) Loan origination income included in Interest income on Loan is disclosed net of the direct incremental costs of Rs. 2,457.61 lakh for year ended March 31, 2021 (P.Y. Rs. 2,647.40 lakh) associated with the origination of the underlying loans.

22 Fees and commission Income

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Insurance commission	311.46	331.10
Other fee income	3,343.91	2,996.50
Total	3,655.37	3,327.60

23 Net gain on fair value changes

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
a) Net gain on financial instruments at fair value through profit and loss		
i) On trading portfolio		
Investments	387.16	597.20
b) Others		
Derivatives	-	3.23
Total Net gain on fair value changes	387.16	600.43
Fair value changes		
Realised	387.16	600.43
Unrealised- MTM gain	-	-
Total Net gain on fair value changes	387.16	600.43

24 Other income

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Net gain on derecognition of property, plant and equipment	9.10	-
Other income	206.95	79.99
Total	216.05	79.99

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Notes to the Standalone Financial Statements for the year ended March 31, 2021

(Rs. in lakh)

25 Finance Costs

Particulars	Year ended March 31, 2021		Year ended March 31, 2020	
	On financial liabilities measured at fair value through Profit or loss	On financial liabilities measured at Amortised cost	On financial liabilities measured at fair value through Profit or loss	On financial liabilities measured at Amortised cost
Interest on borrowings, debt securities and Subordinated liabilities	-	44,876.46	-	34,438.64
Interest on Securitised pool	-	729.86	-	918.93
Interest on lease liability	-	217.95	-	249.58
Total	-	45,824.27	-	35,607.15

26 Fees and commission expense

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Resource mobilisation expenses	302.30	263.88
Bank charges and commission	133.50	98.87
Brokerage Commission	182.66	127.30
Total	618.46	490.05

27 Impairment on financial instruments

Particulars	Year ended March 31, 2021		Year ended March 31, 2020	
	On financial instruments measured at fair value through OCI	On financial instruments measured at Amortised cost	On financial instruments measured at fair value through OCI	On financial instruments measured at Amortised cost
Loan Assets	-	3,347.34	-	1,145.52
Write offs	-	269.29	-	128.37
Assets acquired under SARFAESI	-	97.23	-	259.89
Total	-	3,713.86	-	1,533.78

28 Employee Benefits Expenses

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Salaries and wages	15,357.54	13,115.04
Contribution to provident and other funds	826.38	671.78
Share Based Payments to employees	850.84	647.14
Staff welfare expenses	178.85	273.49
Total	17,213.61	14,707.45

Gratuity and other post-employment

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to such limit as prescribed by The Payment of Gratuity Act, 1972 as amended from time to time.

The following tables summarize the components of net benefits expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

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(Rs. in lakh)

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

	Year ended March 31, 2021	Year ended March 31, 2020
Current service cost	209.61	198.76
Interest cost	34.91	22.78
Expected Return on plan assets	-	-
Net remeasurement (gain) / loss recognized in the year	-	-
Net expense	**244.52**	**221.54**

Remeasurement (gains)/ loss recognised in other comprehensive income:

	Year ended March 31, 2021	Year ended March 31, 2020
Remeasurement (gain) / loss on obligations arising from changes in experience adjustments	(111.45)	6.97
Remeasurement (gain) / loss arising during the year	**(111.45)**	**6.97**

Actual Return on plan asset

	Year ended March 31, 2021	Year ended March 31, 2020
Expected return on plan asset	-	-
Interest Income on Plan Asset	-	-
Acturial gain/loss	21.22	-
Actual Return on plan asset	-	-

Balance Sheet

Net defined benefit liability

	Year ended March 31, 2021	Year ended March 31, 2020
Present value of defined benefit obligation	659.25	517.23
Fair value of plan assets	(604.95)	-
Plan liability	**54.30**	**517.23**

Changes in the present value of the defined benefit obligation are as follows:

	Year ended March 31, 2021	Year ended March 31, 2020
Opening defined benefit obligation	517.23	293.96
Current service cost	209.61	198.76
Interest cost	34.91	22.78
Benefits paid during the year	(12.27)	(5.24)
Remeasurement (gain)/loss on obligation	(90.23)	6.97
Closing defined benefit obligation	**659.25**	**517.23**

Changes in the present value of the plan assets are as follows:

	Year ended March 31, 2021	Year ended March 31, 2020
Fair value of plan asset at the beginning	-	-
Expected return on plan asset	-	-
Contribution made	596.00	-
Benefit paid during the year	(12.27)	-
Acturial Gain/(Loss) on plan assets	21.22	-
Fair value of plan asset at the the end of the year	604.95	-

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(Rs. in lakh)

The principle assumptions used in determining gratuity obligations for the Company are shown below:

	Year ended March 31, 2021	Year ended March 31, 2020
Discount rate	6.73%	6.75%
Salary escalation rate	6.00%	6.00%
Employee Turnover	age 30 = 5% age 31-40 = 3% age 41-50 = 2% age 51 & above=1%	age 30 = 5% age 31-40 = 3% age 41-50 = 2% 51 & above=1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Experience adjustment for the reported years are as below:

	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined benefit obligation	659.25	517.23	293.96	187.74	112.44
Plan assets	(604.95)	-	-	-	-
(Surplus)/Deficit	54.30	517.23	293.96	187.74	112.44
Experience adjustments on plan liabilities(Gain)/ Loss	(91.54)	6.97	(35.07)	(10.82)	(16.81)
Experience adjustments on plan assets	-	-	-	-	-

Sensitivity Analysis:
A quantitative sensitivity analysis for significant assumption is as shown below:

Particulars	**Year ended March 31, 2021**	**Year ended March 31, 2020**
a) Effect of 1% change in assumed discount rate		
- 1% increase	570.28	446.36
- 1% decrease	768.75	604.81
(b) Effect of 1% change in assumed salary escalation rate		
- 1% increase	768.44	604.59
- 1% decrease	568.97	445.30

Other Benefits
The Company has provided for compensatory leaves which can be availed and not encashed as per policy of the Company as present value obligation of the benefit at related current service cost measured using the Projected Unit Credit Method on the basis of an actuarial valuation.

The Code on Social Security, 2020
The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

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(Rs. in lakh)

29 Other expenses

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Advertisement and publicity	198.08	864.82
AMC charges	123.25	87.75
Auditor's remuneration (note 29(a))	50.69	50.66
Directors' fees and commission	119.90	70.85
Communication costs	397.52	300.40
CSR expenses	458.52	312.74
Donation	-	21.00
Electricity and water	269.58	247.22
General office expenses	265.46	315.44
Legal and professional charges	436.58	463.50
Collection and legal recovery expenses	119.30	183.14
IT and analytics Expenses	239.59	108.15
Manpower management cost	2,236.89	1,828.81
Postage and courier expenses	156.93	132.93
Printing and stationery	87.56	70.79
Rent, rates and taxes Expenses	58.00	53.67
Repairs and maintenance	212.67	149.04
Travelling and conveyance	339.48	549.27
Total	**5,770.00**	**5,810.18**

29(a) Auditor's remuneration

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Audit fees	44.42	42.24
Tax audit fees	2.18	2.18
Other services	4.09	6.24
	50.69	**50.66**

30 Earning per share

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Following reflects the profit and share data used in EPS computations:		
Basic		
Weighted average number of equity shares for computation of Basic EPS (in lakh)	783.72	781.90
Net profit for calculation of basic EPS (Rs.in lakh)	28,949.52	24,912.09
Basic earning per share (In Rs.)	**36.94**	**31.86**
Diluted		
Weighted average number of equity shares for computation of Diluted EPS (in lakh)	790.64	791.22
Net profit for calculation of Diluted EPS (Rs.in lakh)	28,949.52	24,912.09
Diluted earning per share (In Rs.)	**36.62**	**31.49**
Nominal value of equity shares (In Rs.)	**10.00**	**10.00**

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31 Maturity analysis of assets and liabilities

The following tables set forth, for the periods indicated, the assets and liabilities line items expected to be recovered or settled within and after twelve months after factoring prepayment assumptions.

Particulars	As at March 31, 2021			As at March 31, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	2,189.12	-	2,189.12	35,022.40	-	35,022.40
Bank balance other than cash and cash equivalents	1,09,907.11	-	1,09,907.11	84,183.13	-	84,183.13
Loans	1,27,660.89	6,24,667.74	7,52,328.63	88,012.03	5,30,067.80	6,18,079.83
Investments	-	450.00	450.00	-	450.00	450.00
Other financial assets	12,379.79	10,225.12	22,604.91	8,362.81	9,773.87	18,136.68
Non-financial assets						
Current tax assets (net)	90.45	-	90.45	1,438.03	-	1,438.03
Property, plant and equipment	-	2,506.66	2,506.66	-	2,699.83	2,699.83
Capital work-in-progress	-	-	-	-	30.99	30.99
Intangible assets under development	-	40.54	40.54	-	39.90	39.90
Other intangible assets	-	345.56	345.56	-	414.84	414.84
Right-of-use assets		2,973.70	2,973.70		2,874.20	2,874.20
Other non-financial assets	551.20	177.24	728.44	593.83	35.90	629.73
Assets held for sale	1,839.58	-	1,839.58	1,705.37	-	1,705.37
Total Assets	**2,54,618.14**	**6,41,386.56**	**8,96,004.70**	**2,19,317.60**	**5,46,387.33**	**7,65,704.93**
LIABILITIES						
Financial liabilities						
Payables						
(I) Trade payables	-	-	-	-	-	-
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	284.31	-	284.31	1,737.64	-	1,737.64
Debt securities	21,204.75	1,25,261.40	1,46,466.15	4,815.32	1,12,031.22	1,16,846.54
Borrowings (other than debt securities)	79,199.36	3,98,903.13	4,78,102.49	60,118.51	3,48,272.89	4,08,391.40
Subordinated liabilities	(8.86)	9,982.51	9,973.65	(8.04)	9,973.65	9,965.61
Lease liabilties	885.78	2,344.04	3,229.82	899.55	2,113.36	3,012.91
Other financial liabilities	13,405.40	81.23	13,486.63	10,612.53	82.25	10,694.78
Non-financial liabilities						
Provisions	38.90	333.50	372.40	46.62	681.49	728.11
Deferred tax liabilities (net)	1,914.42	937.85	2,852.27	1,419.03	1,751.27	3,170.30
Other non-financial liabilities	1,096.50	-	1,096.50	1,364.27	-	1,364.27
Total Liabilities	**1,18,020.56**	**5,37,843.66**	**6,55,864.22**	**81,005.43**	**4,74,906.13**	**5,55,911.56**
Net Assets	**1,36,597.58**	**1,03,542.90**	**2,40,140.48**	**1,38,312.17**	**71,481.20**	**2,09,793.37**

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(Rs. in lakh)

32 Stock options

I The Company has formulated various share-based payment schemes for its employees (Plan I), management team (Plan II) and directors (Plan III) Details of all grants in operation during the Year ended March 31, 2021 are as given below:

Particulars	**ESOP 2016 I (a)**	**ESOP 2016 I (b)**	**ESOP 2016 II**	**ESOP 2016 III**	**ESOP 2019**
Scheme Name	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Management team 2016 (ESOP 2016 II)	Equity stock option plan for Directors 2016 (ESOP 2016 III)	Equity stock option plan for Employees 2019 (ESOP 2019)
No. of options approved*	12,87,901		34,45,610	7,19,084	3,00,000
Date of grant	23-Feb-17	24-Jan-18	23-Feb-17	23-Feb-17	03-Oct-19
No. of options granted	9,80,118	4,24,687	34,45,610	7,19,084	3,00,000
Exercise price per option (in Rs.)	215.25	328	215.25	215.25	1580.20
Method of settlement	Equity	Equity	Equity	Equity	Equity
Vesting year and conditions	A) 50% options to vest as per stipulated vesting schedule ("Fixed Vesting") B) 50% options to vest as per stipulated vesting schedule on fulfillment of stipulated conditions ("Conditional Vesting")				
A) Fixed Vesting year is as follows on following dates .-					
1st vesting "12 months from the date of grant	98,012	42,469	Refer note A	71,908	30,000
2nd vesting "On expiry of four months from the 1st vesting date"	98,012	NA	-	71,908	NA
2nd vesting "On expiry of one year from the 1st vesting date"	NA	42,469	-	NA	30,000
3rd vesting "On expiry of one year from the 2nd vesting date"	98,012	42,469	-	Refer note B	30,000
4th vesting "On expiry of one year from the 3rd vesting date"	98,012	42,469	-	-	30,000
5th vesting "On expiry of one year from the 4th vesting date"	98,011	42,469	-	-	30,000
B) Conditional Vesting	Linked with conditions over the next five years as stipulated in respective stock option plan		Refer note A	Linked with conditions over the next five years as stipulated in respective stock option plan (Refer note B)	Linked with conditions over the next five years as stipulated in respective stock option plan
Exercise year	Four years from the date of each vesting				

*After adjusting subsequent cancellations, if any

Note:

A. During year ended March 31, 2018, pursuant to the the Board approval dated January 25, 2018, all options granted under Management team 2016 (ESOP 2016 II) plan were vested with immediate effect with no further conditions attached to them.

B. During Year ended March 31, 2019, pursuant to the the Board approval dated June 08, 2018, last three tranches of options related to fixed vesting (2,15,724 options) and 25% of performance options (89,886 options) granted under Directors 2016 (ESOP 2016 III) plan were vested on June 30, 2018 subject to lock in conditions as prescribed in stock plan.

C. During Year ended March 31, 2020, pursuant to the the Board approval dated August 01, 2019, options granted for employees 2019 (ESOP 2019) plan.

II **Computation of fair value of options granted during the year ended March 31, 2021**

Nil options granted during the Year ended March 31, 2021.

III Reconciliation of options

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 III	ESOP 2019
Year ended March 31, 2021				
Options outstanding at April 1, 2020	3,13,321	2,93,155	2,69,656	3,00,000
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	1,15,784	66,106	-	-
Expired / lapsed during the year	4,075	3,000	-	-
Outstanding at March 31, 2021	1,93,462	2,24,049	2,69,656	3,00,000
Exercisable at March 31, 2021	48,082	84,471	2,69,656	60,000
Weighted average remaining contractual life (in years)	0.98	2.84	1.59	5.49
Weighted average share price at the time of exercise*	2,141.00	1,487.25		

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 III	ESOP 2019
Year ended March 31, 2020				
Options outstanding at April 1, 2019	4,76,461	4,22,187	2,69,656	-
Granted during the year	-	-	-	3,00,000
Forfeited during the year	800	11,700	-	-
Exercised during the year	1,41,628	73,132	-	-
Expired / lapsed during the year	20,712	44,200	-	-
Outstanding at March 31, 2020	3,13,321	2,93,155	2,69,656	3,00,000
Exercisable at March 31, 2020	12,744	80,791	2,69,656	-
Weighted average remaining contractual life (in years)	1.87	4.16	1.96	6.51
Weighted average share price at the time of exercise*	1,787.48	1,582.87	-	-

* Disclosure of weighted average share price at the time of exercise is applicable only for plans where there has been an exercise of options in current financial year.

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(Rs. in lakh)

33 Segment information

The Company has only one reportable business segment, i.e. lending to borrowers, which have similar nature of products and services, type/class of customers and the nature of the regulatory environment (which is banking), risks and returns for the purpose of Ind AS 108 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 . Accordingly, the amounts appearing in the financial statements relate to the Company's single business segment.

34 The Company has been granted Certificate of Registration (No. 08.0095.11) to commence/carry on the business as a housing finance company without accepting public deposits by National Housing Bank on August 04, 2011 and got a revised Certificate of Registration (02.0104.13) after conversion of Company from a private limited company to a public limited company on February 08, 2013. Further, the name of our company was changed to AAVAS FINANCIERS LIMITED, pursuant to a Shareholders resolution passed at the EOGM held on February 23, 2017. A fresh certificate of incorporation consequent to such change of name was issued on March 29, 2017 by the Registrar of companies, Jaipur and subsequently the revised certificate of Registration (No.04.0151.17) was issued on April 19, 2017 by National Housing Bank.

35 Related party

a. Names of related parties identified in accordance with Ind AS -24 "Related Party Disclosures"

1. Entities where control exists:

Holding Company
NA
Shareholders having Substantial interest
Lake District Holdings Limited
Wholly owned Subsidiary Company
Aavas Finserv Limited

2. Key Management Personnel

Mr. Sandeep Tandon	Chairperson and Independent Director
Mr. Sushil Kumar Agarwal	Managing Director and Chief Executive Officer
Mrs. Kalpana Iyer	Independent Director
Mrs. Soumya Rajan	Independent Director (Appointed in the Annual General Meeting of the Company held on July 22, 2020 as an Independent Director w.e.f. August 29, 2019)
Mr. Ramachandra Kasargod Kamath	Non-Executive Nominee Director
Mr. Vivek Vig	Non-Executive Nominee Director
Mr. Nishant Sharma	Non-executive Promoter Nominee Director
Mr. Manas Tandon	Non-executive Promoter Nominee Director
Mr. Kartikeya Dhruv Kaji	Non-executive Promoter Nominee Director
Mr. Ghanshyam Rawat	Chief Financial Officer
Mr. Sharad Pathak	Company Secretary & Compliance Officer

3. Post Employment Benefit Plan

Aavas Gratuity Trust

4. Enterprises under significant influence of the Key Management Personnel

Aavas foundation (From March 26, 2019)

5. Relatives of Key Managerial Personnel

None

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b. The nature and volume of transactions carried out with the above related parties in the ordinary course of business are as follows :

Name of related party	Nature of transactions	March 31, 2021			March 31, 2020		
		Amount received	Amount paid	Receivable	Amount received	Amount paid	Receivable
Aavas Finserv Limited	Reimbursement of expenses	-	0.56	14.02	-	1.05	13.46
Aavas Finserv Limited	Reimbursement of Statutory payments	-	27.81	40.92	-	11.17	13.11
Mr. Krishan Kant Rathi	Sitting fees	-	-	-	-	2.73	-
	Commission	-	-	-	-	2.73	-
Mr. Sandeep Tandon	Sitting fees	-	2.45	-	-	6.00	-
	Commission	-	16.08	-	-	4.91	-
Mr. Sushil Kumar Agarwal	Remuneration	-	199.40	-	-	240.06	-
Mrs. Kalpana Iyer	Sitting fees	-	2.18	-	-	4.63	-
	Commission	-	16.35	-	-	6.27	-
Mrs. Soumya Rajan	Sitting fees	-	1.09	-	-	1.09	-
	Commission	-	37.06	-	-	-	-
Mr. Ramachandra Kasargod Kamath	Share based Payment	-	11.87	-	-	11.91	-
	Sitting fees	-	1.09	-	-	2.73	-
	Commission	-	25.07	-	-	28.89	-
Mr. Vivek Vig	Share based Payment	-	59.37	-	-	59.54	-
	Sitting fees	-	1.09	-	-	2.73	-
	Commission	-	17.44	-	-	8.18	-
Mr. Ghanshyam Rawat	Remuneration	-	147.04	-	-	182.03	-
Mr. Sharad pathak	Issue of Equity shares	8.90	-	-	7.59	-	-
	Remuneration	-	16.77	-	-	18.69	-
	Share based Payment	-	3.19	-	-	3.24	-
Aavas Foundation	Contribute as a Settler (CSR)	-	344.00	-	-	180.36	-
Aavas Gratuity Trust	Gratuity Contribution	-	596.11	-	-	-	-

Note :The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

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36 **Details of dues to micro and small enterprises as defined under the MSMED Act, 2006**

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises for the year ended March 31, 2021

37 The Company's pending litigations comprise of claims against the Company primarily by the customers. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material adverse effect on its financial statements of the Company as at March 31, 2021.

38 **Commitments and contingencies**

a **Capital and other commitments:**

Particulars	As at March 31, 2021		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	62.69	20.88	41.81
Other intangible assets	43.89	37.37	6.52

Particulars	As at March 31, 2020		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	3.11	-	3.11
Other intangible assets	15.68	-	15.68

Refer note 3(iii) for undisbursed commitment relating to loans.

b There are no Contingent Liability as on March 31, 2021 (March 31, 2020 Rs. Nil)

39 **Expenditure in Foreign currency**

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Interest paid	1,796.18	1,786.39
Other Expenses	33.08	53.38

40 **CSR expenses**

Operating expenses include Rs. 475.80 lakh for the Year ended March 31, 2021 (P.Y. Rs. 312.74 lakh) towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. Gross Amount (including deficit of previous year) required to be spent by the Company during the year is Rs. 475.51 lakh. (P.Y. Rs. 449.23 lakh).

The details of amount spent during the respective year towards CSR are as under:

Particulars	March 31, 2021			March 31, 2020		
	Amount Spent	Yet to be paid	Total	Amount Spent	Yet to be paid	Total
Construction/acquisition of any asset	Nil	Nil	Nil	Nil	Nil	Nil
On purposes other than above	475.80	0.00	475.80	431.97	17.26	449.23

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(Rs. in lakh)

41 Fair value measurement

41(a) Valuation Principles

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/ indirectly 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.

41(b) Fair Value of financial instruments which are not measured at Fair Value

The carrying amounts and fair value of the Company's financial instruments are reasonable approximations of fair values at financial statement level.

Valuation methodologies of financial instruments not measured at fair value

Loans

Most of the loans are repriced frequently, with interest rate of loans reflecting current market pricing. Hence carrying value of loans is deemed to be equivalent of fair value.

Borrowings

The Company's most of the borrowings are at floating rate which approximates the fair value.
Debt securities and subordinate liabilities are fixed rate borrowings and fair value of these fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rates charged for similar new loans and carrying value approximates the fair value for fixed rate borrowing at financial statement level.

Short Term and Other Financial Assets and Liabilities

The management assessed that cash and cash equivalents, investments, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Assets held for sale

Real estate properties are valued based on a well progressed sale process with price quotes from real estate agents.

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(Rs. in lakh)

42 Transfer of Financial assets

Transfers of financial assets that are not derecognised in their entirety

Securitisation:

The Company uses securitisations as a source of finance. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities. Securitisation has resulted in the continued recognition of the securitised assets.

The table below outlines the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

Loans and advances measured at amortised cost	As at March 31, 2021	As at March 31, 2020
Carrying amount of transferred assets measured at amortised cost	9,303.97	10,684.14
Carrying amount of associated liabilities	(8,930.71)	(10,251.62)

The carrying amount of above assets and liabilities is a reasonable approximation of fair value.

Assignment Deal:

During the year ended March 31, 2021, the Company has sold some loans and advances measured at amortised cost as per assignment deals, as a source of finance. As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been derecognised from the Company's balance sheet.

The management has evaluated the impact of assignment transactions done during the year for its business model. Based on the future business plan , the company business model remains to hold the assets for collecting contractual cash flows.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain on derecognition.

Loans and advances measured at amortised cost	Year ended March 31, 2021	Year ended March 31, 2020
Carrying amount of derecognised financial assets	62,454.90	73,859.15
Gain from derecognition	8,635.53	7,658.88

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(Rs. in lakh)

43 Capital management:

For the purpose of the Company's capital management, capital includes issued equity capital, Securities premium and all other equity reserves attributable to the equity holders of the Company net of intangible assets. The primary objective of the Company's capital management is safety and security of share capital and maximize the shareholder value.

The Company manages its capital structure in light of changes in economic conditions and the requirements of the financial covenants. The company monitors capital using a gearing ratio, which is total debt divided by net worth. The Company's policy is to keep the gearing ratio at reasonable level of 6-8 times in imminent year while Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021 currently permits HFCs to borrow up to 13 times of their net owned funds ("NOF"). The Company includes with in debt, its all interest bearing loans and borrowings.

Debt to net worth ratio

(Rs. in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Debts	6,36,157.24	5,38,159.07
Net worth	2,39,754.38	2,09,338.63
Debt to Net worth (in times)	**2.65**	**2.57**

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

44 Financial risk management objectives and policies

The Company's Principal financial liabilities comprise loans and borrowings. The main purpose of these financial liabilities is to finance the company's operations. At the other hand company's Principal financial assets include loans and cash and cash equivalents that derive directly from its operations.

As a lending institution, Company is exposed to various risks that are related to lending business and operating environment. The Principal Objective in Company's risk management processes is to measure and monitor the various risks that Company is subject to and to follow policies and procedures to address such risks. Company 's risk management framework is driven by Board and its subcommittees including the Audit Committee, the Asset Liability Management Committee and the Risk Management Committee. Company gives due importance to prudent lending practices and have implemented suitable measures for risk mitigation, which include verification of credit history from credit information bureaus, personal verification of a customer's business and residence, technical and legal verifications, conservative loan to value, and required term cover for insurance. The major types of risk Company face in businesses are liquidity risk, credit risk, interest rate risk.

(A) Liquidity risk

Liquidity Risk refers to the risk that the company can not meet its financial obligations. The objective of Liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirement. The unavailability of adequate amount of funds at optimum cost and co-terminus tenure to repay the financial liabilities and further growth of business resultantly may face an Asset Liability Management (ALM) mismatch caused by a difference in the maturity profile of Company assets and liabilities. This risk may arise from the unexpected increase in the cost of funding an asset portfolio at the appropriate maturity and the risk of being unable to liquidate a position in a timely manner and at a reasonable price. The Company manages liquidity risk by maintaining adequate cash reserves and undrawn credit facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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The Company has given cash collateral for the securitisation transactions and do not expect any net cash outflow and hence guarantees given for securitisation transactions have not been shown as part of below table. Further, undisbursed loan amount being cancellable in nature are not disclosed as part of below mentioned maturity profile.

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial liabilities.

Maturity profile of Financial liabilities as on March 31, 2021			
Particulars	**Borrowings**	**Payables**	**Other Financial liabilities**
1 Day to 1 year	1,41,269.45	284.31	11,790.45
Over 1 year to 3 years	2,53,845.79	-	81.23
Over 3 year to 5 years	2,26,580.56	-	-
Over 5 year to 7 years	1,13,377.06	-	-
Over 7 year to 10 years	57,006.12	-	-
Over 10 years	3,022.38	-	-
Total	**7,95,101.36**	**284.31**	**11,871.68**

Maturity profile of Financial liabilities as on March 31, 2020			
Particulars	**Borrowings**	**Payables**	**Other Financial liabilities**
1 Day to 1 year	1,07,861.53	1,737.64	10,612.53
Over 1 year to 3 years	2,07,214.96	-	82.25
Over 3 year to 5 years	2,10,922.09	-	-
Over 5 year to 7 years	1,08,327.16	-	-
Over 7 year to 10 years	62,532.14	-	-
Over 10 years	5,856.11	-	-
Total	**7,02,713.99**	**1,737.64**	**10,694.78**

(B) Credit risk

Credit Risk arises from the risk of loss that may occur from the default of Company's customers under loan agreements. Customer defaults and inadequate collateral may lead to higher credit impaired assets. Company address credit risks by using a set of credit norms and policies, which are approved by Board and backed by analytics and technology. Company has implemented a structured and standardized credit approval process, including customer selection criteria, comprehensive credit risk assessment and cash flow analysis, which encompasses analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of a potential customer. Actual credit exposures, credit limits and asset quality are regularly monitored and analysed at various levels. Company has created a robust credit assessment and underwriting practice that enables to fairly price credit risks.

The company has created more than 60 templates of customer profiles through its experience over the years, with risk assessment measures for each geography in which it operates. The company continuously seek to develop and update such profiles in order to identify and source reliable customers and improve efficiencies. The company also conduct an analysis of the existing cash flow of customer's business to assess their repayment abilities. The company has implemented a four prong system of credit assessment comprising underwriting, legal assessments, technical assessments and a risk containment unit.

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Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was Rs. 7,76,503.25 lakh and Rs. 637,252.82 lakh as of March 31, 2021 and March 31, 2020 respectively, being the total of the carrying amount of Loan assets and EIS receivable.

(C) Analysis of risk concentration

The Company's concentrations of risk are managed based on Loan to value (LTV) segregation as well as geographical spread. The following tables stratify credit exposures from housing and other loans to customers by range of loan-to-value (LTV) ratio. LTV is calculated as the ratio of gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral.

Loans to customers:

LTV wise bifurcation:

As at March 31, 2021

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,83,044.17	4,554.31	1,415.06	1,89,013.54
41%-60%	2,62,339.39	7,166.52	2,189.00	2,71,694.91
61%-80%	2,37,807.21	8,053.61	3,182.19	2,49,043.01
More than 80%	44,610.28	2,319.70	605.11	47,535.09
Total	**7,27,801.05**	**22,094.14**	**7,391.36**	**7,57,286.55**

As at March 31, 2020

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,67,254.42	1,434.12	382.16	1,69,070.70
41%-60%	2,17,085.38	2,326.45	944.08	2,20,355.91
61%-80%	1,93,723.67	2,540.09	1,396.93	1,97,660.69
More than 80%	32,774.79	206.57	118.01	33,099.37
Total	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**

Customer profile

As at March 31, 2021

Customer profile	Stage 1	Stage 2	Stage 3	Total
HOUSING:				
Salaried	2,45,304.46	3,653.91	1,107.99	2,50,066.36
Self employed	3,00,342.82	11,336.11	4,560.28	3,16,239.21
NON-HOUSING:				
Salaried	54,076.65	1,128.74	233.18	55,438.57
Self employed	1,28,077.12	5,975.38	1,489.91	1,35,542.41
Total	**7,27,801.05**	**22,094.14**	**7,391.36**	**7,57,286.55**

As at March 31, 2020

Customer profile	Stage 1	Stage 2	Stage 3	Total
HOUSING:				
Salaried	1,76,197.40	1,073.49	437.81	1,77,708.70
Self employed	2,82,184.37	3,694.34	1,989.60	2,87,868.31
NON-HOUSING:				
Salaried	37,689.31	331.87	70.46	38,091.64
Self employed	1,14,767.18	1,407.53	343.31	1,16,518.02
Total	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**

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Loan Commitments:

LTV wise bifurcation:

As at March 31, 2021

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	8,785.08	35.39	12.99	8,833.46
41%-60%	14,424.72	44.23	64.62	14,533.57
61%-80%	7,269.16	103.11	68.44	7,440.71
More than 80%	1,308.66	59.08	13.72	1,381.46
Total	**31,787.62**	**241.81**	**159.77**	**32,189.20**

As at March 31, 2020

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	7,275.64	2.18	-	7,277.82
41%-60%	11,534.90	4.82	5.14	11,544.86
61%-80%	6,422.46	52.67	3.21	6,478.34
More than 80%	927.43	9.43	2.74	939.60
Total	**26,160.43**	**69.10**	**11.09**	**26,240.62**

Customer profile:

As at March 31, 2021

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	13,736.27	52.79	45.10	13,834.16
Self employed	18,051.35	189.03	114.66	18,355.04
Total	**31,787.62**	**241.82**	**159.76**	**32,189.20**

As at March 31, 2020

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	9,203.91	29.28	6.38	9,239.57
Self employed	16,956.52	39.82	4.71	17,001.05
Total	**26,160.43**	**69.10**	**11.09**	**26,240.62**

(D) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Company's exposure to market risk is primarily on account of interest rate risk.

(I) Interest Rate Risk:-

The company is subject to interest rate risk, primarily since it lends to customers at rates and for maturity years that may differ from funding sources. Interest rates are highly sensitive to many factors beyond control, including the monetary policies of the Reserve Bank of India, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. In order to manage interest rate risk, the company seek to optimize borrowing profile between short-term and long-term loans. The company adopts funding strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. Assets and liabilities are categorized into various time buckets based on their maturities and Asset Liability Management Committee supervise an interest rate sensitivity report periodically for assessment of interest rate risks.

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Due to the very nature of housing finance, the company is exposed to moderate to higher Interest Rate Risk. This risk has a major impact on the balance sheet as well as the income statement of the company. Interest Rate Risk arises due to:

i) Changes in Regulatory or Market Conditions affecting the interest rates
ii) Short term volatility
iii) Prepayment risk translating into a reinvestment risk
iv) Real interest rate risk.

In short run, change in interest rate affects Company's earnings (measured by NII or NIM) and in long run it affects Market Value of Equity (MVE) or net worth. It is essential for the company to not only quantify the interest rate risk but also to manage it proactively. The company mitigates its interest rate risk by keeping a balanced portfolio of fixed and variable rate loans and borrowings. Further company carries out Earnings at risk analysis and maturity gap analysis at quarterly intervals to quantify the risk.

Interest Rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Company's statement of profit and loss:

Particulars	Basis Points	Effect on Profit before tax
Loans		
Increase in basis points	50	2,342.03
Decrease in basis points	-50	(2,339.13)
Borrowings		
Increase in basis points	50	(1,438.19)
Decrease in basis points	-50	1,438.19

(II) Foreign currency risk

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

(E) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information system; technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses or reputation problems. Operational risk exists in all products and business activities.

The Company recognizes that operational risk event types that have the potential to result in substantial losses includes Internal fraud, External fraud, employment practices and workplace safety, clients, products and business practices, business disruption and system failures, damage to physical assets, and finally execution, delivery and process management.

The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

45 Impact of COVID-19

COVID-19 pandemic had led to a significant volatility in global and Indian financial markets and a significant decrease in global & local economic activities, which may persist. Based on the information available till date, the Company has used the principles of prudence to provide for the impact of pandemic on the Financial Statements specifically while assessing the expected credit loss on financial assets by applying management overlays, approved by its Board of Directors. This has resulted in an additional provision of Rs. 1458.87 lakh (P.Y. Rs. 443.75 lakh) against financial assets during the year, taking the overall additional provision of INR 1,902.62 lakh as of March 31, 2021. The extent to which COVID-19 pandemic will continue to impact the Company's operations and financial metrics will depend on future developments, which are highly uncertain.

In accordance with the COVID-19 Regulatory Packages announced by RBI on March 27, 2020, April 17, 2020 and May 23, 2020, the Company has offered moratorium on the payment of all installments and/or interest, as applicable, falling due between March 01, 2020 and August 31, 2020 to all eligible borrowers. For all such accounts that were granted moratorium, the prudential assets classification remained standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under Income Recognition, Asset Classification and Provisioning Norms).

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(Rs. in lakh)

46 Disclosures as required by RBI circular dated April 17, 2020 'COVID-19 Regulatory Package-Asset Classification and Provisioning' are given below:

Particulars	(INR in Lakh) As at 31.03.2021	31.03.2020
Amount in SMA/Overdue categories as of February 29, 2020*	16,767.30	16,767.30
Advances outstanding in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the circular (as of February 29, 2020)	16,516.30	15,486.39
Respective amount where asset classification benefit is extended (as of March 31, 2021 /March 31, 2020)	7,837.23	722.44
Provision made in terms of paragraph 5 of the circular (As per para 4, applicable to HFC's covered under Ind AS) (as of March 31, 2021 /March 31, 2020) **	1,902.62	443.75
Provisions adjusted against slippages in terms of paragraph 6 of the circular	-	-
Residual provisions as of March 31, 2021 /March 31, 2020 in terms of paragraph 6 of the circular	1,902.62	443.75

*SMA/Overdue category includes - Cases (1-90 days past due (DPD))
**This includes overall additional provision on account of COVID-19

47 The Group has not invoked or implemented resolution plan under the "Resolution Framework for COVID-19 related Stress" as per RBI circular dated August 6, 2020 for any of its borrower accounts.

48 In accordance with the instructions of RBI circular no. DOR.STR.REC.4/21.04.048/2021-22 dated April 07, 2021, the HFC shall refund / adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the methodology for calculation of the amount of such 'interest on interest' has been recently circulated by the Indian Banks Association (IBA). The Company is in the process of suitably implementing this methodology and has created a liability of Rs 13.47 lakh towards estimated interest relief and reduced the same from the interest income for the year ended March 31, 2021.

49 For periods ended up to the year ended March 31,2020 , the Company had prepared the disclosures as required in accordance with additional information required in terms of Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 NHB(ND)/DRS/REG/MC-07/2018, 02 July, 2018 and Notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 09, 2017 on the basis of previous GAAP pursuant to the NHB circular no. NHB (ND)/DRS/Policy Circular No.89/2017-18 dated June 14, 2018 is given in Annexure I, which have been presented solely based on the information compiled by the Management.

50 Previous year figures have been regrouped/ reclassified wherever applicable.

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sarvesh Warty

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: April 29, 2021

For and on behalf of the Board of Directors of AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

AAVAS FINANCIERS LIMITED
Notes to the Standalone Financial Statements for the year ended March 31, 2021

(Rs. in lakh)

Annexure I to Note No. 49 to the Standalone Financial statements for the year ended March 31, 2021

Disclosures required by the Reserve Bank of India /National Housing Bank as per Notification no. DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated February 17. 2021- Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021

1 **Minimum Disclosures**

The following additional disclosures have been given in terms of Notification no. DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated February 17. 2021- Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 issued by the RBI

2 **Summary of Significant Accounting Policies**

The accounting policies regarding key areas of operations are disclosed as note 1 of Accounting policy to the Standalone Financial Statement for the year ended March 31, 2021.

3 **Disclosure:**

3.1 **Capital**

Particulars	As at March 31, 2021	As at March 31, 2020
CRAR (%)	54.38%	55.86%
CRAR - Tier I capital (%)	53.17%	53.67%
CRAR - Tier II capital (%)	1.21%	2.18%
Amount of subordinated debt raised as Tier- II Capital	3,989.46	6,000.00
Amount raised by issue of perpetual Debt instruments	0.00	0.00

3.2 **Reserve Fund u/s 29C of NHB Act, 1987**

Particulars	As at March 31, 2021	As at March 31, 2020
Statutory Reserve u/s 29C of the National Housing Bank Act, 1987		
Opening Balance	13,324.80	8,343.42
Additional during the year	5,806.58	4,981.38
Appropriation during the year	-	-
Closing Balance	**19,131.38**	**13,324.80**

Particulars	As at March 31, 2021	As at March 31, 2020
Special Reserve u/s 29C of The National Housing Bank Act, 1987 read with section 36 (1) (viii) of Income Tax Act, 1961		
Balance at the beginning of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	1,158.56	358.18
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	12,166.24	7,985.24
c) Total	**13,324.80**	**8,343.42**
Addition /Appropriation / Withdrawal during the year		
Add:		
a) Amount transferred u/s 29C of the NHB Act, 1987	868.93	800.38
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	4,937.65	4,181.00
Less:		
a) Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987	-	-
b) Amount withdrawn from the Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 which has been taken into account for the purpose of provision u/ s 29C of the NHB Act, 1987	-	-
Balance at the end of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	2,027.49	1,158.56
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	17,103.89	12,166.24
c) Total	**19,131.38**	**13,324.80**

(Rs. in lakh)

3.3 Investments

Particulars	As at March 31, 2021	As at March 31, 2020
Value of Investment		
Gross Value of Investment	**450.00**	**1,212.82**
In India	450.00	1,212.82
Outside India	-	-
Provision for Depreciation	-	**123.86**
In India	-	123.86
Outside India	-	-
Net Value of Investment	**450.00**	**1,088.96**
In India	450.00	1,088.96
Outside India	-	-
Movement of Provision held towards depreciation on Investment	-	-
Opening Balance	-	**41.29**
Add: Provisions made during the year	-	82.58
Less: Write off/Write Back Excess provision during the year	-	-
Closing Balance	-	**123.87**

3.4 Derivatives

1) The company has no transactions/exposure in derivatives in the current and previous year.
2) The company has no unhedged foreign currency exposure on March 31, 2021 (P.Y. Rs. Nil)

3.5 Securitisation

a. Disclosure as per NHB guidelines for assignment/securitisation transactions as an originator:

Particulars	No. / Amount	
	As at March 31, 2021	As at March 31, 2020
No of SPVs sponsored by the HFC for securitisation transactions	2	2
Total amount of securitised assets as per books of the SPVs sponsored	9,303.63	10,684.14
Total amount of exposures retained by the HFC towards the MRR as on the date of balance sheet		
(I) Off-balance sheet exposures towards Credit Concentration		
First Loss	-	-
Others	-	-
(II) On-balance sheet exposures towards Credit Concentration		
First Loss (In the form of Fixed Deposits)	1,147.30	1,147.30
Series A PTCs	373.26	432.52
Amount of exposures to securitisation transactions other than MRR		
(I) Off-balance sheet exposures towards Credit Concentration		
a) Exposure to own securitizations		
First Loss	-	-
Others (Guarantees provided by banks on behalf of the Company*)	430.70	430.70
b) Exposure to third party securitisations		
First Loss	-	-
Others	-	-
(II) On-balance sheet exposures towards Credit Concentration		
a) Exposure to own securitisations		
First Loss	-	-
Others	-	-
b) Exposure to third party securitisations		
First Loss	-	-
Others	-	-

* Second Loss facility

S.R. BATLIBOI & ASSOCIATES LLP
MUMBAI
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AAVAS FINANCIERS LIMITED

Notes to the Standalone Financial Statements for the year ended March 31, 2021

(Rs. in lakh)

b. **Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction**

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Number of accounts	-	-
Aggregate value (net of provisions) of accounts sold to SC / RC	-	-
Aggregate consideration	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value	-	-

c. **Details of Assignment transactions undertaken by company**

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Number of accounts	9,536	10,366
Aggregate value (net of provisions) of accounts assigned	54,959.43	66,473.23
Aggregate consideration	54,959.43	66,473.23
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value	-	-

d. **Details of non-performing financial assets purchased/sold**

1) **Details of non-performing financial assets purchased:**
The company has not purchased non-performing financial assets in the current and previous year.

2) **Details of non-performing financial assets sold:**
The company has not sold non-performing financial assets in the current and previous year.

3.6 Asset liability management

Maturity pattern of certain items of assets and liabilities as on March 31, 2021*

Particulars	Liabilities				Assets			
	Deposits	Borrowings from banks	Market borrowings	Foreign currency Liability	Advance	Investments	Fixed Deposits*	Foreign currency Assets
1 to 7 Days	-	493.16	-	-	8,740.93	-	979.00	-
8 to 14 Days	-	-	981.56	-	2,182.74	-	979.00	-
15 Days to 30/31 Days	-	407.03	-	-	5,302.21	-	7,367.00	-
Over 1 month to 2 month	-	37,934.81	(18.34)	-	9,992.60	-	25,790.00	-
Over 2 month to 3 month	-	3,198.78	482.21	-	9,970.19	-	13,582.77	-
Over 3 month to 6 month	-	11,878.35	444.72	-	30,712.55	-	26,719.00	-
Over 6 month to 1 year	-	25,287.23	19,305.73	-	60,767.99	-	33,242.00	-
Over 1 year to 3 years	-	1,38,201.97	50,282.96	-	2,24,777.85	-	-	-
Over 3 year to 5 years	-	1,19,669.58	71,450.80	-	1,90,341.85	-	-	-
Over 5 year to 7 years	-	85,547.83	13,510.15	-	1,44,815.19	-	-	-
Over 7 year to 10 years	-	52,563.42	-	-	69,682.45	-	-	-
Over 10 years	-	2,920.33	-	-	-	450.00	-	-
Total	-	**4,78,102.49**	**1,56,439.79**	-	**7,57,286.55**	**450.00**	**1,08,658.77**	-

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS MUMBAI

(Rs. in lakh)

Maturity pattern of certain items of assets and liabilities as on March 31, 2020*

Particulars	Liabilities				Assets			
	Deposits	Borrowings from banks	Market borrowings	Foreign currency Liability	Advance	Investments	Fixed Deposits*	Foreign currency Assets
1 to 7 Days	-	2,738.00	-	-	2,313.02	-	-	-
8 to 14 Days	-	-	-	-	354.72	-	5,300.00	-
15 Days to 30/31 Days	-	719.00	2.26	-	51.96	1.84	19,625.00	-
Over 1 month to 2 month	-	3,969.94	2.28	-	3,386.72	1.89	32,275.00	-
Over 2 month to 3 month	-	6,150.14	2.29	-	4,008.83	1.89	25,000.00	-
Over 3 month to 6 month	-	12,925.93	632.03	-	24,210.84	336.09	30,950.00	-
Over 6 month to 1 year	-	32,324.08	5,638.92	-	47,910.82	12.13	4,800.00	-
Over 1 year to 3 years	-	1,08,922.00	30,809.00	-	1,81,000.87	53.01	-	-
Over 3 year to 5 years	-	97,748.75	71,682.00	-	1,55,455.94	61.88	-	-
Over 5 year to 7 years	-	69,389.00	21,174.00	-	1,21,137.61	64.34	-	-
Over 7 year to 10 years	-	48,128.46	7,462.00	-	65,814.34	84.71	-	-
Over 10 years	-	5,220.00	-	-	-	595.03	-	-
Total	-	**3,88,235.30**	**1,37,404.78**	-	**6,05,645.67**	**1,212.81**	**1,17,950.00**	-

* Fixed desposits included in cash and bank balance other than those pledged towards first loss guarantee have been disclosed in the above table as these are considered as investment of surplus funds held by the Company for the purpose of this disclosure.

3.7 Exposure

a. Exposures to real estate sector

Category	As at March 31, 2021	As at March 31, 2020
(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. Individual housing loans upto Rs. 15 lakh : Rs. 3,33,822.35 lakh (P.Y. Rs. 2,80,759.17 lakh)	7,55,185.35	5,99,344.52
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 (NFB) limits	2,101.20	6,301.15
iii) Investments in mortgage backed securities (MBS) and other securitized exposures :		
(a) Residential	-	432.52
(b) Commercial real estate.	Nil	Nil
(B) Indirect exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil

b. Exposure to Capital Market

The Company has no exposure to capital market directly or indirectly in the current and previous year.

c. **Details of financing of parent company products**

There is no financing of parent company products.

d. **Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the HFC**

The company has not exceeded the Single Borrower Limit and Group Borrower Limit as prescribed by NHB during the financial year.

e. **Unsecured Advances**

The company has not financed any unsecured advances against intangible securities such as rights, licenses, authority etc as collateral security.

4 Miscellaneous

4.1 Registration obtained from other Financial sector regulators

Regulator	Registration No.
Insurance Regulatory and Development Authority: As Corporate Agent (Composite)	CA0537

4.2 Disclosure of penalties imposed by NHB or RBI and any other regulator/ supervisor/ enforcement authority

During FY 2020-21, there were no penalties imposed by NHB or RBI and any other regulator/ supervisor/ enforcement authority.

4.3 Related Party Transactions

Details of all material transactions with related parties are disclosed in Note 35.

4.4 Ratings assigned by credit rating agencies and migration of ratings during the year:

During the year, CARE has reaffirmed Long term rating of AA-/ Stable and short term rating of A1+ to the company. ICRA has upgraded Long term rating to AA-/Stable from A+/ Positive and reaffirmed short term rating of A1+ to the company. India Ratings has reaffirmed short term credit rating of A1+ to the company during the year.

Aavas Financiers Limited Ratings are as under :

Term/Instrument	CARE	ICRA	India Ratings
Long term	AA- /Stable	AA- /Stable	
Short term	A1 +	A1+	A1+

4.5 Remuneration of Directors

Details of Remuneration of Directors are disclosed in Form No. MGT - 9.

4.6 Management

Refer to the Management Discussion and Analysis report for the relevant disclosures.

4.7 Net Profit or Loss for the period, prior period items and changes in accounting policies

There are no prior period items that have impact on the current year's profit and loss.

4.8 Revenue Recognition

There have been no instances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS MUMBAI

(Rs. in lakh)

4.9 Ind As 110 – Consolidated Financial Statements (CFS)

Refer to the Consolidated Financial Statements for the relevant disclosures.

5 Additional Disclosures

5.1 Provisions and Contingencies

Break up of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss Account	Year ended March 31, 2021	Year ended March 31, 2020
1. Provisions for depreciation on investment	-	-
2. Provision made towards income tax	6,701.45	6,647.59
3. Provision towards NPA	940.99	38.59
4. Provision for Standard Assets (with details like teaser loan , CRE , CRE-RH etc.)*	451.22	479.09
5. Other Provision and contingencies**	1,825.13	197.04
6. Provision for investments	-	82.58

*Provision for Standard Assets includes CRE of Rs. 0.11 Lakh (P.Y Rs. (2.67) Lakh) , CRE-RH of Rs. (8.83) Lakh (P.Y Rs. 41.46 Lakh) and Non CRE of Rs. 459.93 Lakh (P.Y Rs. 440.29 Lakh).

**Includes additional provision taken due to COVID-19 as per COVID-19 Regulatory Packages announced by RBI on March 27, 2020, April 17, 2020 and May 23, 2020 amounting to Rs. 1,458.87 lakh.

Break up of Loan & Advances and Provisions thereon	Housing		Non-Housing	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Standard Assets				
a) Total Outstanding Amount	5,41,837.81	4,32,851.21	2,08,057.39	1,76,425.87
b) Provisions made	2,238.18	1,114.85	705.93	706.28
Sub-Standard Assets				
a) Total Outstanding Amount	4,533.50	1,411.05	1,690.67	290.75
b) Provisions made	1,223.99	211.66	415.36	43.61
Doubtful Assets - Category - I				
a) Total Outstanding Amount	737.08	174.77	154.33	115.64
b) Provisions made	216.32	43.69	47.88	28.91
Doubtful Assets - Category - II				
a) Total Outstanding Amount	214.08	72.26	30.33	4.42
b) Provisions made	72.64	28.90	9.34	1.77
Doubtful Assets - Category - III				
a) Total Outstanding Amount	3.88	-	0.78	
b) Provisions made	1.39	-	0.19	
Loss Assets				
a) Total Outstanding Amount	25.94	25.98	0.76	1.27
b) Provisions made	25.94	25.98	0.76	1.27
TOTAL				
a) Total Outstanding Amount	**5,47,352.29**	**4,34,535.27**	**2,09,934.26**	**1,76,837.95**
b) Provisions made	**3,778.46**	**1,425.08**	**1,179.46**	**781.84**

5.2 Draw Down from Reserves

There has been no draw down from reserves during the year ended March 31, 2021 (P.Y. Rs. Nil)

S.R. BATLIBOI & ASSOCIATES LLP
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CHARTERED ACCOUNTANTS

(Rs. in lakh)

5.3 Concentration of Public Deposits, Advances, Exposures and NPAs

Particulars	As at March 31, 2021	As at March 31, 2020
Concentration of Public Deposits		
Total Deposits of twenty largest depositors	NA	NA
(%) of Deposits of twenty largest depositors to Total Deposits of the Company	NA	NA
Concentration of Advances		
Total Loans & Advances to twenty largest borrowers	5,003.20	5,799.76
(%) of Loans & Advances to twenty largest borrowers to Total Advances of the Company	0.66%	0.96%
Concentration of all Exposures (including off-balance sheet exposure)		
Total Exposures to twenty largest borrowers/Customers	5,069.71	5,914.61
(%) of Exposures to twenty largest borrowers/Customers to Total Exposures of the Company on borrowers/customers	0.64%	0.93%
Concentration of NPAs		
Total Exposures to top ten NPA accounts	748.15	425.86

Sector-Wise NPAs

Sector	% of NPAs to total Advances in that sector	
	As at March 31, 2021	As at March 31, 2020
A. Housing Loans:		
1 Individuals	0.73%	0.39%
2 Builders/Project Loans	0.00%	0.00%
3 Corporates	0.00%	0.00%
4 Others	0.00%	0.00%
B. Non Housing Loans:		
1 Individuals	0.25%	0.24%
2 Builders/Project Loans	0.00%	0.00%
3 Corporates	0.00%	0.00%
4 Others	0.00%	0.00%

5.4 Movement of NPAs

Particulars	As at March 31, 2021	As at March 31, 2020
(I) Net NPAs to Net Advances (%)	0.71%	0.28%
(II) Movement of NPAs (Gross)		
a) Opening Balance*	2,841.17	1,582.97
b) Additions during the year	6,166.82	1,710.05
c) Reductions during the year	(1,616.64)	(1,196.89)
d) Closing Balance	**7,391.35**	**2,096.13**
(III) Movement of Net NPAs		
a) Opening Balance*	2,101.47	1,117.23
b) Additions during the year	4,494.56	1,431.89
c) Reductions during the year	(1,218.48)	(838.78)
d) Closing Balance	**5,377.55**	**1710.34**
(IV) Movement of Provisions for NPAs (excluding provisions on standard assets)		
a) Opening Balance*	739.70	465.74
b) Provisions made during the year	1,672.26	278.16
c) Write-off/Write-Back of excess provisions	(398.16)	(358.11)
d) Closing Balance	**2,013.80**	**385.79**

*Opening balances are not equivalent to the closing balance of previous year as same was in previous GAAP

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5.5 Overseas Assets

The company does not have any overseas assets.

5.6 Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting Norms)

The Company does not have any off balance sheet Special Purpose Vehicle (SPV) which are required to be consolidated as per accounting norms.

6 Disclosure of Complaints

6.1 Customers Complaints

Particulars	As at March 31, 2021	As at March 31, 2020
No. of complaints pending at the beginning of the year	0	2
No. of complaints received during the year	255	166
No. of complaints redressed during the year	254	168
No. of complaints pending at the end of the year	*1	0

*1 Pending complaint is repetitive in nature. Complaints uploaded on NHB-GRIDS, where company provides redressal to customer from their end. All complaints at NHB GRIDS Portal have been redressed by the Company but 16 complaints are pending to be closed by NHB-GRIDS.

S.R. BATLIBOI & ASSOCIATES
MUMBAI
CHARTERED ACCOUNTANTS

7 Liquidity Risk Management Framework

(i) Funding Concentration based on significant counterparty (both deposits and borrowings)

Particulars	As at March 31, 2021
Number of significant counter parties	19
Amount	6,23,394.15
Percentage of funding concentration to total deposits	NA
Percentage of funding concentration to total liabiities*	95.05%

* Total liabilities excludes net worth

(ii) Top 20 large deposits

Particulars	As at March 31, 2021
Total amount of top 20 deposits	NA
Percentage of amount of top 20 deposits to total deposits	NA

(iii) Top 10 borrowings

Particulars	As at March 31, 2021
Total amount of top 10 borrowings	5,05,792.04
Percentage of amount of top 10 borrowings to total borrowings	79.51%

(iv) Funding Concentration based on significant instrument/product

Particulars	As at March 31, 2021	Percentage of total liabilities
Borrowings from Banks	2,73,874.90	41.76%
Borrowings from National Housing Bank (NHB)	1,87,239.16	28.55%
Debt securities	1,47,663.21	22.51%
Subordinated liabilities	10,236.25	1.56%
Securitisation	8,964.90	1.37%
Borrowings from Insurance Companies	8,117.44	1.24%

(v) Stock ratio

Particulars	As at March 31, 2021
Commercial paper as a percentage of total public funds	NA
Commercial paper as a percentage of total liabilities	NA
Commercial paper as a percentage of total assets	NA
Non convertible debentures (original maturity of less than one year) as a percentage of total public funds	NA
Non convertible debentures (original maturity of less than one year) as a percentage of total liabilities	NA
Non convertible debentures (original maturity of less than one year) as a percentage of total assets	NA
Other short term liabilities as a percentage of total public funds	NA
Other short term liabilities as a percentage of total liabilities	17.99%
Other short term liabilities as a percentage of total assets	13.17%

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(vi) Institutional set-up for liquidity risk Management

The company has an Asset Liability Management Committee (ALCO) to monitor asset liability mismatches to ensure that there is no imbalances or excessive concentration on the either side of the balance sheet. The company maintains a judicious mix of borrowings in the form of Term Loans, Refinance, Capital Market Instruments, Securitization, Working Capital and continues to diversify its source of borrowings with the emphasis on longer tenor borrowings. The company has diversified mix of investors/lenders which includes Banks, National Housing Bank, Development Financial Institution, Mutual Funds, Insurance Companies etc.

The Liquidity Risk Management (LRM) of the company is governed by the LRM Policy approved by the Board. The Asset Liability Committee (ALCO) is responsible for implementing and monitoring the liquidity risk management strategy of the company in line with its risk management objectives and ensures adherence to the risk tolerance/limits set by the Board.

Refer note no. 44 of standalone financials statement

8 Loans against security of shares

Refer to the note no. 3(v) of Loans

9 Loans against security of single product - gold jewellery

Refer to the note no. 3(iv) of Loans

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Notes to the Standalone Financial Statements for the year ended March 31, 2021

(Rs. in lakh)

10 **A comparison between provisions required under Income recognition, asset classification and provisioning (IRACP) and impairment allowances as per Ind AS 109 'Financial instruments'**

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 taken as IRACP Norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	Stage 1	7,19,443.70	2,072.27	7,17,371.43	2,135.75	(63.48)
	Stage 2	21,456.34	812.29	20,644.04	65.26	747.03
Subtotal		**7,40,900.04**	**2,884.56**	**7,38,015.47**	**2,201.01**	**683.55**
Non-Performing Assets (NPA)						
Substandard	Stage 3	6,031.71	1,589.12	4,442.59	908.11	681.02
Doubtful - up to 1 year	Stage 3	854.75	251.09	603.66	214.54	36.55
1 to 3 years	Stage 3	212.11	73.88	138.24	86.74	(12.86)
More than 3 years	Stage 3	4.66	1.59	3.07	4.69	(3.10)
Subtotal for doubtful		**1,071.52**	**326.56**	**744.97**	**305.97**	**20.59**
Loss	Stage 3	26.70	25.86	0.84	26.81	(0.95)
Subtotal for NPA		**7,129.93**	**1,941.54**	**5,188.40**	**1,240.89**	**700.66**
Other items such as loan commitments, EIS etc which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	58,485.56	115.51	58,370.05	-	115.51
	Stage 2	1,560.10	41.93	1,518.17	-	41.93
	Stage 3	616.81	148.32	468.49	-	148.32
Subtotal		**60,662.47**	**305.76**	**60,356.71**	-	305.76
Total	**Stage 1**	7,77,929.26	2,187.78	7,75,741.48	2,135.75	52.03
	Stage 2	23,016.44	854.22	22,162.22	65.26	788.96
	Stage 3	7,746.74	2,089.86	5,656.89	1,240.88	848.97
	Total	**8,08,692.44**	**5,131.86**	**8,03,560.59**	**3,441.89**	**1,689.96**

(Rs. in lakh)

11. Schedule to the Balance Sheet of an HFC

Particulars		
Liabilities side	**Amount outstanding**	**Amount overdue**
(1) Loans and advances availed by the HFC inclusive of interest accrued thereon but not paid:		
(a) Debentures : Secured	1,27,712.20	-
: Unsecured	39,951.01	-
(other than falling within the meaning of public deposits)		-
(b) Deferred Credits	-	-
(c) Term Loans	4,69,292.87	-
(d) Inter-corporate loans and borrowing	-	-
(e) Commercial Paper	-	-
(f) Public Deposits	NA	-
(g) Other Loans (Cash credit, Securitization and Subordnated Liabilities)	19,201.16	-
(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):	NA	NA
(a) In the form of Unsecured debentures	NA	NA
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	NA	NA
(c) Other public deposits	NA	NA
Assets side		**Amount outstanding**
(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:		
(a) Secured		7,57,286.55
(b) Unsecured		-
(4) Break up of Leased Assets and stock on hire and other assets counting towards asset financing activities		
(i) Lease assets including lease rentals under sundry debtors		
(a) Financial lease		-
(b) Operating lease		-
(ii) Stock on hire including hire charges under sundry debtors		
(a) Assets on hire		-
(b) Repossessed Assets		-
(iii) Other loans counting towards asset financing activities		
(a) Loans where assets have been repossessed		-
(b) Loans other than (a) above		-
(5) Break-up of Investments		
Current Investments		
1 Quoted		
(i) Shares		
(a) Equity		-
(b) Preference		-
(ii) Debentures and Bonds		-
(iii) Units of mutual funds		-
(iv) Government Securities		-
(v) Others		-
2. Unquoted		
(i) Shares		
(a) Equity		-
(b) Preference		-
(ii) Debentures and Bonds		-
(iii) Units of mutual funds		-
(iv) Government Securities		-
(v) Others		-
Long Term investments		
1. Quoted		
(i) Share		
(a) Equity		-
(b) Preference		-
(ii) Debentures and Bonds		-
(iii) Units of mutual funds		-
(iv) Government Securities		-
(v) Others (please specify)		-
2. Unquoted		
(i) Shares		
(a) Equity		450.00
(b) Preference		-
(ii) Debentures and Bonds		-
(iii) Units of mutual funds		-
(iv) Government Securities		-
(v) Others (please specify)		-

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS MUMBAI

(6) Borrower group-wise classification of assets financed as in (3) and (4) above:

Category			Amount net of provisions		
			Secured	Unsecured	Total
1.	Related Parties				
	(a)	Subsidiaries	-	-	-
	(b)	Companies in the same group	-	-	-
	(c)	Other related parties	-	-	-
2.	Other than related parties		7,52,328.63	-	7,52,328.63
Total			7,52,328.63	-	7,52,328.63

(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :

Category			Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1.	Related Parties			
	(a)	Subsidiaries	450.00	450.00
	(b)	Companies in the same group	-	-
	(c)	Other related parties	-	-
2.	Other than related parties		-	-
Total			450.00	450.00

(8) Other information

Particulars			Amount
(i)	Gross Non-Performing Assets		
	(a)	Related parties	-
	(b)	Other than related parties	7,391.35
(ii)	Net Non-Performing Assets		
	(a)	Related parties	-
	(b)	Other than related parties	5,377.55
(iii)	Assets acquired in satisfaction of debt		1,839.58

AAVAS FINANCIERS LIMITED
Notes to the Standalone Financial Statements for the year ended March 31, 2021

(Rs. in lakh)

12. Principal Business Criteria for HFCs

"Housing finance company" shall mean a company incorporated under the Companies Act, 2013 that fulfils the following conditions:

a) It is an NBFC whose financial assets, in the business of providing finance for housing, constitute at least 60% of its total assets (netted off by intangible assets).

b) Out of the total assets (netted off by intangible assets), not less than 50% should be by way of housing financing for individuals.

The Company meets the aforesaid principal business criteria for HFCs.

Particulars	As at March 31, 2021
Total Assets*	8,76,867.10
Less: Intangible assets	(386.10)
Net total Assets	8,76,481.00
Housing Finance	5,43,573.79
Individual Housing Finance	5,43,033.21
Percentage of housing finance to total assets (netted off intangible assets)	62.02%
Percentage of individual housing finance to total assets (netted off intangible assets)	61.96%
Percentage of individual housing finance to housing finance	99.90%

*Total Assets excludes Net EIS receivable

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

S.R. BATLIBOI & ASSOCIATES LLP
MUMBAI
CHARTERED ACCOUNTANTS

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Date: April 29, 2021

S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

12th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai - 400 028, India
Tel +91 22 6819 8000

INDEPENDENT AUDITOR'S REPORT
To the Members of Aavas Financiers Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Aavas Financiers Limited ("the Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31, 2021, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013, 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 consolidated state of affairs of the Group as at March 31, 2021, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated 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 Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India 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 consolidated financial statements.

Emphasis of Matter – Impact of COVID-19

We draw attention to Note 45 to the financial statement, which describes the extent to which the COVID-19 pandemic will impact the company's operations and its financial metrics which are dependent on uncertain future developments. 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 consolidated financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 consolidated 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 consolidated financial statements. The results of audit procedures performed by us, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matters	How our audit addressed the key audit matter
Impairment of Financial assets *(as described in Note 3 of the consolidated financial statements)*	
Ind AS 109 requires the Group to provide for impairment of its financial assets using the expected credit loss ('ECL') approach involving an estimation of probability of loss on the financial assets over their life, considering reasonable and supportable information about past events, current conditions and forecasts of future economic conditions which could impact the credit quality of the Group's financial assets. In the process, a significant degree of judgement has been applied by the management in respect of following matters: a) Grouping of the loan portfolio under risk-based categories determined, using Group's risk-management framework. Loans grouped under a particular category are assumed to represent a homogenous pool thereby expected to demonstrate similar credit characteristics. b) Staging of loans (i.e. classification in 'significant increase in credit risk' ("SICR") and 'default' categories); c) Estimation of expected loss from historical observations. d) Estimation of losses in respect of those groups of loans which had no/ minimal defaults in the past. e) Management overlay for macro-economic factors and estimation of their impact on the credit quality. The Group has developed models that derive key assumptions used within the provision calculation such as probability of default (PD) and loss given default (LGD). The output of these models is then applied to the provision calculation with other information including and the exposure at default (EAD). The impact of COVID-19 on the ECL is highly uncertain, however the Group has factored the higher risk in its computation of the ECL provision and has applied management overlays which are approved by the Board of Directors. Considering the significance of such provision to the overall financial statements and the degree of management's judgment, any error or misstatement in such estimate may give rise to a material misstatement of the financial statements or omission of any	• Our audit procedures included considering the Group's accounting policies for impairment of financial instruments and assessing compliance with the policies in terms of Ind AS 109 and pursuant to Reserve Bank of India guidelines issued on February 17, 2021. • Assessed the assumptions used by the Group for grouping and staging of loan portfolio into various categories and default buckets and their appropriateness for determining the probability-weighted default (PD) and loss-given default (LGD) rates. • Tested controls for staging of loans based on their past-due status. Also tested samples of stage 1 and Stage 2 loans to assess whether any loss indicators were present requiring them to be classified under higher stage. • Tested samples of the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records. • Assessed the management overlays applied by the Group to factor the impact of COVID-19 on the ECL as approved by their Board of Directors. • Tested the arithmetical accuracy of computation of ECL provision performed by the Group. • Assessed that the assumptions, used by the management for estimation of allowance for expected credit losses as at March 31, 2021, are presented and disclosed in the financial statements. • Assessed the Company's policy with respect to moratorium pursuant to the RBI circular and tested the implementation of such policy on a sample basis. • Assessed the additional considerations applied by the management for staging of loans as SICR/ default in view of Company's policy on moratorium. • Read and assessed the specific disclosures made in the financial statements with regards to managements evaluation of the uncertainties arising from COVID-19 and its impact on ECL and other disclosures as prescribed by RBI relating to moratorium granted.

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disclosure required by the standards. Therefore, it is considered as a key audit matter.	
Information Technology ("IT") systems and controls	
Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Due to the pervasive nature and complexity of the IT environment, we have ascertained IT systems and controls as a key audit matter.	• In assessing the reliability of electronic data processing, we included specialized IT auditors as part of the audit team. • Tested the design and operating effectiveness of the IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. • Tested the Group's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorisation. • Considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.

Other Information

The Holding 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 consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Management for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with [the Companies (Indian Accounting Standards) Rules, 2015, as amended]. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

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In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of 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 ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors and whose financial information we have audited, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors.

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We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2021 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

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

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

(d) In our opinion, the aforesaid consolidated financial statements comply with the 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 of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary company, none of the directors of the Group's companies, incorporated in India, is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated financial statements of the Holding Company and its subsidiary companies incorporated in India, refer to our separate Report in "Annexure 1" to this report;

(g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Holding Company and its subsidiary incorporated in India for the year ended March 31, 2021;

(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:

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i. The Group does not have any pending litigations which would impact its consolidated financial position;

ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2021;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiaries incorporated in India during the year ended March 31, 2021.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sarvesh Warty

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 20121411AAAACF9417
Place of Signature: Mumbai
Date: April 29, 2021

Annexure 1 to the Independent Auditors' Report
Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of Aavas Financiers Limited as of and for the year ended March 31, 2021, we have audited the internal financial controls over financial reporting of Aavas Financiers Limited (hereinafter referred to as the "Holding Company").

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its subsidiary company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding 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 respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the 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 consolidated 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, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 consolidated 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 consolidated 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 consolidated 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 and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

A company's internal financial control over financial reporting with reference to these consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide

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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 Consolidated Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these consolidated financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated 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 Holding Company and its subsidiary company, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated financial statements and such internal financial controls over financial reporting with reference to these consolidated financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Holding 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 & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sarvesh Warty

per Sarvesh Warty
Partner
Membership Number: 121411
Place of Signature: Mumbai
Date: April 29, 2021

AAVAS FINANCIERS LIMITED
Consolidated Balance Sheet As at March 31, 2021

(Rs. in lakh)

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
ASSETS			
Financial assets			
Cash and cash equivalents	2	2,209.81	35,059.39
Bank balance other than cash and cash equivalents	2	1,10,307.11	84,613.13
Loans	3	7,52,328.63	6,18,079.83
Other financial assets	4	22,607.25	18,137.69
Total financial assets		**8,87,452.80**	**7,55,890.04**
Non-financial assets			
Current tax assets (net)		92.06	1,443.24
Property, plant and equipment	5(a)	2,507.08	2,700.97
Capital work-in-progress	5(b)	-	30.99
Intangible assets under development	5(c)	40.54	39.90
Other intangible assets	5(d)	345.56	414.84
Right-of-use assets	6	2,973.70	2,874.20
Other non-financial assets	7	674.47	603.89
Total non-financial assets		**6,633.41**	**8,108.03**
Assets held for sale	8	1,839.58	1,705.37
Total assets		**8,95,925.79**	**7,65,703.44**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables	9		
(I) Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		285.40	1,738.64
Debt securities	10	1,46,466.15	1,16,846.54
Borrowings (other than debt securities)	11	4,78,102.49	4,08,391.40
Subordinated liabilities	12	9,973.65	9,965.61
Lease liabilties	13	3,229.82	3,012.91
Other financial liabilities	14	13,486.63	10,694.78
Total financial liabilities		**6,51,544.14**	**5,50,649.88**
Non-financial liabilities			
Provisions	15	372.40	728.11
Deferred tax liabilities (net)	16	2,829.19	3,167.20
Other non-financial liabilities	17	1,099.03	1,366.73
Total non-financial liabilities		**4,300.62**	**5,262.04**
Equity			
Equity share capital	18	7,850.46	7,832.27
Other equity	19	2,32,230.57	2,01,959.25
Total equity		**2,40,081.03**	**2,09,791.52**
Total liabilities and equity		**8,95,925.79**	**7,65,703.44**
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements
As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sarvesh Warty

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

S.R. BATLIBOI & ASSOCIATES LLP
MUMBAI
CHARTERED ACCOUNTANTS

Date: April 29, 2021

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

AAVAS FINANCIERS LIMITED
Consolidated Statement of profit and loss for the Year ended March 31, 2021

(Rs. in lakh)

Particulars	Notes	For the Year ended March 31, 2021	For the year ended March 31, 2020
Revenue from operations			
Interest income	20	97,657.92	78,667.67
Fees and commission income	21	3,655.37	3,327.60
Gain on derecognition of financial instruments under amortised cost category		8,635.53	7,658.88
Net gain on fair value changes	22	387.16	600.43
Total revenue from operations		**1,10,335.98**	**90,254.58**
Other income	23	216.05	79.99
Total income		**1,10,552.03**	**90,334.57**
Expenses			
Finance costs	24	45,824.27	35,607.15
Fees and commission expense	25	618.46	490.05
Impairment on financial instruments	26	3,713.86	1,533.78
Employee benefits expense	27	17,305.14	14,740.79
Depreciation, amortization and impairment	5&6	2,061.09	1,956.26
Other expenses	28	5,773.85	5,812.90
Total expenses		**75,296.67**	**60,140.93**
Profit/(loss) before tax		**35,255.36**	**30,193.64**
Tax expense:	16		
(1) Current tax		6,701.45	6,397.21
(2) Deferred tax		(338.01)	(1,107.73)
Profit/(loss) for the year		**28,891.92**	**24,904.16**
Other comprehensive income			
a) Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability	27	111.45	(6.97)
Income tax effect	16	(28.05)	1.75
b) Items that will be reclassified to profit or loss		-	-
Other comprehensive income, net of income tax		**83.40**	**(5.22)**
Total comprehensive income for the year		**28,975.32**	**24,898.94**
Earnings per equity share	29		
Basic (Rs.)		36.86	31.85
Diluted (Rs.)		36.54	31.48
Nominal value per share (Rs.)		10.00	10.00
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements
As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sarvesh Warty

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

S.R. BATLIBOI & ASSOCIATES LLP
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Date: April 29, 2021

For and on behalf of the Board of Directors of
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Manas Tandon
(Non-executive Promoter Nominee Director)
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Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

AAVAS FINANCIERS LIMITED

Consolidated Cash flow statement for the year ended March 31, 2021

(Rs. in lakh)

Particulars	Notes	Year ended March 31, 2021	Year ended March 31, 2020
A Cash flow from operating activities:			
Net profit before tax as per statement of profit and loss		**35,255.36**	**30,193.64**
Adjustments for			
Depreciation and amortisation of PPE and right of use assets	5 & 6	2,061.09	1,956.27
Interest on lease liabilities		217.95	249.58
Net gain on derecognition on assigned loans		(2,150.55)	(2,154.54)
Provision for expected credit loss (ECL)	26	3,713.86	1,026.98
Provision for employee benefits		305.47	281.30
Derivative mark to market gain	22	-	(3.23)
Provision for CSR expenditure		-	17.28
Share based payments	27	850.84	647.14
Operating profit before working capital changes		**40,254.02**	**32,214.42**
Changes in working capital			
Increase in loans		(1,37,099.87)	(1,46,461.03)
Increase in financial and other assets		(5,548.43)	(1,569.30)
Increase in financial and other liabilities		697.16	4,722.78
Total of changes in working capital		**(1,41,951.14)**	**(1,43,307.55)**
Direct taxes paid/refund received		(5,419.64)	(6,130.92)
Net cash flow used in operating activities (A)		**(1,07,116.76)**	**(1,17,224.05)**
B Cash flow from investing activities:			
Inflow (outflow) on account of :			
Investment in fixed deposits		(25,693.98)	(32,234.53)
Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	5	(829.17)	(1,955.45)
Sale of Property, plant and equipment (including capital work-in-progress)		31.33	14.43
Net cash flow used in investing activities (B)		**(26,491.82)**	**(34,175.55)**
C Cash flow from financing activities:			
Issue of equity shares (including share premium)		466.54	547.42
Share / debenture issue expenses		(73.47)	(908.10)
Proceeds from borrowings		2,35,184.87	2,36,122.26
Repayment of borrowings		(1,33,688.76)	(64,283.88)
Repayment of lease liabilities		(1,130.18)	(1,021.70)
Net Cash flow generated from financing activities (C)		1,00,759.00	1,70,456.00
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**(32,849.58)**	**19,056.40**
Cash and cash equivalents as at the beginning of the year		35,059.39	16,002.99
Cash and cash equivalents at the end of the year	2	**2,209.81**	**35,059.39**
Components of cash and cash equivalents			
Cash on hand		122.94	43.71
Balance in franking machine*		0.95	0.95
Balance with banks			
In current accounts		521.85	36.99
In cash credit		1,564.07	2.74
In deposit account		-	34,975.00
Total cash and cash equivalents	2	**2,209.81**	**35,059.39**
Operational Cash Flow from Interest			
Interest Received		94,268.99	75,657.63
Interest Paid		(39,957.99)	(30,189.46)
Summary of significant accounting policies	1		

* The Group can utilize the balance towards stamping of loan agreements executed with their borrowers and also for the agreements executed by the Company for its own borrowings.

Note:-

1. Cash flow statement has been prepared under indirect method as set out in the IND AS 7 "Cash Flow Statement".
2. Previous year figures have been regrouped/ reclassified wherever applicable.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sarvesh Warty

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Date: April 29, 2021

For and on behalf of the Board of Directors of AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

AAVAS FINANCIERS LIMITED
Statement of Changes in Equity for the year ended March 31, 2021

(Rs. in lakh)

a. Equity Share Capital

Particulars	Amount
Balance as at March 31, 2019	7,810.79
Shares issued during the year ended March 31, 2020	21.48
Balance as at March 31, 2020	7,832.27
Shares issued during the year ended March 31, 2021	18.19
Balance as at March 31, 2021	**7,850.46**

b. Other Equity

Equity Component of compounded financial instruments	Reserves and surplus				Total
	Securities premium account	Share based payments reserve	Special Reserve	Retained earnings	
Balance as at March 31, 2019	1,32,004.33	742.35	8,345.80	34,798.74	1,75,891.22
Profit for the year (A)	-	-	-	24,904.16	24,904.16
Other comprehensive income for the year (B)	-	-	-	(5.22)	(5.22)
Total comprehensive income for the year (A+B)	-	-	-	24,898.94	24,898.94
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	4,979.00	(4,979.00)	-
Issue of share capital	523.25	-	-	-	523.25
Transaction cost	(3.99)	-	-	-	(3.99)
Share based payments	-	647.14	-	-	647.14
Share options exercised during the year	220.20	(220.20)	-	-	-
Balance as at March 31, 2020	1,32,743.79	1,169.29	13,324.80	54,718.68	2,01,956.56
Profit for the year (C)	-	-	-	28,891.92	28,891.92
Other comprehensive income for the year (D)	-	-	-	83.40	83.40
Total comprehensive income for the year (C+D)	-	-	-	28,975.32	28,975.32
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	5,806.55	(5,806.55)	-
Issue of share capital	447.86	-	-	-	447.86
Transaction cost	(0.49)	-	-	-	(0.49)
Share based payments	-	850.84	-	-	850.84
Share options exercised during the year	212.13	(212.13)	-	-	-
Balance as at March 31, 2021	1,33,403.29	1,808.00	19,131.35	77,887.45	2,32,230.09

Share application money pending allotment

Particulars	Amount
Balance as at March 31, 2019	-
Application money received during the year	2.69
Balance as at March 31, 2020	2.69

Particulars	Amount
Balance as at March 31, 2020	2.69
Application money adjusted against shares issued during the year	(2.21)
Balance as at March 31, 2021	0.48

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: April 29, 2021

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

A. Corporate Information

AAVAS FINANCIERS LIMITED ("the Company") is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is registered as a housing finance company with National Housing Bank (NHB) vide Registration No. 04.0151.17 and is engaged in the long term financing activity in the domestic markets to provide housing finance. The Company is a public limited company and its shares are listed on BSE Limited and National Stock Exchange of India Limited

AAVAS FINSERV LIMITED ("the subsidiary") is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 2013. The company has been incorporated during the year on November 30, 2017 to carry on the business of financing by way of lending/hire-purchase and to provide on lease, sub-lease or on hire, including but not limited to, all type of vehicles, automobiles, industrial plant and machinery, office equipment, movable and immovable assets, building, real estate, household and domestic appliances and equipment, furniture, fixtures, finishing items and all type of machinery, etc. The company has neither obtained Certificate of Registration from Reserve Bank of India nor has commenced any business activity during the year ending March 31, 2021.

B. Basis of preparation of financial statements

a) Basis of preparation

The consolidated financial statements relates to Aavas Financiers Limited ("the Company") and its subsidiary company i.e. Aavas Finserv Limited (hereinafter collectively referred to as the 'Group').

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time). The consolidated financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments, derivative financial instruments, other financial assets held for trading and financial assets and liabilities designated at fair value through profit or loss (FVTPL), all of which have been measured at fair value. The consolidated financial statements are presented in Indian Rupees (INR) and all values are rounded to the nearest lakh, except when otherwise indicated.

Presentation of financial statements

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:
- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Group and/or its counterparties

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

b) Basis of measurement

The financial statements have been prepared on an accrual basis as a going concern and under the historical cost convention, except for foreign currency borrowings denominated in INR that are measured at fair value at the end of each reporting date as required under relevant Ind AS.

C. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2021 including controlled structured entities. The Company consolidates a subsidiary when it controls it. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

S.R. Batliboi & Associates LLP Chartered Accountants MUMBAI

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including :

• The contractual arrangement with the other vote holders of the investee
• Rights arising from other contractual arrangements
• The Company's voting rights and potential voting rights
• The size of the Company's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Company uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Company member's financial statements in preparing the consolidated financial statements to ensure conformity with the Company's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31 March. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedure:

(a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiary. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

(b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

(c) Eliminate in full intra-company assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Company (profits or losses resulting from intraCompany transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). IntraCompany losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intraCompany transactions.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Company's accounting policies. All intra-company assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

1 Summary of significant accounting policies

1.1 Use of estimates

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting year. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future years.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

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1.1.1 Business Model Assessment

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

The Group considers the frequency, volume and timing of sales in prior years, the reason for such sales, and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an holistic assessment of how Group's stated objective for managing the financial assets is achieved and how cash flows are realised. Therefore, the Group considers information about past sales in the context of the reasons for those sales, and the conditions that existed at that time as compared to current conditions.

If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Based on this assessment and future business plans of the Group, the management has measured its financial assets at amortised cost as the asset is held within a business model whose objective is to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ('the 'SPPI criterion').

1.1.2 Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and other post-employment benefits and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

1.1.3 Impairment losses on financial assets

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

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

• The Group's model, which assigns Probability of default (PD)s

• The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime expected credit loss (LTECL) basis

• The segmentation of financial assets when their ECL is assessed on a collective basis

• Development of ECL models, including the various formulas and the choice of inputs

• Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposure at default (EAD)s and Loss given default (LGD)s

• Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

• Recognition of the potential impact of COVID-19 in the Group's collective provision as outlined in Notes 3(a)(3)(vii).

1.1.4 Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

1.1.5 Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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1.1.6 Leases

With effect from 1 April 2019, the Group has applied Ind AS 116 'Leases' for all lease contracts covered by the Ind AS. The Group 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 Group measures lease liability as present value of all lease payment discounted using the Group's incremental cost of borrowing rate. Subsequently, the lease liability is

(i) Increased by interest on lease liability;

(ii) Reduce by lease payment made; and

Measurement of Right-of-Use asset

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

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

Covid-19 Related rent concession

As a practical expedient Effective from 1 April 2020, Group has elected not to assess whether a rent concession that meets the conditions in paragraph 46B of Ind As-116 is a lease modification. That makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification.

(i) Group has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B of Ind As-116

(ii) The amount Recognized in profit or loss for the Financial Year ending 31st March , 2021 to reflect changes in lease payments that arise from rent concessions to which the Group has applied the practical expedient in paragraph 46A of Ind As-116 is Rs. 72.99 Lakh.

1.2 Cash and cash equivalents

Cash and cash equivalent comprises cash in hand, demand deposits and time deposits with original maturity of less than three months held with bank, debit balance in cash credit account and balance in franking machine.

1.3 Revenue recognition

1.3.1 Interest and similar income

Interest income, for all financial instruments measured either at amortised cost or at fair value through other comprehensive income, is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the contractual life of the financial instrument to the gross carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable and are an integral part of the EIR, but not future credit losses.

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

1.3.2 Other charges and other interest

1.3.2.1 Overdue interest in respect of loans is recognized upon realisation.

1.3.2.2 Other ancillary charges are recognized upon realisation.

1.3.3 Commission on Insurance Policies

Commission on insurance policies sold is recognised on accrual basis when the Group under its agency code sells the insurance policies.

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

1.3.4 Dividend income

Dividend income is recognized when the Group'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 shareholders approve the dividend .

1.4 Foreign currency

The Group's financial statements are presented in Indian Rupees (INR) which is also the Group's functional currency.

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Income and expenses in foreign currencies are initially recorded by the Group at the exchange rates prevailing on the date of the transaction.
Foreign currency denominated monetary assets and liabilities are translated at the functional currency spot rates of exchange at the reporting date and exchange gains and losses arising on settlement and restatement are recognized in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

1.5 Property, plant and equipment (PPE) and Intangible assets

PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

1.6 Depreciation and amortization

Depreciation

Depreciation is provided over the useful life of the asset as per Schedule-II of Companies Act 2013 and depreciation rates have been worked out by applying written down value method. The Group has used the following useful lives to provide depreciation on its PPE.

PPE	Useful Life (In Years)
Freehold Land	NIL
Building	60
Furniture and fixtures	10
Office equipment	5
Motor Vehicles	8
Servers	6
Computers and printers	3

All fixed assets individually costing Rs. 5,000/- or less are fully depreciated in the year of installation/purchase.

MUMBAI

Amortization

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Group estimates the useful life of an intangible asset will not exceed four years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds four years, the Group amortizes the intangible asset over the best estimate of its useful life.

1.7 Impairment of non-financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

1.8 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a 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.The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.9 Contingent liabilities and assets

The Group does not recognize a contingent liability but discloses its existence in the financial statements Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation.
- A present obligation arising from past events, when no reliable estimate is possible.
- A possible obligation arising from past events, unless the probability of outflow of resources is remote.

Contingent liabilities are reviewed at each balance sheet date.

Contingent assets are not recognised. A contingent asset is disclosed, as required by Ind AS 37, where an inflow of economic benefits is probable.

1.10 Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Group provides gratuity benefits which is a defined benefit scheme. The cost of providing gratuity benefits is determined on the basis of actuarial valuation at each year end. Separate actuarial valuation is carried out for each plan using the projected unit credit method.

Remeasurements, 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 (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the year in which they occur. Remeasurements are not reclassified to profit or loss in subsequent years.

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Past service costs are recognised in Profit or Loss on the earlier of: The date of the plan amendment or curtailment, and The date that the Group recognises related restructuring costs
Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss.

Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and Net interest expense or income
Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Group measures the expected cost of such absence as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Group treats accumulated leave expected to be carried forward beyond twelve months, as long term employee benefit for measurement purposes.

1.11 Taxes

Tax expense comprises current and deferred tax.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with Income tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised.

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 utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised 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 realised 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 recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised 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.

1.12 Earning per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting year.

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

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1.13 Share based payments

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note 31.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting year, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting year, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share Based Payments Reserve.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

1.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.14.1 Financial Assets

1.14.1.1 Initial recognition and measurement

Financial assets, with the exception of loans and advances to customers, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are disbursed to the customers. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

1.14.1.2 Classification and Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

1.14.1.3 Debt instruments at amortised costs

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:
- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit and loss.

1.14.1.4 Debt instruments at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:
- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

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1.14.1.5 Debt Instruments at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

1.14.1.6 Business Model Test

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis. The Group considers all relevant information available when making the business model assessment. The Group takes into account all relevant evidence available such as:- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel; The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect a new business model.

1.14.1.7 Equity Instruments

All equity instruments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

1.14.2 Financial Liabilities

1.14.2.1 Initial recognition and measurement

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading or it is designated as on initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

1.14.2.2 Classification and Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

1.14.2.3 Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

1.14.3 Derivative financial instruments

The Group holds derivative to mitigate the risk of changes in exchange rates on foreign currency exposures as well as interest fluctuations. The counterparty for these contracts is generally a bank.

Financial assets or financial liabilities, at fair value through profit or loss

This category has derivative financial assets or liabilities which are not designated as hedges. Any derivative that is not designated a hedge is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in Statement of Profit and Loss.

1.14.4 Reclassification of financial assets and liabilities

The Group doesn't reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

1.14.5 De-recognition of financial assets and liabilities

1.14.5.1 Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Group also de-recognised the financial asset if it has transferred the financial asset and the transfer qualifies for de recognition.

The Group has transferred the financial asset if, and only if, either:
• It has transferred its contractual rights to receive cash flows from the financial asset or
• It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

• The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
• The Group cannot sell or pledge the original asset other than as security to the eventual recipients.
• The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

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In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the year between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:
- The Group has transferred substantially all the risks and rewards of the asset or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.14.5.2 Financial Liabilities

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

1.15 Impairment of financial assets

1.15.1 Overview of the ECL principles

The Group is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and Excess Interest Spread (EIS) receivable, (in this section all referred to as 'financial instruments'). Equity instruments are not subject to impairment under Ind AS 109.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 1.16.2. The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 3(a)(3)(v).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 3(a)(1).

The Group has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition. This is further explained in Note3(a)(3)(v).

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Based on the above process, the Group categorized its loans into Stage 1, Stage 2, Stage 3, as described below:
Stage 1: When loans are first recognised, the group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.
Stage 2: When a loan has shown a significant increase in credit risk since origination, the group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3: Loans considered credit-impaired (as outlined in Note 3(a)(3)(i)). The group records an allowance for the LTECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced.

1.15.2 The calculation of ECLs

The Group calculates ECLs on loans and EIS Receivable based on a probability-weighted scenarios and historical data to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Loan commitments: When estimating ECLs for undisbursed loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.For loan commitments, the ECL is recognised within Provisions.
Provisions for ECLs for undisbursed loan commitments are assessed as set out in Note 3(a)(2).
The mechanics of the ECL calculations are outlined below and the key elements are, as follows:
• PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.
• EAD - The Exposure at Default is an exposure at a default date. The EAD is further explained in Note 3(a)(3)(iii).
• LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3(a)(3)(iv).

The maximum year for which the credit losses are determined is the expected life of a financial instrument.
The mechanics of the ECL method are summarised below:
Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to an EAD and multiplied by the expected LGD.
Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.
Stage 3: For loans considered credit-impaired (as defined in Note 3(a)(3)(i)), the Group recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

1.15.3 Forward looking information

While estimating the expected credit losses, the Group reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Group analyses if there is any relationship between key economic trends like GDP, Property Price Index, Unemployment rates, Benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Group based on its internal data. While the internal estimates of PD, LGD rates by the Group may not be always reflective of such relationships, temporary overlays are embedded in the methodology to reflect such macro-economic trends reasonably.

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1.15.4 Collateral repossession

To mitigate the credit risk on financial assets, the Group seeks to use collateral, where possible as per the powers conferred on the HFC under SARFAESI act. In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but generally engages external or internal agents to recover funds generally at auctions to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and are treated as assets held for sale at (i) fair value less cost to sell or (ii) principle outstanding, whichever is less, at the repossession date.

1.15.5 Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to Statement of profit and loss account.

1.16 Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date using valuation techniques.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

1.17 Dividend

The Group recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Group. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Group's Board of Directors.

1.18 New Technical Pronouncement

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 01, 2021.

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(Rs. in lakh)

2 Cash and bank balances

Particulars	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents		
Cash on hand (refer note 2(a))	123.89	44.66
Balance with banks		
In Current accounts	521.85	36.99
In Cash credit accounts	1,564.07	2.74
In Deposits with original maturity of less than three months	-	34,975.00
	2,209.81	**35,059.39**
Bank balances other than above		
Deposit with original maturity of more than 3 months less than 12 months	87,191.77	83,405.00
Deposit with original maturity of more than 12 months (refer note 2(b))	23,115.34	1,208.13
	1,10,307.11	**84,613.13**
Total	**1,12,516.92**	**1,19,672.52**

2(a) Cash on hand includes of Rs. 0.95 lakh (P.Y. Rs. 0.95 lakh) balance of franking machine.

2(b) Other Bank Balance in deposit accounts include deposits under lien aggregating to Rs. 1,248.34 lakh (P.Y. Rs 1,208.13 lakh) towards the first loss guarantee provided by the Group under the securitization agreements.

3 Loans

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Loan assets	7,57,286.55	6,20,186.67
Total Gross	**7,57,286.55**	**6,20,186.67**
Less: Impairment loss allowance	(4,957.92)	(2,106.84)
Total Net	**7,52,328.63**	**6,18,079.83**
Secured by tangible assets (Property including land and building)	7,57,286.55	6,20,186.67
Total Gross	**7,57,286.55**	**6,20,186.67**
Less: Impairment loss allowance	(4,957.92)	(2,106.84)
Total Net	**7,52,328.63**	**6,18,079.83**
Loans in India		
Public Sector	-	-
Others	7,57,286.55	6,20,186.67
Total Gross	**7,57,286.55**	**6,20,186.67**
Less: impairment loss allowance	(4,957.92)	(2,106.84)
Total Net	**7,52,328.63**	**6,18,079.83**

i) Loans and receivables are non-derivative financial assets which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

ii) Loans granted by the Group are secured by equitable mortgage/registered mortgage of the property and/or undertaking to create a security and/or personal guarantees and/or hypothecation of assets and/or assignments of life insurance policies. The process of security creation was in progress for loans to the extent of Rs. 23,866.12 lakh at March 31, 2021 (P.Y. Rs. 18,045.05 lakh)

iii) Loans sanctioned but undisbursed amount is Rs. 32,189.19 lakh as on March 31, 2021 (P.Y. Rs. 26,240.62 lakh)

iv) The Group is not granting any loans against gold jewellery as collateral.

v) The Group is not granting any Loans against security of shares as collateral.

vi) The Group has assigned a pool of certain loans amounting to Rs.62,454.90 lakh (P.Y. Rs.73,859.15 lakh) by way of a direct assignment transaction. These loan assets have been de-recognised from the loan portfolio of the Group as the sale of loan assets is an absolute assignment and transfer on a 'no-recourse' basis. The Group continues to act as a servicer to the assignment transaction on behalf of assignee. In terms of the assignment agreement, the Group pays to assignee, on a monthly basis, the pro-rata collection amounts.

vii) The Group has granted certain loans to staff secured by equitable mortgage/registered mortgage of the property amounting to Rs. 993.56 lakh as on March 31,2021 (P.Y. Rs 1,039.80 lakh).

viii) Loan assets include two loans which became doubtful due to fraudulent misrepresentation by the borrowers and same has been provided for.

ix) Impairment loss allowance includes Rs. 1,902.62 lakh (P.Y. Rs. Rs 443.75 lakh) on account of COVID-19 and management overlay.

Break up of total financial assets carried at amortised cost

Particulars	As at March 31, 2021	As at March 31, 2020
Loans (Note 3)	7,52,328.63	6,18,079.83
Other financial assets (Note 4)	22,607.25	18,137.69
Total financial assets carried at amortised cost	**7,74,935.88**	**6,36,217.52**

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AAVAS FINANCIERS LIMITED

Notes to the Consolidated Financial Statements for the year ended March 31, 2021

(Rs. in lakh)

3(a)(1) Grouping financial assets measured on a collective basis

As explained in Note 1.15, the Group calculates ECLs on collective basis on following asset classes:

- Housing-Salaried lending
- Housing-Self Employed lending
- Non Housing-Salaried lending
- Non Housing-Self Employed lending

The Group categorized these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans such as Product type and customer type.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances have been explained below and ECL allowances includes an additional impairment allowance of Rs. 1,902.62 lakh recognised for the expected impact of COVID-19 on the collective provision as at March 31, 2021 as outlined in Note3(a)(3)(vii).

An analysis of changes in the gross carrying amount of loans and the corresponding ECL allowances in relation to loans are, as follows:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**	4,63,858.34	7,640.27	2,227.04	**4,73,725.65**
New assets originated	2,73,959.65	-	-	**2,73,959.65**	2,83,041.68	-	-	**2,83,041.68**
Assets derecognised or repaid	(1,34,549.15)	(778.76)	(1,138.72)	**(1,36,466.63)**	(1,33,538.03)	(1,709.64)	(1,116.55)	**(1,36,364.22)**
Transfers from Stage 1	(24,235.66)	19,484.69	4,750.97	-	(4,948.10)	3,731.53	1,216.57	-
Transfers from Stage 2	1,801.56	(3,217.41)	1,415.85	-	2,378.76	(3,185.35)	806.59	-
Transfers from Stage 3	29.18	105.52	(134.70)	-	83.94	30.42	(114.36)	-
Amounts written off	(42.79)	(7.13)	(343.22)	**(393.14)**	(38.33)	-	(178.11)	**(216.44)**
Gross carrying amount closing balance	**7,27,801.05**	**22,094.14**	**7,391.36**	**7,57,286.55**	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**

Reconciliation of ECL balance is given below:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL opening balance	**1,289.94**	**77.20**	**739.70**	**2,106.84**	719.68	71.15	485.81	**1,276.64**
ECL Remeasurements due to changes in EAD/Credit Risk/Assumptions (Net)	844.90	756.34	1,373.70	**2,974.94**	574.75	1.63	(102.63)	**473.75**
Transfers from Stage 1	(49.83)	39.48	10.40	-	(8.51)	32.54	250.61	**274.64**
Transfers from Stage 2	12.37	(30.15)	17.78	-	3.93	(28.38)	166.16	**141.71**
Transfers from Stage 3	1.42	2.50	(3.92)	-	0.14	0.26	(23.56)	**(23.16)**
Amounts written off	-	-	(123.86)	**(123.86)**	(0.05)	-	(36.69)	**(36.74)**
ECL closing balance	**2,098.75**	**845.37**	**2,013.80**	**4,957.92**	**1,289.94**	**77.20**	**739.70**	**2,106.84**

3(a)(2) Loan commitments

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loan commitments is, as follows:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**26,160.43**	**69.10**	**11.09**	**26,240.62**	25,045.96	132.77	32.63	**25,211.36**
New assets originated	26,097.54	-	-	**26,097.54**	21,564.86	-	-	**21,564.86**
Assets disbursed or cancelled	(20,116.86)	(21.01)	(11.09)	**(20,148.96)**	(20,406.59)	(96.38)	(32.63)	**(20,535.60)**
Transfers from Stage 1	(355.34)	241.82	113.52	-	(53.45)	45.10	8.35	-
Transfers from Stage 2	1.85	(48.10)	46.25	-	9.65	(12.39)	2.74	-
Gross carrying amount closing balance	**31,787.62**	**241.81**	**159.77**	**32,189.20**	**26,160.43**	**69.10**	**11.09**	**26,240.62**

Reconciliation of ECL balance is given below:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL opening balance	**45.76**	**0.60**	**2.29**	**48.65**	44.76	1.19	5.91	**51.86**
ECL Remeasurements due to changes in EAD/Credit Risk/Assumptions (Net)	13.28	1.82	31.28	**46.38**	1.08	(0.95)	(5.90)	**(5.77)**
Transfers from Stage 1	(0.82)	0.58	0.24	-	(0.10)	0.46	1.72	**2.08**
Transfers from Stage 2	0.00	(0.47)	0.47	-	0.02	(0.10)	0.56	**0.48**
ECL closing balance	**58.22**	**2.53**	**34.28**	**95.03**	**45.76**	**0.60**	**2.29**	**48.65**

(Rs. in lakh)

3(a)(3) Impairment assessment

The references below show where the Group's impairment assessment and measurement approach is set out in these notes. It should be read in conjunction with the Summary of significant accounting policies.

3(a)(3)(i) Definition of default

The Group considers a financial instrument as defaulted and considered it as Stage 3 (credit-impaired) for ECL calculations in all cases, when the borrower becomes more than 90 days past due on its contractual payments. The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.

3(a)(3)(ii) The Group's process for managing risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers , investments in debt securities and derivatives that are an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

3(a)(3)(iii) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.
To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

3(a)(3)(iv) Loss given default

The Group segments its retail lending products into smaller homogeneous portfolios (housing and non housing), based on key characteristics that are relevant to the estimation of future cash flows. The data applied is collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

3(a)(3)(v) Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk when contractual payments are more than 30 days past due.
In accordance with the COVID-19 Regulatory Packages announced by RBI on March 27, 2020, April 17, 2020 and May 23, 2020, the Group has offered moratorium on the payment of all installments and/or interest, as applicable, falling due between March 01, 2020 and August 31, 2020 to all eligible borrowers. For all such accounts that were granted moratorium, the prudential assets classification remained standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under Income Recognition, Asset Classification and Provisioning Norms).
When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

3(a)(3)(vi) Risk assessment model

The Group has designed and operates its risk assessment model that factors in both quantitative as well as qualitative information on the loans and the borrowers. The model uses historical empirical data to arrive at factors that are indicative of future credit risk and segments the portfolio on the basis of combinations of these parameters into smaller homogenous portfolios from the perspective of credit behaviour.

3(a)(3)(vii) Risk assessment for COVID-19

The Group has used the principles of prudence in applying judgments, estimates and possible forward looking scenarios to assess and provide for the impact of the COVID-19 pandemic on the Financial Statements specifically while assessing the expected credit loss on financial assets by applying the customer profiling within salaried and self-employed portfolio and management overlays, approved by its Board of Directors. This has resulted in an additional provision of Rs. 1,458.87 lakh (P.Y. Rs. 443.75 lakh) against financial assets during the year, taking the overall additional provision of INR 1,902.62 lakh as of March 31, 2021.

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(Rs. in lakh)

3(a)(4) Collateral

The Group holds collateral to mitigate credit risk associated with financial assets.The main types of collateral and the types of assets these are associated with are listed in the table below. The collateral presented relates to instruments that are measured at amortised cost.

Particulars	As at March 31, 2021	As at March 31, 2020
Registered/equitable mortgage property	7,57,286.55	6,20,186.67

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral at March 31, 2021. There was no change in the Group's collateral policy or collateral quality during the year.

Refer note 44(C) for risk concentration based on Loan to value(LTV).

4. Other financial assets

Particulars	As at March 31,	As at March 31, 2020
Interest accrued on Bank Deposits	1,656.42	839.75
Security Deposit	320.01	273.25
EIS Receivable (Refer note 4(a))	19,216.70	17,066.15
Other financial assets	1,493.21	-
Total Gross	**22,686.34**	**18,179.15**
Less: Impairment loss allowance (on EIS Receivable assets)	(79.09)	(41.46)
Total Net	**22,607.25**	**18,137.69**

4(a) Under Ind AS, with respect to Assignment deals, Group has created an Excess Interest Spread (EIS) receivable , with corresponding credit to Statement of Proft and loss for the year, which has been computed by discounting EIS to present value.

5(a) Property, plant and equipment (Rs. in lakh)

	Building and premises	Computers and printers	Furniture and fixtures	Motor vehicles	Office equipment	Land	Total
Cost							
At March 31, 2019	474.26	1,154.67	1,221.67	398.76	497.51	4.95	3,751.82
Purchase	567.27	239.64	448.74	218.75	196.66	-	1,671.06
Disposals	-	(8.15)	(4.50)	(17.68)	(15.18)	-	(45.51)
At March 31, 2020	**1,041.53**	**1,386.16**	**1,665.91**	**599.83**	**678.99**	**4.95**	**5,377.37**
Purchase	-	366.09	94.19	118.58	79.66	-	658.52
Disposals	-	(36.81)	(5.24)	(50.57)	(4.63)	-	(97.25)
At March 31, 2021	**1,041.53**	**1,715.44**	**1,754.86**	**667.84**	**754.02**	**4.95**	**5,938.64**
Depreciation							
At March 31, 2019	119.28	787.78	530.91	108.01	282.88	-	1,828.86
Charge for the year	30.94	284.98	277.01	124.11	161.53	-	878.57
Disposals	-	(7.44)	(4.31)	(8.03)	(11.25)	-	(31.03)
At March 31, 2020	**150.22**	**1,065.32**	**803.61**	**224.09**	**433.16**	-	**2,676.40**
Charge for the year	43.40	275.04	252.97	127.06	131.79	-	830.26
Disposals	-	(35.60)	(4.50)	(30.69)	(4.31)	-	(75.10)
At March 31, 2021	**193.62**	**1,304.76**	**1,052.08**	**320.46**	**560.64**	-	**3,431.56**
Net Block							
At March 31, 2020	**891.31**	**320.84**	**862.30**	**375.74**	**245.83**	**4.95**	**2,700.97**
At March 31, 2021	**847.91**	**410.68**	**702.78**	**347.38**	**193.38**	**4.95**	**2,507.08**

5(b) Capital work-in-progress

	PPE	Total
Gross block		
At March 31, 2019	-	-
Capitalised during the year	-	-
Purchase	30.99	30.99
At March 31, 2020	30.99	**30.99**
Capitalised during the year	37.81	37.81
Purchase	6.82	6.82
At March 31, 2021	-	-

5(c) Intangible assets under development

	Software	Total
Gross block		
At March 31, 2019	9.08	9.08
Capitalised during the year	9.08	9.08
Purchase	39.90	39.90
At March 31, 2020	39.90	**39.90**
Capitalised during the year	24.84	24.84
Purchase	25.48	25.48
At March 31, 2021	**40.54**	**40.54**

5(d) Other Intangible assets

	Software/Other intangible assets	Total
Gross block		
At March 31, 2019	586.15	586.15
Purchase	222.57	222.57
Disposals	-	-
At March 31, 2020	808.72	808.72
Purchase	131.90	131.90
Disposals	-	-
At March 31, 2021	**940.62**	**940.62**
Amortization		
At March 31, 2019	227.03	227.03
Charge for the year	166.85	166.85
At March 31, 2020	**393.88**	**393.88**
Charge for the year	201.18	201.18
At March 31, 2021	**595.06**	**595.06**
Net block		
At March 31, 2020	**414.84**	**414.84**
At March 31, 2021	**345.56**	**345.56**

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(Rs. in lakh)

6 Right-of-use assets

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Value of Right of Use Asset	3,785.03	2,302.98
Addition	1,129.14	1,482.05
Disposal	-	
Gross Carrying Value	4,914.17	3,785.03
Depreciation		
Opening Accumulated Depreciation	910.83	-
Depreciation for the year	1,029.64	910.83
Closing Accumulated Depreciation	1,940.47	910.83
Net Carrying value	**2,973.70**	**2,874.20**

7 Other non-financial assets

Particulars	As at March 31, 2021	As at March 31, 2020
Prepaid Expenses	288.91	134.39
Advance to staff	136.16	218.99
Advance to vendors	172.18	191.96
GST Input	0.92	0.62
Other Recoverable	76.30	57.93
Total	**674.47**	**603.89**

8 Assets held for sale

Particulars	As at March 31, 2021	As at March 31, 2020
Assets held for sale (Refer note 8(a))	2,220.77	1,804.30
Total Gross	**2,220.77**	**1,804.30**
Less: Impairment loss allowance	(381.19)	(98.93)
Total Net	**1,839.58**	**1,705.37**

8(a) Assets obtained by taking possession of collateral

The Group obtained the following assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Group's policy is to realise collateral on a timely basis. The Group does not use non-cash collateral for its operations.

Particulars	As at March 31, 2021	As at March 31, 2020
Residential properties	2,220.77	1,804.30
Total assets obtained by taking possession of collateral	**2,220.77**	**1,804.30**

9 Payables

Particulars	As at March 31, 2021	As at March 31, 2020
Trade Payables		
Total outsanding dues of Micro Enterprises and Small Enterprises	-	-
Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	285.40	1,738.64
Total	**285.40**	**1,738.64**

10 Debt Securities

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Secured		
Debentures (Refer note 10(a))	1,26,568.97	96,978.28
Unsecured		
Debentures (Refer note 10(a))	19,897.18	19,868.26
Total	**1,46,466.15**	**1,16,846.54**
Debt securities in India	1,26,568.97	96,978.28
Debt securities outside India	19,897.18	19,868.26
Total	**1,46,466.15**	**1,16,846.54**

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(Rs. In lakh)

10(a). Detail of Redeemable Non-Convertible Debentures

ISIN No.	Date of	Date of redemption	Nominal	Total	Rate of Interest	Face value	As at March 31, 2021	As at March 31, 2020	Secured/	Terms of redemption
INE216P07126	20-Dec-16	19-Oct-20	10	500	9.15%	5,000	-	4,995.05	Secured	Redeemed at par during the year
INE216P07134	18-Jul-17	18-May-22	10	1,300	8.43%*	13,000	12,952.93	12,915.12	Secured	Redeemable at par
INE216P07159	17-Apr-18	17-Apr-23	10	100	8.90%*	1,000	998.01	997.18	Secured	Redeemable at par
LRN-201812124	20-Dec-18	20-Dec-25	100	200	8.93%**	20,000	19,897.18	19,868.26	Unsecured	Redeemable at par
INE216P07167	16-Sep-19	15-Sep-24	100	345	8.39%*	34,500	34,208.65	34,139.81	Secured	Redeemable at par
INE216P07175	30-Mar-20	30-Mar-28	10	4,444	8.65%*	44,440	43,976.39	43,931.12	Secured	Redeemable at par
INE216P07183	22-Jun-20	22-Dec-21	10	1,500	6.60%*	15,000	14,999.08	-	Secured	Redeemable at par
INE216P07191	04-Nov-20	04-Nov-25	10	1,000	6.70%	10,000	9,942.56	-	Secured	Redeemable at par
INE216P07209	31-Dec-20	31-Dec-25	10	1,000	6.63%	10,000	9,491.35	-	Secured	Redeemable at par
						Total	1,46,466.15	1,16,846.54		

*ROI p.a (payable half yearly)

**ROI p.a (payable quarterly)

Terms of repayment of Debentures outstanding as at March 31, 2021

Particulars		Due within 1 year		Due 1 to 3 years		Due 3 to 5 years		Due 5 to 10 years		Total	
Original maturity of loan	Interest rate	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount
Quarterly											
Above 3 years	6%-8%	4	1,980.05	8	3,975.87	7	3,478.89	-	-	19	9,434.81
Half yearly											
Above 3 years	8%-10%	1	3,384.35	8	23,531.05	8	23,531.05	4	13,591.37	21	64,037.82
Bullet end											
Less than 3 years	6%-8%	1	14,850.33		-	-	-	-	-	1	14,850.33
Above 3 years	6%-8%	-	-	-	-	1	9,939.68	-	-	1	9,939.68
	8%-10%	1	990.02	1	12,921.59	1	34,291.90	-	-	3	48,203.51
Total		7	21,204.75	17	40,428.51	17	71,241.52	4	13,591.37	45	1,46,466.15

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(Rs. in lakh)

11 Borrowings

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Secured		
Term loans (refer note 11(h))		
From National Housing Bank (NHB) (Refer note 11(a))	1,87,239.16	95,129.03
From Banks (Refer note 11(b))	2,73,719.91	2,87,113.25
From Financial institutions (Refer note 11(c))	61.07	89.78
From Insurance Companies (Refer note 11(d))	8,117.44	9,365.27
Others		
Cash Credit (refer note 11(e))	0.01	5,570.90
Others (refer note 11(f))	8,964.90	11,123.17
Total	**4,78,102.49**	**4,08,391.40**
Borrowings in India	4,78,102.49	4,08,391.40
Borrowings outside India	-	-
Total	**4,78,102.49**	**4,08,391.40**

11(a) Secured term loans from National Housing Bank carry rate of interest in the range of 3.00% to 8.50% p.a. The loans are having tenure of 1 to 15 years from the date of disbursement and are repayable in quarterly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Group.

11(b) Secured term loans from Banks include loans from various banks and carry rate of interest in the range of 7.20% to 9.05% p.a. The loans are having tenure of 5 to 10 years from the date of disbursement and are repayable in monthly or quarterly or yearly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Group. Secured term loan from banks include auto loans of Rs. 240.63 lakh (P.Y. Rs. 260.46 lakh) carrying rate of interest in the range of 7.35% to 9.20% p.a. which are secured by hypothecation of Group's vehicles.

11(c) Loans from financial institutions include auto loans of Rs. 61.07 lakh (P.Y. Rs. 89.78 lakh) carrying rate of interest in the range of 8.46% to 9.26% p.a. which are secured by hypothecation of Group's vehicles.

11(d) Secured term loan from Insurance Group carry rate of interest of 7.60% p.a. The loan is having tenure of 8 years from the date of disbursement and is repayable in half yearly instalments. The Loan is secured by hypothecation (exclusive charge) of the loans given by the Group.

11(e) Cash credit borrowings from bank are secured against hypothecation of housing loans given by the Group, are repayable on demand and carry interest rates ranging from 7.75% to 10.20%

11(f) Other borrowings includes associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS.

11(g) **Changes in liabilities arising from financing activities**

Particulars	As at March 31, 2020	Cash flows	Other*	As at March 31, 2021
Debt securities	1,16,846.54	29,500.00	119.61	1,46,466.15
Borrowings	4,08,391.40	71,168.13	(1,457.04)	4,78,102.49
Subordinate liabilities	9,965.61	(0.00)	8.04	9,973.65
Total	**5,35,203.55**	**1,00,668.13**	**(1,329.39)**	**6,34,542.29**

*Other column includes amortisation of transaction cost.

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11(h) Terms of repayment of long term borrowings outstanding as at March 31, 2021

(Rs. in lakh)

Particulars		Due within 1 year		Due 1 to 3 years		Due 3 to 5 years		Due 5 to 10 years		Above 10 years		Total	
Original maturity of loan	Interest rate	No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount	No. of Installments	Amount
Monthy repayment schedule													
Above 3 years	6%-8%	304	7,497.94	551	21,362.62	303	17,192.43	363	28,982.34	9	-	1,530	75,035.33
	8%-10%	426	3,122.86	443	6,662.33	91	9.74	-	-	-	-	960	9,794.93
Quarterly repayment schedule													
Above 3 years	2%-4%	6	2,809.53	16	7,495.68	16	7,495.68	13	6,674.31	-	-	51	24,475.20
	4%-6%	39	6,424.47	104	17,140.17	100	15,924.52	113	16,033.49	16	2,039.58	372	57,562.23
	6%-8%	175	19,155.14	477	66,191.10	367	56,374.49	393	66,397.10	4	316.91	1,416	2,08,434.74
	8%-10%	66	1,571.83	136	15,496.36	132	14,914.13	137	17,195.66	-	-	471	49,177.98
Half yearly repayment schedule													
Above 3 years	6%-8%	2	1,248.01	4	2,497.23	4	2,497.23	3	1,872.92	-	-	13	8,115.39
At the end of tenure													
Less than 3 years	4%-6%	1	36,541.80	-	-	-	-	-	-	-	-	1	36,541.80
Total		1,019	78,371.58	1,731	1,36,845.49	1,013	1,14,408.22	1,022	1,37,155.82	29	2,356.49	4,814	4,69,137.60

The above table doesn't include associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS amounting to Rs. 8,964.90 lakh (Due within 1 year Rs. 827.78 lakh and due more than 1 year Rs. 8,137.12 lakh)

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(Rs. in lakh)

12 Subordinated Liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
At Amortised cost		
Debentures (Refer note 12(a))	9,973.65	9,965.61
Total	**9,973.65**	**9,965.61**
Subordinated Liabilities in India	9,973.65	9,965.61
Subordinated Liabilities Outside India	-	-
Total	**9,973.65**	**9,965.61**

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12(a). Detail of Subordinated Liabilities

ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Total number of debentures	Rate of interest p.a.	Face value	As at March 31, 2021	As at March 31, 2020	Secured/ Unsecured	Terms of redemption
INE216P08017	22-Dec-17	22-Dec-23	10	1,000	9.49%	10,000	9,973.65	9,965.61	Unsecured	Redeemable at par

Terms of repayment of Subordinated liabilities outstanding as at March 31, 2021

Particulars		Due within 1 year		Due 1 to 3 years		Total	
Original maturity of loan	Interest rate	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount
At the end of tenure							
Above 3 years	8%-10%	-	(8.86)	1	9,982.51	1	9,973.65

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(Rs. in lakh)

13 Lease liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Lease liabilties	3,229.82	3,012.91
Total	**3,229.82**	**3,012.91**

Disclosures as required by Ind AS 116 'Leases' are stated below
A Lease Liability Movement

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Balance	3,012.91	2,302.98
Add: Addition during the year	1,129.14	1,482.05
Interest on Lease Liability	217.95	249.58
Less: Lease rental Payment	(1,130.18)	(1,021.70)
Closing Balance	**3,229.82**	**3,012.91**

The following is the breakup of current and non-current portion of lease liability as on March 31, 2021

Particulars	Amount
Current	885.78
Non-Current	2,344.04
Total lease liability as on March 31, 2021	**3,229.82**

14 Other financial liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Interest accrued but not due		
From non convertible debentures	1,143.24	731.94
From unsecured non convertible debentures	316.43	326.21
From Bank- term Loan	154.98	1,896.93
From Financial Institution- term Loan	0.30	0.45
Due to assignees towards collections in derecognised assets	2,569.98	3,219.41
Employee benefits payable	2,291.81	964.09
Others	7,009.89	3,555.75
Total	**13,486.63**	**10,694.78**

Break up of total financial liabilities carried at amortised cost	As at March 31, 2021	As at March 31, 2020
Payables (note 9)	285.40	1,738.64
Debt Securities (note 10)	1,46,466.15	1,16,846.54
Borrowings (note 11)	4,78,102.49	4,08,391.40
Subordinated Liabilities (note 12)	9,973.65	9,965.61
Lease liabilities (note 13)	3,229.82	3,012.91
Other financial liabilities (note 14)	13,486.63	10,694.78
Total	**6,51,544.14**	**5,50,649.88**

15 Provisions

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
Leave availment	214.23	162.23
Gratuity	63.14	517.23
ECL on undisbursed loan commitment	95.03	48.65
Total	**372.40**	**728.11**

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(Rs. in lakh)

16 Tax Expenses

The major components of income tax expense for the Year ended March 31, 2021

Profit or loss section

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Current income tax:		
Current income tax charge	6,701.45	6,397.21
Adjustments in respect of current income tax of previous year	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(338.01)	(1,107.73)
Income tax expense reported in the statement of profit or loss	**6,363.44**	**5,289.48**

OCI

Deferred tax related to items recognised in OCI during the year:

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Net loss/(gain) on re-measurements of defined benefit plans	28.05	(1.75)
Income tax charged to OCI	**28.05**	**(1.75)**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2021:

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Accounting profit before tax from continuing operations	35,255.36	30,193.64
Accounting profit before income tax	35,255.36	30,193.64
Tax at statutory Income Tax rate of 25.17% (P.Y. 25.17%)	8,873.07	7,599.14
Expenses Disallowed in Income tax Act	206.78	116.30
Other permanent difference	(867.25)	(207.94)
Expenses Disallowed u/s 43B of Income tax Act	13.09	16.36
Provision for special reserve u/s 29C of NHB Act read with section 36 (1) (viii) of IT Act, 1961	(1,242.71)	(1,052.27)
Incremental defered tax liabilities /(assets) on account of Financial assets and other items	(619.54)	(1,182.11)
Tax at effective income Tax rate of 18.05% (P.Y. 17.52%) (a)	6,363.44	5,289.48
Tax on Other comprehensive income (b)	28.05	(1.75)
Total Tax expenses at effective tax rate of 18.13% (P.Y. 17.51%) (a+b)	6,391.49	5,287.73

Deferred Tax liabilities / (assets)	As at March 31, 2021	As at March 31, 2020
Deferred tax liability		
Unamortized Borrowings cost	392.32	392.55
Upfront EIS income	4,836.46	4,295.21
Gross deferred tax liability	**5,228.78**	**4,687.76**
Deferred tax asset		
Expected credit loss (ECL)	(906.01)	(413.26)
Unamortized Processing fee	(1,028.93)	(653.72)
Fair Valuation of SARFAESI	(83.03)	(68.08)
Provision for gratuity and Leave availment	(69.81)	(171.01)
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(247.37)	(176.48)
Other adjustments	(64.46)	(38.01)
Gross deferred tax asset	**(2,399.59)**	**(1,520.56)**
Net Deferred Tax Liability	**2,829.19**	**3,167.20**

Deferred Tax charged to statement of profit and loss account	Year ended March 31, 2021		Year ended March 31, 2020	
	Profit and Loss	OCI	Profit and Loss	OCI
Unamortized Borrowings cost	(0.23)	-	263.48	-
Upfront EIS income	541.25	-	(915.50)	-
Expected credit loss (ECL)	(492.74)	-	(68.36)	-
Unamortized Processing fee	(375.21)	-	(256.24)	-
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(70.90)	-	(33.79)	-
Other adjustments	59.82	28.05	(97.32)	(1.75)
Deferred Tax charged to statement of profit and loss account	**(338.01)**	**28.05**	**(1,107.73)**	**(1.75)**

17 Other Non-financial Liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Statutory Dues Payable	206.86	251.19
Provision for Expenses	816.96	914.08
Others	75.21	201.46
Total	**1,099.03**	**1,366.73**

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18 Equity share capital (Rs. in lakh)

Details of authorized, issued, subscribed and paid up share capital

Particulars	As at March 31, 2021	As at March 31, 2020
Authorized share Capital		
85,000,000 (P.Y. 85,000,000) Equity Shares of Rs. 10/- each	8,500.00	8,500.00
	8,500.00	8,500.00
Issued, Subscribed & Paid up capital		
Issued and Subscribed Capital		
78,504,551 (P.Y. 78,322,661) Equity Shares of Rs. 10/- each	7,850.46	7,832.27
Called-Up and Paid Up Capital		
Fully Paid-Up		
78,504,551 (P.Y. 78,322,661) Equity Shares of Rs. 10/- each	7,850.46	7,832.27
Total	7,850.46	7,832.27

18(a) The reconciliation of equity shares outstanding at the beginning and at the end of the reporting year.

Particulars	As at March 31, 2021		As at March 31, 2020	
	No. of shares	Rs. In lakh	No. of shares	Rs. In lakh
Equity Share at the beginning of year	7,83,22,661	7,832.27	7,81,07,901	7,810.79
Add.				
Equity Share Allotted during year				
Shares issued under ESOP	1,81,890	18.19	2,14,760	21.48
Equity share at the end of year	7,85,04,551	7,850.46	7,83,22,661	7,832.27

18(b) Details of shareholders holding more than 5% shares in the Group

Name of the shareholder	As at March 31, 2021		As at March 31, 2020	
	No. of shares	% of holding	No. of shares	% of holding
Lake District Holdings Limited	2,31,40,827	29.48%	2,31,40,827	29.55%
23,140,827 Equity Shares of Rs. 10/- each fully paid				
Partners Group ESCL Limited	1,12,40,151	14.32%	1,30,18,256	16.62%
11,240,151 Equity Shares of Rs. 10/- each fully paid				
Smallcap World Fund, Inc	54,97,038	7.00%	NA	NA
5,497,038 Equity Shares of Rs. 10/- each fully paid				
Partners Group Private Equity Master Fund LLC	49,32,728	6.28%	57,13,047	7.29%
4,932,728 Equity Shares of Rs. 10/- each fully paid				
AU Small Finance Bank Limited	NA	NA	49,65,757	6.34%
3,383 Equity Shares of Rs. 10/- each fully paid				
Total	4,48,10,744	57.08%	4,68,37,887	59.80%

As per records of the Group, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

18(c) Rights, preferences and restrictions attached to shares

Equity shares:

The Group has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Group after distribution of all preferential amounts, in proportion to their shareholding.

18(d) Aggregate number of bonus shares issued during the year of five years immediately preceding the reporting date

Particular	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	-	-	-	-	53,66,658

18(e) For details of shares reserved for issue under the employee stock option plan (ESOP) of the Group, refer note 31

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(Rs. in lakh)

19 Other equity

Particulars	As at March 31, 2021	As at March 31, 2020
Securities premium Account (refer note 19(a))	1,33,403.29	1,32,743.79
Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961(refer note 19(a))	19,131.35	13,324.80
Share Based Payments Reserve (refer note 19(a))	1,808.00	1,169.29
Retained earnings	77,887.45	54,718.68
Share Application money received	0.48	2.69
Total	**2,32,230.57**	**2,01,959.25**

19(a) Nature and purpose of reserve

Securities premium Account

Securities premium Account is used to record the premium on issue of shares. The reserve is utilised in accordance with provisions of the Companies Act, 2013.

Special reserve

Section 29C (i) of The National Housing Bank Act, 1987 defines that every housing finance institution which is a Group shall create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. For this purpose any special reserve created by the Group under Section 36(1) (viii) of Income tax Act 1961, is considered to be an eligible transfer. During the year ended March 31, 2021, The Group has transferred an amount of Rs. 4,937.65 lakh (P.Y. Rs. 4,181.00 lakh) to special reserve in terms of Section 36(1) (viii) of the Income Tax Act 1961 considered eligible for special reserve u/s 29C of NHB Act 1987 and also transferred an amount of Rs. 868.89 lakh (P.Y. Rs. 800.38 lakh) to the Reserve in terms of Section 29C of the National Housing Bank ("NHB") Act. 1987.

Share Based Payments Reserve

This Reserve relates to stock options granted by the Group to employees under various ESOP Schemes. This Reserve is transferred to Securities Premium Account on exercise of vested options.

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20 Interest income

Particulars	Year ended March 31, 2021			Year ended March 31, 2020		
	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss
Interest on Loans (Refer note 20(a))	-	89,939.42	-	-	73,676.40	-
Interest on deposits with Banks	-	7,320.26	-	-	4,991.27	-
Interest on deposits with Corporates	-	398.24	-	-	-	-
Total	-	**97,657.92**	-	-	**78,667.67**	-

20(a) Loan origination income included in Interest income on Loan is disclosed net of the direct incremental costs of Rs. 2,457.61 lakh for year ended March 31, 2021 (P.Y. Rs. 2,647.40 lakh) associated with the origination of the underlying loans.

21 Fees and commission Income

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Insurance commission	311.46	331.10
Other fee income	3,343.91	2,996.50
Total	**3,655.37**	**3,327.60**

22 Net gain on fair value changes

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
a) Net gain on financial instruments at fair value through profit and loss		
i) On trading portfolio		
Investments	387.16	597.20
b) Others		
Derivatives	-	3.23
Total Net gain on fair value changes	**387.16**	**600.43**
Fair value changes		
Realised	387.16	600.43
Unrealised- MTM gain	-	-
Total Net gain on fair value changes	**387.16**	**600.43**

23 Other income

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Net gain on derecognition of property, plant and equipment	9.10	-
Other income	206.95	79.99
Total	**216.05**	**79.99**

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(Rs. in lakh)

24 Finance Costs

Particulars	Year ended March 31, 2021 On financial liabilities measured at fair value through Profit or loss	Year ended March 31, 2021 On financial liabilities measured at Amortised cost	Year ended March 31, 2020 On financial liabilities measured at fair value through Profit or loss	Year ended March 31, 2020 On financial liabilities measured at Amortised cost
Interest on borrowings, debt securities and Subordinated liabilities	-	44,876.46	-	34,438.64
Interest on Securitised pool	-	729.86	-	918.93
Interest on lease liability	-	217.95	-	249.58
Total	-	**45,824.27**	-	**35,607.15**

25 Fees and commission expense

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Resource mobilisation expenses	302.30	263.88
Bank charges and commission	133.50	98.87
Brokerage Commission	182.66	127.30
Total	**618.46**	**490.05**

26 Impairment on financial instruments

Particulars	Year ended March 31, 2021 On financial instruments measured at fair value through OCI	Year ended March 31, 2021 On financial instruments measured at Amortised cost	Year ended March 31, 2020 On financial instruments measured at fair value through OCI	Year ended March 31, 2020 On financial instruments measured at Amortised cost
Loan Assets	-	3,347.34	-	1,145.52
Write offs	-	269.29	-	128.37
Assets acquired under SARFAESI	-	97.23	-	259.89
Total	-	**3,713.86**	-	**1,533.78**

27 Employee Benefits Expenses

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Salaries and wages	15,448.58	13,148.26
Contribution to provident and other funds	826.87	671.90
Share Based Payments to employees	850.84	647.14
Staff welfare expenses	178.85	273.49
Total	**17,305.14**	**14,740.79**

Gratuity and other post-employment

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to such limit as prescribed by The Payment of Gratuity Act, 1972 as amended from time to time.

The following tables summarize the components of net benefits expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

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Statement of profit and loss
Net employee benefit expense recognized in the employee cost

	Year ended March 31, 2021	Year ended March 31, 2020
Current service cost	209.61	198.76
Interest cost	34.91	22.78
Expected Return on plan assets	-	-
Net remeasurement (gain) / loss recognized in the year	-	-
Net expense	**244.52**	**221.54**

Remeasurement (gains)/ loss recognised in other comprehensive income:

	Year ended March 31, 2021	Year ended March 31, 2020
Remeasurement (gain) / loss on obligations arising from changes in experience adjustments	(111.45)	6.97
Remeasurement (gain) / loss arising during the year	**(111.45)**	**6.97**

Actual Return on plan asset

	Year ended March 31, 2021	Year ended March 31, 2020
Expected return on plan asset	-	-
Interest income on Plan Asset		
Acturial gain/loss	21.22	-
Actual Return on plan asset	-	-

Balance Sheet
Net defined benefit liability

	Year ended March 31, 2021	Year ended March 31, 2020
Present value of defined benefit obligation	659.25	517.23
Fair value of plan assets	(604.95)	-
Plan liability	**54.30**	**517.23**

Changes in the present value of the defined benefit obligation are as follows:

	Year ended March 31, 2021	Year ended March 31, 2020
Opening defined benefit obligation	517.23	293.96
Current service cost	209.61	198.76
Interest cost	34.91	22.78
Benefits paid during the year	(12.27)	(5.24)
Remeasurement (gain)/loss on obligation	(90.23)	6.97
Closing defined benefit obligation	**659.25**	**517.23**

Changes in the present value of the plan assets are as follows:

	Year ended March 31, 2021	Year ended March 31, 2020
Fair value of plan asset at the beginning	-	-
Expected return on plan asset	-	-
Contribution made	596.00	-
Benefit paid during the year	(12.27)	-
Acturial Gain/(Loss) on plan assets	21.22	-
Fair value of plan asset at the the end of the year	604.95	-

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The principle assumptions used in determining gratuity obligations for the Group are shown below:

	Year ended March 31, 2021	Year ended March 31, 2020
Discount rate	6.73%	6.75%
Salary escalation rate	6.00%	6.00%
Employee Turnover	age 30 = 5% age 31-40 = 3% age 41-50 = 2% age 51 & above=1%	age 30 = 5% age 31-40 = 3% age 41-50 = 2% 51 & above=1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Experience adjustment for the reported years are as below:

	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined benefit obligation	659.25	517.23	293.96	187.74	112.44
Plan assets	(604.95)	-	-	-	-
(Surplus)/Deficit	54.30	517.23	293.96	187.74	112.44
Experience adjustments on plan liabilities(Gain)/ Loss	(91.54)	6.97	(35.07)	(10.82)	(16.81)
Experience adjustments on plan assets	-	-	-	-	-

Sensitivity Analysis:
A quantitative sensitivity analysis for significant assumption is as shown below:

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
a) Effect of 1% change in assumed discount rate		
- 1% increase	570.28	446.36
- 1% decrease	768.75	604.81
(b) Effect of 1% change in assumed salary escalation rate		
- 1% increase	768.44	604.59
- 1% decrease	568.97	445.30

Other Benefits
The Group has provided for compensatory leaves which can be availed and not encashed as per policy of the Group as present value obligation of the benefit at related current service cost measured using the Projected Unit Credit Method on the basis of an actuarial valuation.

The Code on Social Security, 2020
The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

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(Rs. in lakh)

28 Other expenses

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Advertisement and publicity	198.08	864.82
AMC charges	123.25	87.75
Auditor's remuneration (note 28(a))	51.78	51.79
Directors' fees and commission	119.90	70.85
Communication costs	397.52	300.40
CSR expenses	458.52	312.74
Donation	-	21.00
Electricity and water	269.58	247.22
General office expenses	265.46	315.44
Legal and professional charges	439.34	464.62
Collection and legal recovery expenses	119.30	183.14
IT and analytics Expenses	239.59	108.15
Manpower management cost	2,236.89	1,828.81
Postage and courier expenses	156.93	132.93
Printing and stationery	87.56	70.79
Rent, rates and taxes Expenses	58.00	53.75
Repairs and maintenance	212.67	149.22
Travelling and conveyance	339.48	549.48
Total	**5,773.85**	**5,812.90**

28(a) Auditor's remuneration

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Audit fees	45.51	43.33
Tax audit fees	2.18	2.18
Other services	4.09	6.28
	51.78	**51.79**

29 Earning per share

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Following reflects the profit and share data used in EPS computations:		
Basic		
Weighted average number of equity shares for computation of Basic EPS (in lakh)	783.72	781.90
Net profit for calculation of basic EPS (Rs.in lakh)	28,891.92	24,904.16
Basic earning per share (In Rs.)	**36.86**	**31.85**
Diluted		
Weighted average number of equity shares for computation of Diluted EPS (in lakh)	790.64	791.22
Net profit for calculation of Diluted EPS (Rs.in lakh)	28,891.92	24,904.16
Diluted earning per share (In Rs.)	**36.54**	**31.48**
Nominal value of equity shares (In Rs.)	**10.00**	**10.00**

(Rs. in lakh)

30 Maturity analysis of assets and liabilities

The following tables set forth, for the periods indicated, the assets and liabilities line items expected to be recovered or settled within and after twelve months after factoring prepayment assumptions.

Particulars	As at March 31, 2021			As at March 31, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	2,209.81	-	2,209.81	35,059.39	-	35,059.39
Bank balance other than cash and cash equivalents	1,10,307.11	-	1,10,307.11	84,613.13	-	84,613.13
Loans	1,27,660.89	6,24,667.74	7,52,328.63	88,012.03	5,30,067.80	6,18,079.83
Other financial assets	12,381.65	10,225.60	22,607.25	8,363.82	9,773.87	18,137.69
Non-financial assets						
Current tax assets (net)	92.06	-	92.06	1,443.24	-	1,443.24
Property, plant and equipment	-	2,507.08	2,507.08	-	2,700.97	2,700.97
Capital work-in-progress	-	-	-	-	30.99	30.99
Intangible assets under development	-	40.54	40.54	-	39.90	39.90
Other intangible assets	-	345.56	345.56	-	414.84	414.84
Right-of-use assets		2,973.70	2,973.70		2,874.20	2,874.20
Other non-financial assets	496.31	178.16	674.47	567.99	35.90	603.89
Assets held for sale	1,839.58	-	1,839.58	1,705.37	-	1,705.37
Total Assets	**2,54,987.41**	**6,40,938.38**	**8,95,925.79**	**2,19,764.97**	**5,45,938.47**	**7,65,703.44**
LIABILITIES						
Financial liabilities						
Payables						
(I) Trade payables	-	-	-	-	-	-
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	285.40	-	285.40	1,738.64	-	1,738.64
Debt securities	21,204.75	1,25,261.40	1,46,466.15	4,815.32	1,12,031.22	1,16,846.54
Borrowings (other than debt securities)	79,199.36	3,98,903.13	4,78,102.49	60,118.51	3,48,272.89	4,08,391.40
Subordinated liabilities	(8.86)	9,982.51	9,973.65	(8.04)	9,973.65	9,965.61
Lease liabilties	885.78	2,344.04	3,229.82	899.55	2,113.36	3,012.91
Other financial liabilities	13,405.40	81.23	13,486.63	10,612.53	82.25	10,694.78
Non-financial liabilities						
Provisions	38.90	333.50	372.40	46.62	681.49	728.11
Deferred tax liabilities (net)	1,914.42	914.77	2,829.19	1,415.92	1,751.28	3,167.20
Other non-financial liabitilies	1,099.03	-	1,099.03	1,366.73	-	1,366.73
Total Liabilities	**1,18,024.18**	**5,37,820.58**	**6,55,844.76**	**81,005.78**	**4,74,906.14**	**5,55,911.92**
Net Assets	**1,36,963.23**	**1,03,117.80**	**2,40,081.03**	**1,38,759.19**	**71,032.33**	**2,09,791.52**

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(Rs. in lakh)

31 Stock options

I The Group has formulated various share-based payment schemes for its employees (Plan I), management team (Plan II) and directors (Plan III). Details of all grants in operation during the Year ended March 31, 2021 are as given below:

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III	ESOP 2019
Scheme Name	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Management team 2016 (ESOP 2016 II)	Equity stock option plan for Directors 2016 (ESOP 2016 III)	Equity stock option plan for Employees 2019 (ESOP 2019)
No. of options approved*	12,87,901		34,45,610	7,19,084	3,00,000
Date of grant	23-Feb-17	24-Jan-18	23-Feb-17	23-Feb-17	03-Oct-19
No. of options granted	9,80,118	4,24,687	34,45,610	7,19,084	3,00,000
Exercise price per option (in Rs.)	215.25	328	215.25	215.25	1580.20
Method of settlement	Equity	Equity	Equity	Equity	Equity
Vesting year and conditions	A) 50% options to vest as per stipulated vesting schedule ("Fixed Vesting") B) 50% options to vest as per stipulated vesting schedule on fulfillment of stipulated conditions ("Conditional Vesting")				
A) Fixed Vesting year is as follows on following dates :-					
1st vesting "12 months from the date of grant	98,012	42,469	Refer note A	71,908	30,000
2nd vesting "On expiry of four months from the 1st vesting date"	98,012	NA	-	71,908	NA
2nd vesting "On expiry of one year from the 1st vesting date"	NA	42,469	-	NA	30,000
3rd vesting "On expiry of one year from the 2nd vesting date"	98,012	42,469	-	Refer note B	30,000
4th vesting "On expiry of one year from the 3rd vesting date"	98,012	42,469	-	-	30,000
5th vesting "On expiry of one year from the 4th vesting date"	98,011	42,469	-	-	30,000
B) Conditional Vesting	Linked with conditions over the next five years as stipulated in respective stock option plan		Refer note A	Linked with conditions over the next five years as stipulated in respective stock option plan (Refer note B)	Linked with conditions over the next five years as stipulated in respective stock option plan
Exercise year	Four years from the date of each vesting				

*After adjusting subsequent cancellations, if any

Note:
A. During year ended March 31, 2018, pursuant to the the Board approval dated January 25, 2018, all options granted under Management team 2016 (ESOP 2016 II) plan were vested with immediate effect with no further conditions attached to them.
B. During Year ended March 31, 2019, pursuant to the the Board approval dated June 08, 2018, last three tranches of options related to fixed vesting (2,15,724 options) and 25% of performance options (89,886 options) granted under Directors 2016 (ESOP 2016 III) plan were vested on June 30, 2018 subject to lock in conditions as prescribed in stock plan.
C. During Year ended March 31, 2020, pursuant to the the Board approval dated August 01, 2019, options granted for employees 2019 (ESOP 2019) plan.

II **Computation of fair value of options granted during the year ended March 31, 2021**
Nil options granted during the Year ended March 31, 2021.

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III Reconciliation of options

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 III	ESOP 2019
Year ended March 31, 2021				
Options outstanding at April 1, 2020	3,13,321	2,93,155	2,69,656	3,00,000
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	1,15,784	66,106	-	-
Expired / lapsed during the year	4,075	3,000	-	-
Outstanding at March 31, 2021	1,93,462	2,24,049	2,69,656	3,00,000
Exercisable at March 31, 2021	48,082	84,471	2,69,656	60,000
Weighted average remaining contractual life (in years)	0.98	2.84	1.59	5.49
Weighted average share price at the time of exercise*	2,141.00	1,487.25	-	-

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 III	ESOP 2019
Year ended March 31, 2020				
Options outstanding at April 1, 2019	4,76,461	4,22,187	2,69,656	-
Granted during the year	-	-	-	3,00,000
Forfeited during the year	800	11,700	-	-
Exercised during the year	1,41,628	73,132	-	-
Expired / lapsed during the year	20,712	44,200	-	-
Outstanding at March 31, 2020	3,13,321	2,93,155	2,69,656	3,00,000
Exercisable at March 31, 2020	12,744	80,791	2,69,656	-
Weighted average remaining contractual life (in years)	1.87	4.16	1.96	6.51
Weighted average share price at the time of exercise*	1,787.48	1,582.87	-	-

* Disclosure of weighted average share price at the time of exercise is applicable only for plans where there has been an exercise of options in current financial year.

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32 Segment information

The Group has only one reportable business segment, i.e. lending to borrowers, which have similar nature of products and services, type/class of customers and the nature of the regulatory environment (which is banking), risks and returns for the purpose of Ind AS 108 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 . Accordingly, the amounts appearing in the financial statements relate to the Company's single business segment.

33 The Company has been granted Certificate of Registration (No. 08.0095.11) to commence/carry on the business as a housing finance company without accepting public deposits by National Housing Bank on August 04, 2011 and got a revised Certificate of Registration (02.0104.13) after conversion of Company from a private limited company to a public limited company on February 08, 2013. Further, the name of our company was changed to AAVAS FINANCIERS LIMITED, pursuant to a Shareholders resolution passed at the EOGM held on February 23, 2017. A fresh certificate of incorporation consequent to such change of name was issued on March 29, 2017 by the Registrar of companies, Jaipur and subsequently the revised certificate of Registration (No.04.0151.17) was issued on April 19, 2017 by National Housing Bank.

34 Related party

a. Names of related parties identified in accordance with Ind AS -24 "Related Party Disclosures"

1. Entities where control exists:
Holding Company
NA
Shareholders having Substantial interest
Lake District Holdings Limited

2. Key Management Personnel

Mr. Sandeep Tandon	Chairperson and Independent Director
Mr. Sushil Kumar Agarwal	Managing Director and Chief Executive Officer
Mrs. Kalpana Iyer	Independent Director
Mrs. Soumya Rajan	Independent Director (Appointed in the Annual General Meeting of the Company held on July 22, 2020 as an Independent Director w.e.f. August 29, 2019)
Mr. Ramachandra Kasargod Kamath	Non-Executive Nominee Director
Mr. Vivek Vig	Non-Executive Nominee Director
Mr. Nishant Sharma	Non-executive Promoter Nominee Director
Mr. Manas Tandon	Non-executive Promoter Nominee Director
Mr. Kartikeya Dhruv Kaji	Non-executive Promoter Nominee Director
Mr. Ghanshyam Rawat	Chief Financial Officer
Mr. Sharad Pathak	Company Secretary & Compliance Officer

3. Post Employment Benefit Plan
Aavas Gratuity Trust

4. Enterprises under significant influence of the Key Management Personnel
Aavas foundation (From March 26, 2019)

5. Relatives of Key Managerial Personnel
None

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(Rs. in lakh)

b. The nature and volume of transactions carried out with the above related parties in the ordinary course of business are as follows :

Name of related party	Nature of transactions	March 31, 2021			March 31, 2020		
		Amount received	Amount paid	Receivable	Amount received	Amount paid	Receivable
Mr. Krishan Kant Rathi	Sitting fees	-	-	-	-	2.73	-
	Commission	-	-	-	-	2.73	-
Mr. Sandeep Tandon	Sitting fees	-	2.45	-	-	6.00	-
	Commission	-	16.08	-	-	4.91	-
Mr. Sushil Kumar Agarwal	Remuneration	-	199.40	-	-	240.06	-
Mrs. Kalpana Iyer	Sitting fees	-	2.18	-	-	4.63	-
	Commission	-	16.35	-	-	6.27	-
Mrs. Soumya Rajan	Sitting fees	-	1.09	-	-	1.09	-
	Commission	-	37.06	-	-	-	-
Mr. Ramachandra Kasargod Kamath	Share based Payment	-	11.87	-	-	11.91	-
	Sitting fees	-	1.09	-	-	2.73	-
	Commission	-	25.07	-	-	28.89	-
Mr. Vivek Vig	Share based Payment	-	59.37	-	-	59.54	-
	Sitting fees	-	1.09	-	-	2.73	-
	Commission	-	17.44	-	-	8.18	-
Mr. Ghanshyam Rawat	Remuneration	-	147.04	-	-	182.03	-
Mr. Sharad pathak	Issue of Equity shares	8.90	-	-	7.59	-	-
	Remuneration	-	16.77	-	-	18.69	-
	Share based Payment	-	3.19	-	-	3.24	-
Aavas Foundation	Contribute as a Settler (CSR)	-	344.00	-	-	180.36	-
Aavas Gratuity Trust	Gratuity Contribution	-	596.11	-	-	-	-

Note :The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

35 **Details of dues to micro and small enterprises as defined under the MSMED Act, 2006**

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises for the year ended March 31, 2021

36 The Group's pending litigations comprise of claims against the Group primarily by the customers. The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The Group does not expect the outcome of these proceedings to have a material adverse effect on its financial statements of the Group as at March 31, 2021.

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(Rs. in lakh)

37 **Commitments and contingencies**

a **Capital and other commitments:**

Particulars	As at March 31, 2021		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	62.69	20.88	41.81
Other intangible assets	43.89	37.37	6.52

Particulars	As at March 31, 2020		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	3.11	-	3.11
Other intangible assets	15.68	-	15.68

Refer note 3(iii) for undisbursed commitment relating to loans.

b There are no Contingent Liability as on March 31, 2021 (March 31, 2020 Rs. Nil)

38 **Expenditure in Foreign currency**

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Interest paid	1,796.18	1,786.39
Other Expenses	33.08	53.38

39 **CSR expenses**

Operating expenses include Rs. 475.80 lakh for the Year ended March 31, 2021 (P.Y. Rs. 312.74 lakh) towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. Gross Amount (including deficit of previous year) required to be spent by the Group during the year is Rs. 475.51 lakh. (P.Y. Rs. 449.23 lakh).

The details of amount spent during the respective year towards CSR are as under:

Particulars	March 31, 2021			March 31, 2020		
	Amount Spent	Yet to be paid	Total	Amount Spent	Yet to be paid	Total
Construction/acquisition of any asset	Nil	Nil	Nil	Nil	Nil	Nil
On purposes other than above	475.80	0.00	475.80	431.97	17.26	449.23

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Notes to the Consolidated Financial Statements for the year ended March 31, 2021

(Rs. in lakh)

40 Statutory Company information

Name of the entity in the Group	As at March 31, 2021		For the year ended March 31, 2021					
	Net Assets, i.e., total assets minus total liabilities		Share in profit and Loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit & loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total other comprehensive income	Amount
Parent								
Aavas Financiers Limited		2,40,140.48		28,949.52		83.40		29,032.92
Less: Inter Company elimination		(450.00)		-		-		-
Net of Elimination	99.84%	2,39,690.48	100.20%	28,949.52	100.00%	83.40	100.20%	29,032.92
Subsidiary								
Indian								
Aavas Finserv Limited	0.16%	390.55	-0.20%	(57.60)	0.00%	-	-0.20%	(57.60)
Total	100.00%	2,40,081.03	100.00%	28,891.92	100.00%	83.40	100.00%	28,975.32

Name of the entity in the Group	As at March 31, 2020		For the year ended March 31, 2020					
	Net Assets, i.e., total assets minus total liabilities		Share in profit and Loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit & loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total other comprehensive income	Amount
Parent								
Aavas Financiers Limited		2,09,793.36		24,912.09		(5.22)		24,906.87
Less: Inter Company elimination		(450.00)		-		-		-
Net of Elimination	99.79%	2,09,343.36	100.03%	24,912.09	100.00%	(5.22)	100.03%	24,906.87
Subsidiary								
Indian								
Aavas Finserv Limited	0.21%	448.16	-0.03%	(7.93)	0.00%	-	-0.03%	(7.93)
Total	100.00%	2,09,791.52	100.00%	24,904.16	100.00%	(5.22)	100.00%	24,898.94

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(Rs. in lakh)

41 Fair value measurement

41(a) Valuation Principles

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/ indirectly 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.

41(b) Fair Value of financial instruments which are not measured at Fair Value

The carrying amounts and fair value of the Group's financial instruments are reasonable approximations of fair values at financial statement level.

Valuation methodologies of financial instruments not measured at fair value

Loans

Most of the loans are repriced frequently, with interest rate of loans reflecting current market pricing. Hence carrying value of loans is deemed to be equivalent of fair value.

Borrowings

The Group's most of the borrowings are at floating rate which approximates the fair value.
Debt securities and subordinate liabilities are fixed rate borrowings and fair value of these fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rates charged for similar new loans and carrying value approximates the fair value for fixed rate borrowing at financial statement level.

Short Term and Other Financial Assets and Liabilities

The management assessed that cash and cash equivalents, investments, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Assets held for sale

Real estate properties are valued based on a well progressed sale process with price quotes from real estate agents.

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(Rs. in lakh)

42 Transfer of Financial assets

Transfers of financial assets that are not derecognised in their entirety

Securitisation:

The Group uses securitisations as a source of finance. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities. Securitisation has resulted in the continued recognition of the securitised assets.

The table below outlines the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

Loans and advances measured at amortised cost	As at March 31, 2021	As at March 31, 2020
Carrying amount of transferred assets measured at amortised cost	9,303.97	10,684.14
Carrying amount of associated liabilities	(8,930.71)	(10,251.62)

The carrying amount of above assets and liabilities is a reasonable approximation of fair value.

Assignment Deal:

During the year ended March 31, 2021, the Group has sold some loans and advances measured at amortised cost as per assignment deals, as a source of finance. As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been derecognised from the Group's balance sheet.

The management has evaluated the impact of assignment transactions done during the year for its business model. Based on the future business plan , the Group business model remains to hold the assets for collecting contractual cash flows.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain on derecognition.

Loans and advances measured at amortised cost	Year ended March 31, 2021	Year ended March 31, 2020
Carrying amount of derecognised financial assets	62,454.90	73,859.15
Gain from derecognition	8,635.53	7,658.88

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(Rs. in lakh)

43 Capital management:

For the purpose of the Group's capital management, capital includes issued equity capital, Securities premium and all other equity reserves attributable to the equity holders of the Group net of intangible assets. The primary objective of the Group's capital management is safety and security of share capital and maximize the shareholder value.

The Group manages its capital structure in light of changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, which is total debt divided by net worth. The Group's policy is to keep the gearing ratio at reasonable level of 6-8 times in imminent year while Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021 currently permits HFCs to 13 times of their net owned funds ("NOF"). The Group includes with in debt, its all interest bearing loans and borrowings.

Debt to net worth ratio

(Rs. in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Debts	6,36,157.24	5,38,159.07
Net worth	2,39,694.92	2,09,336.78
Debt to Net worth (in times)	**2.65**	**2.57**

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

44 Financial risk management objectives and policies

The Group's Principal financial liabilities comprise loans and borrowings. The main purpose of these financial liabilities is to finance the Group's operations. At the other hand Group's Principal financial assets include loans and cash and cash equivalents that derive directly from its operations.

As a lending institution, Group is exposed to various risks that are related to lending business and operating environment. The Principal Objective in Group's risk management processes is to measure and monitor the various risks that Group is subject to and to follow policies and procedures to address such risks. Group 's risk management framework is driven by Board and its subcommittees including the Audit Committee, the Asset Liability Management Committee and the Risk Management Committee. Group gives due importance to prudent lending practices and have implemented suitable measures for risk mitigation, which include verification of credit history from credit information bureaus, personal verification of a customer's business and residence, technical and legal verifications, conservative loan to value, and required term cover for insurance. The major types of risk Group face in businesses are liquidity risk, credit risk, interest rate risk.

(A) Liquidity risk

Liquidity Risk refers to the risk that the Group can not meet its financial obligations. The objective of Liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirement. The unavailability of adequate amount of funds at optimum cost and co-terminus tenure to repay the financial liabilities and further growth of business resultantly may face an Asset Liability Management (ALM) mismatch caused by a difference in the maturity profile of Group assets and liabilities. This risk may arise from the unexpected increase in the cost of funding an asset portfolio at the appropriate maturity and the risk of being unable to liquidate a position in a timely manner and at a reasonable price. The Group manages liquidity risk by maintaining adequate cash reserves and undrawn credit facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group has given cash collateral for the securitisation transactions and do not expect any net cash outflow and hence guarantees given for securitisation transactions have not been shown as part of below table. Further, undisbursed loan amount being cancellable in nature are not disclosed as part of below mentioned maturity profile.

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Notes to the Consolidated Financial Statements for the year ended March 31, 2021

(Rs. in lakh)

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial liabilities.

Maturity profile of Financial liabilities as on March 31, 2021			
Particulars	Borrowings	Payables	Other Financial liabilities
1 Day to 1 year	1,41,269.45	285.40	11,790.45
Over 1 year to 3 years	2,53,845.79	-	81.23
Over 3 year to 5 years	2,26,580.56	-	-
Over 5 year to 7 years	1,13,377.06	-	-
Over 7 year to 10 years	57,006.12	-	-
Over 10 years	3,022.38	-	-
Total	**7,95,101.36**	**285.40**	**11,871.68**

Maturity profile of Financial liabilities as on March 31, 2020			
Particulars	Borrowings	Payables	Other Financial liabilities
1 Day to 1 year	1,07,861.53	1,737.64	10,612.53
Over 1 year to 3 years	2,07,214.96	-	82.25
Over 3 year to 5 years	2,10,922.09	-	-
Over 5 year to 7 years	1,08,327.16	-	-
Over 7 year to 10 years	62,532.14	-	-
Over 10 years	5,856.11	-	-
Total	**7,02,713.99**	**1,737.64**	**10,694.78**

(B) Credit risk

Credit Risk arises from the risk of loss that may occur from the default of Group's customers under loan agreements. Customer defaults and inadequate collateral may lead to higher credit impaired assets. Group address credit risks by using a set of credit norms and policies, which are approved by Board and backed by analytics and technology. Group has implemented a structured and standardized credit approval process, including customer selection criteria, comprehensive credit risk assessment and cash flow analysis, which encompasses analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of a potential customer. Actual credit exposures, credit limits and asset quality are regularly monitored and analysed at various levels. Group has created a robust credit assessment and underwriting practice that enables to fairly price credit risks.

The Group has created more than 60 templates of customer profiles through its experience over the years, with risk assessment measures for each geography in which it operates. The Group continuously seek to develop and update such profiles in order to identify and source reliable customers and improve efficiencies. The Group also conduct an analysis of the existing cash flow of customer's business to assess their repayment abilities. The Group has implemented a four prong system of credit assessment comprising underwriting, legal assessments, technical assessments and a risk containment unit.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was Rs. 7,76,503.25 lakh and Rs. 637,252.82 lakh as of March 31, 2021 and March 31, 2020 respectively, being the total of the carrying amount of Loan assets and EIS receivable.

(C) Analysis of risk concentration

The Group's concentrations of risk are managed based on Loan to value (LTV) segregation as well as geographical spread. The following tables stratify credit exposures from housing and other loans to customers by range of loan-to-value (LTV) ratio .LTV is calculated as the ratio of gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral.

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Notes to the Consolidated Financial Statements for the year ended March 31, 2021

(Rs. in lakh)

Loans to customers:

LTV wise bifurcation:

As at March 31, 2021

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,83,044.17	4,554.31	1,415.06	1,89,013.54
41%-60%	2,62,339.39	7,166.52	2,189.00	2,71,694.91
61%-80%	2,37,807.21	8,053.61	3,182.19	2,49,043.01
More than 80%	44,610.28	2,319.70	605.11	47,535.09
Total	**7,27,801.05**	**22,094.14**	**7,391.36**	**7,57,286.55**

As at March 31, 2020

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,67,254.42	1,434.12	382.16	1,69,070.70
41%-60%	2,17,085.38	2,326.45	944.08	2,20,355.91
61%-80%	1,93,723.67	2,540.09	1,396.93	1,97,660.69
More than 80%	32,774.79	206.57	118.01	33,099.37
Total	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**

Customer profile

As at March 31, 2021

Customer profile	Stage 1	Stage 2	Stage 3	Total
HOUSING:				
Salaried	2,45,304.46	3,653.91	1,107.99	2,50,066.36
Self employed	3,00,342.82	11,336.11	4,560.28	3,16,239.21
NON-HOUSING:				
Salaried	54,076.65	1,128.74	233.18	55,438.57
Self employed	1,28,077.12	5,975.38	1,489.91	1,35,542.41
Total	**7,27,801.05**	**22,094.14**	**7,391.36**	**7,57,286.55**

As at March 31, 2020

Customer profile	Stage 1	Stage 2	Stage 3	Total
HOUSING:				
Salaried	1,76,197.40	1,073.49	437.81	1,77,708.70
Self employed	2,82,184.37	3,694.34	1,989.60	2,87,868.31
NON-HOUSING:				
Salaried	37,689.31	331.87	70.46	38,091.64
Self employed	1,14,767.18	1,407.53	343.31	1,16,518.02
Total	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**

Loan Commitments:

LTV wise bifurcation:

As at March 31, 2021

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	8,785.08	35.39	12.99	8,833.46
41%-60%	14,424.72	44.23	64.62	14,533.57
61%-80%	7,269.16	103.11	68.44	7,440.71
More than 80%	1,308.66	59.08	13.72	1,381.46
Total	**31,787.62**	**241.81**	**159.77**	**32,189.20**

S.R. BATLIBOI & ASSOCIATES LLP
MUMBAI
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(Rs. in lakh)

As at March 31, 2020

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	7,275.64	2.18	-	7,277.82
41%-60%	11,534.90	4.82	5.14	11,544.86
61%-80%	6,422.46	52.67	3.21	6,478.34
More than 80%	927.43	9.43	2.74	939.60
Total	**26,160.43**	**69.10**	**11.09**	**26,240.62**

Customer profile:

As at March 31, 2021

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	13,736.27	52.79	45.10	13,834.16
Self employed	18,051.35	189.03	114.66	18,355.04
Total	**31,787.62**	**241.82**	**159.76**	**32,189.20**

As at March 31, 2020

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	9,203.91	29.28	6.38	9,239.57
Self employed	16,956.52	39.82	4.71	17,001.05
Total	**26,160.43**	**69.10**	**11.09**	**26,240.62**

(D) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Group's exposure to market risk is primarily on account of interest rate risk.

(I) Interest Rate Risk:-

The Group is subject to interest rate risk, primarily since it lends to customers at rates and for maturity years that may differ from funding sources. Interest rates are highly sensitive to many factors beyond control, including the monetary policies of the Reserve Bank of India, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. In order to manage interest rate risk, the Group seek to optimize borrowing profile between short-term and long-term loans. The Group adopts funding strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. Assets and liabilities are categorized into various time buckets based on their maturities and Asset Liability Management Committee supervise an interest rate sensitivity report periodically for assessment of interest rate risks.

Due to the very nature of housing finance, the Group is exposed to moderate to higher Interest Rate Risk. This risk has a major impact on the balance sheet as well as the income statement of the Group. Interest Rate Risk arises due to:

i) Changes in Regulatory or Market Conditions affecting the interest rates
ii) Short term volatility
iii) Prepayment risk translating into a reinvestment risk
iv) Real interest rate risk.

In short run, change in interest rate affects Group's earnings (measured by NII or NIM) and in long run it affects Market Value of Equity (MVE) or net worth. It is essential for the Group to not only quantify the interest rate risk but also to manage it proactively. The Group mitigates its interest rate risk by keeping a balanced portfolio of fixed and variable rate loans and borrowings. Further Group carries out Earnings at risk analysis and maturity gap analysis at quarterly intervals to quantify the risk.

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(Rs. in lakh)

Interest Rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Group's statement of profit and loss:

Particulars	Basis Points	Effect on Profit before tax
Loans		
Increase in basis points	50	2,342.03
Decrease in basis points	-50	(2,339.13)
Borrowings		
Increase in basis points	50	(1,438.19)
Decrease in basis points	-50	1,438.19

(II) Foreign currency risk

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

(E) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information system; technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses or reputation problems. Operational risk exists in all products and business activities.

The Group recognizes that operational risk event types that have the potential to result in substantial losses includes Internal fraud, External fraud, employment practices and workplace safety, clients, products and business practices, business disruption and system failures, damage to physical assets, and finally execution, delivery and process management.

The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

45 Impact of COVID-19

COVID-19 pandemic had led to a significant volatility in global and Indian financial markets and a significant decrease in global & local economic activities, which may persist. Based on the information available till date, the Group has used the principles of prudence to provide for the impact of pandemic on the Financial Statements specifically while assessing the expected credit loss on financial assets by applying management overlays, approved by its Board of Directors. This has resulted in an additional provision of Rs. 1458.87 lakh (P.Y. Rs. 443.75 lakh) against financial assets during the year, taking the overall additional provision of INR 1,902.62 lakh as of March 31, 2021. The extent to which COVID-19 pandemic will continue to impact the Group's operations and financial metrics will depend on future developments, which are highly uncertain.

In accordance with the COVID-19 Regulatory Packages announced by RBI on March 27, 2020, April 17, 2020 and May 23, 2020, the Group has offered moratorium on the payment of all installments and/or interest, as applicable, falling due between March 01, 2020 and August 31, 2020 to all eligible borrowers. For all such accounts that were granted moratorium, the prudential assets classification remained standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under Income Recognition, Asset Classification and Provisioning Norms).

MUMBAI

AAVAS FINANCIERS LIMITED
Notes to the Consolidated Financial Statements for the year ended March 31, 2021

(Rs. in lakh)

46 Disclosures as required by RBI circular dated April 17, 2020 'COVID-19 Regulatory Package-Asset Classification and Provisioning' are given below:

Particulars	(INR in Lakh)	
	As at	
	31.03.2021	31.03.2020
Amount in SMA/Overdue categories as of February 29, 2020*	16,767.30	16,767.30
Advances outstanding in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the circular (as of February 29, 2020)	16,516.30	15,486.39
Respective amount where asset classification benefit is extended (as of March 31, 2021 /March 31, 2020)	7,837.23	722.44
Provision made in terms of paragraph 5 of the circular (As per para 4, applicable to HFC's covered under Ind AS) (as of March 31, 2021 /March 31, 2020) **	1,902.62	443.75
Provisions adjusted against slippages in terms of paragraph 6 of the circular	-	-
Residual provisions as of March 31, 2021 /March 31, 2020 in terms of paragraph 6 of the circular	1,902.62	443.75

*SMA/Overdue category includes - Cases (1-90 days past due (DPD))
**This includes overall additional provision on account of COVID-19

47 The Group has not invoked or implemented resolution plan under the "Resolution Framework for COVID-19 related Stress" as per RBI circular dated August 6, 2020 for any of its borrower accounts.

48 In accordance with the instructions of RBI circular no. DOR.STR.REC.4/21.04.048/2021-22 dated April 07, 2021, the Group shall refund / adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the methodology for calculation of the amount of such 'interest on interest' has been recently circulated by the Indian Banks Association (IBA). The Company is in the process of suitably implementing this methodology and has created a liability of Rs 13.47 lakh towards estimated interest relief and reduced the same from the interest income for the year ended March 31, 2021.

49 Previous year figures have been regrouped/ reclassified wherever applicable.

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sarvesh Warty

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Date: April 29, 2021

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur