DRAFT RED HERRING PROSPECTUS
Dated July 15, 2021
(This Draft Red Herring Prospectus will be updated upon filing with the RoC)
Please read Section 32 of the Companies Act, 2013
100% Book Built Offer

NORTHERN ARC CAPITAL LIMITED

Our Company was incorporated on March 9, 1989 at Madras, India as 'Highland Leasing & Finance Private Limited', a private limited company under the Companies Act, 1956 and was granted a certificate of incorporation by the Registrar of Companies, Tamil Nadu at Chennai ("**RoC**"). The name of our Company was changed to 'IFMR Capital Finance Private Limited' and a fresh certificate of incorporation dated June 19, 2009 was issued by the RoC. Our Company was then converted into a public limited company under the Companies Act, 2013, and consequently, the name of our Company was changed to 'IFMR Capital Finance Limited' and a fresh certificate of incorporation dated December 12, 2017 was issued by the RoC. Subsequently, the name of our Company was changed to 'Northern Arc Capital Limited' and a fresh certificate of incorporation dated February 20, 2018 was issued by the RoC. For further details in relation to changes in the name and the registered office of our Company, see "*History and Certain Corporate Matters*" on page 224. Our Company is registered with the Reserve Bank of India (the "**RBI**") as a non-banking financial company ("**NBFC**") not accepting public deposits (certificate of registration No. B-07.00430). For further details, see "*Government and Other Approvals*" on page 389.

Registered and Corporate Office: No. 1, Kanagam Village, 10th Floor, IITM Research Park, Taramani, Chennai 600 113, Tamil Nadu, India
Contact Person: Srividhya Ramaswamy, Company Secretary and Compliance Officer
Tel: +91 44 6668 7000; **E-mail:** investors@northernarc.com; **Website:** https://www.northernarc.com/
Corporate Identity Number: U65910TN1989PLC017021

OUR COMPANY IS A PROFESSIONALLY MANAGED COMPANY AND DOES NOT HAVE AN IDENTIFIABLE PROMOTER

INITIAL PUBLIC OFFERING OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF NORTHERN ARC CAPITAL LIMITED (OUR "COMPANY" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹[●] PER EQUITY SHARE (INCLUDING A PREMIUM OF ₹[●] PER EQUITY SHARE) (THE "OFFER PRICE") AGGREGATING UP TO ₹[●] MILLION (THE "OFFER") COMPRISING A FRESH ISSUE OF UP TO [●] EQUITY SHARES BY OUR COMPANY AGGREGATING UP TO ₹3,000 MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO 36,520,585 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION COMPRISING AN OFFER FOR SALE OF UP TO 8,987,093 EQUITY SHARES BY LEAPFROG FINANCIAL INCLUSION INDIA (II) LTD, UP TO 2,310,191 EQUITY SHARES BY ACCION AFRICA-ASIA INVESTMENT COMPANY, UP TO 7,076,499 EQUITY SHARES BY AUGUSTA INVESTMENTS II PTE. LTD., UP TO 4,083,812 EQUITY SHARES BY EIGHT ROADS INVESTMENTS MAURITIUS II LIMITED, UP TO 3,864,160 EQUITY SHARES BY DVARA TRUST, UP TO 5,041,455 EQUITY SHARES BY IIFL SPECIAL OPPORTUNITIES FUND, UP TO 1,231,710 EQUITY SHARES BY IIFL SPECIAL OPPORTUNITIES FUND – SERIES 2, UP TO 541,805 EQUITY SHARES BY IIFL SPECIAL OPPORTUNITIES FUND – SERIES 3, UP TO 1,862,128 EQUITY SHARES BY IIFL SPECIAL OPPORTUNITIES FUND – SERIES 4 AND UP TO 1,521,732 EQUITY SHARES BY IIFL SPECIAL OPPORTUNITIES FUND – SERIES 5 (COLLECTIVELY REFERRED TO AS THE "SELLING SHAREHOLDERS", AND EACH INDIVIDUALLY, AS A "SELLING SHAREHOLDER" AND SUCH OFFER FOR SALE OF EQUITY SHARES BY THE SELLING SHAREHOLDERS, THE "OFFER FOR SALE"). THE OFFER INCLUDES A RESERVATION OF UP TO [●] EQUITY SHARES, AGGREGATING UP TO ₹[●] MILLION, FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES NOT EXCEEDING 5% OF OUR POST-OFFER PAID-UP EQUITY SHARE CAPITAL (THE "EMPLOYEE RESERVATION PORTION"). THE OFFER LESS THE EMPLOYEE RESERVATION PORTION IS HEREINAFTER REFERRED TO AS THE "NET OFFER". THE OFFER AND THE NET OFFER SHALL CONSTITUTE [●]% AND [●]%, RESPECTIVELY, OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.

OUR COMPANY MAY, AT ITS DISCRETION, CONSIDER ISSUING EQUITY SHARES ON A PRIVATE PLACEMENT BASIS FOR CASH CONSIDERATION AGGREGATING UP TO ₹1,500 MILLION, PRIOR TO FILING OF THE RED HERRING PROSPECTUS WITH THE ROC (THE "PRE-IPO PLACEMENT"). THE PRICE OF THE EQUITY SHARES ALLOTTED PURSUANT TO THE PRE-IPO PLACEMENT SHALL BE DETERMINED BY OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS ("BRLMS"). IF THE PRE-IPO PLACEMENT IS COMPLETED, THE AMOUNT RAISED PURSUANT TO THE PRE-IPO PLACEMENT WILL BE REDUCED FROM THE FRESH ISSUE, SUBJECT TO COMPLIANCE WITH RULE 19(2)(b) OF THE SECURITIES CONTRACTS (REGULATION) RULES, 1957, AS AMENDED (THE "SCRR").

THE FACE VALUE OF THE EQUITY SHARE IS ₹ 10 EACH AND THE OFFER PRICE IS [●] TIMES THE FACE VALUE OF EQUITY SHARES. THE PRICE BAND AND THE MINIMUM BID LOT WILL BE DECIDED BY OUR COMPANY IN CONSULTATION WITH THE BRLMS AND WILL BE ADVERTISED IN [●] EDITIONS OF THE ENGLISH NATIONAL DAILY NEWSPAPER, [●], [●] EDITIONS OF THE HINDI NATIONAL DAILY NEWSPAPER, [●] AND [●] EDITIONS OF THE TAMIL DAILY NEWSPAPER [●] (TAMIL BEING THE REGIONAL LANGUAGE OF TAMIL NADU, WHERE OUR REGISTERED AND CORPORATE OFFICE IS LOCATED), EACH WITH WIDE CIRCULATION, AT LEAST TWO WORKING DAYS PRIOR TO THE BID/OFFER OPENING DATE AND SUCH ADVERTISEMENT SHALL BE MADE AVAILABLE TO THE BSE LIMITED (THE "BSE") AND THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED (THE "NSE", AND TOGETHER WITH THE BSE, THE "STOCK EXCHANGES") FOR THE PURPOSE OF UPLOADING ON THEIR RESPECTIVE WEBSITES.

In case of any revision in the Price Band, the Bid/Offer Period will be extended by at least three additional Working Days after such revision of the Price Band, subject to the Bid/Offer Period not exceeding 10 Working Days. In cases of force majeure, banking strike or similar circumstances, our Company may, in consultation with the BRLMs, for reasons to be recorded in writing, extend the Bid/Offer Period for a minimum of three Working Days, subject to the Bid/ Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/Offer Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice, and also by indicating the change on the respective websites of the BRLMs and at the terminals of the Syndicate Members and by intimation to the other Designated Intermediaries and the Sponsor Bank, as applicable.

The Offer is being made through the Book Building Process, in terms of Rule 19(2)(b) of the SCRR read with Regulation 31 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the "**SEBI ICDR Regulations**") and in compliance with Regulation 6(1) of the SEBI ICDR Regulations, wherein not more than 50% of the Net Offer shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("**QIBs**", and such portion, the "**QIB Portion**"), provided that our Company may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis, in accordance with the SEBI ICDR Regulations (the "**Anchor Investor Portion**"), of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price, in accordance with the SEBI ICDR Regulations. In the event of under-subscription or non-allocation in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. Further, 5% of the Net QIB Portion shall be available for allocation on a proportionate basis only to Mutual Funds, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, if the aggregate demand from the Mutual Funds is less than 5% of the Net QIB Portion, the balance Equity Shares available for allocation will be added to the remaining QIB Portion for proportionate allocation to QIBs. Further, not less than 15% of the Net Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Offer shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price. Further, up to [●] Equity Shares will be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received from them at or above the Offer Price. All Bidders, other than Anchor Investors, are required to mandatorily utilize the Application Supported by Blocked Amount ("**ASBA**") process by providing details of their respective ASBA accounts and UPI ID (in case of Retail Individual Bidders using the UPI mechanism), if applicable, in which the corresponding Bid Amounts will be blocked by the self-certified syndicate banks ("**SCSBs**") or under the UPI Mechanism, as applicable, to participate in the Offer. Anchor Investors are not permitted to participate in the Anchor Investor Portion through the ASBA process. See "*Offer Procedure*", beginning on page 420.

RISK IN RELATION TO THE FIRST OFFER

This being the first public issue of Equity Shares of our Company, there has been no formal market for the Equity Shares. The face value of the Equity Shares is ₹10 each. The Floor Price, Cap Price and Offer Price should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active or sustained trading in the Equity Shares nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in the Offer unless they can afford to take the risk of losing their entire investment. Investors are advised to read the risk factors carefully before taking an investment decision in the Offer. For taking an investment decision, investors must rely on their own examination of our Company and the Offer, including the risks involved. The Equity Shares in the Offer have not been recommended or approved by the Securities and Exchange Board of India (the "**SEBI**"), nor does the SEBI guarantee the accuracy or adequacy of the contents of this Draft Red Herring Prospectus. Specific attention of the investors is invited to "*Risk Factors*" beginning on page 25.

ISSUER'S AND SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to our Company and the Offer, which is material in the context of the Offer, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. Further, each Selling Shareholder, severally and not jointly, accepts responsibility for and confirms the statements made or undertaken expressly by it in this Draft Red Herring Prospectus to the extent of information specifically pertaining to it and its respective portion of the Offered Shares and assumes responsibility that such statements are true and correct in all material respects and not misleading in any material respect.

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on the Stock Exchanges. Our Company has received an 'in-principle' approval from each of the BSE and the NSE for the listing of the Equity Shares pursuant to their letters dated [●] and [●], respectively. For the purposes of the Offer, the Designated Stock Exchange shall be [●]. A signed copy of the Red Herring Prospectus and the Prospectus shall be delivered to the RoC in accordance with the Companies Act. For details of the material contracts and documents that will be available for inspection from the date of the Red Herring Prospectus up to the Bid/Offer Closing Date, see "*Material Contracts and Documents for Inspection*" beginning on page 456.

BOOK RUNNING LEAD MANAGERS				REGISTRAR TO THE OFFER
Axis Capital Limited 1st Floor, Axis House C 2 Wadia International Centre Pandurang Budhkar Marg, Worli Mumbai 400 025 Maharashtra, India Tel: +91 22 4325 2183 E-mail: northernarc.ipo@axiscap.in Investor grievance e-mail: complaints@axiscap.in Website: www.axiscapital.co.in Contact Person: Mayuri Arya SEBI Registration No.: INM000012029	**Credit Suisse Securities (India) Private Limited** 9th Floor, Ceejay House Plot F, Shivsagar Estate Dr. Annie Besant Road, Worli Mumbai 400 018 Maharashtra, India Tel: +91 22 6777 3885 E-mail: list.northernarccapitalipo@credit-suisse.com Investor grievance e-mail: list.igcellmer-bnkg@credit-suisse.com Website: www.credit-suisse.com Contact Person: Abhishek Joshi SEBI Registration No.: INM000011161	**IIFL Securities Limited*** 10th Floor, IIFL Centre, Kamala City Senapati Bapat Marg, Lower Parel (West) Mumbai 400 013 Maharashtra, India Tel: +91 22 4646 4600 E-mail: narc.ipo@iiflcap.com Investor grievance e-mail: ig.ib@iiflcap.com Website: www.iiflcap.com Contact Person: Aditya Agarwal /Harshvardhan Jain SEBI Registration No.: INM000010940	**SBI Capital Markets Limited** 202, Maker Tower "E" Cuffe Parade Mumbai 400 005 Maharashtra, India Tel: +91 22 2217 8300 E-mail: northernarc.ipo@sbicaps.com Investor grievance e-mail: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Karan Savardekar / Sambit Rath SEBI Registration No.: INM000003531	**KFin Technologies Private Limited (formerly known as Karvy Fintech Private Limited)** Selenium, Tower-B Plot No. 31 & 32, Financial District Nanakramguda, Serilingampally Hyderabad, Rangareddi 500 032 Telangana, India Tel: +91 40 6716 2222 E-mail: nacl.ipo@kfintech.com Investor grievance e-mail: einward.ris@kfintech.com Website: www.kfintech.com Contact Person: M Murali Krishna SEBI Registration No.: INR000000221

BID/OFFER PROGRAMME

BID/OFFER OPENS ON: [●](1)	**BID/OFFER CLOSES ON: [●](2)**

(1) *Our Company, in consultation with the BRLMs, may consider participation by Anchor Investors in accordance with the SEBI ICDR Regulations. The Anchor Investor Bid/Offer Period will be one Working Day prior to the Bid/Offer Opening Date.*
(2) *Our Company, in consultation with the BRLMs, may consider closing the Bid/Offer Period for QIBs one Working Day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations.*
* *In compliance with the proviso to Regulation 21A of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, as amended ("**SEBI Merchant Bankers Regulations**") and Regulation 23(3) of the SEBI ICDR Regulations, IIFL will be involved only in marketing of the Offer.*

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

This Draft Red Herring Prospectus uses certain definitions and abbreviations which, unless otherwise specified or the context otherwise indicates, requires or implies, shall have the meanings as provided below. References to any legislation, act, regulation, rule, guideline, policy, circular, notification or clarification shall be deemed to include all amendments, supplements, re-enactments and modifications thereto, from time to time, and any reference to a statutory provision shall include any subordinate legislation made from time to time thereunder. The words and expressions used but not defined in this Draft Red Herring Prospectus will have the same meaning as assigned to such terms under the Companies Act, the SEBI Act, the SEBI ICDR Regulations, the SCRA, the Depositories Act and the rules and regulations made thereunder, as applicable.

Notwithstanding the foregoing, the terms used in "Industry Overview", "Key Regulations and Policies", "Statement of Possible Special Tax Benefits", "Financial Statements", "Basis for Offer Price", "History and Certain Corporate Matters", "Financial Indebtedness", "Selected Statistical Information", "Other Regulatory and Statutory Disclosures", "Outstanding Litigation and Material Developments" and "Description of Equity Shares and Terms of the Articles of Association" on pages 113, 206, 109, 256, 106, 224, 327, 367, 392, 383 and 442, respectively, shall have the respective meanings ascribed to them in the relevant sections.

General Terms

Term	Description
"Our Company" or "the Company" or "the Issuer" or "Northern Arc"	Northern Arc Capital Limited, a company incorporated under the Companies Act, 1956, whose registered and corporate office is situated at No. 1, Kanagam Village, 10th Floor, IITM Research Park, Taramani, Chennai 600 113, Tamil Nadu, India
"We" or "us" or "our"	Unless the context otherwise requires or implies, refers to our Company together with our Subsidiaries

Company Related Terms

Term	Description
"AoA" or "Articles" or "Articles of Association"	The articles of association of our Company, as amended
Accion	Accion Africa-Asia Investment Company
Augusta	Augusta Investments II Pte. Ltd
ALCO	Our Company's assets and liabilities committee
Audit Committee	The audit committee of our Board of Directors as described in "*Our Management*" beginning on page 239
"Auditors" or "Statutory Auditors"	The statutory auditors of our Company, namely, B S R & Co. LLP, Chartered Accountants
"Board" or "Board of Directors"	The board of directors of our Company
CCPS	Compulsorily convertible preference shares of face value of ₹20 each of our Company
"Chief Executive Officer" or "CEO"	Our Company's chief executive officer, Dr. Kshama Fernandes
"Chief Financial Officer" or "CFO"	Our Company's chief financial officer, Atul Tibrewal
CNCCRPS	Cumulative non-convertible compulsorily redeemable preference shares of face value of ₹20 each of our Company
Company Secretary and Compliance Officer	Our Company's company secretary and compliance officer, Srividhya Ramaswamy
Corporate Social Responsibility Committee	The corporate social responsibility committee of our Board as described in "*Our Management*" beginning on page 244
Director(s)	The director(s) on our Board
DKGFS	Dvara Kshetriya Gramin Financial Services Private Limited
DRF	Dvara Research Foundation
Eight Roads	Eight Roads Investments Mauritius II Limited
Equity Shares	Equity shares of face value of ₹10 each of our Company

Term	Description
ESOP Plan 2016	Northern Arc Employees Stock Option Plan 2016, as amended, as described in "*Capital Structure – Notes to Capital Structure – Employee Stock Option Schemes*" on page 94
ESOP Schemes	The employee stock option schemes instituted by our Company under the ESOP Plan 2016, namely, Northern Arc Employee Stock Option Scheme 2016 – "Scheme I", the Northern Arc Employee Stock Option Scheme 2016 – "Scheme II" and the Northern Arc Employee Stock Option Scheme 2018 – "Scheme– III", each as amended
Executive Director(s)	The executive director(s) on our Board
Group Companies	Our group companies, namely, DKGFS and DRF, as disclosed in "*Our Group Companies*" beginning on page 252
IIFL Funds	IIFL Special Opportunities Fund, IIFL Special Opportunities Fund - Series 2, IIFL Special Opportunities Fund - Series 3, IIFL Special Opportunities Fund - Series 4, IIFL Special Opportunities Fund - Series 5, IIFL Special Opportunities Fund - Series 6, and IIFL Special Opportunities Fund - Series 7
IIFL SS Funds	IIFL Special Opportunities Fund, IIFL Special Opportunities Fund - Series 2, IIFL Special Opportunities Fund - Series 3, IIFL Special Opportunities Fund - Series 4, and IIFL Special Opportunities Fund - Series 5
IPO Committee	The initial public offering committee of our Board of Directors
"Key Managerial Personnel" or "KMP"	Key managerial personnel of our Company in terms of Regulation 2(1)(bb) of the SEBI ICDR Regulations, including key managerial personnel under Section 2(51) of the Companies Act and as disclosed in "*Our Management*" beginning on page 233
LeapFrog	LeapFrog Financial Inclusion India (II) Ltd
Managing Director	Our Company's managing director, Dr. Kshama Fernandes
"MoA" or "Memorandum" or "Memorandum of Association"	The memorandum of association of our Company, as amended
NAF	Northern Arc Foundation
NAIA	Northern Arc Investment Adviser Services Private Limited
NAIM	Northern Arc Investment Managers Private Limited
Nomination and Remuneration Committee	The nomination and remuneration committee of our Board as described in "*Our Management*" beginning on page 241
"Non-Executive Independent Director(s)" or "Independent Directors(s)"	The non-executive independent director(s) on our Board
Non-Executive Nominee Director(s)	The non-executive nominee director(s) on our Board
Pragati	Pragati Finserv Private Limited
Principal Shareholders	Shareholders who control 15% or more of the voting rights in our Company as of the date of this Draft Red Herring Prospectus, namely LeapFrog, Augusta and the IIFL Funds
Registered and Corporate Office	The registered and corporate office of our Company, which is located at No. 1, Kanagam Village, 10th Floor, IITM Research Park, Taramani, Chennai 600 113, Tamil Nadu, India
"Registrar of Companies" or "RoC"	The Registrar of Companies, Tamil Nadu at Chennai
Restated Consolidated Financial Information	The restated consolidated statement of assets and liabilities of the Company as at March 31, 2021, March 31, 2020 and March 31, 2019, the restated consolidated statement of profit and loss (including other comprehensive income), the restated consolidated statement of changes in equity, the restated consolidated statement of cash flow, each for the years ended March 31, 2021, March 31, 2020 and March 31, 2019, the summary statement of significant accounting policies and other explanatory information have been prepared specifically for inclusion in this Draft Red Herring Prospectus prepared by the Company in connection with its proposed initial public offering of equity shares in accordance with Section 26 of Part I of Chapter III of the Companies Act, 2013, the SEBI ICDR Regulations, and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the ICAI
Scheme	The scheme of arrangement (demerger) and amalgamation among our Company, IFMR Holdings Private Limited and Dvara Investments Private Limited approved by the National Company Law Tribunal, Single Bench, Chennai through its order dated February 20, 2019 read with the corrigendum dated February 26, 2019 and as disclosed in "*History and Certain Corporate Matters - Details regarding Acquisition or Divestment of Business/Undertakings, Mergers, Amalgamations and Revaluation of Assets - Scheme of arrangement with IFMR Holdings Private Limited and Dvara Investments Private Limited*" on page 229

Term	Description
Selling Shareholders	LeapFrog, Accion, Augusta, Eight Roads, Dvara Trust, IIFL Special Opportunities Fund, IIFL Special Opportunities Fund - Series 2, IIFL Special Opportunities Fund - Series 3, IIFL Special Opportunities Fund - Series 4 and IIFL Special Opportunities Fund - Series 5
Shareholders	The holders of the Equity Shares and CCPS, from time to time
SMBC	Sumitomo Mitsui Banking Corporation
Stakeholders' Relationship Committee	The stakeholders' relationship committee of our Board as described in "*Our Management*" beginning on page 242
Subsidiaries	Subsidiaries of our Company, namely NAF, NAIA, NAIM and Pragati
2019 SHA	The amended and restated shareholders' agreement dated September 6, 2019 by and among our Company, Dvara Trust, Accion, LeapFrog, Eight Roads, Standard Chartered Bank (Singapore Branch), the IIFL Funds, Augusta and SMBC, as amended by the first amendment agreement dated February 18, 2021 entered into by and among our Company, Dvara Trust, Accion, LeapFrog, Eight Roads, the IIFL Funds, Augusta and SMBC and the amendment and termination agreement dated July 7, 2021

Offer Related Terms

Term	Description
Acknowledgement Slip	The slip or document issued by the Designated Intermediary to a Bidder as proof of registration of the Bid cum Application Form
"Allotment" or "Allot" or "Allotted"	Allotment of the Equity Shares pursuant to the Fresh Issue and transfer of the Offered Shares pursuant to the Offer for Sale to the successful Bidders
Allotment Advice	Note or advice or intimation of Allotment sent to each successful Bidder who has been or is to be Allotted the Equity Shares after the Basis of Allotment has been approved by the Designated Stock Exchange
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Anchor Investor	A Qualified Institutional Buyer, applying under the Anchor Investor Portion, in accordance with the SEBI ICDR Regulations and the Red Herring Prospectus, who has Bid for an amount of at least ₹100 million
Anchor Investor Allocation Price	The price at which allocation is done to the Anchor Investors in terms of the Red Herring Prospectus and the Prospectus. The Anchor Investor Allocation Price shall be determined by our Company in consultation with the BRLMs
Anchor Investor Application Form	The form used by an Anchor Investor to make a Bid in the Anchor Investor Portion in accordance with the requirements specified under the SEBI ICDR Regulations and the Red Herring Prospectus
Anchor Investor Bid/Offer Period	One Working Day prior to the Bid/Offer Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor Investors shall be completed
Anchor Investor Offer Price	The final price at which Equity Shares will be Allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which price will be equal to or higher than the Offer Price, but not higher than the Cap Price. The Anchor Investor Offer Price will be decided by our Company in consultation with the BRLMs
Anchor Investor Portion	Up to 60% of the QIB Portion, which may be allocated by our Company, in consultation with the BRLMs, to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price, in accordance with the SEBI ICDR Regulations
"Application Supported by Blocked Amount" or "ASBA"	An application, whether physical or electronic, used by ASBA Bidders to make a Bid and to authorize an SCSB to block the Bid Amount in the relevant ASBA Account and will include applications made by Retail Individual Bidders using the UPI Mechanism where the Bid Amount will be blocked upon acceptance of the UPI Mandate Request by Retail Individual Bidders using the UPI Mechanism
ASBA Account	A bank account maintained with an SCSB by an ASBA Bidder, as specified in the ASBA Form submitted by ASBA Bidders, for blocking the Bid Amount mentioned in the relevant ASBA Form and includes the account of a Retail Individual Bidder, which is blocked upon acceptance of a UPI Mandate Request made by the Retail Individual Bidder using the UPI Mechanism
ASBA Bid	A Bid made by an ASBA Bidder
ASBA Bidder(s)	Bidder(s), except Anchor Investors

Term	Description
ASBA Form	An application form, whether physical or electronic, used by ASBA Bidders which will be considered as the application for Allotment in terms of the Red Herring Prospectus and the Prospectus
Axis Capital	Axis Capital Limited
Banker(s) to the Offer	The Escrow Collection Bank(s), the Refund Bank(s), the Public Offer Account Bank(s) and the Sponsor Bank(s), as the case may be
Basis of Allotment	The basis on which Equity Shares shall be Allotted to successful Bidders under the Offer as described in "*Offer Procedure*" beginning on page 420
Bid	An indication to make an offer during the Bid/Offer Period by ASBA Bidders pursuant to submission of the ASBA Form, or during the Anchor Investor Bid/Offer Period by the Anchor Investors pursuant to submission of the Anchor Investor Application Form, to subscribe to or purchase the Equity Shares at a price within the Price Band, including all revisions and modifications thereto, in accordance with the SEBI ICDR Regulations and the Red Herring Prospectus and the relevant Bid cum application form. The term "Bidding" shall be construed accordingly
Bid Amount	In relation to each Bid, the highest value of the Bids indicated in the Bid cum Application Form and in the case of Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion, Bidding at the Cut-off Price, the Cap Price multiplied by the number of Equity Shares Bid for by such Retail Individual Bidder or Eligible Employees Bidding under the Employee Reservation Portion, and mentioned in the Bid cum Application Form and payable by the Bidder or blocked in the ASBA Account of the ASBA Bidder, as the case may be, upon submission of such Bid. In relation to Bids under the Employee Reservation Portion by Eligible Employees, such Bid Amount shall not exceed ₹500,000. However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000. In the event of under-subscription in the Employee Reservation Portion after the initial allotment, such unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion for a value in excess of ₹200,000, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000
Bid cum Application Form	The Anchor Investor Application Form or the ASBA Form, as the case may be
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
Bid/Offer Closing Date	Except in relation to any Bids received from the Anchor Investors, the date after which the Designated Intermediaries shall not accept any Bids, which shall be notified in [●] editions of the English national daily newspaper [●], [●] editions of the Hindi national daily newspaper [●] and [●] editions of the Tamil daily newspaper [●] (Tamil being the regional language of Tamil Nadu, where our Registered and Corporate Office is located), each with wide circulation. Our Company may, in consultation with the BRLMs, consider closing the Bid/Offer Period for QIBs one Working Day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations. In case of any revision, the extended Bid/Offer Closing Date shall be widely disseminated by notification to the Stock Exchanges and shall also be notified on the websites of the BRLMs and at the terminals of the Syndicate Members and communicated to the Designated Intermediaries and the Sponsor Bank, which shall also be notified in an advertisement in the same newspapers in which the Bid/Offer Opening Date was published, as required under the SEBI ICDR Regulations
Bid/Offer Opening Date	Except in relation to any Bids received from Anchor Investors, the date on which the Designated Intermediaries shall start accepting Bids, which shall be notified in [●] editions of the English national daily newspaper [●], [●] editions of the Hindi national daily newspaper [●] and [●] editions of the Tamil daily newspaper [●] (Tamil being the regional language of Tamil Nadu, where our Registered and Corporate Office is located), each with wide circulation
Bid/Offer Period	Except in relation to Anchor Investors, the period between the Bid/Offer Opening Date and the Bid/Offer Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids, including any revisions thereof
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form and unless otherwise stated or implied, includes an Anchor Investor
Bidding Centres	The centres at which the Designated Intermediaries shall accept the ASBA Forms, i.e., Designated Branches for SCSBs, Specified Locations for the Syndicate, Broker Centres for Registered Brokers, Designated RTA Locations for RTAs and Designated CDP Locations for CDPs

Term	Description
Book Building Process	The book building process, as provided in Schedule XIII of the SEBI ICDR Regulations, in terms of which the Offer is being made
"Book Running Lead Managers" or "BRLMs"	The book running lead managers to the Offer, namely, Axis Capital, Credit Suisse, IIFL* and SBICAP * *In compliance with the proviso to Regulation 21A of the SEBI Merchant Bankers Regulations and Regulation 23(3) of the SEBI ICDR Regulations, IIFL will be involved only in the marketing of the Offer.*
Broker Centres	The broker centres notified by the Stock Exchanges where ASBA Bidders can submit the ASBA Forms to a Registered Broker. The details of such Broker Centres, along with the names and contact details of the Registered Brokers are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com)
"CAN" or "Confirmation of Allocation Note"	A notice or intimation of allocation of the Equity Shares sent to Anchor Investors, who have been allocated the Equity Shares, on or after the Anchor Investor Bid/Offer Period
Cap Price	The higher end of the Price Band, subject to any revision thereto, above which the Offer Price and the Anchor Investor Offer Price will not be finalized and above which no Bids will be accepted
Cash Escrow and Sponsor Bank Agreement	Agreement to be entered among our Company, the Selling Shareholders, the BRLMs, the Bankers to the Offer and Registrar to the Offer for, *inter alia*, collection of the Bid Amounts from Anchor Investors, transfer of funds to the Public Offer Account and where applicable, refunds of the amounts collected from Bidders, on the terms and conditions thereof
Client ID	Client identification number maintained with one of the Depositories in relation to dematerialized account
"Collecting Depository Participant" or "CDP"	A depository participant as defined under the Depositories Act, registered with SEBI and who is eligible to procure Bids at the Designated CDP Locations in terms of the circular (No. CIR/CFD/POLICYCELL/11/2015) dated November 10, 2015 issued by the SEBI as per the list available on the websites of the Stock Exchanges, as updated from time to time
Credit Suisse	Credit Suisse Securities (India) Private Limited
Cut-off Price	The Offer Price finalized by our Company, in consultation with the BRLMs, which shall be any price within the Price Band. Only Retail Individual Bidders bidding in the Retail Portion and the Eligible Employees Bidding in the Employee Reservation Portion are entitled to Bid at the Cut-off Price. No other category of Bidders is entitled to Bid at the Cut-off Price
Demographic Details	The demographic details of the Bidders including the Bidder's address, name of the Bidder's father/husband, investor status, occupation, bank account details and UPI ID, wherever applicable
Designated Branches	Such branches of the SCSBs which will collect the ASBA Forms used by the ASBA Bidders and a list of which is available on the website of the SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes and updated from time to time, or any such other website as may be prescribed by the SEBI
Designated CDP Locations	Such locations of the CDPs where ASBA Bidders can submit the ASBA Forms. The details of such Designated CDP Locations, along with names and contact details of the CDPs eligible to accept ASBA Forms are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com), as updated from time to time
Designated Date	The date on which funds are transferred by the Escrow Collection Bank(s) from the Escrow Account(s) to the Public Offer Account or the Refund Account, as the case may be, and/or the instructions are issued to the SCSBs (in case of Retail Individual Bidders using the UPI Mechanism, instruction issued through the Sponsor Bank) for the transfer of amounts blocked by the SCSBs in the ASBA Accounts to the Public Offer Account or the Refund Account, as the case may be, in terms of the Red Herring Prospectus and the Prospectus following which Equity Shares will be Allotted in the Offer
Designated Intermediaries	In relation to ASBA Forms submitted by Retail Individual Bidders and the Eligible Employees Bidding in the Employee Reservation Portion by authorizing an SCSB to block the Bid Amount in the ASBA Account, Designated Intermediaries shall mean SCSBs. In relation to ASBA Forms submitted by Retail Individual Bidders where the Bid Amount will be blocked upon acceptance of UPI Mandate Request by such Retail Individual Bidder, as the case may be, using the UPI Mechanism, Designated

Term	Description
	Intermediaries shall mean Syndicate, sub-Syndicate/agents, Registered Brokers, CDPs, SCSBs and RTAs. In relation to ASBA Forms submitted by QIBs and Non-Institutional Bidders, Designated Intermediaries shall mean Syndicate, sub-Syndicate/agents, SCSBs, Registered Brokers, the CDPs and RTAs
Designated RTA Locations	Such locations of the RTAs where Bidders can submit the ASBA Forms to the RTAs. The details of such Designated RTA Locations, along with names and contact details of the RTAs eligible to accept ASBA Forms are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com)
Designated Stock Exchange	[●]
"Draft Red Herring Prospectus" or "DRHP"	This draft red herring prospectus dated July 15, 2021 filed with the SEBI and issued in accordance with the SEBI ICDR Regulations, which does not contain complete particulars of the price at which the Equity Shares will be Allotted, including any addenda or corrigenda thereto
Eligible Employees	Permanent employees, working in India or outside India, of our Company, the Subsidiaries or a Director of our Company, whether whole-time or not, as of the date of the filing of the Red Herring Prospectus with the RoC and who continues to be a permanent employee of our Company or the Subsidiaries, respectively, or a Director until the submission of the ASBA Form, but not including the Directors who either themselves or through their relatives or through any body corporate, directly or indirectly, hold more than 10% of the outstanding Equity Shares of our Company. The initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000, however, an Eligible Employee may submit a Bid for a maximum Bid Amount of ₹500,000 under the Employee Reservation Portion. Only in the event of an under-subscription in the Employee Reservation Portion, the unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹200,000, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000
Eligible NRI(s)	NRI(s) from jurisdictions outside India where it is not unlawful to make an offer or invitation under the Offer and in relation to whom the Bid cum Application Form and the Red Herring Prospectus constitutes an invitation to subscribe to or purchase the Equity Shares offered thereby
Employee Reservation Portion	The portion of the Offer, being up to [●] Equity Shares aggregating up to ₹[●] million, not exceeding 5% of the post-Offer paid-up equity share capital of our Company, available for allocation to Eligible Employees, on a proportionate basis
Escrow Account(s)	Account to be opened with the Escrow Collection Bank(s) and in whose favour the Anchor Investors will transfer money through direct credit or NACH or NEFT or RTGS in respect of the Bid Amount when submitting a Bid
Escrow Collection Bank(s)	The bank(s) which are clearing members and registered with the SEBI as a banker to an issue and with whom the Escrow Account(s) shall be opened, in this case being [●]
First Bidder	Bidder whose name appears first in the Bid cum Application Form or the Revision Form and in case of joint Bids, whose name also appears as the first holder of the beneficiary account held in joint names
Floor Price	The lower end of the Price Band, subject to any revision thereto, at or above which the Offer Price and the Anchor Investor Offer Price will be finalized and below which no Bids will be accepted
Fresh Issue	The issue of up to [●] Equity Shares aggregating up to ₹ 3,000 million by our Company. If the Pre-IPO Placement is completed, the amount raised pursuant to the Pre-IPO Placement will be reduced from the Fresh Issue, subject to compliance with Rule 19(2)(b) of the SCRR
"General Information Document" or "GID"	The General Information Document for investing in public issues prepared and issued in accordance with the SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/37 dated March 17, 2020 and the UPI Circulars, as amended from time to time. The General Information Document shall be available on the websites of the Stock Exchanges and the BRLMs
IIFL	IIFL Securities Limited
Maximum RIB Allottees	The maximum number of Retail Individual Bidders who can be Allotted the minimum Bid Lot. This is computed by dividing the total number of Equity Shares available for Allotment to Retail Individual Bidders by the minimum Bid Lot, subject to valid Bids being received at or above the Offer Price
Monitoring Agency	[●]

Term	Description
Mutual Fund(s)	Mutual fund(s) registered with the SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
Mutual Fund Portion	5% of the Net QIB Portion, or [●] Equity Shares, which shall be available for allocation only to Mutual Funds on a proportionate basis, subject to valid Bids being received at or above the Offer Price
Net Offer	The Offer net of the Employee Reservation Portion
Net Proceeds	The proceeds of the Fresh Issue less our Company's share of the Offer related expenses. For further information regarding use of the Net Proceeds and the Offer expenses, see "*Objects of the Offer*" beginning on page 102
Net QIB Portion	The QIB Portion less the number of Equity Shares allocated to the Anchor Investors
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders or Eligible Employees Bidding in the Employee Reservation Portion and who have Bid for Equity Shares for an amount of more than ₹200,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	The portion of the Offer being not less than 15% of the Net Offer, or [●] Equity Shares, which shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Offer Price
Non-Resident	Person resident outside India, as defined under FEMA
Offer	The initial public offer of up to [●] Equity Shares for cash at a price of ₹[●] per Equity Share aggregating up to ₹[●] million comprising the Fresh Issue and the Offer for Sale.
Offer Agreement	The agreement dated July 15, 2021 entered into among our Company, the Selling Shareholders and the BRLMs, pursuant to which certain arrangements are agreed to in relation to the Offer
Offer for Sale	The offer for sale of up to 36,520,585 Equity Shares aggregating up to ₹[●] million by the Selling Shareholders for a cash price of ₹[●] per Equity Share comprising up to 8,987,093 Equity Shares by LeapFrog, up to 2,310,191 Equity Shares by Accion, up to 7,076,499 Equity Shares by Augusta, up to 4,083,812 Equity Shares by Eight Roads, up to 3,864,160 Equity Shares by Dvara Trust, up to 5,041,455 Equity Shares by IIFL Special Opportunities Fund, up to 1,231,710 Equity Shares by IIFL Special Opportunities Fund – Series 2, up to 541,805 Equity Shares by IIFL Special Opportunities Fund – Series 3, up to 1,862,128 Equity Shares by IIFL Special Opportunities Fund – Series 4 and up to 1,521,732 Equity Shares by IIFL Special Opportunities Fund – Series 5
Offer Price	The final price at which Equity Shares will be Allotted to successful Bidders (except for the Anchor Investors) in terms of the Red Herring Prospectus and the Prospectus. Equity Shares will be Allotted to Anchor Investors at the Anchor Investor Offer Price which will be decided by our Company in consultation with the BRLMs in terms of the Red Herring Prospectus and the Prospectus. The Offer Price will be decided by our Company, in consultation with the BRLMs, on the Pricing Date in accordance with the Book Building Process and the Red Herring Prospectus
Offer Proceeds	The Net Proceeds and the proceeds of the Offer for Sale which shall be available to the Selling Shareholders. For further information about use of the Offer Proceeds, see "*Objects of the Offer*" beginning on page 102
Offered Shares	Up to 36,520,585 Equity Shares being offered for sale by the Selling Shareholders in the Offer for Sale
Pre-IPO Placement	The private placement of Equity Shares for a cash consideration aggregating up to ₹1,500 million, which may be undertaken by our Company, at its discretion, in favour of such investors permissible under applicable laws, to be completed prior to filing of the Red Herring Prospectus with the RoC and the details of which, if completed, will be included in the Red Herring Prospectus. The price of the Equity Shares allotted pursuant to the Pre-IPO Placement shall be determined by our Company in consultation with the BRLMs. If the Pre-IPO Placement is completed, the amount raised pursuant to the Pre-IPO Placement will be reduced from the Fresh Issue, subject to compliance with Rule 19(2)(b) of the SCRR
Price Band	Price band of a minimum price of ₹[●] per Equity Share (i.e., the Floor Price) and the maximum price of ₹[●] per Equity Share (i.e., the Cap Price), including any revisions thereof. The Price Band and the minimum Bid Lot for the Offer will be decided by our Company in consultation with the BRLMs and shall be advertised in [●] editions of the English national daily newspaper [●], [●] editions of the Hindi national daily newspaper [●] and [●] editions of the Tamil daily newspaper [●] (Tamil being the regional language of Tamil Nadu, where our Registered and Corporate Office is located), each with wide circulation, at least two Working Days prior to the Bid/Offer Opening Date and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites

Term	Description
Pricing Date	The date on which our Company, in consultation with the BRLMs, will finalize the Offer Price
Prospectus	The prospectus for the Offer to be filed with the RoC on or after the Pricing Date in accordance with Section 26 of the Companies Act and the SEBI ICDR Regulations, containing, *inter alia*, the Offer Price that is determined at the end of the Book Building Process, the size of the Offer and certain other information, including any addenda or corrigenda thereto
Public Offer Account	'No-lien' and 'non-interest-bearing' bank account opened in accordance with Section 40(3) of the Companies Act, with the Public Offer Account Bank to receive money from the Escrow Account(s) and the ASBA Accounts maintained with the SCSBs on the Designated Date
Public Offer Account Bank	The bank(s) which are clearing members and registered with the SEBI as bankers to an issue and with which the Public Offer Account shall be opened, being [●]
QIB Portion	The portion of the Offer being not more than 50% of the Net Offer, or not more than [●] Equity Shares, which shall be available for allocation on a proportionate basis to QIBs, including the Anchor Investor Portion (in which allocation shall be on a discretionary basis, as determined by our Company, in consultation with the BRLMs), subject to valid Bids being received at or above the Offer Price or the Anchor Investor Offer Price, as applicable
"Qualified Institutional Buyers", "QIBs" or "QIB Bidders"	Qualified institutional buyers as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
"QP"	Qualified purchasers as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act
"Red Herring Prospectus" or "RHP"	The red herring prospectus for the Offer to be issued by our Company in accordance with Section 32 of the Companies Act and the SEBI ICDR Regulations, which will not have complete particulars of the Offer Price, including any addenda or corrigenda thereto. The Red Herring Prospectus will be filed with the RoC at least three Working Days before the Bid/Offer Opening Date and will become the Prospectus upon filing with the RoC on or after the Pricing Date
Refund Account(s)	Account opened with the Refund Bank(s) from which refunds, if any, of the whole or part of the Bid Amount to the Bidders shall be made
Refund Bank(s)	Banker(s) to the Offer and with which Refund Account(s) shall be opened, being [●]
Registered Brokers	The stock brokers registered with the stock exchanges having nationwide terminals, other than the Members of the Syndicate and eligible to procure Bids in terms of the circular (No. CIR/CFD/14/2012) dated October 4, 2012 issued by the SEBI
Registrar Agreement	The agreement dated July 12, 2021 entered into among our Company, the Selling Shareholders and the Registrar to the Offer in relation to the responsibilities and obligations of the Registrar to the Offer pertaining to the Offer
"Registrar and Share Transfer Agents" or "RTAs"	Registrar and share transfer agents registered with the SEBI and eligible to procure Bids at the Designated RTA Locations as per the lists available on the website of the BSE and NSE, and the UPI Circulars
"Registrar to the Offer" or "Registrar"	KFin Technologies Private Limited (formerly known as Karvy Fintech Private Limited)
"Retail Individual Bidders" or "RIBs"	Individual Bidders, other than Eligible Employees Bidding in the Employee Reservation Portion, who have Bid for Equity Shares for an amount of not more than ₹200,000 in any of the bidding options in the Net Offer (including HUFs applying through the *karta* and Eligible NRIs)
Retail Portion	The portion of the Offer being not less than 35% of the Net Offer, or [●] Equity Shares, which shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount in their Bid cum Application Forms or any previous Revision Forms. QIBs and Non-Institutional Bidders are not allowed to withdraw or lower their Bids (in terms of the quantity of Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders and Eligible Employees Bidding in the Employee Reservation Portion can revise their Bids during the Bid/Offer Period and withdraw their Bids until the Bid/Offer Closing Date
Share Escrow Agent	Share escrow agent to be appointed pursuant to the Share Escrow Agreement, namely [●]
Share Escrow Agreement	Agreement to be entered among our Company, the Selling Shareholders and the Share Escrow Agent in connection with the transfer of the Offered Shares by the Selling Shareholders and the credit of the Equity Shares to the demat account of the Allottees
"SBICAP" or "SBI Caps"	SBI Capital Markets Limited

Term	Description
"Self Certified Syndicate Banks" or "SCSBs"	The banks registered with SEBI, which offer the facility of ASBA services, (i) in relation to ASBA, where the Bid Amount will be blocked by authorizing an SCSB, a list of which is available on the website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 and updated from time to time and at such other websites as may be prescribed by SEBI from time to time, (ii) in relation to Bidders using the UPI Mechanism, a list of which is available on the website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40 or such other website as may be prescribed by SEBI and updated from time to time. Applications through UPI in the Offer can be made only through the SCSBs mobile applications (apps) whose name appears on the SEBI website. A list of SCSBs and mobile applications, which, are live for applying in public issues using UPI mechanism is provided as Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019. The list is available on the website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=43 and updated from time to time and at such other websites as may be prescribed by SEBI from time to time.
Specified Locations	Bidding Centres where the Syndicate will accept ASBA Forms from the Bidders
Sponsor Bank	[●], being a Banker to the Offer, appointed by our Company to act as a conduit between the Stock Exchanges and NPCI in order to push the mandate collect requests and / or payment instructions of the Retail Individual Bidders using the UPI and carry out other responsibilities, in terms of the UPI Circulars
"Syndicate" or "Members of the Syndicate"	The BRLMs and the Syndicate Members, collectively
Syndicate Agreement	The agreement to be entered into among the BRLMs, the Syndicate Members, the Selling Shareholders and our Company in relation to the collection of Bid cum Application Forms by the Syndicate
Syndicate Members	Intermediaries registered with the SEBI who are permitted to carry out activities as an underwriter, being [●]
Systemically Important NBFC	In the context of a Bidder, a non-banking financial company registered with the RBI and as defined under Regulation 2(1)(iii) of the SEBI ICDR Regulations
Underwriters	[●]
Underwriting Agreement	The agreement among the Underwriters, the Selling Shareholders and our Company to be entered into on or after the Pricing Date but prior to the filing of the Prospectus with the RoC
"Unified Payments Interface" or "UPI"	An instant payment mechanism developed by the NPCI
UPI Circulars	The SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019, SEBI circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019, SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021, SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 and any subsequent circulars or notifications issued by SEBI in this regard
UPI ID	An ID created on the UPI for single-window mobile payment system developed by the NPCI
UPI Mandate Request	A request (intimating the RIB by way of a notification on the UPI linked mobile application as disclosed by SCSBs on the website of SEBI and by way of an SMS on directing the RIB to such UPI linked mobile application) to the RIB initiated by the Sponsor Bank to authorize blocking of funds on the UPI application equivalent to Bid Amount and subsequent debit of funds in case of Allotment
UPI Mechanism	The bidding mechanism that may be used by an RIB in accordance with the UPI Circulars to make an ASBA Bid in the Offer
UPI PIN	Password to authenticate UPI transaction
U.S. Investment Company Act	U.S. Investment Company Act of 1940 and the related rules and regulations
U.S. QIBs	U.S. persons that are "qualified institutional buyers" as defined in Rule 144A
U.S. Securities Act	The United States Securities Act of 1933
Working Day(s)	All days on which commercial banks in Mumbai are open for business. In respect of announcement of Price Band and Bid/Offer Period, Working Day shall mean all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in

Term	Description
	Mumbai are open for business. In respect of the time period between the Bid/ Offer Closing Date and the listing of the Equity Shares on the Stock Exchanges, Working Day shall mean all trading days of the Stock Exchanges, excluding Sundays and bank holidays in India, as per circulars issued by SEBI, including the UPI Circulars

Industry/Business Related Terms

Term	Description
ADB	Asian Development Bank
ALM	Asset liability management
API	Application Programming Interface
AUM	Assets under management
BFSI	Banking, financial services and insurance
B2B	Business to business
CEMLDs	Credit enhanced market-linked debentures
Co-lending Partnerships	Partners that may also assume a percentage of the credit exposure to the retail borrowers along with our Company.
CPs	Commercial papers
CXO	Senior management of our Company
DFIs	Development Finance Institutions
ECB	External commercial borrowings
ERM	Enterprise risk management framework
ESG	Environmental, Social and Governance
Fintechs	Financial technology businesses
FLDG	First-Loss Default Guarantee
Fund Management AUM	The aggregate assets under management across all live funds as of the last day of the relevant Fiscal Year. For the purpose of this definition, ‘live funds’ refers to funds in existence and having outstanding investments as of the last day of the relevant Fiscal Year
GNPA	Gross Non-performing asset
HFCs	Housing Finance Company
HNIs	High net worth individuals
IFC	International Finance Corporation
Investor Partners	Our Company’s network of investors, in our products, across different investor classes who use our platform to access opportunities to invest in under-served sectors in India
ITeS	Information technology enabled services
LCR	Liquidity coverage ratio
MLDs	Market-linked debentures
MOSEC™	Multi-originator securitization
MSME	Micro, Small and Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
Nimbus	Our Company’s proprietary integrated technology system called ‘Nimbus by Northern Arc’
NPA	Non-performing asset
NNPA	Net Non-performing asset
Originator Partners	Our Company’s network of financial institution partners, technology platforms (such as Fintechs), and other entities that act as business correspondents to originate financial exposure
PAR	Portfolio at risk
Partial Guarantee	A guarantee for a stated amount
PBI	Pooled bond issuance
PERSEC™	Persistent securitization
PLI	Pooled loan issuance
PMS	Portfolio management services
PP-MLD	Principal protected market-linked debentures
pre-DD	Pre-due diligence
PSL	Priority sector lending
PTCs	Pass-through certificates
Retail Lending Partners	Originator Partners that our Company works with in connection with our retail lending business

Term	Description
STP	Straight through processing
SFBs	Small Finance Banks
Total Credit Exposure	Total Credit Exposure as on any date is the aggregate amount of funding provided and outstanding by the Company, and includes non-funded limits, guarantees and undrawn committed lines of credit.
UNSDGs	Sustainable development goals which form part of the '2030 Agenda for Sustainable Development' adopted by the United Nations

Conventional and General Terms/Abbreviations

Term	Description
AGM	Annual General Meeting
"Alternative Investment Funds" or "AIFs"	Alternative investment funds as defined in, and registered under, the SEBI AIF Regulations
"AS" or "Accounting Standards"	Accounting Standards issued by the Institute of Chartered Accountants of India
Banking Regulation Act	The Banking Regulation Act, 1949
BSE	BSE Limited
CAGR	Compounded Annual Growth Rate
Category I FPIs	FPIs registered as "Category I foreign portfolio investors" under the SEBI FPI Regulations
Category II FPIs	FPIs registered as "Category II foreign portfolio investors" under the SEBI FPI Regulations
CDSL	Central Depository Services (India) Limited
CIN	Corporate Identity Number
"Companies Act" or "Companies Act, 2013"	The Companies Act, 2013, read with the rules, regulations, clarifications and modifications notified thereunder
Companies Act, 1956	The Companies Act, 1956, read with the rules, regulations, clarifications and modifications notified thereunder
Competition Act	The Competition Act, 2002
CSR	Corporate social responsibility
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996
DIN	Director Identification Number
"DP" or "Depository Participant"	A depository participant as defined under the Depositories Act
DP ID	Depository Participant's identification number
DPIIT	Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (*earlier known as the Department of Industrial Policy and Promotion*)
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FDI	Foreign Direct Investment
FDI Policy	Consolidated Foreign Direct Investment Policy notified by the DPIIT through notification dated October 15, 2020 effective from October 15, 2020
FEMA	The Foreign Exchange Management Act, 1999, read with the rules and regulations thereunder
"FEMA Non-debt Instruments Rules" or the "FEMA NDI Rules"	The Foreign Exchange Management (Non-debt Instruments) Rules, 2019
"Financial Year" or "Fiscal" or "Fiscal Year" or "FY"	Unless stated otherwise, the period of 12 months ending March 31 of that particular year
FIR	First information report
FPIs	Foreign portfolio investors as defined in, and registered with, the SEBI under the SEBI FPI Regulations
FVCI	Foreign venture capital investors as defined in, and registered with, the SEBI under the SEBI FVCI Regulations
GAAR	General anti-avoidance rules
GDP	Gross domestic product
"Government" or "Government of India"	The government of India
GST	Goods and services tax

Term	Description
HR	Human resources
HUF	Hindu undivided family
IBC	Insolvency and Bankruptcy Code, 2016
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards of the International Accounting Standards Board
Income-tax Act	The Income-tax Act, 1961
Ind AS	The Indian Accounting Standards referred to and notified in the Ind AS Rules
Ind AS Rules	The Companies (Indian Accounting Standards) Rules, 2015
Indian GAAP	The Generally Accepted Accounting Principles in India
INR	Indian rupees
Insurance Act	Insurance Act, 1938
IPC	Indian Penal Code, 1860
IPO	Initial public offering
IRDAI	Insurance Regulatory and Development Authority of India
IRDAI Investment Regulations	Insurance Regulatory and Development Authority of India (Investment) Regulations, 2016
IST	Indian Standard Time
IT	Information technology
IT Act	Information Technology Act, 2000
KYC	Know Your Customer
LTLR	Long term lending rate
MAT	Minimum alternate tax
MCA	Ministry of Corporate Affairs, Government of India
MCLR	Marginal cost of funds based lending rate
N.A.	Not applicable
NACH	National Automated Clearing House
NAV	Net asset value
NBFC	Non-banking financial company
NBFC-D	Deposit-taking non-banking financial company
NBFC-MFI	Non-Banking Financial Company - Micro Finance Institutions
NBFC-ND-SI	Systemically important non-deposit taking non-banking financial company
NCD	Non-convertible debentures
NEFT	National Electronic Fund Transfer
NPCI	National Payments Corporation of India
“NR” or “Non-resident”	A person resident outside India, as defined under the FEMA, including Eligible NRIs, FPIs and FVCIs registered with the SEBI
NRI	An individual resident outside India, who is a citizen of India
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
“OCB” or “Overseas Corporate Body”	An entity de-recognised through Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. OCBs are not allowed to invest in the Offer
p.a.	Per annum
P&L	Profit and loss
P/E Ratio	Price/Earnings Ratio
PAN	Permanent account number allotted under the Income-tax Act
PAT	Profit after tax
PFRDA	Pension Fund Regulatory and Development Authority
RBI	Reserve Bank of India
Regulation S	Regulation S under the U.S. Securities Act
RoNW	Return on Net Worth
RTGS	Real Time Gross Settlement
Rule 144A	Rule 144A under the U.S. Securities Act
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019

Term	Description
SEBI FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI Investment Advisers Regulations	Securities and Exchange Board of India (Investment Advisers) Regulations, 2013
SEBI Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI Merchant Bankers Regulations	Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992
SEBI Mutual Fund Regulations	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
SEBI Portfolio Manager Regulations	Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020
SEBI SBEB Regulations	Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
SEBI Stock Broker Regulations	Securities and Exchange Board of India (Stock Brokers) Regulations, 1992
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
SEBI VCF Regulations	Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 as repealed by the SEBI AIF Regulations
SICA	The erstwhile Sick Industrial Companies (Special Provisions) Act, 1985
State Government	The government of a State of India
Stock Exchanges	The BSE and the NSE
STT	Securities transaction tax
TAN	Tax deduction and collection account number allotted under the Income-tax Act
TDS	Tax deducted at source
Trade Marks Act	Trade Marks Act, 1999
“U.S.” or “USA” or “United States”	United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“USD” or “US$”	United States Dollars
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America
UTs	Union territories
VAT	Value added tax
VCFs	Venture capital funds as defined in and registered with the SEBI under the SEBI VCF Regulations
Wilful Defaulter(s)	Wilful defaulter as defined under Regulation 2(1)(lll) of the SEBI ICDR Regulations
“Year” or “calendar year”	Unless the context otherwise requires, shall mean the twelve month period ending December 31

OFFER DOCUMENT SUMMARY

The following is a general summary of certain disclosures and terms of the Offer included in this Draft Red Herring Prospectus and is neither exhaustive, nor purports to contain a summary of all the disclosures in this Draft Red Herring Prospectus or the Red Herring Prospectus or the Prospectus when filed, or all details relevant to prospective investors. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Draft Red Herring Prospectus, including "Risk Factors", "The Offer", "Capital Structure", "Objects of the Offer", "Industry Overview", "Our Business", "Financial Statements", "Outstanding Litigation and Material Developments", "Offer Procedure" and "Description of Equity Shares and Terms of the Articles of Association" on pages 25, 65, 82, 102, 113, 170, 256, 383, 420 and 442, respectively.

<table>
<tr><td>Summary of the primary business of the Company</td><td>We are a platform in the financial services sector set up primarily with the mission of catering to the diverse credit requirements of under-served households and businesses by providing efficient and reliable access to debt finance. Registered with the RBI as an NBFC not accepting public deposits, we have been operating in the financial inclusion space for over a decade with a business model diversified across offerings, sectors, products, geographies and borrower segments. We provide access to credit to under-served households and businesses directly and indirectly through our Originator Partners.</td></tr>
<tr><td>Summary of the Industry</td><td>The Indian financial system includes banks and NBFCs. Though the banking system dominates financial services, NBFCs have grown in importance by carving a niche for themselves by catering to customers in underbanked regions or those who were unable to access traditional financial institutions, due to absence of credit history or collateral. Over the last decade, NBFCs have witnessed phenomenal growth. The market share of NBFCs in overall systemic credit has increased from 16% in fiscal 2015 to 20% in fiscal 2021, the reason for which is their ability to offer differentiated solutions to tap into the large unmet demand of various sectors.
Source: CRISIL Report</td></tr>
<tr><td>Name of Promoters</td><td>Our Company is a professionally managed company and has no identifiable promoter.</td></tr>
<tr><td>Offer size</td><td>Initial public offering of up to [●] Equity Shares of our Company for cash at a price of ₹[●] per Equity Share (including a premium of ₹[●] per Equity Share) aggregating up to ₹[●] million, comprising a Fresh Issue of up to [●] Equity Shares by our Company aggregating up to ₹3,000 million and an Offer for Sale of up to 36,520,585 Equity Shares aggregating up to ₹[●] million comprising sale of up to 8,987,093 Equity Shares by LeapFrog, up to 2,310,191 Equity Shares by Accion, up to 7,076,499 Equity Shares by Augusta, up to 4,083,812 Equity Shares by Eight Roads, up to 3,864,160 Equity Shares by Dvara Trust, up to 5,041,455 Equity Shares by IIFL Special Opportunities Fund, up to 1,231,710 Equity Shares by IIFL Special Opportunities Fund – Series 2, up to 541,805 Equity Shares by IIFL Special Opportunities Fund – Series 3, up to 1,862,128 Equity Shares by IIFL Special Opportunities Fund – Series 4 and up to 1,521,732 Equity Shares by IIFL Special Opportunities Fund – Series 5.

The Offer includes a reservation of up to [●] Equity Shares, aggregating up to ₹[●] million, for subscription by Eligible Employees under the Employee Reservation Portion. The Offer and the Net Offer shall constitute [●] % and [●] %, respectively, of the fully-diluted post-Offer paid-up equity share capital of our Company. Our Company may, at its discretion, consider a Pre-IPO Placement aggregating to ₹1,500 million, prior to the filing of the Red Herring Prospectus with the RoC.</td></tr>
<tr><td>Objects of the Offer</td><td>The objects for which the Net Proceeds from the Offer shall be utilized are as follows:
(₹ in million)
<table>
<tr><th>Particulars</th><th>Amount (₹ in million)*</th></tr>
<tr><td>Augmenting the capital base of our Company</td><td>[●]</td></tr>
<tr><td>Total</td><td>[●]</td></tr>
</table>
* Includes proceeds, if any, received pursuant to the Pre-IPO Placement. Upon allotment of Equity Shares pursuant to the Pre-IPO Placement, we may utilize the proceeds from the Pre-IPO Placement towards the objects of the Offer prior to completion of the Offer.

For further details, see "Objects of the Offer" beginning on page 102.</td></tr>
<tr><td>Aggregate pre-Offer shareholding of Selling Shareholders as a percentage of our paid up share capital</td><td>The aggregate pre-Offer shareholding of the Selling Shareholders as a percentage of the pre-Offer paid-up share capital of the Company is set out below:
<table>
<tr><th>Name of Selling Shareholder</th><th>No. of Equity Shares held on a fully diluted basis^</th><th>Percentage of the pre- Offer Equity Share capital on a fully diluted basis (%)^</th></tr>
<tr><td>LeapFrog</td><td>29,952,665</td><td>22.75</td></tr>
<tr><td>Accion</td><td>7,699,529</td><td>5.85</td></tr>
</table></td></tr>
</table>

Augusta	23,584,935	17.91
Eight Roads	13,610,748	10.34
Dvara Trust	12,878,682	9.78
IIFL Special Opportunities Fund	6,721,940	5.11
IIFL Special Opportunities Fund – Series 2	4,986,680	3.79
IIFL Special Opportunities Fund – Series 3	2,193,541	1.67
IIFL Special Opportunities Fund – Series 4	7,538,980	5.73
IIFL Special Opportunities Fund – Series 5	6,185,901	4.70
Total	115,353,601	87.62

^ The Company's Equity Share capital on a fully diluted basis includes Equity Shares that will be allotted upon conversion of CCPS and options under the ESOP Plan 2016 that have vested as of the date of this Draft Red Herring Prospectus (assuming exercise of all options), and for the sake of clarity, further includes the Equity Shares already issued and held by the Northern Arc Employee Welfare Trust pursuant to the ESOP Plan 2016.

Summary of Restated Consolidated Financial Information

The details of certain financial information as set out under the SEBI ICDR Regulations as at and for the Financial Years ended March 31, 2021, 2020 and 2019 derived from the Restated Consolidated Financial Information are as follows:

(₹ in million, except per share data)

Particulars	As at and for the Financial Year ended March 31		
	2021	2020	2019
(A) Share capital	879.22	874.78	783.66
(B) Equity attributable to owners of the Company	15,823.15	15,064.27	11,675.20
(C) Revenue from operations	6,811.71	6,328.20	6,015.55
(D) PAT	765.92	1,029.33	1,154.16
(E) Earnings per equity share (basic, in ₹)	7.71	11.05	12.66
(F) Earnings per equity share (diluted, in ₹)	5.35	7.92	10.91
(G) Net Asset Value per Equity Share	179.97	172.21	148.98
(H) Borrowings, debt securities and subordinated liabilities	39,320.39	29,214.92	29,250.43

For further details, see "*Financial Statements*" beginning on page 256.

Auditor qualifications which have not been given effect to in the Restated Consolidated Financial Information

Our Statutory Auditors have not included any qualifications in the audit report that have not been given effect to in the Restated Consolidated Financial Information.

Summary table of outstanding litigation

A summary of outstanding litigation proceedings involving our Company, Subsidiaries and Directors as of the date of this Draft Red Herring Prospectus, as also disclosed in "*Outstanding Litigation and Material Developments*" beginning on page 383, in terms of the SEBI ICDR Regulations and the materiality policy adopted by our Board pursuant to a resolution date July 7, 2021, is provided below:

Nature of cases	No. of cases	Total amount involved (in ₹ million)^
Litigation involving our Company		
Against our Company		
Material litigation	Nil	Nil
Criminal cases	Nil	Nil
Action taken by statutory and regulatory authorities	Nil	Nil
Taxation cases	3	42.71
By our Company		
Material litigation	8	530.94
Criminal cases	8	Not determinable

Litigation involving our Directors		
Against our Directors		
Material litigation	Nil	Nil
Criminal cases	Nil	Nil
Action taken by statutory and regulatory authorities	Nil	Nil
Taxation cases	Nil	Nil
By our Directors		
Material litigation	Nil	Nil
Criminal cases	Nil	Nil
Litigation involving our Subsidiaries		
Against our Subsidiaries		
Material litigation	Nil	Nil
Criminal cases	Nil	Nil
Action taken by statutory and regulatory authorities	Nil	Nil
Taxation cases	1	1.24
By our Subsidiaries		
Material litigation	Nil	Nil
Criminal cases	Nil	Nil

^To the extent ascertainable

Our Group Companies are not party to any pending litigation proceedings which may have a material impact on our Company.

For further details, see *"Outstanding Litigation and Material Developments"* beginning on page 383

Risk Factors

For details of the risks applicable to us, see "*Risk Factors*" beginning on page25.

Summary table of contingent liabilities

The following is a summary table of our contingent liabilities as at March 31, 2021 as per Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets:

(₹ in million)

Particulars	As at March 31, 2021
Claims against the Company not acknowledged as debt - Income tax related matters	44.06
Guarantee outstanding	2,714.17
Total	2,758.23

For further details of our contingent liabilities, see "*Financial Statements"* beginning on page 256.

Summary of related party transactions

The details of related party transactions entered into by our Company for the Financial Years ended March 31, 2021, 2020 and 2019, as per Ind AS 24 – Related Party Disclosures read with SEBI ICDR Regulations are as set out in the table below:

(₹ in million)

Particulars	Nature of transaction	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Transactions during the year				
Wholly owned subsidiaries				
Northern Arc Investment Managers Private Limited	Reimbursement of expenses	13.87	15.48	3.03
Northern Arc Investment Adviser Services Private Limited	Reimbursement of income	-	0.10	-
Northern Arc Investment Managers Private Limited		14.15	6.51	11.39
Northern Arc Investment Adviser Services Private Limited	Fee income	-	3.22	4.42
Northern Arc Investment Managers Private Limited		-	8.67	4.92
Northern Arc Investment Adviser Services Private Limited	Sale of fixed assets	-	0.07	0.06
Northern Arc Investment Managers Private Limited		0.01	-	0.02

	Northern Arc Investment Adviser Services Private Limited	ESOP issued	-	8.97	-
	Northern Arc Investment Managers Private Limited		-	15.13	-
	Northern Arc Investment Adviser Services Private Limited	Redemption of preference share capital	-	-	7.60
	Northern Arc Investment Managers Private Limited		-	72.20	-
	Northern Arc Investment Adviser Services Private Limited	Premium on preference shares received	-	-	2.23
	Northern Arc Investment Managers Private Limited		-	23.10	-
	Northern Arc Investment Managers Private Limited	Premium on preference shares income	-	2.87	5.78
	Northern Arc Investment Adviser Services Private Limited	Transfer of Security deposit	0.10	-	-
	Northern Arc Investment Managers Private Limited		0.20	-	-
	Northern Arc Investment Managers Private Limited	Interest income	29.49	23.26	1.50
	Northern Arc Investment Managers Private Limited	Loans given	60.43	193.35	45.00
	Northern Arc Investment Managers Private Limited	Loans repaid	63.60	90.40	33.50
	Northern Arc Foundation	Contribution to CSR	30.16	19.77	-
	Northern Arc Foundation	Investment in equity	-	0.10	-
	Others				
	Dvara Trust @	Reimbursement of expenses	-	-	36.21
	IFMR Holdings Private Limited #	Purchase of ERP	-	-	5.23
	Dvara Kshetriya Gramin Financial Services Private Limited #	Fee income	-	-	20.56
		Interest Income	-	-	33.51
		Loans given	-	-	600.00
		Loans repaid	-	-	280.11
		Guarantees	-	-	150.00
	Dvara Research Foundation #	Corporate social responsibility expenditure	-	-	5.00
	Employees and Directors				
	Ms Kshama Fernandes	Remuneration and other benefits *	15.57	24.08	24.87
	Ms Bama Balakrishnan		3.93	18.90	19.06
	Mr Ravi Vukkadala		9.73	14.05	13.49
	Mr Kalyanasundaram C		8.65	10.14	-
	Ms Kshama Fernandes	Employee stock option (in million units)	-	0.05	0.10
	Ms Bama Balakrishnan		-	0.04	0.05
	Mr Ravi Vukkadala		-	0.03	0.04
	Mr Kalyanasundaram C		-	0.02	-
	Ms Nandita Ganapathy	Remuneration and other benefits including post employment benefits	8.27	-	-
	Mr Leo Puri	Professional Fee	3.25	1.5	-
	Mr P S Jayakumar		1.38	-	-
	Mr Chaitanya Pande		-	-	1.80

Balances as at year end				
Wholly Owned Subsidiaries				
Northern Arc Investment Adviser Services Private Limited	Equity share capital	12.78	12.78	12.78
Northern Arc Investment Managers Private Limited		36.10	36.10	36.10
Northern Arc Foundation		0.10	0.10	-
Northern Arc Investment Adviser Services Private Limited	ESOP receivable	2.44	8.97	-
Northern Arc Investment Managers Private Limited		13.40	15.13	-
Northern Arc Investment Adviser Services Private Limited	Advances	3.14	8.70	5.50
Northern Arc Investment Managers Private Limited		23.84	14.02	14.75
Northern Arc Investment Managers Private Limited	Preference share capital	-	-	92.44
Northern Arc Investment Managers Private Limited	Loans	213.84	217.01	114.00
Others				
Dvara Trust@	Trade payable	-	-	4.07
Employees and Directors				
Ms. Kshama Fernandes	Employee stock option (in million units)	0.81	0.81	0.76
Ms. Bama Balakrishnan		0.59	0.59	0.55
Mr. Ravi Vukkadala		0.21	0.21	0.19
Mr. Kalyanasundaram C		0.16	0.16	0.14
Ms. Kshama Fernandes	Security Deposit	-	-	0.20

@ Entity with significant influence up to March 31, 2019.
#Related party upto 26th February, 2019 pursuant to scheme of arrangement (Demerger) and Amalgamation between the Company, IFMR Holdings Private Limited ('IFMR Holdings'), Dvara Investments Private Limited and their respective shareholders and creditors under sections 230 to 232 of the Companies Act, 2013.
**Amount attributable to post employment benefits have not been disclosed as the same cannot be identified distinctly in the actuarial valuation.*

For details of the related party transactions, see "*Financial Statements – Related party disclosures*" beginning on page 311.

Details of all financing arrangements whereby Directors and their relatives have financed the purchase by any other person of securities of the Company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of this Draft Red Herring Prospectus	Our Directors and their relatives have not financed the purchase by any person of securities of our Company during the period of six months immediately preceding the date of this Draft Red Herring Prospectus.
Weighted average price at which the specified securities were acquired by Selling Shareholders, in the last one year	The Selling Shareholders have not acquired any specified securities of our Company in the year immediately preceding the date of this Draft Red Herring Prospectus.

<table>
<tr><td>Average cost of acquisition of Equity Shares for the Selling Shareholders</td><td>The average cost of acquisition of Equity Shares for the Selling Shareholders is as set out below:
<table>
<tr><th>Name of the Selling Shareholders</th><th>Number of Equity Shares held on a fully diluted basis ^</th><th>Average cost of acquisition per Equity Share (in ₹)#</th></tr>
<tr><td>LeapFrog</td><td>29,952,665</td><td>48.83</td></tr>
<tr><td>Dvara Trust</td><td>12,878,682</td><td>4.10</td></tr>
<tr><td>Accion</td><td>7,699,529</td><td>26.64</td></tr>
<tr><td>Eight Roads</td><td>13,610,748</td><td>121.23</td></tr>
<tr><td>Augusta</td><td>23,584,935</td><td>154.30</td></tr>
<tr><td>IIFL Special Opportunities Fund</td><td>6,721,940</td><td>197.02</td></tr>
<tr><td>IIFL Special Opportunities Fund – Series 2</td><td>4,986,680</td><td>197.02</td></tr>
<tr><td>IIFL Special Opportunities Fund – Series 3</td><td>2,193,541</td><td>197.02</td></tr>
<tr><td>IIFL Special Opportunities Fund – Series 4</td><td>7,538,980</td><td>197.02</td></tr>
<tr><td>IIFL Special Opportunities Fund – Series 5</td><td>6,185,901</td><td>197.02</td></tr>
</table>
* As certified by M/s Kumbhat & Co, Chartered Accountants, by way of their certificate dated July 15, 2021.
^ The Company's Equity Share capital on a fully diluted basis includes Equity Shares that will be allotted upon conversion of CCPS.
# Includes the cost of acquisition of CCPS held by the Selling Shareholders.</td></tr>
<tr><td>Size of the Pre-IPO placement and allottees, upon completion of the placement</td><td>Our Company may consider issuing Equity Shares on a private placement basis for cash consideration aggregating up to ₹1,500 million. The Pre-IPO Placement shall be undertaken at the discretion of our Company and the price of the Equity Shares allotted pursuant to the Pre-IPO Placement shall be determined by our Company at its discretion. If the Pre-IPO Placement is completed, the amount raised pursuant to the Pre-IPO Placement will be reduced from the Fresh Issue, subject to compliance with Rule 19(2)(b) of the SCRR. Details of the Pre-IPO Placement, if undertaken, shall be included in the RHP to be filed with the RoC.</td></tr>
<tr><td>Any issuance of Equity Shares in the last one year for consideration other than cash</td><td>Our Company has not issued any Equity Shares in the one year immediately preceding the date of this Draft Red Herring Prospectus, for consideration other than cash.</td></tr>
<tr><td>Any split / consolidation of Equity Shares in the last one year</td><td>Our Company has not split or consolidated the face value of the Equity Shares in the one year immediately preceding the date of this Draft Red Herring Prospectus.</td></tr>
</table>

CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Certain Conventions

All references to "India" contained in this Draft Red Herring Prospectus are to the Republic of India and its territories and possessions and all references herein to the "Government", "Indian Government", "GoI", "Central Government" or the "State Government" are to the Government of India, central or state, as applicable. All references to the "U.S.", "USA" or the "United States" are to the United States of America and its territories and possessions.

Unless otherwise specified, any time mentioned in this Draft Red Herring Prospectus is in Indian Standard Time ("**IST**"). Unless indicated otherwise, all references to a year in this Draft Red Herring Prospectus are to a calendar year.

Unless stated otherwise, all references to page numbers in this Draft Red Herring Prospectus are to the page numbers of this Draft Red Herring Prospectus.

Financial Data

Our Company's Financial Year commences on April 1 of the immediately preceding calendar year and ends on March 31 of that particular calendar year, so all references to a particular Financial Year or Fiscal Year, unless stated otherwise, are to the 12-month period commencing on April 1 of the immediately preceding calendar year and ending on March 31 of that particular calendar year.

Unless the context requires otherwise, the financial information in this Draft Red Herring Prospectus is derived from the restated consolidated statement of assets and liabilities of the Company as at March 31, 2021, March 31, 2020 and March 31, 2019, the restated consolidated statement of profit and loss (including other comprehensive income), the restated consolidated statement of changes in equity, the restated consolidated statement of cash flow, each for the years ended March 31, 2021, March 31, 2020 and March 31, 2019, the summary statement of significant accounting policies and other explanatory information have been prepared specifically for inclusion in this Draft Red Herring Prospectus prepared by the Company in connection with its proposed initial public offering of equity shares in accordance with Section 26 of Part I of Chapter III of the Companies Act, 2013, the SEBI ICDR Regulations, and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the ICAI. For further information, see "*Financial Statements*" beginning on page 256.

Ind AS, U.S. GAAP and IFRS differ in certain significant respects from other accounting principles and standards with which investors may be more familiar. We have not made any attempt to explain those differences or quantify their impact on the financial data included in this Draft Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those of IFRS or any other accounting principles or standards. If we were to prepare our financial statements in accordance with such other accounting principles, our results of operations, financial condition and cash flows may be substantially different. Prospective investors should consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar. The degree to which the financial information included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting policies and practices, Ind AS, the Companies Act and the SEBI ICDR Regulations. Any reliance by persons not familiar with these accounting principles and regulations on our financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited.

All figures, including financial information, in decimals (including percentages) have been rounded off to one or two decimals. However, where any figures may have been sourced from third-party industry sources, such figures may be rounded-off to such number of decimal points as provided in such respective sources. In this Draft Red Herring Prospectus, (i) the sum or percentage change of certain numbers may not conform exactly to the total figure given; and (ii) the sum of the numbers in a column or row in certain tables may not conform exactly to the total figure given for that column or row. Any such discrepancies are due to rounding off.

Unless stated or the context requires otherwise, any percentage amounts, as disclosed in "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 25, 170, and 330, respectively, and elsewhere in this Draft Red Herring Prospectus have been calculated on the basis of the Restated Consolidated Financial Information.

We use a variety of non-GAAP financial and operational performance indicators to measure and analyze our financial and operational performance and financial condition from period to period, and to manage our business. These financial and operational performance indicators are defined by our management and are presented, along with a brief explanation, in "*Selected Statistical Information*" beginning on page 367. As a result, these financial and operational performance indicators should not be considered in isolation from, or as a substitute for, analysis of our historical financial performance, as reported and presented in our Restated Consolidated Financial Information included in this Draft Red Herring Prospectus. Analysts, investors and other interested parties frequently use various non-GAAP financial measures as performance measures, and our management believes that providing such non-GAAP financial measure allows investors to make additional comparisons between our business performance and those of other companies and to understand our ongoing business. Non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. Other companies may use different financial or performance indicators or calculate these ratios differently, and similarly titled measures published by them may therefore not be comparable to those used by us. Accordingly, such non-GAAP financial measures should be carefully evaluated.

Currency and Units of Presentation

All references to "₹" or "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India.

All references to "US$" or "USD" are to United States Dollars, the official currency of the United States of America.

Certain numerical information has been presented in this Draft Red Herring Prospectus in "million" units. 1,000,000 represents one million and 1,000,000,000 represents one billion. However, where any figures that may have been sourced from third-party industry sources are expressed in denominations other than millions, such figures appear in this Draft Red Herring Prospectus expressed in such denominations as provided in their respective sources.

Exchange Rates

This Draft Red Herring Prospectus contains conversions of certain other currency amounts into Indian Rupees that have been presented solely to comply with the SEBI ICDR Regulations. These conversions should not be construed as a representation that these currency amounts could have been, or can be converted into Indian Rupees, at any particular rate or at all.

The table below sets forth, for the dates indicated, information with respect to the exchange rate between the Rupee and the respective foreign currencies.

Currency	Exchange Rate as on:*		
	March 31, 2021 (₹)	March 31, 2020 (₹)	March 31, 2019 (₹)
1 USD	73.50	75.39	69.17

Source: RBI reference rate and https://www.fbil.org.in/
Note: Exchange rate is rounded off to two decimal places
** In case March 31 of any of the respective years is a public holiday, the previous working day, not being a public holiday, has been considered.*

Industry and Market Data

Unless stated otherwise, industry and market data used in this Draft Red Herring Prospectus have been obtained or derived from publicly available information as well as industry publications and sources such as a report dated July, 2021 and titled "*Industry Report on Various Asset Classes*" that has been prepared by CRISIL, which report has been commissioned and paid for by our Company for the purposes of confirming our understanding of the industry in connection with the Offer.

"*CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this report (Report) based on the Information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a* *recommendation to invest / disinvest in any entity covered in the Report and no part of this Report should be construed as an expert advice or investment advice or any form of investment banking within the meaning of any law or regulation. CRISIL especially states that it has no liability whatsoever to the subscribers / users / transmitters/ distributors of this Report. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary permission and/or registration to carry out its business activities in this regard. Northern Arc Capital Limited will be responsible for ensuring compliances and consequences of non-compliances for use of the Report or part thereof outside India. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Ltd (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL's Ratings Division / CRIS. No part of this Report may be published/reproduced in any form without CRISIL's prior written approval*."

Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy, adequacy, completeness or underlying assumptions are not guaranteed and their reliability cannot be assured. Although we believe that industry and market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified by our Company, our Directors, our KMPs, the Selling Shareholders, the BRLMs or any of their respective affiliates or advisors. The data used in these sources may have been reclassified by us for the purposes of presentation. Data from these sources may also not be comparable. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates and assumptions that may prove to be incorrect. The extent to which the industry and market data presented in this Draft Red Herring Prospectus is meaningful depends upon the reader's familiarity with, and understanding of, the methodologies used in compiling such information. There are no standard data gathering methodologies in the industry in which our Company conducts business and methodologies and assumptions may vary widely among different market and industry sources. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those disclosed in "*Risk Factors*" beginning on page 25. Accordingly, no investment decision should be solely made on the basis of such information.

In accordance with the SEBI ICDR Regulations, "*Basis for Offer Price*" beginning on page 106 includes information relating to our peer group companies. Such information has been derived from publicly available sources, and neither we nor the BRLMs have independently verified such information.

FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain forward-looking statements. All statements contained in this Draft Red Herring Prospectus that are not statements of historical fact constitute "forward-looking statements". These forward-looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "propose", "seek to", "shall", "likely", "will", "will continue", "will pursue", or other words or phrases of similar import. Similarly, statements that describe our expected financial condition, results of operations, business, prospects, strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements are based on our current plans, estimates, presumptions and expectations and are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industry in which we operate and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India and globally, 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 laws, regulations and taxes, changes in competition in our industry, incidence of natural calamities and/or acts of violence. Important factors that could cause actual results to differ materially from our Company's expectations include, but are not limited to, the following:

- Macroeconomic conditions in India.
- Impact of the COVID-19 pandemic, or any future pandemic or widespread public health emergency or outbreak of disease.
- Any disruption in our funding sources.
- Any adverse developments in the focussed sectors we operate in including microfinance, MSME finance, vehicle finance, consumer finance, affordable housing finance, agricultural supply chain finance and other retail finance sectors such as gold finance.
- Impact on asset quality on account of correlated risk events occurring as a result of high concentration of exposures on a single or a few counterparties, sectors, products, states or regions.
- Any mismatches between our assets and liabilities.
- Any default from our Original Partners, given transactions with relatively high-risk borrowers in the under-served households and businesses of India.
- Investments in credit facilities and debt instruments that are unsecured and/or subordinated to other creditors.
- Any changes in regulations to which we are subject or failure or delay in obtaining necessary permits, approvals, licenses or registrations.

Certain information in "*Industry Overview*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations"* beginning on pages 113, 170 and 330, respectively, of this Draft Red Herring Prospectus have been obtained from the "*Industry Report on Various Asset Classes"* prepared by CRISIL, which has been commissioned and paid for by our Company.

For further discussion of factors that could cause the actual results to differ from the expectations, see "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 25, 170 and 330, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual gains or losses in the future could materially differ from those that have been estimated.

We cannot assure investors that the expectation reflected in these forward-looking statements will prove to be correct. Given the uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements and not to regard such statements as a guarantee of future performance.

Forward-looking statements reflect the current views of our Company as of the date of this Draft Red Herring Prospectus and are not a guarantee of future performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be incorrect. None of our Company, our Directors, our KMPs, the Selling Shareholders, the Syndicate or any of their respective affiliates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with the SEBI requirements, our Company will ensure that investors are informed of material developments from the date of the Red Herring Prospectus until the date of Allotment. Each of the Selling Shareholders will, severally and not jointly, ensure that investors are informed of material developments in relation to the statements and undertakings confirmed by such Selling Shareholder from the date of the Red Herring Prospectus until the date of Allotment.

SECTION II: RISK FACTORS

An investment in our Equity Shares involves a certain degree of risk. You should carefully consider all the information in the Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. The risks described below are not the only ones relevant to us or our Equity Shares or the industry in which we operate or to India. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business, results of operations, financial condition and cash flows. If any of the following risks, or other risks that are not currently known or are currently deemed immaterial actually occur, our business, results of operations, financial condition and cash flows could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment. To the extent that the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this section. Prospective investors should read this section in conjunction with "Our Business," "Selected Statistical Information," "Industry Overview" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 170, 367, 113 and 330, respectively of, as well as the financial, statistical and other information contained in this Draft Red Herring Prospectus.

Prospective investors should pay particular attention to the fact that our Company and the Subsidiaries are incorporated under the laws of India and is subject to a legal and regulatory environment, which may differ in certain respects from that of other countries. This Draft Red Herring Prospectus also contains forward-looking statements that involve risks, assumptions, estimates and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Red Herring Prospectus. For further details, see "Forward-Looking Statements" beginning on page 23.

Unless stated otherwise, industry and market data used in this section have been obtained or derived from publicly available information as well as industry publications and sources such as the CRISIL Report that has been prepared by CRISIL. We have commissioned the report for the purposes of confirming our understanding of the industry in connection with the Offer and the report has been paid for by our Company for an agreed amount. Neither our Company, nor any other person connected with the Offer, including the Book Running Lead Managers, have independently verified the industry and third party-related information in such report or other third party or industry-related publicly available information cited in this Draft Red Herring Prospectus.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any of the risks described in this section. In making an investment decision, prospective investors must rely on their own examination of our Company and the terms of the Offer including the merits and risks involved. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in our Equity Shares. Unless otherwise indicated or context requires otherwise, the financial information included herein is derived from our Restated Consolidated Financial Information for Fiscals 2019, 2020 and 2021, included in this Draft Red Herring Prospectus.

INTERNAL RISK FACTORS

1. Macroeconomic conditions in India could have a material adverse effect on our business, results of operations and financial condition.

We conduct all of our business activities in India, and rely primarily on interest income from loans, income from investments, guarantee commission which is charged on the guarantees we issue, and fee income (which includes professional fees and investment management fees) to generate our revenues. These revenue streams have historically been affected by key macroeconomic conditions in India, and are likely to continue being affected by them in the future. Our total revenue from operations (which primarily comprises of interest income, fees and commission income, net gain on fair value changes and net gain on derecognition of financial instruments) was ₹6,015.55 million, ₹6,328.20 million and ₹6,811.71 million for Fiscals 2019, 2020 and 2021, respectively.

Consumer confidence, consumer spending, unemployment and overall economic growth rates are among the main factors that often impact the demand for credit. Poor economic conditions and regulatory forbearances or relaxations tend to adversely affect our end-customers' ability and willingness to repay the amounts borrowed, thus increasing delinquencies, charge-offs and provisions for credit losses, and decreasing recoveries. For instance, due to COVID-19 approximately, 51.40%, 57.44% and 32.51% of our loans to Originator Partners and mid-market companies availed of moratorium in April 2020, May 2020 and June 2020, respectively. However, this number significantly dropped to around 4% in August 2020. Further, 34.00%, 47.00% and 27.00% of our loans to our retail clients were under moratorium in April 2020, May 2020 and June 2020, respectively and this number was around 28.00% in August 2020. Pursuant to this and to avoid significant asset-liability mismatches ("**ALMs**"), our Company obtained moratoria from its some of its own lenders until August 2020. Such moratorium granted to our clients and taken by us was pursuant to the regulatory measures in relation to COVID-19 announced by the RBI by way of its circulars dated March 27, 2020, April 17, 2020 and May 23, 2020. For more details of the regulatory measures by the RBI, see "*Key Regulations and Policies*" beginning on page 206.

Economic growth in India is influenced by, among other things, inflation, unemployment rates, interest rates, foreign trade and capital flows, as well as the monsoon season. The level of inflation or depreciation of the Indian rupee may limit monetary easing or cause monetary tightening by the Reserve Bank of India ("**RBI**"). Any increase in inflation, due to increases in domestic food prices or global prices of commodities, including crude oil, the impact of currency depreciation on the prices of imported commodities and additional pass-through of higher fuel prices to consumers, or otherwise, may result in a tightening of monetary policy. Our Company has also faced severe macro-shocks in the past, such as in November 2016, when the Indian government announced the demonetization of bank notes of ₹500.00 and ₹1,000.00. Around 86.00% of Indian currency in terms of value was removed from circulation. Demonetization impacted our results of operations and our Company recorded impairment charges driven primarily by such impact. Demonetization also generally had an adverse impact on credit quality, and specifically led to an increase in delinquencies in certain microfinance loans to which we had exposure including through our investment in PTCs issued to us pursuant to securitization of microfinance loans. Our Company made significant provisions, which were partially reversed upon recovery but did result in us incurring a net credit cost. Additionally, the introduction of a comprehensive national goods and services tax ("**GST**") regime with effect from July 1, 2017 in India led to a weakening of credit quality as it affected under-served households and businesses, which are our end-customers. For further details, see " – *External Risk Factors - Changing laws, rules and regulations and legal uncertainties, including adverse application or interpretation of corporate and tax laws, may adversely affect our business, prospects and results of operations.*" on page 57. We lend to and raise financing for a significant number of lower rated, small and medium Originator Partners which had difficulties in raising debt and equity after the defaults by Infrastructure Leasing and Financial Services Limited and its group companies, and a few other large NBFCs. This impacted our growth and funding prospects in Fiscal 2020.

The Indian economy's growth momentum moderated significantly in Fiscals 2019 as compared to previous years. According to CRISIL, India's real GDP growth decreased from 6.3% in Fiscal 2019 to 4.0% in Fiscal 2020 and -7.3% in Fiscal 2021. However, despite the second wave of COVID-19, CRISIL forecasts sharp recovery in Fiscal 2022 at 9.5% due to lower base of 2021 and approved vaccines and policy measures. A third wave would pose a significant downside risk to the growth forecast, as would a slower-than-anticipated pace of vaccination. In such a scenario, CRISIL forecasts India's GDP to grow by 8.0% in Fiscal 2022. (*Source: CRISIL Report*)

While our results may not necessarily track India's economic growth figures, the Indian economy's performance affects the environment in which we operate. A prolonged period of slow economic growth or a significant deterioration in economic conditions would likely affect the willingness of the Originator Partners, mid-market companies and retail borrowers (together, our "**Clients**") to procure credit and other related services. It may also impact the repayment capabilities of Clients, resulting in increases in defaults. These factors could have a material adverse effect on our business, financial condition and results of operations.

2. The COVID-19 pandemic, or any future pandemic or widespread public health emergency or outbreak of disease, could materially and adversely impact our business, financial condition, cash flows and results of operations.

The recent COVID-19 pandemic and any future pandemic or widespread public health emergency have had and could have, repercussions across regional and global economies and financial markets. The outbreak of COVID-19 in many countries, including India, has significantly and adversely impacted economic activity and has contributed to significant volatility and negative pressure in financial markets, and it is possible that the outbreak of COVID-19 will cause a prolonged global economic crisis, recession or depression, despite monetary and fiscal interventions by governments and central banks globally.

The World Health Organization declared the outbreak of COVID-19 to be a public health emergency of international concern on January 30, 2020, and a global pandemic on March 11, 2020. COVID-19 and the global health concerns relating to this pandemic have had a severe negative impact on, among other things, financial markets, liquidity, economic conditions and trade, and could continue to do so or could worsen for an unknown period of time, that could in turn have a material adverse impact on our business, cash flows, results of operations and financial condition, including liquidity and growth.

In Fiscal Year 2020, on March 14, 2020 India declared COVID-19 as a "notified disaster" and on March 24, 2020, the Government of India ordered a national lockdown in response to the spread of COVID-19, which commenced on March 25, 2020. All of our business premises were closed from March 25, 2020 until November 1, 2020 and thereafter, from April 22, 2021 to May, 2021. Since February 2021, India has recorded a significant increase in daily new COVID-19 cases. This further increase in daily new COVID-19 cases in India has resulted in new lockdowns and curfews being implemented in certain states, imposition of quarantines and restrictions on travel, which could adversely affect our business, prospects, financial condition and results of operations. Since a countrywide lockdown was imposed in India as well as subsequent state-wide lockdowns imposed in the states where we operate, our business has been impacted, our disbursements reduced, and our ability to conduct normal business activities affected, including a reduction in opportunities to conduct field monitoring visits or sourcing and on-boarding new customers. It is possible that the ongoing lockdowns and curfews will also be subject to repeated extensions. Globally, countries have imposed various measures to help control, or slow down, the spread of COVID-19, including restrictions on international and local travel, travel to and from India specifically, public gatherings, physical participation in meetings, as well as closures of universities, schools, stores and restaurants. To safeguard our employees from the effects of the COVID-19 pandemic, our Company has and is facilitating vaccination drives for our employees. Further, the group medical insurance coverage provided to our employees and their dependents also includes coverage for COVID-19. For more details on the insurance cover, see "*Our Business - Insurance*" on page 205.

Prior to the announcement of the first nation-wide lockdown on March 24, 2020, our Company had initiated preparations to implement business community planning ("**BCP**") measures as mandated by the RBI. These measures included the adoption of a largely digital means of working for our employees and clients. For instance, our technology system, Nimbus, enabled complete digital documentation for loans in our financing offerings, including e-stamping and digital signing of loan agreements. As a result, the dependence on physical presence in office for official activities has been minimized. Further to respond to asset quality and liquidity issues, our Company adopted additional risk monitoring measures, such as requiring our Clients to increase the frequency and detail of data to be provided, conducting more in-depth monitoring of our Clients and end-customers of our Originator Partners. Given the restrictions on travel we continued remote monitoring of our Clients including, where applicable, through virtual meetings with their branch management and senior management. To assess the impact on the liquidity position, we required our Originator Partners to submit monthly/quarterly data on their collection efficiencies via-a-vis' loans disbursed by them. Additionally, when the RBI allowed for a one-time restructuring of loans, we conducted a critical analysis of our Originator Partners to understand the basis on which they approved restructuring of loans disbursed by them. We also offered restructuring to mid-market companies and retail borrowers based on an assessment of their cash flows. On a quarterly basis, all of this analysis was synthesized to form a composite risk view on the portfolio and to guide further disbursements and risk taking.

There can be no assurance that further restrictions will not be introduced. Our Clients may default on repayments on account of suspension of business activities arising from restrictions. Further, we may be required to quarantine employees that are suspected of being infected with COVID-19, as well as others who have come into contact with those employees, which could have an adverse effect on our business operations. The RBI, pursuant to its circulars dated March 27, 2020, April 17, 2020 and May 23, 2020 announced certain regulatory measures, including, among others, to mitigate the burden of debt servicing brought about by disruptions on account of the COVID-19 pandemic and to ensure the continuity of viable businesses. In furtherance of these circulars, lending institutions were permitted to: (i) grant a moratorium of three months in respect of all term loans on instalments payable (i.e., from March 1, 2020 until May 31, 2020), which was subsequently extended for a further period of three months (i.e., until August 31, 2020); and (ii) defer the recovery of interest during the period mentioned in (i) above as regards working capital facilities sanctioned in the form of cash credit/overdraft. In line with these requirements, we provided a moratorium on a case-by-case basis to eligible Originator Partners and mid-market companies of all principal amounts and/or interest, as applicable, falling due throughout or between March 1, 2020 and August 31, 2020, resulting in a decline in our collections during such period. Approximately 51.40%, 57.44% and 32.51% of loans to Originator Partners and mid-market companies were under moratorium in April 2020, May 2020 and June 2020, respectively. However, this number significantly dropped to around 4% in August 2020. Further, 34.00%, 47.00% and 27.00% of our loans to our retail clients were under moratorium in April 2020, May 2020 and June 2020, respectively and this number was around 28.00% in August 2020. Further, there were write-offs due to the impairment of certain customer accounts.

Our Clients have further been impacted due to the economic downturn caused by the second wave of COVID-19 such as suspension of non-essential services. In the event our borrowers' enterprises are unable to withstand the economic pressures caused by the COVID-19 pandemic, particularly in light of the on-going second wave, or similar disruptions in the future including any subsequent waves, we may experience higher credit impairment than anticipated in these sectors. To mitigate the economic impact of the second wave of COVID-19, the RBI announced the Resolution Framework 2.0 in May, 2021 for (i) individuals and small businesses; and (ii) MSMEs. Pursuant to the Resolution Framework targeting individuals and small businesses, lending institutions were permitted to restructure loans that did not avail the benefit of restructuring in FY2021 and those where the moratorium allowed in the first restructuring was less than 24 months. Following the lockdown and other restrictions imposed by various states, business operations for several Clients have been adversely impacted, including a reduction in collection efficiency of Originator Partners. The full extent of such adverse impact is not known yet. We cannot guarantee that the Resolution 2.0 framework will be adequate to fully mitigate the adverse impact of the second wave on our portfolio.

Pursuant to the decision of the Supreme Court of India in Small Scale Industrial Manufactures Association v. Union of India & Others dated March 23, 2021, the RBI has issued a circular dated April 7, 2021 (the "**April 2021 Circular**"). The April 2021 Circular 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 above judgment. Such relief shall be available 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, in terms of the circulars dated March 27, 2020 and May 23, 2020. Further, the RBI has also issued circulars dated May 5, 2021, titled 'Resolution Framework – 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses' and 'Resolution Framework 2.0 – Resolution of COVID-19 related stress of Micro, Small and Medium Enterprises (MSMEs)', which permit the classification of advances to individuals, and small businesses and MSMEs, respectively, pursuant to restructuring or implementation of resolution plans, as applicable, subject to certain conditions under such circulars, including that the resolution framework is permitted only to those borrowers that are facing COVID-19 related stress. For further details, see "*Key Regulations and Policies- COVID-19 Regulatory Framework*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting our Results of Operations – Government Policy and Regulation*" on pages 216 and 337, respectively and additionally for details on the impact of the COVID-19 pandemic, including our Company's provisioning and asset classification in relation to the moratorium period, see "*Financial Statements*" beginning on page 256.

These and any other measures taken by the RBI and other authorities that regulate our operations, may impact our business, operations and financial performance. In the event similar moratoria are allowed in the future by regulators, or if there are adverse directions on the levy of interest on the borrowings during an extended moratorium period, it may adversely impact our business, financial condition and results of operations.

The full extent to which the COVID-19 pandemic, or any future pandemic or widespread public health emergency impacts our business, financial condition and results of operations will depend on numerous evolving factors that we may not be able to accurately predict, such as (i) any new information as to the scope, severity, and duration of the pandemic or the efficacy of vaccines; (ii) any actions taken by governments, businesses and individuals in response to the pandemic; (iii) the effect on customer demand, and their ability to repay the principal amount or interest, for our products; (iv) the impact on our capital expenditure; (v) disruptions or restrictions on the ability to work and travel of our employees, customers and partners; (vi) volatility in foreign exchange rates, interest rates and availability of adequate liquidity in the financial system; (vii) any extended period of remote work arrangements; and (viii) strain on our partners' business continuity plans, and resultant operational risk.

India has also experienced outbreaks of other diseases in the past. Any future outbreak of disease, health epidemic or pandemic, such as the COVID-19 pandemic, or any widespread public health emergency may restrict the level of business activity in affected areas, which may, in turn, materially and adversely impact our business, prospects, financial condition and results of operations.

3. Our business requires funds regularly, and any disruption in our funding sources would have a material adverse effect on our business and cash flows.

As an NBFC, our liquidity and ongoing profitability are largely dependent upon our timely access to, and the costs associated with, raising funds. RBI regulations do not permit non-deposit taking NBFCs, like us, to take deposits from public. Our Company's funding requirements have been met through a combination of funding sources like non-debt instruments, redeemable preference shares, non-convertible debentures including market-linked non-convertible debentures, term loans and subordinated debt, working capital and revolving credit facilities, external commercial borrowings ("**ECBs**"), commercial papers, sale of investments, and assignment or securitization of a portion of the receivables from our loan portfolio to banks and other financial institutions. The growth, liquidity and profitability of our Company depends upon, and will continue to depend upon, our ability to access diversified, relatively stable and low-cost funding sources.

As of March 31, 2021, our total outstanding borrowings were ₹39,208.05 million, of which our contractual maturities within one year were ₹18,878.84 million. The primary source of funds to repay our borrowings is from collections from our financial assets and in addition, we may either need to refinance this debt, increase liquidity by assigning or securitizing loans in the ordinary course of business or raise equity capital or generate sufficient revenue to retire the debt. There can be no assurance that we will be able to arrange for refinancing on terms that are commercially better than those available previously, or at all, or that our Company will have sufficient cash to enable us to service our existing debts or to fund other liquidity needs.

Our ability to borrow funds on acceptable terms and refinance existing debt may also be affected by a variety of factors, such as our performance, credit ratings, the regulatory environment and government policy initiatives, liquidity in the credit markets, the financial health of the lenders from whom we borrow, the amount of eligible collateral and accounting changes that may impact calculations of covenants in our financing agreements. An event of default, a significant downgrade in ratings by a rating agency, an adverse action by a regulatory authority, or a general deterioration in prevailing economic conditions that constricts the availability of credit may increase our cost of funds and make it difficult for us to access financing in a cost-effective manner. A disruption in the sources of funds or any increase in the cost of funds as result of any of these factors, would have a material adverse effect on our liquidity and financial condition.

The capital and lending markets are highly volatile and our access to liquidity could be adversely affected by prevailing economic conditions. These conditions may result in increased costs of borrowing and difficulty in accessing funds in a cost-effective manner. 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. As a financial services company, we also face certain regulatory restrictions on our ability to raise money from international markets, which may further constrain our ability to raise funds at attractive rates. We also face specific risks related to foreign exchange associated with the issuance of foreign currency denominated ECBs. While there is a regulatory requirement and we are required by our policy to actively manage all such foreign currency risks, our hedging cost may increase if the fluctuations in foreign exchange rates are adverse. Further, while we enter into such hedging arrangements with reputable banks, we face the risk of failure of the hedge counterparty. Further, the cost of such hedging arrangements may not be economical for our Company. If we are unable to obtain adequate financing or financing on terms satisfactory to us, as and when we require it, our ability to grow or support our business and to respond to business challenges would be limited and our business, prospects, financial condition and results of operations would be materially and adversely affected.

4. Our business operations involve direct and indirect exposures to relatively high-risk borrowers in the under-served households and businesses of India. Any large-scale defaults in this segment could adversely affect our business, results of operations and financial condition.

Our Originator Partners and we, through our own balance sheet, offer a wide range of financial products that address the specific financing requirements of under-served households and businesses of India. Our Originator Partners use financing availed from us to disburse loans such as microfinance loans, MSME finance, vehicle finance loans, consumer finance loans, affordable housing finance loans and agricultural supply chain finance loans, that serve the various credit requirements of the under-served borrower segment. A significant portion of our exposure is to such Originator Partners who are typically vulnerable to declining economic conditions affecting their portfolio quality and financial position. Further, we also have direct exposure to this under-served segment through our retail business and investments in portfolio financing transactions that involve retail loan pools. Earning capacity of borrowers in these segments depends on various macro and micro economic factors that affect them from time to time. We have a greater risk of loan defaults and losses in the event there are adverse economic conditions, which may have a negative effect on the ability of the under-served borrowers to make timely payments of their loans.

A significant portion of our target borrowers typically have limited access to credit with limited to no prior credit history. For instance, a sizeable portion of affordable housing loans and two-wheeler loans provided by us and our Originator Partners involve first time borrowers with limited access to capital through formal banking channels. As a result, we are vulnerable to customer default risks including delay in repayment of principal or interest on our loans. Although we have our own customized due diligence and credit analysis procedures, there can be no assurance that we will be able to ensure a lower delinquency rate. Our profitability depends on our ability to evaluate the right income levels of our customers, assess the credit risks and to price our loans accordingly. For more details, see *"Our Business – Our Products"* on page 194. Our Originator Partners or retail borrowers may default on their obligations as a result of various factors including bankruptcy, insolvency, lack of liquidity and/or failure of the business or commercial venture in relation to which such borrowings were sanctioned. For more details of such factors, see "- *Any adverse developments in the focussed sectors we operate in including microfinance, MSME finance, vehicle finance (includes commercial vehicle and two-wheeler finance), consumer finance, affordable housing finance, agricultural supply chain finance and other retail finance sectors such as gold finance, could adversely affect our business and results of operations*" on page 30. Microfinance, consumer finance and certain products in the MSME finance sector, are mostly unsecured and are susceptible to higher levels of credit risks. Additionally, although vehicle finance, affordable housing finance and certain products in the MSME finance sectors involve certain collateral, these portfolios may still be exposed to defaults in payment, which may impact our ability to fully recover dues on both direct and indirect exposure. If our borrowers fail to repay loans in a timely manner or at all, our business, prospects, financial condition and results of operations will be adversely impacted. For more details, see "*If our customers default in their repayment obligations, our business, financial condition, results of operations and cash flows may be adversely affected."* on page 48.

5. Any adverse developments in the focussed sectors we operate in including microfinance, MSME finance, vehicle finance (includes commercial vehicle and two-wheeler finance), consumer finance, affordable housing finance, agricultural supply chain finance and other retail finance sectors such as gold finance, could adversely affect our business and results of operations.

We primarily operate in focussed sectors such as microfinance, MSME finance, vehicle finance (includes commercial vehicle and two-wheeler finance), consumer finance, affordable housing finance, agricultural supply chain finance and other retail finance sectors such as gold finance. The sectoral exposures under the above sectors are assumed partly through a combination of lending to retail borrowers, and lending to and investment Originator Partners such as NBFCs, NBFC-MFIs and HFCs which in turn lend to under-served households and businesses, thereby facilitating the availability of credit to them. Company's AUM (excluding our investment in AIFs) as of March 31, 2021.

Particulars	AUM (Rs. in million)
Microfinance	17,022.56
MSME finance	15,095.33
Vehicle finance (including commercial vehicle and two-wheeler finance)	8,735.78
Consumer finance	3,985.26
Affordable housing finance	2,159.25
Agricultural supply chain finance	1,010.08
Others	942.04

The success of our business therefore depends on various factors that affect demand for loan products under each of these sectors. Further, our syndication and structuring as well as fund management offerings principally operate in the focussed sectors. Accordingly, any adverse developments in the sectors would also adversely affect our fee income from such offerings and therefore, our business and results of operations.

Our business in the microfinance and MSME finance sectors may be negatively impacted by various factors, including the ability of retail borrowers to repay their loans availed from our Originator Partners, the liquidity, capitalization and portfolio quality of our Originator Partners, changes in regulations and policies, natural disasters, calamities, political and social risks, including any adverse publicity or litigation relating to these loan products, and religious beliefs relating to loans and interest payments. Our business in the consumer finance sector may be negatively impacted by the retail consumptions trends, decrease in disposable income of the target customer segment, regulatory environment and policies on digital lending practices and customer protection principles. Further, our vehicle finance loans segment, is dependent on the industry for commercial vehicles, and is therefore additionally affected by the demand for transportation services in India, changes in Indian regulations and policies affecting utility vehicles, tractors, commercial vehicles and cars, fuel prices, vehicle scrappage policies and other macroeconomic conditions in India and globally. Similarly, our affordable housing finance sector may be negatively impacted by factors such as the housing market in India, our business in the agricultural supply chain finance sector may be negatively impacted by factors such as monsoon failure, excess rainfall, droughts, floods and locust attacks and our other retail business such as gold loans may be negatively impacted by the volatility of the gold rates in India.

A sizeable proportion of our exposure (which includes indirect exposure through Originator Partners) is to borrowers in non-urban locations with dependence partly on the rural economy which is subject to the above risks. Further, our exposure is also to other under-served households and businesses including borrowers in informal self-employed segment or earning an informal salary, who are likely to be impacted by these conditions. Occurrence of these factors may adversely affect our and our Originator Partners' ability to recover loans advanced and consequently affect the results of our operations, financial condition and cash flows. In particular, our Clients have been impacted due to the economic downturn caused by COVID-19 related measures such as closure of non-essential services. In the event our Originator Partners are unable to withstand the economic pressures caused by the COVID-19 pandemic, particularly in light of the on-going second wave, or other macro-economic disruptions we may experience higher credit impairment than anticipated in these sectors. We may therefore be required to recognize higher impairment provisions in future periods, on account of the uncertainty in the external environment due to COVID-19 or other macro-economic disruptions, which may adversely impact our asset quality and profitability. For further details, see " - *Macroeconomic conditions in India could have a material adverse effect on our business, results of operations and financial condition*" on page 25 and " - *The COVID-19 pandemic, or any future pandemic or widespread public health emergency or outbreak of disease, could materially and adversely impact our business, financial condition, cash flows and results of operations*" on page 26.

Further, we also lend to mid-market companies operating in diverse sectors such as logistics, food and agriculture, education, clean energy, healthcare, B2B services and FMCG. Our ability to lend to mid-market companies operating in other sectors might be limited if we do not develop the requisite sectoral understanding and expertise. In addition to the sector-specific risks, some other business risks that we may face are set out below.

- We extend loans to and invest in the debt of our Originator Partners which are financial institution partners. If there is a default by these Originator Partners or a significant deterioration in their capacity to repay due to liquidity, asset quality or capitalization issues or if we are unable to maintain our relationships with these institutions, our business, financial condition and results of operations may be adversely affected.

- We also extend loans to retail customers through Retail Lending Partners (including technology platforms such as Fintechs and other entities that act as business correspondents to originate financial exposure). We face the risk of default and non-payment by our retail customers, and we may face difficulties in carrying out periodic credit risk analyses on such customers. Such customers are generally considered to be less financially resilient than borrowers from other high income groups or better rated corporate borrowers. In addition, a significant majority of our retail customer base belongs to the low to middle income group, who may be more likely to be affected by declining economic conditions than large corporate borrowers. As a result, we are subject to risks which could result in default or delay in repayment of principal or interest on our loans and any decline in the economic conditions may impact the repayment capabilities of our borrowers, which may result in increase in defaults, thereby adversely affecting our business and financial condition.

The above list is indicative and not exhaustive. These and similar risks may materially and adversely affect our reputation, results of operations, cash flows and financial condition. Further, the under-served households and businesses that we target are also particularly susceptible to event-based risks, such as, political, communal and socio-political disruptions, loan waivers, pandemics and natural calamities. See " – *The locations in which we operate could experience natural disasters. The occurrence of natural or man-made disasters may adversely affect our business, cash flows, results of operations and financial condition.*" on page 59. The occurrence of any of these events and other factors could lead to an increase in impairment losses and adversely affect the results of our operations, financial condition and cash flows.

6. The microfinance sector is highly regulated and any adverse developments in the sector may affect our business and financial condition.

We operate in several focused sectors including the microfinance sector. Our operations in this sector involve enabling funding to Originator Partners being NBFC-MFIs, which in turn provide microfinance loans, as well as directly providing microfinance loans to our retail borrowers through Retail Lending Partners. The microfinance sector, where we have the highest exposure, is a highly regulated sector in India. Our performance in this sector depends on various factors, including the ability of our borrowers to repay their loans, the results of operations of the businesses of such borrowers, changes in regulations and policies by the governments including demonetization, natural disasters, calamities, political and social risks, including any adverse publicity or litigation relating to the microfinance sector, public criticism of the microfinance sector and religious beliefs relating to loans and interest payments. Such factors, in the future, could lead to an increase in impairment losses and adversely affect our business and results of operations.

Further, the legal and regulatory framework for the microfinance sector are constantly evolving and are subject to change. In addition to the central laws and regulations, various states have attempted and could attempt in the future to regulate the microfinance sector. For instance, in 2010 the Andhra Pradesh Government enforced curbs on MFIs in the state as coercive collection policy of certain MFIs drove customers to commit suicide. The laws, regulations and policies applicable to us may be amended, supplemented or changed at any time such that we may be required to restructure our activities and incur additional expenses to comply with applicable laws and regulations. Such changes may also adversely affect our business, results of operations and prospects, to the extent that we are unable to suitably respond to and comply with any such changes in applicable laws, regulations and policies. Any change to the existing legal or regulatory framework will require us to allocate additional resources, which may increase our regulatory compliance costs and consequently affect our business, results of operations and prospects.

7. Our asset quality may be materially impacted on account of correlated risk events occurring as a result of high concentration of exposures on a single or a few counterparties, sectors, products, states or regions

As per our business model, we assume credit exposures to Originator Partners, mid-market companies and retail borrowers through multiple products including loans, debentures, guarantees, and rated securitizations. Such exposures are also spread across 657 districts, 28 states and seven union territories of India as of March 31, 2021. Such exposures can be secured, unsecured or subordinated to other lenders and investors. Set out below is the contribution of our top five, 10 and 20 customers to our total revenue for Fiscals 2019, 2020 and 2021, respectively.

Particulars	2019	2020	2021
Top 5 customers (%)	16.00	14.25	12.58
Top 10 customer (%)	25.90	22.68	21.27
Top 20 customers (%)	42.10	36.51	36.29

Under the RBI Prudential norms, we are required to calculate and monitor exposure to a single borrower and group of borrowers. In addition, we also calculate and monitor other exposure ceilings set by our Board across multiple parameters including exposure to a single counterparty, subordinated exposure to a single counterparty and exposure to a group of counterparties. We also calculate and monitor portfolio-level exposures by sector, product, geography, security and seniority. As of March 31, 2021, the top 20 counterparties represented 36.0%, top two sectors represented 66.2%, and top 5 states represented 48.9% of AUM (excluding assigned assets). We will continue to take exposures to sectors, counterparties, products and geographies in which we choose to operate. There can be no assurance that any default by one or more large counterparties, adverse changes in the market scenario, adverse changes in regulations, or other adverse credit events impacting one or more sectors or states would not have a material adverse impact on our results of operations, cash flows and financial position.

8. Our fund management business may face a number of additional risks, which if materialized, may adversely affect our financial condition and results of operations.

We operate our fund management business through our subsidiary, NAIM. Our fund management business accounted for 4.42%, 0.65% and 11.17% of our net profit and 1.72%, 2.17% and 2.18% of our Adjusted total income for Fiscal 2019, 2020 and 2021, respectively. In addition to general risks such as market risk, credit risk, liquidity risk, regulatory risks, and operational and business risk, our fund management business is also subject to certain additional risks, examples of which are set out below.

- *Dependency of income on AUM of the funds and reduction of fee income*: A significant portion of NAIM's income is dependent on the AUM of its funds, as the management fees are usually calculated as a percentage of the AUM. Any decline in the AUM will cause a consequent decline in NAIM's income and profits. The AUM may decline or fluctuate on account of several factors, some of which are outside our control, including general economic conditions, macroeconomic and monetary policies, sectoral events and prevalent investor sentiment. Additionally, the extent of expenses which can be charged to the funds is directly linked to the AUM of these funds, with any spillover above certain pre-defined thresholds being absorbed in NAIM's books. As several of NAIM's costs, other than distribution costs, do not vary proportionately with the AUM, any decline in AUM could affect NAIM's and consequently, our profitability. If NAIM fails to maintain and increase the investor base or fails to provide better services and products to retain and attract client activity, our total revenues, which includes fee income (comprising professional fees and investment management fees), may be adversely affected.

- *Underperformance of the funds*: The performance of funds depends not only on NAIM's investment strategies but also on various factors outside our and NAIM's control, including market conditions and economic conditions. Poor investment performance could have a negative effect on NAIM's business or impair NAIM's income and growth in a number of ways, including existing clients withdrawing funds in favor of better-performing products, which in turn affects NAIM's ability to attract funds from existing clients and incremental funds from new clients, which consequently affects our AUM and our profitability.

Additionally, given our Company's historical and overarching focus on enabling access-to-finance to the under-served households and businesses, our funds also have a social impact focus, as a result of which the funds may forgo some market opportunities which are available to funds that do not use these criteria. This may cause the funds to underperform the market as a whole or when compared against other funds that do not use such impact criteria or social impact themes.

- *Failure to implement growth strategies*: Our fund management business and AUM has grown consistently in the recent past. For details, see "*Our Business*" on page 170. The historical returns of our investment products however, should not be considered indicative of the future results of these products or the results of any other products we may develop in the future. We cannot assure you that our growth strategy will continue to be successful or that we will be able to continue to grow further, or at the same rate. The growth of our fund management business depends on various factors such as: (i) ability to retain key investment professionals and investing necessary resources to maintain the grade of existing products and develop new investment products; (ii) growth of Indian economy; (iii) high growth rate of savings in India; (iv) pursuit of favorable regulatory policies and financial literacy programs; and (v) favorable macro-economic conditions. We also intend on expanding our geographical footprint and implement other growth strategies which could entail certain risks. For more details, see "*Risk Factor - We may not be successful in implementing our growth strategies or entering new markets.*"

- *Unavailability of investment opportunities*: Our ability to deliver strong investment performance depends largely on our and NAIM's ability to identify appropriate investment opportunities. If we are not able to identify favorable investment opportunities in a timely manner, or at all, our investment performance and consequently our results of operations may be adversely affected. Further, any delay in the deployment of investor funds beyond any relevant commitment period may lead to lower investor returns which could also lead to investors withdrawing their commitments. NAIM's inability to continue to grow its AUM, maintain its overall growth levels while enhancing the investor's product portfolio, or discontinue some of the investment products, may adversely affect our market position and profitability. The AUM of certain funds, such as the Northern Arc Money Market Alpha Fund, has significantly increased, especially in recent periods. If we are unable to identify sufficient investment opportunities for such funds, our investment performance may decline and we may have to change the investment strategies of the affected funds, which entails offering an exit option to investors in these funds. Further, our investment style and strategy may fall out of favor for various reasons including underperformance and competition which could lead to a decline in assets managed by us. Any inability to promptly re-calibrate or formulate new strategies for investments will adversely affect the growth of NAIM's AUM and have an adverse impact on NAIM's and our revenue and profit.

- *Unforeseeable redemption requests exposed due to operating open-ended funds*: NAIM acts as investment manager to Northern Arc Money Market Alpha Fund, an open-ended fund which allows redemptions to investors at monthly rests. Open-ended funds carry the risk of mass redemptions by investors, which may be triggered by actual or perceived adverse movements in sectoral or macroeconomic conditions. Large-scale redemptions by the fund's investors may cause the fund to sell its portfolio investments at times when it would not otherwise do so, which may negatively impact the fund's net asset value and liquidity.

- *Competition from existing and new market participants offering investment products could reduce our market share or put downward pressure on our fees:* The AIF industry is rapidly evolving and is intensely competitive and we expect competition to continue and intensify in the future. We face significant competition from other investment opportunities seeking to attract investors' wallet share, including traditional and online brokerage firms, mutual funds, portfolio management services as well as other categories of AIFs such as venture capital, private equity, venture debt, performing/distressed credit, etc. Our competitors may offer a wide range of financial products and services, at lower investment management fee, with a wider distribution network. Our competitors may receive investor referrals from their affiliates and other departments that provide other financial services. Investor Partners may find it convenient or reassuring to use one platform, or brand to meet all their financial services needs and may choose to give their business to larger competitors. This may adversely affect our market share and ability to grow our business. Increased competition may result either in a decrease in AUM market share, or force us to reduce our management fees so as to preserve such market share, either of which would decrease our revenue from operations.

- *We undertake certain marketing operations and deal with investors outside of India which are subject to risks*: We plan to expand our product offerings to cover newer classes of Investor Partners located in geographies outside India. Operating in such offshore jurisdictions presents difficulties and risks that are different from those we face in India and our ability to effectively manage such risks may be limited. We face additional risks attributable to such as: (i) operations in such jurisdictions being subject to different competitive environments and regulatory regimes; and (ii) the investment preferences, expectations and requirements of such offshore customer base being quite different from what we have been servicing in our operations this far. Therefore, we may not be able to grow our business outside of India at the same rate as we grow our business in India, or at all, and it is possible that we find it difficult to maintain our operations in such jurisdictions.

- *Non-compliance with SEBI regulations and guidelines*: NAIM acts as a manager to a number of funds, which are regulated by SEBI under the SEBI AIF Regulations. For every fund a draft private placement memorandum is required to be filed with SEBI for its observations. SEBI also issues directions and guidelines, from time to time, through circulars and clarifications governing a number of aspects relating to operations and governance of funds. Our failure to comply with these regulations or guidelines could subject us to fines and other penal proceedings. NAIM is also subject to scrutiny and supervision by SEBI. SEBI has the power to inspect our books from time to time to ensure that we are in compliance with regulations, based on which SEBI may take such action as it may deem fit, including under the SEBI Act, SEBI AIF Regulations, and other regulations issued by SEBI, which includes fines and sanctions and, in certain circumstances, could also lead to revocation of the registration given to our funds or our removal as investment manager of the funds.

The above list is indicative and not exhaustive. Additionally, on account of our Company's investment in NAIM's funds set out below are the risks applicable to our Company.

- *Risk on account of first loss protection*: We typically act as a sponsor or co-investor along with NAIM to NAIM's funds. We provide first loss protection to the funds' investors in the senior class of units, whereby our contribution along with that of NAIM, is invested in a separate class of units which is subordinate to the class of units issued to investors in the senior class of units in these funds. Accordingly, such investors are protected against any defaults on payment of coupon, principal or other committed payments by the issuers of the instruments held by the funds, to the extent of the subordinate class of units held by us or NAIM. Any trigger of first loss protection in the funds could result in a consequent reduction in returns expected by us as well as NAIM to the extent of such shortfall.

- *Liquidity risks innate to AIF investments*: Capital contributions made by us as a co-investor in NAIM's funds may remain locked-in for the tenure of the fund and consequently may be illiquid. While a market for secondary sale of AIF units has developed in India especially in recent years, this market continues to be in nascent stages and there is no guarantee that a secondary sale of AIF units could happen within the time, consideration or such other conditions as may be desired by us. Additionally, distributions from the funds are at the partial/complete discretion of the investment manager and not based on the needs of the investors; therefore there is no guarantee that our Company may receive returns from its investment in a timely manner as anticipated.

These and similar risks may materially and adversely affect our business, prospects, financial condition, results of operations and reputation. Further, the fund management business is highly regulated in India by various regulators including the SEBI and we are required to comply with various regulatory requirements. Any change in the existing requirements or the introduction of additional requirements may require us to incur additional expenditure, to ensure compliance, which may adversely affect our financial condition.

9. We could experience a decline in our revenue generated from activities in the syndication and structuring offerings, based on the historical and expected risk of the Originator Partners and mid-market companies we serve and investor liquidity, risk preferences and business strategy of our Investor Partners.

Our syndication and structuring business provides a variety of services and products to participants involved with the Indian debt market. Through our Investor Partners, we provide access to debt capital for our Originator Partners, which are financial institutions engaged in retail financing for under-served households and businesses in the focused sectors we operate in and on-boarded by us, as well as mid-market companies. Due to various factors such as costs associated with compliance of relevant laws when we place securities products to offshore investors, adverse developments in the focussed sectors we operate in, competition from existing and new market participants, risk preferences of the investors and liquidity in the market, our revenue generated from these products and services may decrease, which would have a material adverse effect on our financial condition.

10. We may be unable to recover the full amounts due to us through our collections mechanism, which could expose us to losses, which could have an adverse impact on our profitability, cash flows and financial position.

Our business involves providing access to credit to under-served households and businesses. While we maintain adequate collections management systems, combining data analytics with field intelligence to provide us with early warning signals on the health of assets in our portfolio, we may be unable to predict losses due to delinquencies, which could have an adverse impact on our profitability, cash flows and financial position. In addition, based on the assessment of stress in a specific asset, we also take appropriate legal actions against a borrower/issuer which may include filing of criminal complaints, initiating proceedings under the IBC or civil suits for recovery, however we cannot assure you that the outcome of these matters will be in our favor. Further, such legal proceedings may divert the management's time and attention and consume significant financial resources in their prosecution. In certain cases we depend on third parties for collections; for instance our Retail Lending Partners are responsible for collections in relation to our retail business and we are unable to control the manner in which such third parties operate.

11. A significant portion of our investments are in credit facilities and debt instruments that are unsecured, and/or subordinated to other creditors.

As part of our business operations we have taken exposure in the form of credit facilities and debt instruments that are unsecured and/or subordinated to other creditors or other investors in the instrument in terms of coupon payment, principal repayment or both. Such exposures include loans, debentures, and investments in subordinated tranches of structured products like rated securitization. As the risk profile of unsecured and subordinated exposures are usually higher than secured exposures, these are subject to a higher degree of diligence and stricter credit filters as compared to other exposures. Unsecured and subordinated exposures are governed by product-specific criteria on selection of counterparties, exposure ceilings and commensurate with the risk associated with these products.

As the risk profile of each of these products vary, we calculate and monitor our exposure to each such product. As of March 31, 2021, our unsecured exposures (including retail loans) represent 24.81% of our total loans and investments excluding investment in AIFs and treasury bills, and in addition, we may have exposure to other instruments such as AIF units and PTCs which have unsecured loans in the underlying pool or portfolio. As of March 31, 2021, our exposure to subordinated debt represented 9.50% of total credit exposure. We will continue to take such exposures in the future in the ordinary course of our business. Failure to recover our investments, in whole or in part, may result in our business, prospects, financial condition and results of operations being adversely affected impacted.

12. We offer products that are inherently complex and all possible risks are difficult to predict and mitigate. Materialization of any such unexpected and/or unmitigated risks could have an adverse impact on our asset quality, profitability, cash flows and financial position

We offer a wide range of financial products including non-convertible debentures, credit enhanced market-linked debentures, commercial papers, securitization products, guarantee-backed products, etc., to facilitate access to credit for our Originator Partners and mid-market companies. For more details of our products, see "*Our Business – Our Products*" on page 194. In select cases, we may also invest in mezzanine or subordinated positions to credit enhance the offering to investors in senior positions. Our investment in mezzanine credit tranches in securitization structures is predicated on analysis of historical performance of various asset classes and originators and our ability to use such analysis to estimate the credit enhancement required. However, our statistical analysis of losses in underlying pools, estimation of credit enhancement required or the probability of calls on our guarantees may on some occasions, among others, prove insufficient in taking care of idiosyncratic risks arising out of regulatory actions (including actions relating to restructuring and moratorium on loans which have the potential of elongating pay-back time and also of heightened losses), COVID-19 driven economic slow-down, default or bankruptcy of Originator Partners and mid-market companies on account of liquidity issues and inability to have access to funds and risks related to fraud by companies.

Given the complex product design, it is possible that some risks, including credit, liquidity, legal, regulatory, operational and reputational risks are not adequately identified, quantified or mitigated at the time of entering into such transactions. The materialization of any of these risks could have a material adverse effect on our business, financial condition and results of operations.

13. Certain new or complex products which have helped meet client and investor needs in the past may not be successful in the future

We have developed products such as MOSEC®, PERSEC® and CEMLDs which have allowed us access to a wider investor base for our portfolio of Investor Partners. However, it is possible, that some of these products while successful and beneficial in the past, may not meet investor requirements in the future because of their embedded cost structure, their performance owing to macroeconomic developments including an economic slowdown, changing needs of our Investor Partners with respect to interest rates and tenure for the funding, change in taxation laws making certain products unattractive for our Investor Partners and increased product competition that we may face from our competitors.

As structurer and arranger of products under our syndication and structuring offerings, we earn our revenues in the form of fees paid by our Originator Partners and mid-market companies and not from investors in these products. We take utmost care in matching the needs of our Originator Partners and Investor Partners. The products are also usually rated by independent credit rating agencies. However, given the complexity of the product, an inability of Investor Partners to form an independent opinion on the investment opportunity could result in the product being unsuitable for such Investor Partner and therefore, result in a loss of reputation for our Company. Further, inability of Investor Partners to gauge the relative suitability of one product over the other including in terms of nature of instrument (for instance, loans versus debentures), tenure, interest rate, size, and nature of recourse, may result in offerings that do not fully meet the requirements of our Investor Partners, and a loss of reputation for our Company.

14. Our financial performance is vulnerable to interest rate risk, and an inability to manage our interest rate risk may have a material adverse effect on our net interest income.

Our results of operations depend substantially on the level of our net interest income, which is the difference between our interest income and interest expense. Some of our liabilities carry fixed rates of interest and others carry floating rates of interest that are linked to the respective lenders' benchmark prime lending rate, base rate or cost of funds. As of March 31, 2021, 68.4% of our total borrowings were at fixed rates and 31.6% were at floating rates. Further, the interest rate on certain non-convertible debentures issued by us is linked to a reference index, such as the S&P SENSEX; and in certain cases, where the movement in the reference index exceeds specified thresholds, a fixed interest rate is applicable. A sizable portion of our total advances for the loans given by us are linked to the three months, six months, twelve months or two years floating benchmark linked rates, or FBLR, which is regularly reset. For further details, see "*Financial Statements*" beginning on page 256.

Any change in interest rates would affect the interest expenses on our floating interest-bearing liabilities as well as our net interest income and net interest margins. Any increase in our cost of funds may lead to a reduction in our net interest margin, or require us to increase interest rates on loans disbursed to customers in the future to maintain our net interest margin. For Fiscals 2019, 2020 and 2021, our finance costs were ₹3,021.11 million, ₹3,092.07 million and ₹3,229.68 million, respectively. While our net interest income increased each year from Fiscal 2019 to 2021, our net interest margin declined from 6.02% in Fiscal 2019 to 5.84% and 5.76% in Fiscal 2021 due to a larger asset base funded partly by an increase in borrowings. For further details, see "*Financial Statements*" beginning on page 256.

Some of the risks we face from increasing interest rates include:

- increase in the rates of interest charged (where floating rates are typically used) on borrowings that stipulate a floating interest rate, would result in increase in interest payout for such loans, which would adversely affect our net interest margin;
- availing new loans at higher interest rates;
- reductions in the volume of loan disbursements as a result of the customer's inability to service high interest rate payments; and
- inability to raise low cost funds as compared to some of our competitors, who may have access to lower cost deposits or borrowings.

The FBLR mechanism essentially aims at reducing the impact of adverse movements of interest rates on liabilities on our income. Further, our Company also has also adopted an asset/liability management policy ("**ALM Policy**") which established the parameters for monitoring and managing interest rate risks. While these measures help mitigate interest rate risks, they may not be adequate to tackle the risk of adverse fluctuation of interest rates and our Company may also be unable to ensure compliance with the ALM Policy at all times.

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 as well as international economic and political conditions, inflation and other factors. While the FBLR in our floating rate products is meant to help us pass on the increased costs to the customers, in the event of an increase in the interest rates that we are required to pay on our borrowings, we cannot assure you that we will be able to pass such increased costs to our customers and the customers may find the interest rate too step and prepay. Such a risk is even higher in our fixed rate products. Further, to the extent that our borrowings are linked to market interest rates, which increase, or to the extent that we are unable to supplement our sources of liquidity with borrowings from lenders, we may have to pay interest on our borrowings at a higher rate.

In addition, the value of any interest rate hedging instruments we may enter into in the future may be affected by changes in interest rates. Our inability to effectively and efficiently manage interest rate variations could adversely affect our result of operations and profitability. Interest rates are typically correlated with inflation rates, as the RBI has historically sought to mitigate rising inflation by raising interest rates.

There can be no assurance that we will be able to adequately manage our interest rate risk in the future, which could have an adverse effect on our net interest income and margins, which could in turn have a material adverse effect on our business, financial condition and results of operations.

15. We may face asset-liability mismatches which would expose us to interest rate and liquidity risks that could have a material and adverse effect on our business, financial condition and results of operations.

Asset-liability mismatches, which represent a situation when the financial terms of assets and liabilities do not match, are a key financial parameter. While we have not had any cumulative mismatches in the last three years, we cannot assure you that we will be able to maintain this position.

We face liquidity risk due to the varying periods over which our assets and liabilities mature. As is typical for NBFCs, part of our funding requirement is met through short-term borrowing sources such as revolving loans and cash credit facilities. However, each of our financial assets has varying average tenure, average yield and average maturity. Though we pay careful attention to the maturity of liabilities while creating financial assets, it may happen that maturity of assets do not match the liabilities. Our Company has adopted an ALM Policy which establishes the parameters for monitoring and managing liquidity risks. However, we cannot assure you that we will be able to ensure compliance with such parameters at all times. Consequently, our inability to raise further credit facilities, collect sufficient cash from borrowers as per the scheduled maturity period or renew our existing facilities in a timely and cost effective manner or at all, may lead to mismatches in our assets and liabilities, which in turn may adversely affect our operations, financial performance and cash flows.

Further, mismatches between our assets and liabilities are compounded in case the assets are restructured and we need to give the customers longer tenure loans. Additionally, if competition forces us to provide longer tenure loans to the customers, this may also result in mismatches, which could in turn have a material adverse effect on our business, financial condition and results of operations. For further information, see "*Financial Statements*" beginning on page 256. Additionally, in the period between March 2020 and August 2020, a significant portion of our borrowers sought moratoria from us pursuant to the RBI circulars dated March 23, 2020 and May 31, 2020. We in turn avoided mismatches by obtaining moratoria from our own lenders until August 2020. There can be no assurance that similar situations will not arise in the future due to unforeseen circumstances or that we would be able to obtain moratoria on our borrowings under such circumstances.

16. Any privacy or data security breach could damage our reputation and brand and substantially harm our business and results of operations, and any changes in laws or regulations relating to privacy or the protection or transfer of data or any actual or perceived failure by us to comply with such laws and regulations or any other obligations relating to privacy or the protection or transfer of data relating to individuals, could adversely affect our business.

Being a platform using digital systems, our business generates and processes a large quantity of personal, transactional and demographical data relating to borrowers, including retail borrowers. We face risks inherent in handling and protecting large volumes of data, including protecting the data hosted in our system, detecting and prohibiting unauthorized data share and transfer, preventing attacks on our system by outside parties or fraudulent behaviour or improper use by our employees, and maintaining and updating our database. We also have access to a large amount of confidential information pertaining to our Originator Partners, Investor Partners, mid-market companies and other customers in our day-to-day operations. Any system failure, security breach or third-party attacks or attempts to illegally obtain the data that result in any actual or perceived release of user data could damage our reputation and brand, deter current and potential consumers from using our services, damage our business, and expose us to potential legal liability.

Numerous domestic and international laws and regulations address privacy and the collection, storing, sharing, use, disclosure, and protection of certain types of data. These laws, rules, and regulations evolve frequently and their scope may continually change, through new legislation, amendments to existing legislation, and changes in enforcement. Changes in laws or regulations relating to privacy, data protection, and information security, particularly any new or modified laws or regulations, or changes to the interpretation or enforcement of such laws or regulations, that require enhanced protection of certain types of data or new obligations with regard to data retention, transfer, or disclosure, could greatly increase the cost of providing our services through our digital system, require significant changes to our operations, or even prevent us from providing our services through our digital system in jurisdictions in which we currently operate and in which we may operate in the future.

As part of our operations, we are required to comply with the Information Technology Act, 2000 and the rules notified thereunder, which provides for civil and criminal liability including compensation to persons affected, penalties and imprisonment for various cyber offenses, including unauthorized disclosure of confidential information and failure to protect sensitive personal data. India has already implemented certain privacy laws, including the Information Technology (Reasonable Security Practices and Procedures and or Information) Rules, 2011, which impose limitations and restrictions on the collection, use, disclosure and transfer of personal information.

Additionally, the Government of India, in December 2019, published the Personal Data Protection Bill, 2019, which provides for a framework for protection of personal data and use of non-personal data and seeks to, among others, lay down norms for cross-border transfer of personal data, define the scope of the definition of personal data and non-personal data, establishment of a data protection authority and ensure the accountability of entities processing personal data. Should such a framework be notified, our ability to collect, use, disclose and transfer information with respect to our counterparties may be further restricted. Our failure to take reasonable security precautions, safeguard personal information or collect such information in the future may have a material adverse effect on our business, financial condition and results of operations.

We have incurred, and may continue to incur, expenses in an effort to comply with privacy, data protection, and information security standards and protocols imposed by laws, regulations, industry standards, or contractual obligations. Change in existing legislation or introduction of new legislation may require us to incur additional expenditure, to ensure compliance with such legislation, which may adversely affect our financial condition. Despite our efforts to comply with applicable laws, regulations, and other obligations relating to privacy, data protection, and information security, it is possible that our interpretations of the law, practices, or platform could be inconsistent with, or fail or be alleged to fail to meet all requirements of, such laws, regulations, or obligations. Our failure, or the failure by our third party providers or partners on our platform, to comply with applicable laws or regulations or any other obligations relating to privacy, data protection, or information security, or any compromise of security that results in unauthorized access to, or use or release of personally identifiable information or other data, or the perception that any of the foregoing types of failure or compromise has occurred, could damage our reputation, or result in fines, investigations, or proceedings by governmental agencies and private claims and litigation, any of which could adversely affect our business, financial condition, and results of operations. Even if not subject to legal challenges, the perception of privacy concerns, whether or not valid, may harm our reputation and brand and adversely affect our business, financial condition, and results of operations.

17. The security of our IT systems may fail and adversely affect our business, operations, financial condition and reputation.

We are highly dependent on the effectiveness of our information security policies and procedures, and our capabilities to protect our IT systems and the data such systems contain or transmit. An external information security breach, such as a hacker attack, fraud, a virus or worm, or an internal problem with information protection, such as failure to control access to sensitive systems, or any failure by our cloud computing service providers to secure our data and applications could materially interrupt our business operations or cause disclosure or modification of sensitive or confidential information. 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, softwares and networks may be vulnerable to unauthorised access, computer viruses or other cyber-attacks or events that could compromise the integrity and security of our data. Although we maintain procedures and policies to protect our IT systems, such as network security devices, data back-up, disaster recovery and business continuity systems, any failure of our IT systems could result in business interruption, material financial loss, regulatory actions, legal liability and harm to our reputation. Further, any delay in implementation or disruption of the functioning of our IT systems could disrupt our ability to track, record and process financial information or customer repayments, manage creditors and debtors or engage in normal business activities.

We currently use the ‘Nimbus’ system for a majority of our business operations such as from identification of a customer to repayment of loans for our financing offerings and have recently launched a digital platform, AltiFi to enable our Company to sell down dematerialized securities held by it. Through AltiFi, all categories of eligible buyers can digitally access the system to explore instruments available for sale on the platform. We also rely on other systems and third-party software for managing our retail portfolio, loan management systems, accounting and financial reporting systems. For further details, see “*Our Business – Information Technology*” on page 201. However, any technical problems or disruptions in functioning of Nimbus or such other third-party software may adversely impact our business, financial condition and results of operations. In addition, the future success of our business will depend in part on our ability to respond to technological advances and to emerging industry standards and practices on a cost-effective and timely basis. The development and implementation of new technology could present risks. There can be no assurance that we will successfully implement new technologies effectively or adapt our technology and systems to meet customer requirements or emerging industry standards. If we are unable to advance and scale our technology-enabled infrastructure, we may be unable to effectively utilize our technology system as a business resource, maintain consistent levels of customer service, enhance our operational efficiency, and create scalable advantages for our organization. Further, failure to adhere to the Master Direction on Information Technology Framework for the NBFC Sector dated June 8, 2017 issued by the RBI may also lead to regulatory reprimand or action. In addition, if we are unable to introduce and integrate new information technology systems across our business to ensure that our technology remains advanced and our business remains scalable, our business could be adversely affected.

18. There are outstanding legal proceedings involving our Company and our Subsidiaries. Any adverse outcome in such legal proceedings may affect our business, results of operations, prospects, reputation and financial condition.

There are outstanding legal proceedings involving our Company and our Subsidiaries which are pending at different levels of adjudication before various courts, tribunals and other authorities. Such proceedings could divert the management’s time and attention and consume financial resources in their defense or prosecution. The amounts claimed in these proceedings have been disclosed to the extent that such amounts are ascertainable and quantifiable and include amounts claimed jointly and severally. Any unfavorable decision in connection with such proceedings, individually or in the aggregate, could adversely affect our reputation, prospects, business, financial condition and results of operations.

The summary of such outstanding legal proceedings as of the date of this Draft Red Herring Prospectus is set out below:

Nature of cases	No. of cases	Total amount involved (in ₹ million)^
Litigation involving our Company		
Against our Company		
Material litigation	Nil	Nil
Criminal cases	Nil	Nil
Action taken by statutory and regulatory authorities	Nil	Nil
Taxation claims	3	42.71
By our Company		
Material litigation	8	530.94
Criminal cases	8	Not determinable
Litigation involving our Subsidiaries		
Against our Subsidiaries		
Material litigation	Nil	Nil
Criminal cases	Nil	Nil
Action taken by statutory and regulatory authorities	Nil	Nil
Taxation claims	1	1.24
By our Subsidiaries		
Material litigation	Nil	Nil
Criminal cases	Nil	Nil

^To the extent ascertainable

We cannot assure you that the outcome of any of these matters will be in favor of our Company or our Subsidiaries, respectively, or that no additional liability will arise out of these proceedings. An adverse outcome in any of these proceedings could have an adverse effect on our business, financial position, prospects, results of operations and our reputation. For further details, see "*Outstanding Litigation and Material Developments*" on page 383.

19. We may fail to detect money laundering and other illegal or improper activities in our business operations on a timely basis.

We are required to comply with applicable anti-money laundering laws and regulations, which also includes the framework for combating financing of terrorism. These laws and regulations require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require us to, among other things, establish or designate an anti-money laundering framework, conduct customer identification and due diligence in accordance with relevant rules, duly preserve customer identity information and transaction records and report suspicious transactions to relevant authorities.

In the ordinary course of our operations, we run the risk of failing to comply with the prescribed KYC procedures and the consequent risk of fraud and money laundering by dishonest customers and assessment of penalties or imposition of sanctions against us for such compliance failures despite having implemented systems and controls designed to prevent the occurrence of these risks. Although we may have adequate internal policies, procedures and controls in place to prevent and detect any money-laundering activity and ensure KYC compliance, there can be no assurance that these will be effective in all instances. 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.

If any party uses or attempts to use us for money laundering or any other illegal or improper purposes and such attempts are not detected or reported to the appropriate authorities in accordance with applicable law, our reputation, business, financial condition and results of operations could be materially and adversely affected.

20. We may not be successful in implementing our growth strategies or entering new markets.

We have experienced significant growth in recent years. For instance, AUM (including our investment in AIFs) has grown from ₹40,592.95 million as of March 31, 2019 to ₹43,491.57 million as of March 31, 2020 and to ₹52,208.73 million as of March 31, 2021. Our growth strategies primarily focus on, among others, expanding access to finance for under-served households and businesses by growing and deepening our origination channels and investor reach as well as scaling our product suite, scaling up our technology system, Nimbus, to further improve customer experience and enhance efficiency, establishing a technology and data driven rural finance business through our newly incorporated subsidiary, Pragati, expanding our fund management business and continue expanding our strategic focus on ESG. These strategies may not be as successful as we had initially anticipated and may ultimately be unsuccessful. Even if such strategies are partially successful, we cannot assure you that we will be able to manage our growth effectively, continue to grow our business at a rate similar to what we have experienced in the past or fully deliver on our growth objectives.

Challenges that may result from our growth strategies include our ability to, among other things:

- manage efficiently the operations and employees of our expanding businesses;
- manage difficulties arising from operating a larger and more complex organization;
- manage geographically-diverse operations and to efficiently and optimally allocate management, technology and other resources across our network;
- maintain the level of customer service;
- assess the value, strengths and weaknesses of future investments;
- launch new products with an attractive value proposition;
- keep up with the changes in the regulatory framework;
- keep our information technology systems aligned and up to date with the rapidly evolving technology and regulatory framework;
- complete new product development cycles successfully and in a timely fashion;
- scale up our technology infrastructure to meet the requirements of growing volumes;
- apply our risk management policy effectively; and
- hire and train additional skilled personnel,

each of which would have a potential adverse impact on our profitability.

We may not be able to effectively achieve or manage our growth. For example, we intend to increase our presence in the under-served households and businesses in India by growing and deepening our origination channels and investor reach as well as scaling our product suite but there can be no assurance that we will be able to increase our presence in such segments with or without our Originator Partners or Investor Partners. We may also not be able to sustain relationships with banks and other Investor Partners on which the success of our syndication and structuring offering depends. Additionally, we intend on growing our fund management business and rural finance business but we may not be able to procure enough investors to invest in our funds. Further, our competitors may introduce products that may be more attractive than ours. We may also fail to develop or retain the technical expertise required to develop and grow our digital capabilities.

To the extent that we fail to meet required targets and develop or launch new products successfully, we may lose any or all of the investments that we have made in promoting them, and our reputation could be harmed. Moreover, if our competitors are better able to anticipate the needs of customers in its target market, we could lose market share and our business could be adversely affected.

Our inability to effectively manage any of these issues may adversely affect our business growth and, as a result, impact our business, prospects, financial condition and results of operations, as well as the market price of the Equity Shares. For more details, see "- *Risks relating to the Offer and the Equity Shares*" on page 61.

21. Our newly incorporated subsidiary, Pragati, may not be able to commence operations if it does not receive requisite approvals and licenses.

Our newly incorporated subsidiary, Pragati, proposes to commence microfinance lending as part of its rural finance business. Accordingly, Pragati is proposing to apply to the RBI for registration as an NBFC-MFI. While we are yet to apply for the said registration with RBI and certain other approvals, as necessary for this business, there can be no assurance that the relevant authorities will issue any of such approvals or licenses in the time frame anticipated by us, or at all.

22. Our success depends in large part upon our KMPs and certain other employees and our ability to attract, train and retain such persons.

As of March 31, 2021, we had 207 employees. There can be no assurance that we will not experience any disruptions to our operations due to disputes or other problems with our employees, which may adversely affect our business and results of operations.

Our ability to sustain our rate of growth depends upon our ability to manage key issues such as selecting and retaining our management team, KMPs and senior investment professionals for our fund management business, developing managerial experience, upskilling our employees, addressing emerging workforce challenges, and ensuring a high standard of customer service. In order to be successful, we must attract, train, motivate and retain experienced investment professionals, industry and management professionals, and highly skilled employees, especially relationship managers and risk management personnel who are instrumental to the success of our business and on whom our business model heavily relies. We cannot assure you that these individuals or any other member of our management team, KMPs and senior investment professionals will not leave us or join a competitor or that we will be able to retain such personnel or find adequate replacements in a timely manner, or at all. We compete with several other banking and other financial institutions for such personnel and no assurance can be given that we will be successful in hiring or retaining appropriately qualified people. If we cannot hire or retain appropriately qualified people, our ability to expand our business could be impaired and our revenue could decline. Recruiting new employees who require training tailored to our business and business operations, as well as providing training to our existing employees on our internal policies, procedures, controls and risk management frameworks, could be costly, in terms of time, money and resources. However, failure to train, motivate and retain our employees properly could also result in an increase in employee attrition rates, require additional hiring, erode the quality of our customer service, divert management resources, and impose significant costs on our business. Further, we may also be required to increase our levels of employee compensation more rapidly than in the past in order to remain competitive in retaining existing employees or attracting new employees that our business requires.

Hiring and retaining qualified and skilled employees is critical to the future of our business and our business model, which depends on our credit-appraisal and our people-led operations. Our inability to attract and retain talented professionals, or the resignation or loss of our KMPs, may have an adverse impact on our business, reputation and future financial performance.

23. We may be required to increase our capital adequacy ratio that could have an adverse impact on our business and results of operation.

We are subject to regulations prescribed by the RBI under which, among others, we are also required to maintain a minimum capital adequacy ratio of consisting of Tier I and Tier II capital which shall not be less than 15.00% in relation to our aggregate risk-weighted assets and risk adjusted value of off-balance sheet items. Our capital adequacy ratio computed on the basis of applicable RBI requirements was 27.05%, 33.16% and 28.89% as of March 31, 2019, 2020 and 2021, respectively. Of this, our Tier I capital comprised 25.87%, 31.83% and 27.62% as of March 31, 2019, 2020 and 2021, respectively.

The RBI may in the future prescribe a higher capital adequacy ratio which may require us to increase our equity capital. This may not be possible within the prescribed time limit or at all, which may in turn force our Company to draw on its risk weighted assets. The RBI may also in the future require compliance with other prudential norms and standards, which may require us to alter our business and accounting practices or take other actions that could adversely affect our business and operating results.

24. An inability to comply with repayment and other covenants in our financing agreements could adversely affect our business, financial condition, cash flows and credit rating. Further, we are subject to certain conditions and restrictions in terms of our financing arrangements, which restrict our ability to conduct our business and operations in the manner we desire. Further, in the past, we have not been in compliance with certain covenants under certain of our financing agreements.

We have entered into agreements with certain banks for short-term and long-term borrowings. As of March 31, 2021, we had total outstanding borrowings (consisting of secured and unsecured term loans and non-convertible debentures, external commercial borrowings, cash credit, working capital and overdraft facilities (including overdraft facilities against fixed deposits), and commercial papers) of ₹39,208.05 million. We will continue to incur additional indebtedness in the future. Our level of our indebtedness has important consequences to us such as: (i) increasing our vulnerability to general adverse economic, industry and competitive conditions; (ii) limiting our flexibility in planning for, or reacting to, changes in our business and the industry; (iii) affecting our credit ratings; (iv) availing new loans at higher interest rates; (v) limiting our ability to borrow additional amounts in the future; and (vi) increasing our finance costs.

Our financing agreements contain restrictive covenants, including, but not limited to, requirements that we obtain consent from the lenders prior to undertaking certain matters including altering our capital structure and change in shareholding of our Company, change in ownership or control of our Company, change in our constitutional documents, entering into any scheme of amalgamation or reconstruction, change in the management set up of our Company, including key managerial personnel, carrying out any change in the general nature of business, and making any pre-payment of principal amounts due under the facilities. As on date of this Draft Red Herring Prospectus, we have obtained necessary consents from, and made necessary intimations to, our lenders as required under our loan documentation, for undertaking the Offer and related actions. Further, our borrowings are typically secured by a first and exclusive charge by way of hypothecation on book debts both present & future, including loan receivables. For details, see "*Financial Indebtedness*" on page 327. Additionally, we are required to, among others, to maintain the prescribed financial metrics such as gross NPA and net NPA. There can be no assurance that we will be able to comply with these financial or other covenants or that we will be able to obtain consents necessary to take the actions that may be required to operate and grow our business.

In the event we fail to service our debt obligations, the lenders have the right to enforce the security created in respect of our secured borrowings. If the lenders choose to enforce security to recover the amounts due from us, our business, financial condition and results of operations may be adversely affected. As at March 31, 2021, our total outstanding indebtedness that was pegged to floating interest rates amounted to ₹ 12,384.55 million. Any fluctuations in the interest rates or downgrade in the credit ratings assigned to our debt instruments may directly impact the interest costs of such loans. Our ability to make payments on and refinance our indebtedness will depend on our continued ability to generate cash from our future operations. We may not be able to generate enough cash flow from operations or obtain enough capital to service our debt. For further information, see "*Financial Indebtedness*" on page 327.

Our Company has, in the past, not been in compliance with certain covenants under certain of its financing agreements with lenders. As of the date of this Draft Red Herring Prospectus, none of our lenders have issued any notice of default or required us to repay any part of our borrowings on account of such non-compliances. While we have obtained waivers for breaches or non-compliances with loan covenants in the past from certain lenders or paid penal interest to certain other lenders, there can be no assurance that our lenders will not, in the future, seek to enforce their rights in respect of any past, present or future breaches or that we will be able to obtain any waivers from any or all lenders. In the absence of waivers for any non-compliance of the covenants, we may be in default of the covenants and our lenders have the right to, among others, declare all amounts outstanding under the relevant loan agreements immediately due and payable together with accrued and unpaid interest (which could result in up to all our outstanding borrowings becoming due and payable) or to convert outstanding loan amount into equity shares.

Such non-receipt of consent and/ or non-compliances with loan covenants by our Company would constitute an event of default under the relevant financing agreements which could further trigger cross-defaults under other loan agreements, and would entitle the respective lenders to declare a default against our Company and enforce remedies under the terms of the financing documents, that include, among others, acceleration in repayment of the amounts outstanding under the financing documents, the right to convert the loan into equity, enforcement of any security interest created under the financing documents, and taking possession of the assets given as security in respect of the financing documents. If the lenders of a material amount of the outstanding loans declare an event of default simultaneously, our Company may be unable to pay its debts when they fall due.

Any failure to comply with the conditions and covenants in our financing agreements that is not waived by our lenders or guarantors or otherwise cured could lead to a termination of our credit facilities or trigger cross-default provisions under certain of our other financing agreements, any of which could adversely affect our business, financial condition, cash flows and credit rating.

25. Any downgrade to our credit ratings could increase our finance costs and adversely affect our business, results of operations, financial condition and cash flows.

The cost and availability of capital depends in part on our short-term and long-term credit ratings. Credit ratings reflect the opinions of rating agencies on our financial strength, operating performance, strategic position and ability to meet our obligations. Any downgrade to our credit ratings could weaken our relationships and negotiating power with our lenders, increase the average cost of borrowing, and cause our lenders to impose additional terms and conditions or charge higher premiums in respect of any financing or refinancing arrangements that we enter into in the future and further adversely affect our business, financial condition and results of operations. As of the date of this Draft Red Herring Prospectus, our credit ratings are as set forth below:

Instrument	Rating Agency	Rating	Amount (in Rs. Millions)
Long-term term loan/Long-term Fund-based limits/Long term - Unallocated	ICRA	A+/Negative	25,000
Long-term bank loans	India Ratings	A+/Stable	3,000^^
Non-convertible debentures	ICRA	A+/Negative	11,750
Non-convertible debentures	India Ratings	A+/Stable	5,000*
Market linked debentures	ICRA	PP-MLD A+/Negative	200
Market linked debentures	India Ratings	PP-MLD A+ emr/Stable	3,000^
Subordinated debt	ICRA	A+/Negative	400
Commercial paper	ICRA	A1+	3,000
Commercial paper	CARE	A1+	5,000

**Interchangeable with long term bank loans unless rating is already utilized for NCDs*
^Rating fungible between market linked debentures, NCDs and bank loans
^^Rating fungible between NCDs and long term bank loans

26. As an NBFC, non-compliance with the RBI's observations made during its periodic inspections could expose us to penalties and restrictions which could have a material and adverse effect on our business, financial condition, results of operation or cash flows.

As an NBFC, we are subject to periodic inspections by the RBI under Section 45N of the RBI Act, pursuant to which the RBI inspects our books of accounts and other records for the purpose of verifying the correctness or completeness of any statement, information or particulars furnished to the RBI.

In certain of its past inspection reports, the RBI has made observations in relation to, among others: (i) non-disclosure in application forms and sanction letters of rates of interest, approach for gradation of risks and rationale for charging different rates of interest to different borrower categories; (ii) the Company's short-term investment policy and the role of the Chief Risk Officer, in such policy; (iii) computation of Tier II capital, risk weighted assets and CRAR; (iv) the Company not fixing cumulative mismatches across all time buckets, in its asset liability management policy as required under the Master Directions; (v) adherence to mandatory disclosures on frauds; and (vi) modifications to certain policies and committee charters. We have submitted a response to the RBI's last supervisory letter issued in relation to its most recent inspection of our Company for Fiscal 2019.

As on date, we have taken action and responded to the RBI's observations pursuant to its earlier inspections, as and when required. In some instances, the RBI asked us for additional or follow-up information. There can be no assurance that the RBI or any other regulatory authority will not make similar or additional observations in the future or that we will be able to respond to all such queries to the satisfaction of the RBI or such other authorities. In the event that we are unable to satisfactorily address the observations of the RBI or are unable to comply with any specified RBI requirements, for any reason, we may be subject to monetary sanctions and may also be restricted in our ability to conduct our business. Any such outcome would have a material and adverse effect on our business, financial condition and reputation. In the event of or to the extent that any grave deficiencies are found in the future, which we are unable to rectify, any levy of fines or penalties against us, or the suspension or cancellation of our registration with the RBI, our reputation, business, prospects, financial condition, results of operations, and the trading price of our Equity Shares would be adversely affected. For more details, see "- *Risks relating to the Offer and the Equity Shares*" on page 61.

27. There have been certain instances of delay or other non-compliance with legal or regulatory requirements, including with respect to form filings and intimations under the Companies Act, and with the SEBI, RBI and the BSE and there have been irregularities in a certain regulatory filing made with the RoC under applicable law.

There have been certain instances of delays in complying with, or non-compliance with, legal or regulatory requirements, including with respect to mandatory form filings by our Company as noted in the secretarial audit report for Fiscal 2020. In the past, there have been certain instances of non-compliance with secretarial standards in relation to service of notice for board meetings within prescribed time limits. With respect to the delays in filings of forms with the RoC, while we have filed such forms along with the payment of a late filing fee or filed rectified forms with the RoC, as applicable, we cannot assure you that the statutory or regulatory authorities will not impose any penalties for these and other irregularities. Such penalties may have an adverse effect on our business, operations and financial results. Further, in the past, there have been factual inaccuracies, including with respect to the number of Equity Shares allotted, in a return of allotment filed by our Company.

Further, our Company has previously filed a compounding application with the RoC for its failure to transfer certain amounts to its capital redemption reserve as required under Section 55 of the Companies Act. The compounding application, filed before the RoC was accepted and the non-compliance was compounded in 2020 subject to the payment of a compounding fee by our Company, our Managing Director and our Company Secretary. The compounding fee has since been paid and the same has been taken on record by the RoC. A similar non-compliance may take place in the future and there can be no assurance that the RoC will accept a compounding application filed in such case.

Further, there have been certain delays in respect of (a) intimations that were required made by our Company to BSE under Regulation 50 and 60 (during Fiscal 2019) and Regulation 52 (during Fiscal 2020) of the SEBI Listing Regulations, respectively; and (b) publication that was required to be made in the newspapers post approval of our Company's financial statements by the Board under Regulation 52(8) of the SEBI Listing Regulations (during Fiscal 2020) which were thereafter complied by our Company. There can be no assurance that we will not be subject to regulatory actions including imposition of fines and other penalties in respect of such delays.
Our Company is also required to make various filings with the RBI and other relevant authorities pursuant to the provisions of RBI regulations, the Companies Act and other regulations. The RBI has previously taken note of a failure on the part of our Company to make applicable form filings within 21 days of detection of fraud as required under the Master Direction – Reporting of Frauds in NBFCs (Reserve Bank) Directions, 2016.

With the expansion of our operations there can be no assurance that such non-compliances will not arise, or that we will be able to implement, and continue to maintain, adequate measures to rectify or mitigate any such non compliances, in a timely manner or at all. Any penalty or regulatory action taken against us may adversely impact our cash flows and results of operations.

28. Some of our corporate records, including those relating to allotments of our Equity Shares in the past, are not traceable.

Certain corporate records of our Company in relation to certain allotments of Equity Shares by our Company, which pertain to the period prior to the acquisition of our Company by IFMR Trust, are not traceable. In particular, minutes of meetings of our Board approving allotments of Equity Shares since 1989 until 1998 are not available. Such untraceable minutes pertain to the following allotments:

(i) allotment of 20,400 Equity Shares on September 3, 1989;
(ii) allotment of 15,000 Equity Shares on October 27, 1989;
(iii) allotment of 18,582 Equity Shares on January 18, 1990;
(iv) allotment of 9,000 Equity Shares on January 1, 1992;
(v) allotment of 5,000 Equity Shares on July 7, 1992;
(vi) allotment of 4,000 Equity Shares on September 9, 1992;
(vii) allotment of 27,900 Equity Shares on October 25, 1993;
(viii) allotment of 42,800 Equity Shares on March 31, 1995;
(ix) allotment of 24,300 Equity Shares on July 27, 1995;
(x) allotment of 63,000 Equity Shares on March 29, 1996;
(xi) allotment of 42,700 Equity Shares on March 31, 1997; and
(xii) allotment of 47,300 Equity Shares on March 31, 1998.

We have conducted an extensive search of our records with the RoC, both physically and on the MCA portal. However, we have not been able to retrieve such documents, and accordingly, have relied on other documents, including forms filed by our Company with the ROC for corroborating the share capital history of our Company. We cannot assure you that the above resolutions will be available in the future. We also cannot assure you that we will not be subject to any penalty imposed by the regulatory authorities in this respect.

29. We are subject to stringent regulations governing the financial services industry in India. We may fail to obtain, maintain or extend our statutory and regulatory approvals to operate or expand our business in a timely manner or at all, or to comply with the terms and conditions of our existing regulatory approvals and licenses, which may impede our operations.

We are registered with and our business is regulated by the RBI as an NBFC (not accepting public deposits). As a registered NBFC, we are subject to stringent regulatory guidelines. We are also registered with the Pension Fund Regulatory and Development Authority ("**PFRDA**") as a point of presence and are subject to regular scrutiny and supervision. Our subsidiary NAIA, under its erstwhile name, IFMR Investment Adviser Services Private Limited, is registered with the SEBI as an investment adviser. Additionally, the AIFs managed by our subsidiary NAIM are registered with SEBI and NAIM has also applied to SEBI to obtain a registration as a portfolio manager. We therefore require certain statutory and regulatory approvals, licenses and, registrations for operating and expanding our business.

Applicable laws and regulations impose numerous requirements on us, including those relating to asset classification and prescribed levels of capital adequacy, reserves and provisioning. The laws and regulations governing the banking and financial services industry in India have become increasingly complex and cover a wide variety of issues, such as interest rates, liquidity, investments, ethical issues, money laundering and privacy. These laws and regulations can be amended, supplemented or changed at any time such that we may be required to redesign our activities and incur additional expenses to comply with such laws and regulations, which could adversely affect our business and our financial performance. For details, see "*Key Regulations and Policies*" beginning on page 206.

We are also required to maintain certain statutory and regulatory permits and approvals for our business. From time to time, we will be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. We will also apply to the RBI to obtain their approval in connection with the Offer, including for the Pre-IPO Placement. In the event that such approval is not received in time or not granted, the Company may not be able to complete the Offer in a timely manner or at all. Further, our subsidiary, Pragati, will also be making an application for registering as an NBFC-MFI with the RBI. There can be no assurance that the relevant authorities will issue any of such permits or approvals in the time frame anticipated by us, or at all. For details, see "*Government and Other Approvals*" beginning on page 389.

30. Our diversified business model might involve conflicts of interest that we may not be able to successfully address

Our business model is diversified across multiple offerings and we engage in a wide range of financial services and businesses both for our own account as well as for our clients. For instance, our Company acts on behalf of our borrower segments including Originator Partners, while NAIM acts on behalf of Investor Partners investing in the funds managed by it. In the ordinary course of our business, we may encounter a conflict between our interest and the interest of our clients, as well as a conflict involving the interests of two clients. Such conflicts have existed in the past, continue to presently exist and there can be no assurance that such conflicts will cease to exist in the future. Any such present or future conflicts could have an adverse effect on our business, financial condition and results of operations. Measures we take to address any such conflict of interest may be unsuccessful.

31. We operate in a highly competitive industry and our inability to compete effectively may adversely affect our business.

We operate in a highly competitive industry and each of our businesses competes against distinct sets of market players. Our financing offerings faces competition from private and public sector banks, certain NBFCs, development financial institutions. Our lending activities to mid-market companies mainly competes against private sector banks, certain NBFCs and debt funds (including venture debt funds). Various banks, NBFCs, MFIs and unorganized money lenders operate in the same space as and compete against us in our retail lending activities. Pragati, our rural finance business that we propose to launch, is likely to face competition from banks (including small finance banks), MFIs as well as local, unorganised money lenders. A variety of players operate in the structuring and syndication space and provide competition to our business. At a national level, this includes the syndication desks of various private sector banks and merchant bankers, certain NBFCs that act as arrangers and structurers, and certain other entities that operate as arrangers. At a local level, various chartered accountants and unorganised players provide a sub-set of the services that we offer. Our fund management business faces competition from private debt funds and venture debt funds, as also the credit risk schemes of various mutual funds.

Our ability to compete effectively will partly depend on our ability to maintain our margins. Our margins depend on our ability to raise low-cost funding in the future combined with our ability to decrease our operating expenses. Many of our competitors are large institutions, which may have larger customer bases, funding sources, branch networks and capital compared to us. Certain competitors may be more flexible than we are and better-positioned to take advantage of market opportunities. Furthermore, the spread between the lowest and the highest rate of interest offered by various lenders continues to reduce. This competition may intensify further as a result of regulatory changes and market liberalization. These competitive pressures affect the industry in which we operate as a whole, and our future success will depend to a large extent on our ability to respond in an effective and timely manner to these competitive pressures. There can be no assurance we will be able to react effectively to these or other market developments or compete effectively with new and existing peers in the increasingly competitive finance industry.

Competition in our industry also depends on, among other things, the evolution of government policies relating to the industry, the entry of new participants, and the extent to which there is a consolidation among banks and financial institutions in India. 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 and our business, prospects, financial condition, results of operations, and the trading price of our Equity Shares could be adversely affected.

32. We depend on the accuracy and completeness of information about customers and counterparties for certain key elements of our credit assessment and risk management process. Any misrepresentation, errors in or incompleteness of such information could adversely affect our business and financial performance.

In deciding whether to extend credit or enter into other transactions directly, through our Originator Partners, for certain key elements of the credit assessment process we rely on information furnished to us by or on behalf of customers (including in relation to their financial transactions and past credit history). We may also rely on certain representations from our customers as to the accuracy and completeness of that information. For ascertaining the creditworthiness and encumbrances on collateral we may depend on the respective registrars and sub-registrars of assurances, on credit information companies or credit bureaus, on independent valuers in relation to the value of the collateral, on third-party service providers to source data from or on behalf of customers, and on our clients to self-certify the value of receivables against the collateral for loans obtained from us, and our reliance on any misleading information given may affect our judgement of credit worthiness of potential borrowers, and the value of and title to the collateral, which may affect our business, prospects, results of operations and financial condition. We may receive inaccurate or incomplete information as a result of negligence or fraudulent misrepresentation. Our risk management measures may not be able to identify such inaccurate information or prevent or deter such activities in all cases, which may adversely affect our business, financial condition and results of operations.

In the past, there have been instances where loans have been obtained from our Company by borrowers based on misleading or incorrect financial information provided to us. There have also been instances where funds advanced by our Company have not been used for the purpose for which they were granted, resulting in our Company having to write-off such loans. While we have pursued appropriate regulatory action in such cases, including reporting such fraud to the RBI, filing police complaints and initiating civil litigation, as appropriate, there can be no assurance as to the outcome of such proceedings or that the Company will be able to detect all such cases of fraud in the future.

Further, we focus significantly on the under-served households and businesses such as borrowers in informal self-employment segment or earning an informal salary that have limited or no access to formal banking and finance channels. A significant number of such customers may be first time buyers of financial products and often may not have credit histories supported by tax returns and other documents that would enable us to accurately assess their creditworthiness. We may also not receive updated 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 by our customers or employees. Moreover, the availability of accurate and comprehensive credit information on retail customers and small businesses in India is more limited than for larger corporate customers, which reduces our ability to accurately assess the credit risk associated with such lending. Although as part of our credit policy, we are required to conduct credit checks of all our customers and their promoters, including with credit bureaus, conduct site-visits (wherever relevant) and personal discussions, there can be no assurance that such credit information will be accurate or comprehensive. Difficulties in assessing credit risks associated with our lending operations could adversely affect our reputation, business, prospects, financial condition and results of operations.

33. Any failure or significant weakness of our internal controls system could cause operational errors or incidents of fraud, which would adversely affect our profitability and reputation.

We are responsible for establishing and maintaining adequate internal control measures commensurate with the size and complexity of operations. Our internal audit functions evaluate the adequacy and effectiveness of internal controls on an ongoing basis so that business units adhere to our policies, compliance requirements and internal circular guidelines. While we periodically test and update, as necessary, our internal controls systems, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. Given the size of our operations, it is possible that errors may repeat or compound before they are discovered and rectified.

Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to correct such internal control weakness. Failures or material errors in our internal controls systems may lead to deal errors, underwriting errors, pricing errors, inaccurate financial reporting, fraud and failure of critical systems and infrastructure. Such instances may also adversely affect our reputation, business and results of operations. There can also be no assurance that we would be able to prevent frauds in the future or that our existing internal mechanisms to detect or prevent fraud will be sufficient. Any fraud discovered in the future may have an adverse effect on our reputation, business, results of operations and financial condition. For further details on outstanding actions taken by our Company arising due to instances of fraud, see "*Outstanding Litigation and Material Developments*" beginning on page 383.

34. Our Statutory Auditor has included an emphasis of matter in the auditor's examination report on the Restated Consolidated Financial Information.

Our Statutory Auditor has included an emphasis of matter in their examination report on the Restated Consolidated Financial Information on uncertainties on account of COVID-19. The emphasis of matter states that the extent to which the COVID-19 pandemic will impact our financial position and performance including our estimates of impairment of loans and fair valuation of investments, are dependent on future developments, which are highly uncertain.

While our Company will continue to monitor any material changes to the future economic conditions, we cannot assure you that our Statutory Auditor's observations for any future periods will not contain a similar emphasis of matter, will not form part of our financial statements for such future periods and that such matter will not otherwise affect our results of operations. For further information in relation to emphasis of matter, see "*Financial Statements*" beginning on page 256.

35. If any new products we launch are unsuccessful, it could harm our reputation and adversely affect our results of operations.

As part of our growth strategy, our Company from time to time introduces new product offerings. We may incur costs in the future when expanding our product range and cannot guarantee that any new products will be successful. If any new products are unsuccessful, we may lose any or all of the investments that we have made in promoting them, and, consequently, our reputation and results of operations could be adversely affected.

36. If our customers default in their repayment obligations, our business, financial condition, results of operations and cash flows may be adversely affected.

As of March 31, 2021, our total AUM (including our investment in AIFs) was ₹52,208.73 million and if we are able to successfully implement our strategy to expand in existing as well as new products, we will be exposed to an increased risk of defaults. This may also increase our Stage 3 assets since our customers may default on their obligations to us for a variety of factors, including as a result of their bankruptcy, intentional and willful defaults, competition within their respective sectors, lack of liquidity, time and cost overrun, operational failure, breach of contract, government or other regulatory intervention and other reasons such as their inability to adapt to changes in the macro business environment. Historically, borrowers or borrower groups have been adversely affected by economic conditions in varying degrees. Such adverse impact may limit our ability to recover the dues from the borrowers and predictability of cash flows. Credit losses due to financial difficulties of these borrowers or borrower groups in the future could adversely affect our business, financial condition, results of operations and cash flows.

37. An inability to develop or implement effective risk management frameworks could expose us to unidentified risks or unanticipated levels of risk.

While we have implemented a comprehensive, robust and proactive risk management framework, there can be no assurance that such frameworks will be effective in identifying or addressing all possible risks or levels of risk, including risks associated with liquidity, interest rates, credit, operational, cash management, asset quality impairment, inflation and concentration, that we encounter in our business and operations. In addition, there can be no assurance that our risk management frameworks are as comprehensive as those implemented by other financial institutions, which could expose us to more risks than our competitors.

Our risk management frameworks are based on, among other considerations, historical market behavior, information regarding borrowers, and market knowledge. The effectiveness of our risk management is therefore limited by the quality and timeliness of available data. Consequently, our frameworks may not predict future risk exposures that could vary from or be greater than that indicated by historical measures. In addition, risk related data and information available to us may not be accurate, complete, up-to-date or properly evaluated. Our risk management frameworks may also not be fully effective in mitigating risks in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of our risk management systems are not automated and are subject to human error.

We also build and use innovative models for assessing risk and for credit decisions. Such models use a number of assumptions and standard techniques to predict outcomes that may not match the actual position, and the error margins could be unacceptable in any or all cases. The structure and design of all models are subject to internal validations. However, there can be no assurance that the structure and design of the models used are appropriate, accurate, complete or properly validated. The effectiveness of such models depends mainly on the quality of the inputs and the data available to us. Erroneous data used in the models could result in inaccurate outcomes.

Our risk management frameworks are also influenced by applicable law, regulations and policies of the Government of India. If there is any development by the Government of India in applicable law, regulations or policies, our risk management frameworks may be inadequate or ineffective in addressing risks that arise as a consequence of such changes and in turn this could adversely affect our business and operations. Further, some of our risk management strategies may not be effective in a difficult or less liquid market environment, where other market participants may be attempting to use the same or similar strategies to deal with difficult market conditions. In such circumstances, it may be difficult for us to reduce our risk position due to the activity of other market participants. If significant and unanticipated risks arise, this could adversely affect our business, financial condition, results of operations and cash flows.

38. Our inability to protect or use our intellectual property rights may adversely affect our business.

Our name and trademarks are significant to our business and operations and any use by third parties could adversely affect our reputation, which could in turn adversely affect our financial performance and the market price of the Equity Shares. We have applied for certain trademarks, including our logo NORTHERN ARC on the cover page of this Draft Red Herring prospectus, '*Nimbus by Northern Arc*' and '*AltiFi by Northern Arc*'. We cannot assure that we will be able to obtain registration of all the trademarks applied, and such failure could have an adverse effect on our business, financial condition and reputation. For details, see "*Government and Other Approvals*" beginning on page 389. Further, certain of our trademarks, including our logo NORTHERN ARC, are used by our Subsidiaries.

It is possible that third parties may copy or otherwise infringe on our rights, which may have an adverse effect on our business, reputation, results of operations, cash flows and financial condition. We may not be able to prevent infringement of trademarks for which we have already applied for registration, and a passing-off action may not provide sufficient protection until such time as the applicable registrations are granted. If such claims are raised in the future, these claims could result in costly litigation, divert management's attention and resources, and may subject us to significant liabilities. Any of the foregoing could have an adverse effect on our business, financial condition and results of operations.

39. Our results of operations could be adversely affected by any disputes with or misconduct by our employees.

As of the date of this Draft Red Herring Prospectus, our Company does not have any labor union. However, there can be no assurance that our employees will not unionize in the future. If the employees unionize, it may become difficult to maintain flexible labor policies, and could result in high labor costs and/or lower productivity, which could adversely affect our business and results of operations. Further, misconduct by our employees could include binding us to transactions that exceed authorized limits or present, recommend or authorize unacceptable risks or concealing unauthorized or unlawful activities from us. Employee misconduct could also involve the improper use or disclosure of confidential information, sexual harassment and other offenses, which could result in regulatory sanctions and serious reputational or financial harm for our Company.

While 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, complaints or other problems with our work force, which may adversely affect our business and results of operations.

40. Our results of operations could be adversely affected by any disputes with or misconduct by our Clients or Investor Partners.

While we maintain good relationships with our Originator Partners, mid-market companies, retail borrowers or Investor Partners (who are clients of NAIM), we have had disputes with certain customers in the past. For instance, one of our retail borrowers previously filed a complaint with the RBI Ombudsman alleging that the debit mandate that he was required to sign did not contain adequate detail. The RBI Ombudsman passed an order requiring our Company to compensate such customer for hardship caused. There can be no assurance that we will not experience future disruptions to our operations and results due to legal disputes or other problems with our customers, which could adversely affect our business and results of operations. Further, misconduct by our customers could be financial in nature such as fraud or money laundering or non-financial in nature such as customer at a branch assaulting our employees or other customers. It is not always possible to deter misconduct by customers and the precautions we take and the systems we have implemented to prevent and deter such activities may not be effective in all cases. Any instances of such misconduct could adversely affect our reputation, business and results of operations.

41. Our insurance coverage may not adequately protect us against losses and successful claims that exceed our insurance coverage which could harm our results of operations and diminish our financial position.

We maintain such insurance coverage of the type and in amounts that we believe is adequate for our operations and consistent with industry practice in India to cover risks associated with our business. For further details, see "*Our Business – Insurance*" on page 205.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 a directors and officers' liability insurance policy, group term policy, group mediclaim insurance policy, group personal accident insurance policy and electronic equipment insurance policy. 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 our employees 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. In addition, there are various types of risks and losses for which we do not maintain insurance because they are uninsurable such as any losses suffered by our Company due to non-payment and delinquency in our loan portfolio and investments. In addition, our insurance policies are generally subject to annual renewal, and our ability to renew these policies on similar or otherwise acceptable terms, cannot be assured. Further, if we incur a serious uninsured loss or 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.

42. Our business is subject to seasonality, which may contribute to fluctuations in our results of operations and financial condition.

Certain segments of our business and the business of our borrowers are seasonal in nature. Generally, the period from October to March is the peak period in India for retail economic activity. This increased, or seasonal, activity is the result of several festivals and holiday periods, improved weather conditions and crop harvests. The requirement for credit and financing is directly correlated to the level of economic activity and consequently our financing and syndication and structuring offerings experience higher volume during this period and particularly towards the end of the period which coincides with the fiscal year-end in India. Our revenues are generally higher during the second half of each fiscal year as compared to first half of the fiscal year. Any significant event such as unforeseen floods, earthquakes, political instabilities, epidemics or economic slowdowns during this peak season would adversely affect our results of operations and growth. During these periods, we may continue to incur operating expenses, but our income from operations may be delayed or reduced. This seasonality can also be expected to cause quarterly fluctuations in our revenue, profit margins and earnings.

43. We may face difficulties and incur additional expenses in operating in non-urban areas, where infrastructure may be limited.

A significant number of our borrowers in our retail lending business, rural finance business and borrowers of our Originator Partners are located in non-urban areas in India, which may have limited infrastructure, particularly for transportation, electricity and internet bandwidth. We or our Originator Partners (including our Retail Lending Partners) servicing such borrowers may also face difficulties in conducting operations, engaging third-party service providers in such areas, transporting our personnel and equipment and implementing technology measures in such areas. There may also be increased costs in conducting our business and operations, implementing security measures and expanding our reach. We cannot assure you that such costs will not be incurred or will not increase in the future as we expand our business in non-urban markets and such increased costs could adversely affect our profitability.

44. We utilize the services of certain third parties for our support functions. Any deficiency or interruption in their services could adversely affect our business and reputation.

We engage third party service providers from time to time for a variety of support and ancillary functions such as:

- we rely on Retail Lending Partners for loan origination and loan servicing as part of our retail lending business;
- we rely on credit bureaus for availing data such as relating to the credit history of borrowers, for our credit risk assessment during on-boarding and monitoring;
- we rely on relevant third-parties as we outsource a portion of operations of our fund management business such as registrar and transfer activity, custodians of securities and software to facilitate accounting for our funds;
- we rely on IT vendors for software for the functionalities of our loan processing platform;
- we rely on IT service providers for support functions for our IT infrastructure such as information security operations, data center operations, application support for various business-critical applications and application development; and
- we rely on collection agency for recovery management.

Our ability to control the manner in which services are provided by third parties is limited. We may be held liable on account of any deficiency of services on the part of such service providers and the agreements entered into with such service providers may not adequately indemnify our Company for such deficiency of services by the service providers or such indemnities may be difficult to enforce. For instance, we rely on Retail Lending Partners for loan origination and loan servicing and while we are required to comply with the RBI Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs dated November 9, 2017, we cannot assure compliance of it by our Retail Lending Partners. We cannot assure you that we will be successful in continuing to receive uninterrupted and quality services from third parties. Any disruption or inefficiency in the services provided by third parties could affect our business, results of operations and reputation.

45. Our premises are either leased or on seat-sharing basis. Non-renewal or dispute with lessor or co-tenants may lead to disruption of business and cost associated with shifting of our offices.

We have entered into lease or leave and license agreements for all our premises and the Registered and Corporate Office of our Company is on a seat-sharing basis. There can be no assurance that we will be able to renew these leasing, licensing or seat-sharing arrangements at commercially favorable terms, or at all. If: (i) we are unable to renew all or any of our leasing, licensing arrangements or seat-sharing agreements; or (ii) there are any disputes with our landlords or co-tenants, it may cause disruptions in our business and we may incur substantial costs associated with shifting of our offices, all of which may adversely affect our operations and financial condition.

46. Any increase in or realization of our contingent liabilities could adversely affect our financial condition.

As of March 31, 2021, our Restated Consolidated Financial Information disclosed and reflected the following contingent liabilities:

Particulars	***(in ₹ million)***
Claims against the Company not acknowledged as debt - income tax related matters	44.06
Guarantees outstanding	2,714.17
Total	**2,758.23**

If at any time there is an increase in these contingent liabilities or we are compelled to pay all or a material proportion of these contingent liabilities, it would have a material and adverse effect on our business, future financial performance and results of operations. For further details, see "*Financial Statements*" beginning on page 256.

47. Our non-convertible debentures are listed on BSE and NSE, and we are subject to strict regulatory requirements with respect to such listed non-convertible debentures. Also, in the past, there were certain inadvertent delays by us in making certain disclosures and regulatory filings to BSE and our inability in the future to comply with or any delay in compliance with such laws and regulations may have an adverse effect on our business, results of operations, financial condition and cash flows. Additionally, the trading in our NCDs may be limited or sporadic, which may affect our ability to raise debt financing in future.

Our NCDs are listed on the debt segments of the BSE and NSE. We are therefore required to comply with various applicable rules and regulations with respect to listed debentures, including the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and the SEBI Listing Regulations. In the past, there were certain instances of non-disclosure of issuance of NCDs to certain investors to BSE and inadvertent delays by us in making certain disclosures and regulatory filings to BSE under the SEBI Listing Regulations with respect to our non-convertible debentures listed on BSE. For instance, the half yearly financial results were not filed within the statutory timeline, the intimation of record date for two of the scrips were not filed within the timeline prescribed. For details, see "*Risk Factors - There have been certain instances of delay or other non-compliance with legal or regulatory requirements, including with respect to form filings and intimations under the Companies Act, and with the SEBI, RBI and the BSE and there have been irregularities in a certain regulatory filing made with the RoC under applicable law*".

In the event of non-compliance with such rules and regulations by us in the future, we may be subject to certain penal actions, inter alia, including restrictions on further issuance of securities and freezing of transfer of securities. Our inability to comply with or any delay in compliance with such rules and regulations in the future may have an adverse effect on our business, results of operations and financial condition.

Further, trading in our NCDs has been limited and we cannot assure you that the NCDs will be frequently traded on the BSE or the NSE or that there would be any market for the NCDs. Such limited trading may affect our ability to raise debt finance in the future. Further, we cannot predict if and to what extent a secondary market may develop for the NCDs or at what price the NCDs will trade in the secondary market or whether such market will be liquid or illiquid.

48. We have in this Draft Red Herring Prospectus included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial performance. These non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore, may not be comparable with financial or statistical information of similar nomenclature computed and presented by other financial services companies.

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Draft Red Herring Prospectus. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance. For further information, see "*Selected Statistical Information*" on page 367. Non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. Accordingly, such non-GAAP financial measures should be carefully evaluated.

49. In the past, we have entered into related party transactions and will continue to do so in the future, which may potentially involve conflicts of interest with the equity shareholders.

We have entered into certain transactions with related parties and may continue to do so in future. Such transactions have been conducted on an arm's length basis and we believe contain commercially reasonable terms. For details of related party transactions entered into by our Company during the last three Fiscal Years and the nature of transactions, see "*Financial Statements – Related party disclosures*" on page 311. For a summary of such related party transactions, see "*Offer Document Summary – Summary of related party transactions"* on page 16.

We cannot assure you that we could not have achieved more favorable terms had such transactions been entered into with unrelated parties. It is likely that we will enter into related party transactions in the future. Although all related party transactions that we may enter into will be subject to Audit Committee or Board or shareholder approval, as necessary under the Companies Act, 2013 and the SEBI Listing Regulations, we cannot assure you that such transactions, individually or in aggregate, will not have an adverse effect on our financial condition and results of operations or that we could not have achieved more favorable terms if such transactions had not been entered into with related parties. Such related party transactions may potentially involve conflicts of interest.

50. Our Company has issued Equity Shares during the preceding one year at a price that may be below the Offer Price.

In the preceding one year from the date of this Draft Red Herring Prospectus, our Company has issued Equity Shares, at a price that may be lower than the Offer Price, pursuant to the ESOP Schemes. The price at which Equity Shares have been issued by our Company in the preceding one year is not indicative of the price at which they will be issued or traded after listing. For details, see "*Capital Structure*" on page 82.

51. We are a professionally managed company and do not have any identifiable promoter in terms of the SEBI ICDR Regulations and the Companies Act, 2013.

Our Company is a professionally managed company and does not have any identifiable promoter in terms of the SEBI ICDR Regulations and the Companies Act 2013. Accordingly, in terms of Regulation 14(1) of the SEBI ICDR Regulations, there is no requirement of minimum promoter's contribution in the Offer and as a result, none of the Equity Shares will be locked in for a period of three years pursuant to the Offer.

As prescribed under Regulation 17 of the SEBI ICDR Regulations, the entire pre-Offer Equity Share capital of our Company will be locked-in for a period of one year from the date of Allotment of Equity Shares in the Offer including any unsubscribed portion of the Offer for Sale, other than: (i) the Equity Shares transferred pursuant to the Offer for Sale; (ii) any Equity Shares allotted to employees, whether currently an employee or not, pursuant to the ESOP Plan 2016 prior to the Offer; and (iii) the Equity Shares that are held by any VCFs, AIFs (category I or category II) or FVCIs subject to the conditions set out in Regulation 17 of the SEBI ICDR Regulations, provided that such Equity Shares will be locked-in for a period of at least one year from the date of purchase by such VCF, AIF (category I or category II) or FVCI. For details see, "*Capital Structure*" beginning on page 82.

After the completion of the lock-in period of one year, the pre-Offer shareholders may sell their shareholding in our Company, based on market conditions and their investment horizon. Further, any perception by investors that such sales might occur could also affect the trading price of the Equity Share.

52. Certain of our Directors are involved in one or more ventures which are in the same line of business as that of our Company.

Our Director P.S. Jayakumar is a director on the board of Tata Motors Finance Limited and Tata Motors Finance Solutions Limited. Further, Michael Jude Fernandes and Amit Mehta are directors on the board of Neogrowth Credit Private Limited and Samir Amrit Shah is a director on the board of DKGFS and Amit Mehta is also a director on the board of Kogta Financial (India) Limited. These are companies which are in the same line of business as that of our Company. There can be no assurance that our Directors will be able to address conflicts of interests that arise because of their positions in such ventures, in an impartial manner. Also, there can be no assurance that our Directors will not engage in any competing business activity or acquire interests in competing ventures in the future. For further details regarding other directorships of our Directors, see "*Our Management*" on page 233.

53. Our Company will not receive any proceeds from the Offer for Sale portion. The Offer consists of the Fresh Issue by our Company and an Offer for Sale by the Selling Shareholders. The objects of the Fresh Issue for which the funds are being raised have not been appraised by any bank or financial institutions. Any variation in the utilization of our Net Proceeds as disclosed in the Red Herring Prospectus would be subject to certain compliance requirements, including prior shareholders' approval.

The entire proceeds of the Offer for Sale, net of proportionate Offer expenses, will be transferred to the Selling Shareholders and will not result in any creation of value for us or in respect of your investment in our Company. For details in relation to the Selling Shareholders, see "*The Offer*" beginning on page 65.

Our Company intends to primarily use the Net Proceeds of the Fresh Issue for augmenting its capital base to meet future capital requirements, as described in "*Objects of the Offer*" on page 102. Such intended use of proceeds has not been appraised by any bank or financial institution. Our Company will appoint a monitoring agency for monitoring the utilization of the Net Proceeds, if required, under the SEBI ICDR Regulations. Any variation in the objects of the Fresh Issue would require shareholders' approval and may involve considerable time or may not be forthcoming and in such an eventuality it may adversely affect our operations or business.

Since our Company does not have any identifiable promoter or controlling shareholders, in accordance with the SEBI ICDR Regulations, there is no requirement for any persons to provide an exit opportunity to shareholders who dissent with our proposal to change the objects of the Offer.

54. Our Managing Director and Chief Executive Officer and Key Managerial Personnel are interested in our Company in addition to the remuneration and reimbursement of expenses.

Our Managing Director and Chief Executive Officer and our Key Managerial Personnel are interested in our Company, in addition to regular remuneration or benefits and reimbursement of expenses, as applicable, including to the extent of bonuses distributed by our Company, employee stock options granted pursuant to the ESOP Schemes and their shareholding in our Company as well as dividends payable, if any. We cannot assure you that our Managing Director and Chief Executive Officer and Key Managerial Personnel will exercise their rights as shareholders to the benefit and best interest of our Company. Our Managing Director and Chief Executive Officer and Key Managerial Personnel may take or block actions with respect to our business which may conflict with the best interests of our Company or that of minority shareholders. For further information on the interest of our Managing Director and Chief Executive Officer and Key Managerial Personnel, other than reimbursement of expenses incurred or normal remuneration or benefits, see "*Our Management*" on page 233.

55. We have had negative cash flows in the past and may continue to have negative cash flows in the future.

We have in the past three financial years had, and may in the future, have negative cash flows. The following table sets forth a summary of our cash flows for the periods indicated:

(₹ in million)

Particulars	Fiscal 2021	Fiscal 2020	Fiscal 2019
Net cash used in operating activities	(7,095.24)	(542.11)	(3,358.40)
Net cash used in investing activities	(2,009.00)	(262.44)	(356.86)
Net cash generated from financing activities	9,753.10	2,228.78	3,750.97

Negative cash flows over extended periods, or significant negative cash flows in the short term, may materially impact our ability to operate our business and implement our growth plans. As a result, our business, financial condition, results of operations, cash flows and prospects may be materially and adversely affected. For further details, see "*Financial Statements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 256 and 330, respectively.

56. Our Company is not, and does not intend to become, regulated as an investment company under the U.S. Investment Company Act and related rules.

Our Company has not been and does not intend to become registered as an investment company under the U.S. Investment Company Act. Accordingly, unlike registered investment companies, our Company will not be subject to the vast majority of the provisions of the U.S. Investment Company Act, including provisions that require investment companies to have a majority of disinterested directors, provide limitations on leverage and limit transactions between investment companies and their affiliates. None of these protections or restrictions is or will be applicable to our Company.

If our Company was to become subject to the U.S. Investment Company Act because of a change of law or otherwise, the various restrictions imposed by the U.S. Investment Company Act, and the substantial costs and burdens of compliance therewith, could adversely affect our results of operations. Moreover, parties to a contract with an entity that has improperly failed to register as an investment company under the U.S. Investment Company Act may be entitled to cancel or otherwise void their contracts with the unregistered entity, and shareholders in that entity may be entitled to withdraw their investment.

Our Company is relying on the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act to avoid being required to register as an investment company under the U.S. Investment Company Act and related rules. In order to help ensure compliance with the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act, our Company has implemented restrictions on the ownership and transfer of Equity Shares by any persons acquiring our Equity Shares in the Issue who are in the United States or who are U.S. Persons (as defined in Regulation S under the U.S. Securities Act, except for these purposes, U.S. Persons include Persons who would otherwise have been excluded from such term solely by virtue of Rule 902(k)(1)(viii)(B) or Rule 902(k)(2)(i)), which may materially affect your ability to transfer our Equity Shares. See "*Other Regulatory and Statutory Disclosures*" on page 392.

57. U.S. regulation of investment activities may negatively affect the ability of banking entities to purchase our Equity Shares.

The Volcker Rule, generally prohibits certain banking entities from acquiring or retaining an ownership interest in, sponsoring or having certain relationships with covered funds, subject to certain exclusions and exemptions. As we are relying on an analysis that our Company does not come within the definition of an "investment company" under the U.S. Investment Company Act because of the exception provided under section 3(c)(7) thereunder, our Company may be considered a "covered fund" for purposes of the Volcker Rule. The following would be considered a "banking entity" subject to the Volcker Rule: (i) any U.S. insured depository institution, (ii) any company that controls an U.S. insured depository institution, (iii) any non-U.S. company that is treated as a bank holding company for purposes of Section 8 of the International Banking Act of 1978 (i.e., a non-U.S. company that maintains a branch, agency or commercial lending office in the U.S.) and (iv) any affiliate or subsidiary of any of the foregoing under the U.S. Bank Holding Company Act, other than a covered fund that is not itself a banking entity under clauses (i), (ii) or (iii).

There may be limitations on the ability of banking entities to purchase or retain our Equity Shares in the absence of an applicable Volcker Rule exemption. Consequently, depending on market conditions and the banking entity status of potential purchasers of our Equity Shares from time to time, the Volcker Rule restrictions could negatively affect the liquidity and market value of our Equity Shares.

Each investor must make its own determination as to whether it is a banking entity subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to purchase or retain our Equity Shares. Investors are responsible for analyzing their own regulatory position and none of our Company, the Book Running Lead Managers or any other person connected with the Offer makes any representation to any prospective investor or holder of our Equity Shares regarding the treatment of our Company under the Volcker Rule, or to such investor's investment in the our Company at any time in the future.

58. We are expected to be treated as a passive foreign investment company for United States federal income tax purposes (a "PFIC")

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either (i) at least 75.00% of its gross income is "passive income" or (ii) at least 50.00% of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from securities transactions. Based on the present nature of its activities, including the offer, the present composition of its assets and sources of income, the Company believes that it was a PFIC for the 12-month period ending on March 31, 2021 and expects to be a PFIC for the current year. However, PFIC status is factual in nature, generally cannot be determined until the close of the taxable year in question and is determined annually. If the Company is treated as a PFIC, U.S. holders of Equity Shares may be subject to adverse U.S. federal income tax consequences. Prospective U.S. holders should consult their own tax advisers regarding the potential application of the PFIC rules to an investment in the Equity Shares.

59. We have commissioned and paid for a third party industry report which has been used for industry related data in this Draft Red Herring Prospectus and such data has not been independently verified by us or the BRLMs.

We have commissioned and relied on the CRISIL Report, which has been paid for and used by us for the purpose of confirming our understanding of the industry in connection with the Offer, for industry related data that has been disclosed in this Draft Red Herring Prospectus.

The CRISIL Report uses certain methodologies for market sizing and forecasting. We or the BRLMs have not independently verified such data and therefore, while we believe the data to be true, we cannot assure you that it is complete or reliable. Accordingly, investors should read the industry related disclosure in this Draft Red Herring Prospectus in this context. Such commissioned report has been paid for by our Company for an agreed amount.
Industry reports and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. While industry experts take due care and caution while preparing their reports, they do not guarantee the accuracy, adequacy or completeness of the data. Accordingly, investors should not place undue reliance on, or base their investment decision solely on this information.

60. Our ability to pay dividends in the future will depend on our compliance with certain conditions prescribed by the RBI, earnings, financial condition, cash flows, capital requirements, capital expenditures and restrictive covenants of our financing arrangements.

We have not paid any dividends on our Equity Shares in the last three Fiscals**.** Our ability to pay dividends in the future will depend on our earnings, financial condition, cash flows, capital requirements, compliance with the conditions set out RBI's circular dated June 24, 2021 in relation to payment of dividend by NBFCs, ("**Dividend Circular**") and restrictive covenants of our financing arrangements. Any future determination as to the declaration and payment of dividends will be at the discretion of our Board in accordance with applicable law, and subject to approval of Shareholders. The quantum of dividend to be distributed, if any, will depend on a number of factors, including minimum prudential norms, maximum permissible dividend payment ratio and other factors set out in the Dividend Circular, profit earned during the current financial year, overall financial conditions, cash flows, capital requirements, business prospects and expansion plans, cost of raising funds from alternative sources, restrictive covenants under our financing arrangements, money market conditions, and macro-economic conditions. We cannot assure you that we will be able to pay dividends at any point in the future. We may also decide to retain all of our earnings to finance the development and expansion of our business and, therefore, may not declare dividends on our Equity Shares. For further details, see "*Dividend Policy*" and "*Key Regulations and Policies*" beginning on pages 255 and 206, respectively.

61. Certain of our existing and future Shareholders together may be able to exert significant influence over our Company after completion of the Offer, which may limit your ability to influence the outcome of matters submitted for approval of our Shareholders

Following the completion of the Offer, certain Shareholders may continue to hold more than 10.00% of our post-Offer Equity Share capital. Such shareholdings could limit your ability to influence corporate matters requiring shareholder approval especially the resolutions which are required to be approved by way of special resolutions by the Shareholders under the provisions of the Companies Act. Any consequent delay or non-receipt of shareholder approval for such matters could adversely affect our business. In addition, following the completion of the Offer and subject to the approval of shareholders after the successful completion of the Offer, certain Shareholders holding above a certain percentage of our Company's share capital will each have the right to nominate Non–Executive Nominee Directors on the Board in accordance with the provisions of the AoA read with the amendment and termination agreement dated July 7, 2021 to the 2019 SHA. For further details on our shareholding pattern and the right to appoint nominee directors, see "*Capital Structure*", "*Our Principal Shareholders*" and "*History and Certain Corporate Matters*" on pages 82, 250 and 230, respectively. In addition, certain of our Selling Shareholders have existing investments in countries that are subject to sanctions, such as Myanmar.

EXTERNAL RISK FACTORS

62. Changing laws, rules and regulations and legal uncertainties, including adverse application or interpretation of corporate and tax laws, may adversely affect our business, prospects and results of operations.

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.

The April 2021 Circular, issued by the RBI, 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 the April 2021 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 COVID-19 pandemic, or any future pandemic or widespread public health emergency or outbreak of disease, could materially and adversely impact our business, financial condition, cash flows and results of operations*" on 26.

The Government of India 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 the compulsory contribution to be made towards the employees' provident fund.

In January 2021, the Assam legislative assembly passed the Assam Micro Finance Institutions (Regulation of Money Lending) Act, 2020 (the "**Assam Act**") which aims to regulate money-lending activities of money lenders operating in the state. The Assam Act, among others, provides that: (i) all money lenders must register themselves and disclose all the details as specified in the Assam Act; (ii) the registration shall only be valid for two years, and must be renewed by the money lenders to continue operations in the state of Assam; (iii) the registration of the money lenders may be cancelled by the authority at any time, either of its own accord or on receipt of a complaint from a borrower. We are unsure whether other state legislative assemblies, in particular in the states in which we operate in India, may table similar bills in the future. In the event similar laws are introduced across the different states in India, it could affect the operations of our Originator Partners and consequently our relationship with them and adversely impact our business, financial performance and results of operations.

Further, the RBI has released a discussion paper titled "Revised Regulatory Framework for NBFCs – A Scale Based Approach" dated January 22, 2021 and has requested public comments thereon. The discussion paper sets out the discussions for the proposed revisions to the existing regulatory framework applicable to NBFCs. If the discussion paper results in revised regulations and a new regulatory framework for NBFCs, our Company will need to abide by these, and our Company may incur increased costs relating to compliance with the new requirements. Any additional compliances in relation to listing, corporate governance and disclosure requirements as discussed in the RBI's discussion paper, may lead our Company to incur increased costs and other burdens relating to compliance with the new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. The RBI also published a 'Consultative Document on Regulation of Microfinance' (the "**MFI Consultative Document**") on June 14, 2021. The MFI Consultative Document reviews the existing framework applicable to microfinance activities and proposes certain changes to such framework. The changes proposed by the MFI Consultative Document include: (a) a standard definition of the term 'microfinance loans' applicable to all regulated entities; (b) providing for the right of prepayment for microfinance borrowers without attracting a penalty; (c) alignment of pricing guidelines for NBFC-MFIs with guidelines applicable to NBFCs; and (d) mandating disclosure of pricing related information in a standard simplified fact-sheet. For further details on the discussion paper, see "*Key Regulations and Policies"* beginning on page 206.

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 General Anti-Avoidance Rules ("**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 shares could affect investor returns. As a result, any such changes or interpretations could have an adverse effect on our business and financial performance. For further discussion on capital gains tax, see "- *You may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares*" on page 61.

Additionally, the Government of India had announced the union budget for Fiscal 2022, pursuant to which the Finance Act, 2021 has been enacted. As such, there is no certainty on the impact that the Finance Act, 2021 may have on our business and operations or on the industry in which we operate.
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.

We may be unable to determine the impact of any changes in or interpretations of existing, or the promulgation of, new, laws, rules and regulations applicable to us and our business. If that was to occur it could result in us, our business, operations or group structure being deemed to be in contravention of such laws and/or may require us to apply for additional approvals. We may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent 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.

63. Recent global economic conditions have been challenging and continue to affect the Indian market, which may adversely affect our business, financial condition, results of operations and prospects.

The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. The ongoing COVID-19 pandemic has caused an economic downturn in several major economies and generated volatility in, and general adverse impact on, the global securities markets, including in India; further, it is not possible for us to predict the extent and duration of this volatility and adverse impact on the global or Indian securities markets, including any possible impact on our Equity Shares. For further discussion on COVID-19, see "- *The COVID-19 pandemic, or any future pandemic or widespread public health emergency or outbreak of disease, could materially and adversely impact our business, financial condition, cash flows and results of operations*" on page 26. Negative economic developments, such as rising fiscal or trade deficits, or a default on national debt, in other emerging market countries may also affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India and could then adversely affect our business, financial performance and the price of our Equity Shares.

Large budget deficits and rising public debts in recent years, for example in Europe have, triggered sovereign debt finance crises that resulted in the bailouts of European economies and elevated the risk of government debt defaults, forcing governments to undertake aggressive budget cuts and austerity measures, in turn underscoring the risk of global economic and financial market volatility. Financial markets and the supply of credit could continue to be negatively impacted by ongoing concerns surrounding the sovereign debts and/or fiscal deficits of several countries in Europe, the possibility of further downgrades of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the stability and overall standing of the European Monetary Union. Increased budget deficits and the incurrence of additional public debt in Europe and other developed markets as a result of the COVID-19 pandemic may exacerbate these risks and uncertainties. Further deterioration in the global economy as a result of COVID-19 or otherwise, or the perception that such deterioration could occur, may continue to have an adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have an adverse effect on our business, financial condition, cash flows and results of operations and reduce the price of our Equity Shares. Any financial disruption could have an adverse effect on our business, future financial performance, shareholders' equity and the price of our Equity Shares.

64. The locations in which we operate could experience natural disasters. The occurrence of natural or man-made disasters may adversely affect our business, cash flows, results of operations and financial condition.

A natural disaster, severe weather conditions or an accident that damages or otherwise adversely affects any of our business operations, or our customers' business operations or livelihood, could have a material adverse effect on our business, financial condition, cash flows and results of operations. Severe flooding, lightning strikes, earthquakes, extreme wind conditions, severe storms, wildfires, and other unfavorable weather conditions (including those from climate change) or natural disasters could damage our offices or other assets, or require us to shut down our or our Retail Lending Partners field operations, impeding our ability to on-board new customers or collect repayments from our existing customers. In turn, this could decrease our revenues from operations. Catastrophic events such as explosions, terrorist acts, riots or other similar occurrences could result in similar consequences or in personal injury, loss of life, environmental danger or severe damage to or destruction of our offices or field activities, or suspension of our business operations or our customers' business operations. Any of these events could have an adverse effect on our business, financial condition, cash flows, results of operations and prospects.

Some of the states in which we and our customers operate are prone to natural disasters and have suffered these in recent years including floods in Assam and Bihar and cyclones in Odisha, Tamil Nadu and West Bengal. Consequently, if a flood, cyclone or other natural disaster occurs in these states, or in any other state in which we or our customers operate, our business operations could be impacted (in part or in full) for a period of time. In addition, our customers' businesses could also be disrupted (in part or in full) for a period of time, which could negatively impact our customers' ability to make their repayments on time, or at all. In such instances, our business, financial condition and results of operations could be adversely affected.

65. Investors may have difficulty enforcing foreign judgments against us or our management.

We are a limited liability company incorporated under the laws of India. The majority of our directors and key management personnel are residents of India and all of our assets are located in India. As a result, it may not be possible for investors to effect service of process upon us or such persons outside of India, or to enforce judgments obtained against such parties outside of India.

Recognition and enforcement of foreign judgments is provided for under Section 13 of the Code of Civil Procedure, 1908 ("**CPC**") on a statutory basis. Section 13 of the CPC provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; and (vi) where the judgment sustains a claim founded on a breach of any law then in force in India. Under the CPC, a court in India shall, 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. However, under the CPC, such presumption may be displaced by proving that the court did not have jurisdiction.

Among others, the United Kingdom, Singapore, the United Arab Emirates and Hong Kong have been declared by the Government of India to be reciprocating territories for the purposes of Section 44A of the CPC. Section 44A of the CPC provides that where a foreign judgment has been rendered by a superior court, within the meaning of that Section, in any country or territory outside of India which the Central Government has by notification declared to be in 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. However, Section 44A of the CPC is applicable only to monetary decrees not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties.

We have been advised by our Indian counsel that the United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States on civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not be enforceable in India. However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment that has been obtained in the United States. The suit must be brought in India within three years from the date of the judgment 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 was brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if that court was of the view that the amount of damages awarded was excessive or inconsistent with public policy or Indian practice. It is uncertain as to whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. However, a party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to execute such a judgment or to repatriate any amount recovered.

66. Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business and financial performance.

India's sovereign debt rating could be downgraded due to various factors, including changes in tax or fiscal policy or a decline in India's foreign exchange reserves, which are outside our Company's control. Any adverse revisions to India's credit ratings by international rating agencies may adversely affect our ratings, terms on which we are able to raise additional finances or refinance any existing indebtedness. This could have an adverse effect on our business growth and financial performance, ability to obtain financing and the price of the Equity Shares.

67. Financial difficulty and other problems in certain financial and other non-banking financial institutions in India could materially adversely affect our business and the price of our Equity Shares.

We are exposed to the risks of the Indian financial system. The financial difficulties faced by certain Indian financial and non-banking financial institutions could materially adversely affect our business because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Such "systemic risk," may materially adversely affect financial intermediaries, such as clearing agencies, banks, NBFCs, securities firms and exchanges with which we routinely interact on a daily basis. 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 materially adversely affect our business. Our transactions with these financial institutions and other non-banking financial institutions expose us to various risks in the event of default by a counterparty, which can be exacerbated during periods of market illiquidity.

RISKS RELATING TO THE OFFER AND THE EQUITY SHARES

68. Our Equity Shares have never been publicly traded, and may experience price and volume fluctuations following the completion of the Offer. Further, our Equity Shares may not result in an active or liquid market and the price of our Equity Shares may be volatile and you may be unable to resell your Equity Shares at or above the Offer Price or at all. The Offer Price is also not indicative of the market price of the Equity Shares.

Prior to the Offer, there has been no public market for our Equity Shares, and an active trading market may not develop or be sustained after the Offer. Listing and quotation does not guarantee that a market for our Equity Shares will develop or, if developed, does not guarantee the liquidity of such market for the Equity Shares. Investors might not be able to rapidly sell the Equity Shares at the quoted price if there is no active trading in the Equity Shares. The Offer Price of the Equity Shares will be determined by our Company in consultation with the BRLMs through the Book Building Process. The Offer Price will be based on numerous factors, including certain qualitative and quantitative factors as described under "*Basis for Offer Price*" beginning on page 106 and may not be indicative of the market price for the Equity Shares after the Offer.

The market price of the Equity Shares may fluctuate as a result of, among other things, the following factors, some of which are beyond our control:

- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates by research analysts and investors;
- a change in research analysts' recommendations;
- announcements by us or our competitors of significant acquisitions, strategic alliances, joint operations or capital commitments; announcements by third parties or governmental entities of significant claims or proceedings against us;
- developments relating to our peer companies in our industry;
- new laws and governmental regulations applicable to our industry;
- additions or departures of key management personnel;
- changes in exchange rates;
- speculative trading in the Equity Shares;
- investor perception of us and the industry in which we operate;
- the public's reaction to our press releases and adverse media reports;
- fluctuations in stock market prices and volume; and

- general economic and stock market conditions.

Changes in relation to any of the factors listed above could adversely affect the price of the Equity Shares. The market price of the Equity Shares may decline below the Offer Price and investors may not be able to re-sell Equity Shares at or above the Offer Price resulting in a loss of all or part of the investment.

69. You may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.

Under the current Indian tax laws and unless specifically exempted, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. However, any gain realized on the sale of listed equity shares on before March 31, 2018 on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction tax ("**STT**") is paid on the sale transaction and additionally, as stipulated by the Finance Act, 2017, STT had been paid at the time of acquisition of such equity shares on or after October 1, 2004, except in the case of such acquisitions of equity shares which are not subject to STT, as notified by the Central Government under notification no. 43/2017/F. No. 370142/09/2017- TPL on June 5, 2017. However, the Finance Act, 2018, has now levied taxes on such long term capital gains exceeding ₹100,000.00 arising from sale of equity shares on or after April 1, 2018, while continuing to exempt the unrealized capital gains earned up to January 31, 2018 on such equity shares subject to specific conditions. Accordingly, you may be subject to payment of long term capital gains tax in India, in addition to payment of STT, on the sale of any equity shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold.

Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax at in India. Capital gains arising from the sale of equity shares will be exempt from taxation in India in cases where an exemption is provided under a treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdictions on gains arising from a sale of equity shares.

70. Investors may not be able to sell immediately on an Indian stock exchange any of the Equity Shares they purchase in the Offer.

The Equity Shares may not be listed on the Stock Exchanges. Pursuant to applicable Indian laws, certain actions must be completed before the Equity Shares can be listed and trading in the Equity Shares can commence.

Investors' book entry, or 'demat' accounts with depository participants in India, are expected to be credited with the Equity Shares within one working day of the date on which the Basis of Allotment is approved by the Stock Exchanges. The Allotment of Equity Shares in the Offer and the credit of such Equity Shares to the applicant's demat account with depository participant could take approximately six working days from the Bid Closing Date (or such other period as prescribed under applicable laws) and trading in the Equity Shares upon receipt of final listing and trading approvals from the Stock Exchanges is expected to commence within six working days of the Bid Closing Date (or such other period as prescribed under applicable laws).

There could be a failure or delay in listing of the Equity Shares on the Stock Exchanges. Any failure or delay in obtaining the approval or otherwise any delay in commencing trading in the Equity Shares would restrict investors' ability to dispose of their Equity Shares. There can be no assurance that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified in this risk factor. We could also be required to pay interest at the applicable rates if allotment is not made, refund orders are not dispatched or demat credits are not made to investors within the prescribed time periods.

71. Foreign investors are subject to foreign investment restrictions under Indian law, which could limit our ability to attract foreign investors and our ability to raise foreign capital may be constrained by Indian law, which in turn could adversely affect the market price of the Equity Shares.

Foreign investment in Indian securities is subject to regulation by Indian regulatory authorities. Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares is not in compliance with such pricing guidelines or reporting requirements or falls under any of the exceptions referred to above, then a prior regulatory approval will be required. Additionally, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no objection or a tax clearance certificate from the Indian income tax authorities. Further, the Government of India may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Government of India experiences extreme difficulty in stabilising the balance of payments, or where there are substantial disturbances in the financial and capital markets in India. We cannot assure investors that any required approval from the RBI or any other governmental agency can be obtained on any particular terms or at all. Further, the Government of India on April 22, 2020 amended the FEMA Non-debt Instruments Rules pursuant to which any investment into India by an entity of a country which shares a land border with India, or the beneficial owner of an investment into India who is situated in or is a citizen of any such country, shall require the approval of the Government of India. For further details, see "*Restrictions on Foreign Ownership of Indian Securities"* beginning on page 440.

As an Indian company, we are also subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources and could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that any required regulatory approvals for borrowing in foreign currencies will be granted to us without onerous conditions, or at all. Limitations on foreign debt may have an adverse effect on our business growth, financial condition and results of operations.

72. Any future issuance of Equity Shares may dilute your shareholding and sales of the Equity Shares by significant shareholders may adversely affect the trading price of the Equity Shares.

We may be required to finance our growth through future equity offerings. Any future equity issuances by our Company, including a primary offering or through the ESOP Plan 2016 may lead to the dilution of investors' shareholdings in our Company. Any future issuances of Equity Shares or the disposal of Equity Shares by our significant Shareholders or the perception that such issuance or sale may occur may adversely affect the trading price of the Equity Shares, which may lead to other adverse consequences including difficulty in raising capital through offering of the Equity Shares or incurring additional debt. See also "*Risk Factors - We are a professionally managed company and do not have any identifiable promoter in terms of the SEBI ICDR Regulations and the Companies Act, 2013.*" We cannot assure you that we will not issue further Equity Shares or that the shareholders will not dispose of, pledge or otherwise encumber the Equity Shares held by them. Any future issuances could also dilute the value of your investment in the Equity Shares.

73. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.

Indian legal principles and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as shareholders of our Company than as shareholders of a corporation in another jurisdiction.

74. Fluctuation in the exchange rate of the Rupee and other currencies could have an adverse effect on the value of our Equity Shares, independent of our operating results.

Our Equity Shares will be quoted in Rupees on the Stock Exchanges. Any dividends, if declared, in respect of our Equity Shares will be paid in Rupees and subsequently converted into the relevant foreign currency for repatriation, if required. Any adverse movement in exchange rates during the time that it takes to undertake such conversion may reduce the net dividend to investors. In addition, any adverse movement in exchange rates during a delay in repatriating the proceeds from a sale of Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares may reduce the net proceeds received by shareholders.

The exchange rate of the Rupee has changed substantially in the last two decades and could fluctuate substantially in the future, which may have a material adverse effect on the value of the Equity Shares and returns from the Equity Shares, independent of our operating results.

75. Holders of Equity Shares may be restricted in their ability to exercise pre-emptive rights under Indian law and thereby may suffer future dilution of their ownership position.

Under the Companies Act, a company having share capital and incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of equity shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the pre-emptive rights have been waived by adoption of a special resolution by the Company. However, if the laws of the jurisdiction the investors are located in do not permit them to exercise their pre-emptive rights without our filing an offering document or registration statement with the applicable authority in such jurisdiction, the investors will be unable to exercise their pre-emptive rights unless our Company makes such a filing. If our Company elects not to file a registration statement, the new securities may be issued to a custodian, who may sell the securities for the investor's benefit. The value the custodian receives on the sale of such securities and the related transaction costs cannot be predicted. In addition, to the extent that the investors are unable to exercise pre-emptive rights granted in respect of the Equity Shares held by them, their proportional interest in our Company would be reduced.

76. QIBs and Non-Institutional Bidders are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after submitting a Bid.

Pursuant to the SEBI Regulations, QIBs and Non-Institutional Bidders are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after submitting a Bid. Retail Individual Bidders can revise their Bids during the Bid/Offer Period and withdraw their Bids until Bid/Offer Closing Date. While our Company is required to complete Allotment pursuant to the Offer within six working days from the Bid/Offer Closing Date (or such other period as prescribed under applicable laws), events affecting the Bidders' decision to invest in the Equity Shares, including material adverse changes in international or national monetary policy, financial, political or economic conditions, our business, cash flows, results of operation or financial condition may arise between the date of submission of the Bid and Allotment. Our Company may complete the Allotment of the Equity Shares even if such events occur, and such events limit the Bidders' ability to sell the Equity Shares Allotted pursuant to the Offer or cause the trading price of the Equity Shares to decline on listing.

SECTION III: INTRODUCTION

THE OFFER

The details of the Offer are summarized below.

Offer of Equity Shares of face value of ₹10 each	Up to [●] Equity Shares aggregating up to ₹[●] million
Of which	
Fresh Issue [(1)]	Up to [●] Equity Shares aggregating up to ₹3,000 million
Offer for Sale [(2)]	Up to 36,520,585 Equity Shares aggregating up to ₹ [●] million
Including	
Employee Reservation Portion[(3)]	Up to [●] Equity Shares aggregating up to ₹[●] million
Accordingly	
Net Offer	Up to [●] Equity Shares aggregating up to ₹ [●] million
Of which	
(A) QIB Portion[(4)(5)]	Not more than [●] Equity Shares
Of which	
Anchor Investor Portion	Up to [●] Equity Shares
Net QIB Portion (assuming Anchor Investor Portion is fully subscribed)	[●] Equity Shares
Of which	
Mutual Fund Portion	[●] Equity Shares
Balance for all QIBs including Mutual Funds	[●] Equity Shares
(B) Non-Institutional Portion[(4)]	Not less than [●] Equity Shares
(C) Retail Portion[(4)]	Not less than [●] Equity Shares
Pre and Post-Offer Equity Shares	
Equity Shares outstanding prior to the Offer (as of the date of this Draft Red Herring Prospectus)	87,921,550 Equity Shares
CCPS outstanding prior to the Offer[(6)](as of the date of this Draft Red Herring Prospectus)	41,323,204 CCPS
Equity Shares outstanding prior to the Offer after the conversion of CCPS	129,244,754 Equity Shares
Equity Shares outstanding after the Offer	[●] Equity Shares
Use of Net Proceeds by our Company	For details of the use of proceeds from the Fresh Issue, see "*Objects of the Offer*" beginning on page 102. Our Company will not receive any proceeds from the Offer for Sale.

(1) The Offer has been authorized by a resolution dated July 7, 2021 passed by our Board and the Fresh Issue has been approved by a special resolution dated July 12, 2021 passed by our Shareholders. Our Company may consider a Pre-IPO Placement aggregating up to ₹1,500 million, prior to the filing of the Red Herring Prospectus with the RoC. The Pre-IPO Placement shall be undertaken at the discretion of our Company and the price of the securities allotted pursuant to the Pre-IPO Placement shall be determined by our Company, in consultation with the BRLMs. If the Pre-IPO Placement is completed, the amount raised pursuant to the Pre-IPO Placement will be reduced from the Fresh Issue, subject to compliance with Rule 19(2)(b) of the SCRR. Details of the Pre-IPO Placement, if undertaken, shall be included in the Red Herring Prospectus. We may utilize the proceeds from the Pre-IPO Placement towards the objects of the Offer prior to completion of the Offer.

(2) *The details of authorization by each Selling Shareholder approving their participation in the Offer for Sale are as set out below:*

S. No.	Name of the Selling Shareholder	Date of board resolution	Date of consent letter	Number of Offered Shares
1.	LeapFrog	May 19, 2021 and July 12, 2021	July 13, 2021	8,987,093
2.	Accion	June 1, 2021	July 13, 2021	2,310,191
3.	Augusta	July 12, 2021	July 13, 2021	7,076,499
4.	Eight Roads	July 7, 2021	July 13, 2021	4,083,812
5.	Dvara Trust	July 8, 2021	July 13, 2021	3,864,160
6.	IIFL Special Opportunities Fund	May 20, 2021	July 13, 2021	5,041,455
7.	IIFL Special Opportunities Fund – Series 2	May 20, 2021	July 13, 2021	1,231,710
8.	IIFL Special Opportunities Fund – Series 3	May 20, 2021	July 13, 2021	541,805
9.	IIFL Special Opportunities Fund – Series 4	May 20, 2021	July 13, 2021	1,862,128
10.	IIFL Special Opportunities Fund – Series 5	May 20, 2021	July 13, 2021	1,521,732

(3) *The initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000, however, an Eligible Employee may submit a Bid for a maximum Bid Amount of ₹500,000 under the Employee Reservation Portion. Only in the event of an under-subscription in the Employee Reservation Portion, the unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹200,000, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000. The unsubscribed portion if any, in the Employee Reservation Portion (after allocation up to ₹ 500,000), shall be added back to the Net Offer.*

(4) *Subject to valid Bids being received at or above the Offer Price, under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories of Bidders at the discretion of our Company, in consultation with the BRLMs and the Designated Stock Exchange. In case of under-subscription in the Offer, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. After achieving the above minimum subscription, however, if there is under-subscription in achieving the total Offer size, the Equity Shares will be allotted in the following order: (i) such number of Equity Shares will first be Allotted by our Company such that 90% of the Fresh Issue portion is subscribed; (ii) upon (i), all the Equity Shares held by the Selling Shareholders and offered for sale in the Offer for Sale will be Allotted (in proportion to the Offered Shares being offered by each Selling Shareholder); and (iii) once Equity Shares have been Allotted as per (i) and (ii) above, such number of Equity Shares will be Allotted by our Company towards the balance 10% of the Fresh Issue portion. See "Terms of the Offer – Minimum Subscription" beginning on page 415.*

(5) *Our Company may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. The QIB Portion will be accordingly reduced for the shares allocated to Anchor Investors. One-third of the Anchor Investor Portion will be reserved for domestic Mutual Funds only, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Offer Price. In case of under-subscription or non-Allotment in the Anchor Investor Portion, the remaining Equity Shares will be added back to the Net QIB Portion. See "Offer Procedure" beginning on page 420. Further, 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, if the aggregate demand from Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for allotment in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIB Bidders (other than Anchor Investors) in proportion to their Bids. See "Offer Procedure" beginning on page 420.*

(6) *41,323,204 CCPS shall be converted into 41,323,204 Equity Shares prior to filing of the Red Herring Prospectus with the RoC in accordance with Regulation 5(2) of the SEBI ICDR Regulations*

Allocation to Bidders in all categories, except the Retail Portion and the Anchor Investor Portion, if any, shall be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price, as applicable. Allocation to Retail Individual Bidders shall not be less than the minimum Bid Lot, subject to availability of Equity Shares in the Retail Portion, and the remaining available Equity Shares, if any, shall be allocated on a proportionate basis. Allocation to Anchor Investors shall be on a discretionary basis in accordance with the SEBI ICDR Regulations. For further details, see "*Offer Structure*", "*Terms of the Offer*" and "*Offer Procedure*" beginning on pages 416, 410 and 420, respectively.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth summary financial information derived from the Restated Consolidated Financial Information. The summary financial information presented below should be read in conjunction with "Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 256 and 330, respectively.

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SUMMARY RESTATED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

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

Particulars	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
ASSETS			
Financial assets			
Cash and cash equivalents	3,981.03	3,332.17	1,907.94
Bank balances other than cash and cash equivalents	683.80	772.02	523.39
Trade receivables	183.54	83.01	167.97
Loans	37,407.67	29,246.78	27,768.45
Investments	13,825.68	11,714.89	11,929.75
Other financial assets	47.39	74.87	87.64
	56,129.11	**45,223.74**	**42,385.14**
Non-financial assets			
Current tax assets (net)	357.92	411.90	152.38
Deferred tax assets (net)	207.18	31.91	63.06
Property, plant and equipment	10.49	17.84	6.84
Right of use asset	98.54	132.42	26.12
Intangible assets under development	5.40	9.49	34.27
Goodwill	17.46	17.46	17.46
Other Intangible assets	97.28	83.16	29.10
Other non- financial assets	48.27	46.97	65.58
	842.54	**751.15**	**394.81**
Total assets	**56,971.65**	**45,974.89**	**42,779.95**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Derivative financial instruments	89.85	-	1.07
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	156.19	83.09	97.14
Debt securities	16,395.68	8,602.08	12,438.61
Borrowings (Other than debt securities)	22,924.71	20,612.84	16,690.48
Subordinated liabilities	-	-	121.34
Other financial liabilities	423.04	519.16	345.06
	39,989.47	**29,817.17**	**29,693.70**
Non-financial liabilities			
Current tax liabilities (net)	-	-	4.36
Provisions	176.35	140.27	122.25
Deferred tax liabilities (net)	9.77	-	-
Other non-financial liabilities	66.89	40.34	59.42
	253.01	**180.61**	**186.03**
EQUITY			
Equity share capital	879.22	874.78	783.66
Other equity	14,943.93	14,189.49	10,891.54
Equity attributable to the owners of the Company	**15,823.15**	**15,064.27**	**11,675.20**
Non-controlling interest	906.02	912.84	1,225.02
Total equity	**16,729.17**	**15,977.11**	**12,900.22**
Total liabilities and equity	**56,971.65**	**45,974.89**	**42,779.95**

SUMMARY RESTATED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
(All amounts are in Indian Rupees in millions, except share data and stated otherwise)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Revenue from operations			
Interest income	5,798.64	5,564.54	5,107.20
Fees and commission income	643.35	653.08	603.67
Net gain on fair value changes	369.72	61.64	304.21
Net gain on derecognition of financial instruments	-	48.94	0.47
Total revenue from operations	**6,811.71**	**6,328.20**	**6,015.55**
Other income	41.16	16.33	155.98
Total income	**6,852.87**	**6,344.53**	**6,171.53**
Expenses			
Finance costs	3,229.68	3,092.07	3,021.11
Fees and commission expense	285.22	228.91	115.46
Impairment on financial instruments	1,354.09	354.88	148.66
Employee benefits expenses	622.44	682.97	720.84
Depreciation and amortisation	67.42	67.29	46.92
Other expenses	294.09	473.50	370.50
Total expenses	**5,852.94**	**4,899.62**	**4,423.49**
Profit before tax	**999.93**	**1,444.91**	**1,748.04**
Tax expense			
Current tax	421.75	335.08	534.76
Minimum alternative tax (MAT)	-	-	-
Less: MAT Credit entitlement	-	-	(0.74)
Deferred tax (benefit) / charge	(187.74)	80.50	59.86
Total Tax expense	**234.01**	**415.58**	**593.88**
Profit for the year	**765.92**	**1,029.33**	**1,154.16**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of the defined benefit asset/ (liability)	4.85	0.76	2.90
Income tax relating to items that will not be reclassified to profit or loss	(1.23)	(0.16)	(0.93)
	3.62	**0.60**	**1.97**
Items that will be reclassified to profit or loss			
Fair valuation of financial instruments (net)	49.01	(27.74)	(172.06)
Income tax relating to items that will be reclassified to profit or loss	(20.61)	50.63	62.82
	28.40	**22.89**	**(109.24)**
Other comprehensive income for the year	**32.02**	**23.49**	**(107.27)**
Total comprehensive income for the year	**797.94**	**1,052.82**	**1,046.89**
Profit for the year attributable to			

Particulars	**Year ended March 31, 2021**	**Year ended March 31, 2020**	**Year ended March 31, 2019**
Owners of the Company	675.14	928.36	991.72
Non-controlling Interest	90.78	100.97	162.44
Other comprehensive income for the year, net of tax			
Owners of the Company	46.03	25.73	(111.23)
Non-controlling Interest	(14.01)	(2.24)	3.96
Total comprehensive income for the year, net of tax			
Owners of the Company	721.17	954.09	880.49
Non-controlling Interest	76.77	98.73	166.40
Earnings per equity share (Face Value - INR 10 each)			
Basic (in rupees)	7.71	11.05	12.66
Diluted (in rupees)	5.35	7.92	10.91

SUMMARY RESTATED CONSOLIDATED STATEMENT OF CASH FLOWS

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

Particulars		Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
A	**Cash flow from operating activities**			
	Profit after tax	765.92	1,029.33	1,154.16
	Adjustments for:			
	Depreciation and amortisation	67.42	67.29	46.92
	Write off of intangible assets under development	-	5.58	6.33
	Tax expense (including deferred tax)	255.85	415.58	593.87
	Mark-to-market loss on derivative contracts	89.85	-	1.47
	Unrealised gain on alternative investment funds designated at fair value through profit or loss	(80.51)	(16.83)	(10.58)
	Interest income on loans, fixed deposits and investments	(5,798.63)	(5,564.54)	(5,107.18)
	Gain on mutual funds investments designated at fair value through profit or loss	(36.85)	(43.53)	(22.47)
	Profit on sale of investments	(10.71)	(1.28)	(57.69)
	Impairment on financial instruments (net)	1,354.10	354.87	(6.48)
	Employee share based payment expenses	24.57	77.23	104.70
	Gain on account of lease rental concession received	(3.52)	-	-
	Gain on account of leases foreclosed	(0.34)	-	-
	Amortisation of discount on commercial papers	18.77	72.20	305.72
	Amortisation of ancillary costs relating to borrowings	150.94	109.98	59.97
	Finance costs	3,059.97	2,909.88	2,655.41
	Operating profit before working capital changes	**(143.17)**	**(584.24)**	**(275.85)**
	Changes in working capital and other changes:			
	Decrease in other financial assets	19.21	13.50	(22.21)
	(Increase)/Decrease in trade receivables	(96.10)	93.10	68.58
	Increase in loans	(9,291.64)	(1,790.64)	(4,588.30)
	(Increase) / Decrease in other non-financial assets	(1.31)	18.40	(43.18)
	Decrease / (Increase) in other bank balances	120.50	(237.68)	(374.98)
	(Decrease) / Increase in trade payables, other liabilities and provisions	38.97	126.99	(17.98)
	Cash used in operations	**(9,353.54)**	**(2,360.57)**	**(5,253.92)**
	Interest income received on loans, fixed deposits and investments	5,626.11	5,399.87	5,112.55
	Finance cost paid	(3,000.04)	(2,983.31)	(2,589.12)
	Income tax paid (net)	(367.77)	(598.10)	(627.91)
	Net cash used in operating activities	**(7,095.24)**	**(542.11)**	**(3,358.40)**
B	**Cash flows from investing activities**			
	Purchase of property, plant and equipment	(38.08)	(108.05)	(69.94)
	Purchase of mutual fund investments	(6,026.18)	(7,720.30)	(5,720.80)
	Proceeds from sale of investments in mutual fund	6,030.05	7,763.81	5,743.25
	Purchase of other investments	(9,240.87)	(5,713.81)	(5,778.12)

Particulars		Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
	Proceeds from sale of other investments	7,266.08	5,938.76	6,396.40
	Change in the ownership interest in funds	-	(422.85)	(927.65)
	Net cash used in investing activities	**(2,009.00)**	**(262.44)**	**(356.86)**
C	**Cash flow from financing activities**			
	Proceeds from issue of debt securities	14,760.81	4,428.37	12,058.71
	Repayment of debt securities	(6,985.98)	(8,337.11)	(5,955.82)
	Proceeds from borrowings	11,865.66	20,546.16	17,590.08
	Repayment of borrowings	(9,790.45)	(16,660.35)	(24,172.49)
	Payment of lease liabilities	(34.76)	(29.13)	(19.15)
	Repayments of non convertible preference shares	-	(121.34)	121.34
	Premium/Dividend payment on preference shares including Dividend Distribution Tax	-	-	-
	Utilisation of the securities premium	-	(43.70)	(109.34)
	Proceeds from issue of convertible preference share capital including securities premium	-	1,850.00	4,000.00
	Proceeds from issue of equity share capital including securities premium	21.41	699.36	-
	Capital Contributions	-	-	331.17
	Distributions made to investors including dividend distribution tax	(83.59)	(103.48)	(93.53)
	Net cash generated from financing activities	**9,753.10**	**2,228.78**	**3,750.97**
	Net increase in cash and cash equivalents	648.86	1,424.23	35.70
	Cash and cash equivalents at the beginning of the year	3,332.17	1,907.94	1,872.24
	Cash and cash equivalents at the end of the year	**3,981.03**	**3,332.17**	**1,907.94**
	Components of cash and cash equivalents:			
	Balances with banks			
	- in current accounts	3,317.56	2,931.90	1,607.83
	- in deposit accounts free of lien	663.47	400.27	300.11
		3,981.03	**3,332.17**	**1,907.94**

GENERAL INFORMATION

For details on our incorporation and changes to our name and registered office, see "*History and Certain Corporate Matters"* on Page 224.

Registered and Corporate Office of our Company

The details of the Registered and Corporate Office of our Company are as disclosed below:

Northern Arc Capital Limited
No. 1, Kanagam Village
10th Floor, IITM Research Park
Taramani, Chennai 600 013
Tamil Nadu, India
CIN: U65910TN1989PLC017021
Registration Number: 017021

Address of the RoC

Our Company is registered with the RoC, situated at the address disclosed below:

Registrar of Companies, Tamil Nadu
Block No. 6, B Wing, 2nd Floor
Shastri Bhawan
26, Haddows Road
Chennai 600 034
Tamil Nadu, India

Board of Directors

As of the date of this Draft Red Herring Prospectus, the composition of our Board is as disclosed below:

S. No.	Name	Designation	DIN	Address
1.	P.S. Jayakumar	Chairman and Non-Executive Independent Director	01173236	Flat No. B-803, 8th Floor, B- Wing, Viverea, Near Jacob Circle, Sane Guruji Marg, Mahalaxmi, Mumbai 400 011, Maharashtra, India
2.	Dr. Kshama Fernandes	Managing Director and Chief Executive Officer	02539429	Flat No. 10A/S-1, Models Legacy, Taleigao Tiswadi, Panaji, North Goa 403 002, Goa, India
3.	Michael Jude Fernandes	Non - Executive Nominee Director	00064088	31st Floor 3101, Omkar 1973, Tower T II, Pandurang Budkhar Marg, Near Shani Mandir, Worli, Mumbai 400 018, Maharashtra, India
4.	Samir Amrit Shah	Non - Executive Nominee Director	00912693	25, Balmoral Park, 08-05 Pinewood Gardens, Singapore 259 854, Singapore
5.	Vijay Nallan Chakravarthi	Non - Executive Nominee Director	08020248	Flat 2402, Planet Godrej - Tower Terra, Keshavrao Khadye Marg, Mumbai 400 011, Maharashtra, India
6.	Amit Mehta	Non - Executive Nominee Director	07089427	701, Tower - 3, Orchard Residency, Behind R City Mall, Ghatkopar West, Mumbai 400 086, Maharashtra, India
7.	Anuradha Rao	Non-Executive Independent Director	07597195	4C, Kinellan, Nepean Sea Road, Malabar Hill, Near J Mehta Marg Bus Stand, Mumbai 400 006, Maharashtra, India
8.	Ashutosh Arvind Pednekar	Non-Executive Independent Director	00026049	A/7, Sneh Kunj, 38, Linking Road Extension, Santacruz West, Mumbai 400 054, Maharashtra, India

For further details of our Board, see "*Our Management*" beginning on page 233.

Company Secretary and Compliance Officer

Srividhya Ramaswamy
Northern Arc Capital Limited
No. 1, Kanagam Village
10th Floor, IITM Research Park
Taramani, Chennai 600 113
Tamil Nadu, India
E-mail: investors@northernarc.com

Filing of this Draft Red Herring Prospectus

A copy of this Draft Red Herring Prospectus has been filed electronically on the SEBI online portal and at cfddil@sebi.gov.in, in accordance with the instructions issued by the SEBI on March 27, 2020, in relation to "Easing of Operational Procedure – Division of Issues and Listing – CFD".

A copy of the Red Herring Prospectus, along with the material contracts and documents required to be filed under Section 32 of the Companies Act shall be filed with the RoC and a copy of the Prospectus shall be filed under Section 26 of the Companies Act with the RoC.

Book Running Lead Managers

Axis Capital Limited
1st Floor, Axis House
C 2 Wadia International Centre
Pandurang Budhkar Marg, Worli
Mumbai 400 025
Maharashtra, India
Tel: +91 22 4325 2183
E-mail: northernarc.ipo@axiscap.in
Investor grievance e-mail: complaints@axiscap.in
Website: www.axiscapital.co.in
Contact Person: Mayuri Arya
SEBI Registration No.: INM000012029

Credit Suisse Securities (India) Private Limited
9th Floor, Ceejay House
Plot F, Shivsagar Estate
Dr. Annie Besant Road, Worli
Mumbai 400 018
Maharashtra, India
Tel: +91 22 6777 3885
E-mail: list.northernarccapitalipo@credit-suisse.com
Investor grievance e-mail: list.igcellmer-bnkg@credit-suisse.com
Website: www.credit-suisse.com
Contact Person: Abhishek Joshi
SEBI Registration No.: INM000011161

IIFL Securities Limited*
10th Floor, IIFL Centre, Kamala City
Senapati Bapat Marg, Lower Parel (West)
Mumbai 400 013
Maharashtra, India
Tel: +91 22 4646 4600
E-mail: narc.ipo@iiflcap.com
Investor grievance e-mail: ig.ib@iiflcap.com
Website: www.iiflcap.com
Contact Person: Aditya Agarwal/Harshvardhan Jain
SEBI Registration No.: INM000010940
** In compliance with the proviso to Regulation 21A of the SEBI Merchant Bankers Regulations and Regulation 23(3) of the SEBI ICDR Regulations, IIFL will be involved only in the marketing of the Offer.*

SBI Capital Markets Limited
202, Maker Tower "E"
Cuffe Parade
Mumbai 400 005
Maharashtra, India
Tel: +91 22 2217 8300
E-mail: northernarc.ipo@sbicaps.com
Investor grievance e-mail: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Karan Savardekar / Sambit Rath
SEBI Registration No.: INM000003531

Syndicate Members

[●]

Legal Advisers to our Company as to Indian Law

S&R Associates
One World Center
1403 Tower 2 B
841 Senapati Bapat Marg, Lower Parel
Mumbai 400 013
Maharashtra, India
Tel: +91 22 4302 8000

Legal Advisers to the BRLMs as to Indian Law

Shardul Amarchand Mangaldas & Co
24th Floor, Express Towers
Nariman Point
Mumbai 400 021
Maharashtra, India
Tel: +91 22 4933 5555

Legal Advisers to the BRLMs as to International Law

Allen & Overy (Asia) Pte Ltd
50 Collyer Quay
#09-01 OUE Bayfront
Singapore 049 321
Tel: +65 6671 6000

Legal Advisers to Accion, Augusta, Eight Roads, IIFL SS Funds and LeapFrog as to Indian Law

AZB & Partners
AZB House, Peninsula Corporate Park
Ganpatrao Kadam Marg, Lower Parel
Mumbai 400 013
Maharashtra, Mumbai
Tel: +91 22 6639 6880

Statutory Auditors of our Company

B S R & Co. LLP
KRM Towers, No. 1 Harrington Road
Chetpet, Chennai 600 031
Tel.: +91 44 4608 3100
Tamil Nadu, India
E-mail: sethuramans@bsraffiliates.com
Firm Registration No.: 101248W/W-100022
Peer Review Certificate No.: 011748 dated July 2, 2019

There has been no change in our auditors in the last three years.

Registrar to the Offer

KFin Technologies Private Limited (formerly known as Karvy Fintech Private Limited)
Selenium, Tower-B
Plot No. 31 & 32, Financial District
Nanakramguda, Serilingampally
Hyderabad, Rangareddi 500 032
Telangana, India
Tel: +91 40 6716 2222
Toll Free No.: 1800 309 4001
Website: www.kfintech.com

E-mail: nacl.ipo@kfintech.com
Investor grievance e-mail: einward.ris@kfintech.com
Contact Person: M Murali Krishna
SEBI Registration No.: INR000000221

Banker(s) to the Offer

Escrow Collection Bank(s)

[●]

Refund Bank(s)

[●]

Public Offer Bank(s)

[●]

Sponsor Bank

[●]

Bankers to our Company

Axis Bank Limited
No.3, Ground Floor
Club House Road
Chennai 600 002
Tamil Nadu, India
Tel: +91 97890 97056
Contact Person: K. Sathish
Website: www.axisbank.com
E-mail: satish.k@axisbank.com

CSB Bank Limited
Wholesale Banking – Chennai
7th Floor, Rani Seethai Hall
Anna Salai
Chennai 600 006
Tamil Nadu, India
Tel: +91 99227 63268
Contact Person: Anoop Karuvath
Website: www.csb.co.in
E-mail: anoopkaruvath@csb.co.in

Kotak Mahindra Bank Limited
Kotak Infiniti, 4th Floor, Zone II
Building No. 21, Infinity Park
Off Western Express Highway
General AK Vaidya Marg, Malad (E)
Mumbai 400 097
Maharashtra, India
Tel: +91 22 6605 4885
Contact Person: Tapobrat Chaudhuri
Website: www.kotak.com
E-mail: tapobrat.chaudhuri@kotak.com

The Federal Bank Limited, Corporate & Institutional Banking
Federal Bank, SVS Club Building
No. 61, Anna Salai
Chennai 600 002
Tamil Nadu, India
Tel: +91 99629 78318
Contact Person: Varun S
Website: www.federalbank.co.in
E-mail: varuns@federalbank.co.in

RBL Bank Ltd.
Shahupuri
Kolhapur 416 001
Maharashtra, India
Tel: +91 22 4302 0560
Contact Person: Atish Mulay
Website: www.rblbank.com
E-mail: Atish.Mulay@rblbank.com

IDFC FIRST Bank Ltd
4th Floor, Naman Chambers
Bandra Kurla Complex, Bandra East
Mumbai 400 013
Maharashtra, India
Tel: +91 22 7132 5653
Contact Person: Apurva Shah
Website: www.idfcfirstbank.com
E-mail: apurva.shah@idfcfirstbank.com

Bank of India, SSI Andheri East Branch
49, Mathuria Apartments
Sir M V Road, Andheri East
Mumbai 400 069
Maharashtra, India
Tel: +91 22 2684 3444/2683 1715
Contact Person: Sudhir Nath Choudhary
Website: www.bankofindia.co.in
E-mail: ssiandherie.mumbainorth@bankofindia.co.in

Indian Bank
Large Corporate Branch, Khivraj Complex-I
2nd Floor, No. 480
Anna Salai, Nandanam
Chennai 600 035
Tamil Nadu, India
Tel: +91 44 2433 4172
Contact Person: Deputy General Manager
Website: www.indianbank.in
E-mail: corporatebranchchennai@indianbank.co.in

Karnataka Bank Limited
Karnataka Bank, Kodambakkam
Chennai 600 024
Tamil Nadu, India
Tel: +91 97908 53777
Contact Person: Devadasa Panduranga Kelkar
Website: www.karnatakabank.com
E-mail: mad.kodambakkam@ktkbank.com

State Bank of India, IFB Chennai
Industrial Finance Branch,
No. 2, Harrinton Road, KRM Plaza
Ground floor, Chetpet
Chennai 600 031
Tel: +91 93848 54511, +91 87548 44573
Contact Person: Shruthi Singh (Relationship Manager), Sourav Kumar (Credit Analyst)
E-mail: sbi.09930@sbi.co.in, rm4.09930@sbi.co.in

Designated Intermediaries

SCSBs

The banks registered with the SEBI, which offer the facility of ASBA services, (i) in relation to ASBA, where the Bid Amount will be blocked by authorizing an SCSB, a list of which is available on the website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 and updated from time to time and at such other websites as may be prescribed by SEBI from time to time, (ii) in relation to Retail Individual Bidders using the UPI Mechanism, a list of which is available on the website of SEBI at sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40 or such other website as updated from time to time.

Applications through UPI in the Offer can be made only through the SCSBs mobile applications (apps) whose name appears on the SEBI website. A list of SCSBs and mobile application, which, are live for applying in public issues using UPI mechanism is provided as Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019. The list is available on the website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=43 and updated from time to time and at such other websites as may be prescribed by SEBI from time to time.

Syndicate SCSB Branches

In relation to Bids (other than Bids by Anchor Investor) submitted to a member of the Syndicate, the list of branches of the SCSBs at the Specified Locations named by the respective SCSBs to receive deposits of Bid cum Application Forms from the members of the Syndicate is available on the website of the SEBI (www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes) and updated from time to time. For more information on such branches collecting Bid cum Application Forms from the Syndicate at Specified Locations, see the website of the SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes as updated from time to time.

Registered Brokers

The list of the Registered Brokers eligible to accept ASBA forms, including details such as postal address, telephone number and e-mail address, is provided on the websites of the BSE and the NSE at www.bseindia.com/Markets/PublicIssues/brokercentres_new.aspx? and https://www1.nseindia.com/products/content/equities/ipos/ipo_mem_terminal.htm, respectively, as updated from time to time.

RTAs

The list of the RTAs eligible to accept ASBA Forms at the Designated RTA Locations, including details such as address, telephone number and e-mail address, is provided on the websites of Stock Exchanges at www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx? and www.nseindia.com/products/content/equities/ipos/asba_procedures.htm, respectively, as updated from time to time.

CDPs

The list of the CDPs eligible to accept ASBA Forms at the Designated CDP Locations, including details such as name and contact details, is provided on the websites of BSE at www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx? and on the website of NSE at www.nseindia.com/products/content/equities/ipos/asba_procedures.htm, as updated from time to time.

Credit Rating

As the Offer is of Equity Shares, the appointment of a credit rating agency is not required.

IPO Grading

No credit rating agency registered with the SEBI has been appointed in respect of obtaining grading for the Offer.

Debenture Trustees

As the Offer is of Equity Shares, the appointment of trustees is not required.

Monitoring Agency

In terms of Regulation 41 of the SEBI ICDR Regulations, our Company will appoint a monitoring agency for the Fresh Issue prior to the filing of the Red Herring Prospectus with the RoC. The requisite details shall be included in the Red Herring Prospectus.

Appraising Agency

The objects of the Offer for which the Net Proceeds will be utilized have not been appraised by any agency.

Green Shoe Option

No green shoe option is contemplated under the Offer.

Experts

Except as stated below, our Company has not obtained any expert opinions.

Our Company has received written consent dated July 15, 2021 from the Statutory Auditors, namely, B S R & Co. LLP, Chartered Accountants, to include its name as required under the Companies Act in this Draft Red Herring Prospectus and as an "expert" as defined under Section 2(38) of the Companies Act in respect of the report of the Statutory Auditors on the Restated Consolidated Financial Information dated July 7, 2021 and the statement of possible special tax benefits dated July 15, 2021, included in this Draft Red Herring Prospectus and such consent has not been withdrawn until the filing of this Draft Red Herring Prospectus with the SEBI.

Inter-se Allocation of Responsibilities between the BRLMs

The table below sets forth the *inter-se* allocation of responsibilities for various activities among the BRLMs.

S. No.	Activity	Responsibility*	Co-ordination
1.	Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments, and positioning strategy	BRLMs	Axis Capital
2.	Due diligence of our Company including its operations / management / business plans / legal etc., Drafting and design of Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, SEBI and RoC	BRLMs	Axis Capital
3.	Drafting and approval of all statutory advertisements	BRLMs	Axis Capital
4.	Drafting and approval of all publicity material other than statutory advertisements as mentioned above, including corporate advertising, brochures etc and filing of media compliance report with SEBI	BRLMs	IIFL
5.	Appointment of Registrar to the Offer, Advertising Agency and Printer to the Offer including co-ordination for their agreements.	BRLMs	SBICAP
6.	Appointment of all other intermediaries and including co-ordination for all other agreements	BRLMs	SBICAP
7.	Preparation of road show presentation and FAQs for the road show team	BRLMs	Credit Suisse
8.	International institutional marketing of the Offer, which will cover, inter alia: ● Institutional marketing strategy ● Finalising the list and division of international investors for one-to-one meetings ● Finalising international road show and investor meeting schedules	BRLMs	Credit Suisse
9.	Domestic institutional marketing of the Offer, which will cover, inter alia: ● Finalising the list and division of domestic investors for one-to-one meetings ● Finalising domestic road show and investor meeting schedules	BRLMs	Axis Capital
10.	Conduct non-institutional marketing of the Offer	BRLMs	IIFL
11.	Conduct retail marketing of the Offer, which will cover, inter-alia: ● Finalising media, marketing, public relations strategy and publicity budget ● Finalising collection centres ● Finalising centres for holding conferences for brokers etc. ● Follow-up on distribution of publicity and Offer material including form, RHP/Prospectus and deciding on the quantum of the Offer material	BRLMs	SBICAP
12.	Coordination with Stock Exchanges for book building software, bidding terminals and mock trading, deposit of 1% security deposit with the designated stock exchange	BRLMs	SBICAP
13.	Managing the book and finalization of pricing in consultation with Company and Selling Shareholders	BRLMs	Credit Suisse
14.	Post-Offer activities – managing Anchor book related activities and submission of letters to regulators post completion of anchor allocation, management of escrow accounts, finalisation of the basis of allotment based on technical rejections, post Offer stationery and preparation of CAN for Anchor Investors, essential follow-up steps including follow-up with bankers to the Offer and Self Certified Syndicate Banks and coordination with various agencies connected with the post-offer activity such as registrar to the offer, bankers to the offer, Self-Certified Syndicate Banks etc. listing of instruments, demat credit and refunds/ unblocking of funds, announcement of allocation and dispatch of refunds to Bidders, etc., payment of the applicable STT on behalf of Selling Shareholders, coordination for investor complaints related to the Offer, submission of final post issue report and coordination with SEBI and Stock Exchanges for refund of 1% security deposit.	BRLMs	SBICAP

** In compliance with the proviso to Regulation 21A of the SEBI Merchant Bankers Regulations and Regulation 23(3) of the SEBI ICDR Regulations, IIFL will be involved only in the marketing of the Offer.*

Book Building Process

Book building process, in the context of the Offer, refers to the process of collection of Bids from Bidders on the basis of the Red Herring Prospectus and the Bid cum Application Forms and the Revision Forms within the Price Band. The Price Band and the minimum Bid Lot size will be decided by our Company in consultation with the BRLMs, and shall be advertised in [●] editions of the English national daily newspaper [●], [●] editions of the Hindi national daily newspaper [●] and [●] editions of the Tamil daily newspaper [●] (Tamil being the regional language of Tamil Nadu, where our Registered and Corporate Office is located), each with wide circulation, and advertised at least two Working Days prior to the Bid/Offer Opening Date and shall be made available to the Stock Exchanges to upload on their respective websites. The Offer Price shall be determined by our Company, in consultation with the BRLMs, after the Bid/Offer Closing Date.

All Bidders, except Anchor Investors, are mandatorily required to use the ASBA process for participating in the Offer by providing details of their respective ASBA Account in which the corresponding Bid Amount will be blocked by SCSBs. In addition to this, the Retail Individual Bidders may participate through the ASBA process by either (a) providing the details of their respective ASBA Account in which the corresponding Bid Amount will be blocked by the SCSBs; or (b) through the UPI Mechanism. Anchor Investors are not permitted to participate in the Anchor Investor Portion through the ASBA process.

In accordance with the SEBI ICDR Regulations, QIBs Bidding in the QIB Portion and Non-Institutional Bidders bidding in the Non-Institutional Portion are not allowed to withdraw or lower the size of their Bids (in terms of the quantity of the Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders and Eligible Employees Bidding in the Employee Reservation Portion can revise their Bids during the Bid/Offer Period and withdraw their Bids on or before the Bid/Offer Closing Date. Further, Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/Offer Period. Allocation to the Anchor Investors will be on a discretionary basis. See "*Offer Structure*" and "*Offer Procedure*" beginning on pages 416 and 420, respectively.

The Book Building Process is in accordance with guidelines, rules, regulations prescribed by SEBI, which are subject to change from time to time. Bidders are advised to make their own judgment about an investment through this process prior to submitting a Bid.

For further details on the method and procedure for Bidding, see "*Offer Structure*" and "*Offer Procedure*" on pages 416 and 420 respectively.

Underwriting Agreement

The Underwriting Agreement has not been executed as on the date of this Draft Red Herring Prospectus and will be executed after the determination of the Offer Price and allocation of Equity Shares, but prior to the filing of the Prospectus with the RoC. Our Company and the Selling Shareholders intend to enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Offer. The Underwriting Agreement is dated [●]. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters will be several and will be subject to conditions specified therein.

The Underwriters have indicated their intention to underwrite such number of Equity Shares as disclosed below:

(This portion has been intentionally left blank and will be filled in before the Prospectus is filed with the RoC)

Name, Address, Telephone Number and E-mail Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (₹ in million)
[●]	[●]	[●]

The abovementioned underwriting commitments are indicative and will be finalized after determination of the Offer Price and Basis of Allotment and the allocation, subject to and in accordance with the provisions of the SEBI ICDR Regulations.

In the opinion of our Board, the resources of each of the abovementioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with the SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s).

Our Board/ IPO Committee, at its meeting held on [●], has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

Notwithstanding the above table, the Underwriters will be severally responsible for ensuring payment with respect to Equity shares allocated to Bidders procured by them in accordance with the Underwriting Agreement.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitment disclosed in the table above.

CAPITAL STRUCTURE

Our Company's share capital, as of the date of this Draft Red Herring Prospectus, is disclosed below.

(₹ except share data)

S. No.	Particulars	Aggregate Value at Face Value (₹)	Aggregate Value at Offer Price*
A	**AUTHORIZED SHARE CAPITAL**		
	125,000,000 Equity Shares of face value of ₹10 each	1,250,000,000	-
	60,100,000 Compulsorily Convertible Preference Shares of face value of ₹20 each	1,202,000,000	-
	19,800,000 Cumulative Non-Convertible Compulsorily Redeemable Preference Shares of face value of ₹10 each	198,000,000	-
	Total	**2,650,000,000**	-
B	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE OFFER, PRIOR TO CONVERSION OF THE CCPS**		
	87,921,550 Equity Shares of face value of ₹10 each	879,215,500	-
	41,323,204 Compulsorily Convertible Preference Shares of face value of ₹20 each(1)	826,464,080	-
	Total	**1,705,679,580**	**-**
	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE OFFER, AFTER CONVERSION OF THE CCPS		
	129,244,754 Equity Shares of face value of ₹10 each	1,292,447,540	-
C	**PRESENT OFFER**		
	Offer of up to [●] Equity Shares aggregating up to ₹ [●] million		
	which includes		
	Fresh Issue of up to [●] Equity Shares(2)	[●]	[●]
	Offer for Sale of up to 36,520,585 Equity Shares(3)	365,205,850	[●]
	The Offer includes		
	Employee Reservation Portion of up to [●] Equity Shares(3)	[●]	[●]
	Net Offer to the public of up to [●] Equity Shares	[●]	[●]
D	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL AFTER THE OFFER***		
	[●] Equity Shares of face value of ₹10 each	[●]	-
E	**SECURITIES PREMIUM ACCOUNT**		
	Before the Offer	8,389,741,109	
	After the Offer	[●]	

* *To be included upon finalization of Offer Price.*

(1) *41,323,204 CCPS shall be converted into 41,323,204 Equity Shares prior to filing of the Red Herring Prospectus with the RoC in accordance with Regulation 5(2) of the SEBI ICDR Regulations.*

(2) *The Offer has been authorized by a resolution dated July 7, 2021 passed by our Board and the Fresh Issue has been approved by a special resolution dated July 12, 2021 passed by our Shareholders. Our Company may consider a Pre-IPO Placement prior to the filing of the Red Herring Prospectus with the RoC. The Pre-IPO Placement shall be undertaken at the discretion of our Company and the price of the securities allotted pursuant to the Pre-IPO Placement shall be determined by our Company, in consultation with the BRLMs. If the Pre-IPO Placement is completed, the amount raised pursuant to the Pre-IPO Placement will be reduced from the Fresh Issue, subject to compliance with Rule 19(2)(b) of the SCRR. Details of the Pre-IPO Placement, if undertaken, shall be included in the Red Herring Prospectus.*

(3) *Each of the Selling Shareholders confirms that the Equity Shares to be offered by such Selling Shareholder in the Offer for Sale have been held by them for a period of at least one year prior to the date of filing of this Draft Red Herring Prospectus in accordance with Regulation 8 of the SEBI ICDR Regulations and are accordingly, eligible for being offered for sale in the Offer for Sale. For details on the authorizations by the Selling Shareholders in relation to the Offer for Sale, see "The Offer" on page 65.*

(4) *The Employee Reservation Portion shall not exceed 5% of our post-Offer paid-up Equity Share capital.*

Notes to Capital Structure

1. **Share Capital History of our Company**

(a) The history of the equity share capital of our Company is disclosed below:

Date of Allotment of Equity Shares	Number of Equity Shares Allotted	Face Value per Equity Share (in INR)	Issue Price per Equity Share (in INR)	Reason for/ Nature of Allotment	Nature of consideration	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital (in INR)
March 9, 1989	18	10	10	Initial subscription to Memorandum of Association (1)	Cash	18	180
September 3, 1989	20,400	10	10	Further Issue (2)	Cash	20,418	204,180
October 27, 1989	15,000	10	10	Further Issue (3)	Cash	35,418	354,180
January 18, 1990	18,582	10	10	Further Issue (4)	Cash	54,000	540,000
January 1, 1992	9,000	10	10	Further Issue (5)	Cash	63,000	630,000
July 7, 1992	5,000	10	10	Further Issue (6)	Cash	68,000	680,000
September 09, 1992	4,000	10	10	Further Issue (7)	Cash	72,000	720,000
October 25, 1993	27,900	10	10	Further Issue (8)	Cash	99,900	999,000
March 31, 1995	42,800	10	10	Further Issue (9)	Cash	142,700	1,427,000
July 27, 1995	24,300	10	10	Further Issue (10)	Cash	167,000	1,670,000
March 29, 1996	63,000	10	10	Further Issue (11)	Cash	230,000	2,300,000
March 31, 1997	42,700	10	10	Further Issue (12)	Cash	272,700	2,727,000
March 31, 1998	47,300	10	10	Further Issue (13)	Cash	320,000	3,200,000
September 29, 2009	36,000,000	10	10	Further Issue (14)	Cash	36,320,000	363,200,000
March 25, 2010	23,680,000	10	10	Further Issue (15)	Cash	60,000,000	600,000,000
March 28, 2014	13,223,141	10	54.45	Further Issue (16)	Cash	73,223,141	732,231,410
May 28, 2014	5,142,332	10	54.45	Preferential allotment (17)	Cash	78,365,473	783,654,730
October 14, 2016	100	10	121.23	Preferential allotment (18)	Cash	78,365,573	783,655,730
December 15, 2016	100	10	121.23	Preferential allotment (19)	Cash	78,365,673	783,656,730
July 25, 2018	3	10	205.00	Preferential allotment (20)	Cash	78,365,676	783,656,760
March 7, 2019	45,887,686	10	-	Allotment pursuant to the Scheme (21)	Other than cash	124,253,362	1,242,533,620
March 7, 2019	(45,887,686)	10	-	Cancellation pursuant to the Scheme (22)	-	78,365,676	783,656,760
March 25, 2019	100	10	197.02	Preferential allotment (23)	Cash	78,365,776	783,657,760
June 15, 2019	5,851,000	10	10	Conversion of CCPS (24)	Cash^	84,216,776	842,167,760
August 29, 2019	100	10	110	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016	Cash	84,216,876	842,168,760

Date of Allotment of Equity Shares	Number of Equity Shares Allotted	Face Value per Equity Share (in INR)	Issue Price per Equity Share (in INR)	Reason for/ Nature of Allotment	Nature of consideration	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital (in INR)
				– "Scheme II" under the ESOP Plan 2016 [25]			
October 4, 2019	31,383	10	110	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme II" under the ESOP Plan 2016 [26]	Cash	84,248,259	842,482,590
October 4, 2019	11,000	10	181	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2018 – "Scheme III" under the ESOP Plan 2016 [27]	Cash	84,259,259	842,592,590
December 16, 2019	3,197,644	10	197.02	Preferential allotment [28]	Cash	87,456,903	874,569,030
January 20, 2020	21,000	10	110	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme II" under the ESOP Plan 2016 [29]	Cash	87,477,903	874,779,030
October 19, 2020	209,097	10	10	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme I" under the ESOP Plan 2016 [30]	Cash	87,687,000	876,870,000
October 19, 2020	73,550	10	110	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme II" under the ESOP Plan 2016 [31]	Cash	87,760,550	877,605,500
December 10, 2020	32,000	10	10	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme I" under the ESOP Plan 2016 [32]	Cash	87,792,550	877,925,500
March 16, 2021	16,000	10	10	Allotment pursuant to the	Cash	87,808,550	878,085,500

Date of Allotment of Equity Shares	Number of Equity Shares Allotted	Face Value per Equity Share (in INR)	Issue Price per Equity Share (in INR)	Reason for/ Nature of Allotment	Nature of consideration	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital (in INR)
				Northern Arc Employee Stock Option Scheme 2016 – "Scheme I" under the ESOP Plan 2016 [33]			
March 16, 2021	24,000	10	110	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme II" under the ESOP Plan 2016 [34]	Cash	87,832,550	878,325,500
March 16, 2021	60,000	10	121	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme II" under the ESOP Plan 2016 [35]	Cash	87,892,550	878,925,500
March 31, 2021	24,000	10	10	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme I" under the ESOP Plan 2016 [36]	Cash	87,916,550	879,165,500
March 31, 2021	5,000	10	121	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme II" under the ESOP Plan 2016 [37]	Cash	87,921,550	879,215,500

^ *Cash was paid at the time of allotment of CCPS*

Certain corporate records of our Company in relation to certain allotments of Equity Shares by our Company are not traceable. In particular, minutes of meetings of our Board approving allotments of Equity Shares between September 3, 1989 and March 31, 1998 are not available. For further details, see "Risk Factors - Some of our corporate records, including those relating to allotments of our Equity Shares in the past, are not traceable."

(1) *Subscription to Memorandum of Association by R Sivasubramaniyan (9 Equity Shares) and P N Palaniswami (9 Equity Shares).*

(2) *14,500 Equity Shares were allotted to R Sivasubramaniyan and 5,900 Equity Shares were allotted to Ramalakshmi Sivasubramaniyan.*

(3) *6,300 Equity Shares were allotted to R Periasamy; 4,200 Equity Shares were allotted to Ramalakshmi Sivasubramaniyan; 2,700 Equity Shares were allotted to R Sivasubramaniyan; and 1,800 Equity Shares were allotted to S Indu (minor, represented by R. Sivasubramaniyan).*

(4) *1,600 Equity Shares were allotted to C M Krishnakumar; 2,500 Equity Shares were allotted to P N Palaniswami; 2,500 Equity Shares were allotted to G Hemalatha (minor, represented by Thangam Ganapathy); 1,200 Equity Shares were allotted to G Guhanathan (minor, represented by Thangam Ganapathy); 3,000 Equity Shares were allotted to Ramalakshmi Sivasubramaniyan; 800 Equity Shares were allotted to R Periasamy; 2,500 Equity Shares were allotted to S Hariram (minor, represented by R. Sivasubramaniyan); 2,100 Equity Shares were allotted to Karuppayammal Ramasamy; 2,382 Equity Shares were allotted to R Sivasubramaniyan.*

(5) *9,000 Equity Shares were allotted to R Sivasubramaniyan.*

(6) *5,000 Equity Shares were allotted to R Sivasubramaniyan.*

(7) *3,900 Equity Shares were allotted to S Hariram (minor, represented by R. Sivasubramaniyan); 50 Equity Shares were allotted to Saroja Palaniswami; 50 Equity Shares were allotted to Padmaja Krishakumar.*

(8) *19,800 Equity Shares were allotted to R Sivasubramaniyan; 3,550 Equity Shares were allotted to Thangam Ganapathy; 2,500 Equity Shares were allotted to R Periasamy; 1,300 Equity Shares were allotted to S Hariram (minor, represented by R. Sivasubramaniyan); 750 Equity Shares were allotted to C M Krishnakumar.*

(9) *32,800 Equity Shares were allotted to R Sivasubramaniyan (HUF); 10,000 Equity Shares were allotted to Ramalakshmi Sivasubramaniyan.*

(10) *5,300 Equity Shares were allotted to G Hemalatha; 4,000 Equity Shares were allotted to K. Ramasamy; 900 Equity Shares were allotted to G Guhanathan; 7,700 Equity Shares were allotted to R. Sivasubramaniyan (HUF); 2,400 Equity Shares were allotted to Thangam Ganapathy; 4,000 Equity Shares were allotted to Ramalakshmi Sivasubramaniyan.*

(11) *34,160 Equity Shares were allotted to R Sivasubramaniyan (HUF); 10,140 Equity Shares were allotted to Thangam Ganapathy; 16,000 Equity Shares were allotted to Ramalakshmi Sivasubramaniyan; 2,700 Equity Shares were allotted to R Sivasubramaniyan.*

(12) *17,100 Equity Shares were allotted to R Sivasubramaniyan (HUF); 11,000 Equity Shares were allotted to Ramalakshmi Sivasubramaniyan; 5,050 Equity Shares were allotted to R Periasamy; 5,050 Equity Shares were allotted to Thangam Ganapathy; 4,500 Equity Shares were allotted to R Sivasubramaniyan.*

(13) *18,000 Equity Shares were allotted to R Sivasubramaniyan (HUF); 14,000 Equity Shares were allotted to Ramalakshmi Sivasubramaniyan; 4,800 Equity Shares were allotted to R Periasamy; 1,500 Equity Shares were allotted to S Hariram (minor, represented by R. Sivasubramaniyan); 9,000 Equity Shares were allotted to R Sivasubramaniyan.*

(14) *36,000,000 Equity Shares were allotted to IFMR Trusteeship Services Private Limited (Trustee of IFMR Trust).*

(15) *23,680,000 Equity Shares were allotted to IFMR Trusteeship Services Private Limited (Trustee of IFMR Trust).*

(16) *13,223,141 Equity Shares were allotted to LeapFrog Financial Inclusion India Holdings Ltd.*

(17) *5,142,332 Equity Shares were allotted to LeapFrog Financial Inclusion India Holdings Ltd.*

(18) *100 Equity Shares were allotted to Eight Roads Investments Mauritius II Limited (formerly known as FIL Capital Investments (Mauritius) II Limited).*

(19) *100 Equity Shares were allotted to Standard Chartered Bank (Singapore Branch).*

(20) *1 Equity Share was allotted to Dr. Kshama Fernandes; 1 Equity Share was allotted to Bama Balakrishnan; and 1 Equity Share was allotted to Kalyanasundaram C*

(21) *Pursuant to the Scheme, 16,685,402 Equity Shares were allotted to Dvara Holdings Private Limited (formerly known as Dvara Trusteeship Services Private Limited), Trustee of Dvara Trust; 14,430,553 Equity Shares were allotted to Accion Africa-Asia Investment Company; 14,771,731 Equity Shares were allotted to LeapFrog Financial Inclusion India (II) Ltd. For details, see "History and Certain Corporate Matters – Details regarding Acquisition or Divestment of Business/Undertakings, Mergers, Amalgamations and Revaluation of Assets" on page 299.*

(22) *Pursuant to the Scheme, 45,887,686 Equity Shares held by IFMR Holdings Private Limited were cancelled in accordance with the terms of the Scheme. For details, see "History and Certain Corporate Matters – Details regarding Acquisition or Divestment of Business/Undertakings, Mergers, Amalgamations and Revaluation of Assets" on page 299.*

(23) *100 Equity Shares were allotted to IIFL Special Opportunities Fund.*

(24) *5,851,000 Equity Shares were allotted to Standard Chartered Bank (Singapore Branch) upon conversion of 5,851,000 CCPS.*

(25) *100 Equity Shares were allotted to Northern Arc Employee Welfare Trust.*

(26) *31,383 Equity Shares were allotted to Northern Arc Employee Welfare Trust.*

(27) *11,000 Equity Shares were allotted to Northern Arc Employee Welfare Trust.*

(28) *3,197,644 Equity Shares were allotted to Sumitomo Mitsui Banking Corporation.*

(29) *21,000 Equity Shares were allotted to Northern Arc Employee Welfare Trust.*

(30) *209,097 Equity Shares were allotted to Northern Arc Employee Welfare Trust.*

(31) *73,550 Equity Shares were allotted to Northern Arc Employee Welfare Trust.*

(32) *32,000 Equity Shares were allotted to Northern Arc Employee Welfare Trust.*

(33) *16,000 Equity Shares were allotted to Northern Arc Employee Welfare Trust.*

(34) *24,000 Equity Shares were allotted to Northern Arc Employee Welfare Trust.*

(35) *60,000 Equity Shares were allotted to Northern Arc Employee Welfare Trust.*

(36) *24,000 Equity Shares were allotted to Northern Arc Employee Welfare Trust.*

(37) *5,000 Equity Shares were allotted to Northern Arc Employee Welfare Trust.*

(b) The history of the preference share capital of our Company is disclosed below:

*(i) Cumulative Non-Convertible Compulsorily Redeemable Preference Shares ("**CNCCRPS**"):*

Date of Allotment of Preference Shares	Number of Preference Shares Allotted	Face Value per Preference Shares (in INR)	Issue Price per Preference Shares (in INR)	Reason for/ Nature of Allotment	Nature of consideration	Cumulative number of Preference Shares
December 29, 2015	15,000,000	10	10	Preferential Issue (1)	Cash	15,000,000
December 26, 2016	(15,000,000)	10	-	Redemption of CNCCRPS (2)	Cash	0
September 27, 2018	10,000,000	10	10	Preferential Issue (3)	Cash	10,000,000
September 29, 2018	1,600,000	10	10	Preferential Issue (4)	Cash	11,600,000
September 26, 2019	(10,000,000)	10	-	Redemption of CNCCRPS (5)	Cash	1,600,000
September 27, 2019	(1,600,000)	10	-	Redemption of CNCCRPS (6)	Cash	0

(1) *10,200,000 CNCCRPS were allotted to Unifi AIF and 4,800,000 CNCCRPS were allotted to Unifi Capital Private Limited.*

(2) *10,200,000 CNCCRPS held by Unifi AIF and 4,800,000 CNCCRPS held by Unifi Capital Private Limited were fully redeemed.*

(3) *10,000,000 CNCCRPS were allotted to Karvy Capital Limited.*

(4) *1,600,000 CNCCRPS were allotted to Ladderup Wealth Management Private Limited.*

(5) *10,000,000 CNCCRPS held by Karvy Capital Limited were fully redeemed.*

(6) *1,600,000 CNCCRPS held by Ladderup Wealth Management Private Limited were fully redeemed.*

As of the date of this Draft Red Herring Prospectus, there are no outstanding cumulative non-convertible compulsorily redeemable preference shares.

*(ii) Compulsorily Convertible Preference Shares ("**CCPS**"):*

Date of Allotment of Preference Shares	Number of Preference Shares Allotted	Face Value per Preference Shares (in INR)	Issue Price per Preference Shares (in INR)	Reason for/ Nature of Allotment	Nature of consideration	Cumulative number of Preference Shares
October 14, 2016	7,918,937	20	121.23	Preferential Issue (1)	Cash	7,918,937
December 15, 2016	5,444,238	20	121.23	Preferential Issue (2)	Cash	13,363,175
January 16, 2018	3,711,952	20	121.23	Preferential Issue (3)	Cash	17,075,127
January 18, 2018	406,762	20	121.23	Preferential Issue (4)	Cash	17,481,889
March 25, 2019	20,302,407	20	197.02	Preferential Issue (5)	Cash	37,784,296
April 4, 2019	2,230,797	20	197.02	Preferential Issue (6)	Cash	40,015,093
June 15, 2019	(5,851,000)	20	-	Conversion of CCPS to Equity Shares (7)	Cash	34,164,093
December 16, 2019	6,133,793	20	197.02	Preferential Issue (8)	Cash	40,297,886
December 24, 2019	1,025,318	20	197.02	Preferential Issue (9)	Cash	41,323,204

(1) *7,918,937 CCPS were allotted to FIL Capital Investments (Mauritius) II Limited.*

(2) *5,444,238 CCPS were allotted to Standard Chartered Bank (Singapore Branch).*

(3) *3,711,952 CCPS were allotted to FIL Capital Investments (Mauritius) II Limited.*

(4) *406,762 CCPS were allotted to Standard Chartered Bank (Singapore Branch).*

(5) *4,006,813 CCPS were allotted to IIFL Special Opportunities Fund; 2,972,534 CCPS were allotted to IIFL Special Opportunities Fund – Series 2; 1,307,558 CCPS were allotted to IIFL Special Opportunities Fund – Series 3; 4,493,946 CCPS were allotted to IIFL Special Opportunities Fund – Series 4; 3,687,384 CCPS were allotted to IIFL Special Opportunities Fund – Series 5; 182,571 CCPS were allotted to IIFL Special Opportunities Fund – Series 6; 3,651,601 CCPS were allotted to IIFL Special Opportunities Fund – Series 7.*

(6) *2,230,797 CCPS were allotted to Standard Chartered Bank (Singapore Branch).*

(7) *5,851,000 CCPS held by Standard Chartered Bank (Singapore Branch) were converted into an equal number of Equity Shares.*

(8) *154,329 CCPS were allotted to IIFL Special Opportunities Fund; 1,399,247 CCPS were allotted to IIFL Special Opportunities Fund – Series 2; 615,501 CCPS were allotted to IIFL Special Opportunities Fund – Series 3; 2,115,416 CCPS were allotted to IIFL Special Opportunities Fund – Series 4; 1,735,744 CCPS were allotted to IIFL Special Opportunities Fund – Series 5; 71,210 CCPS were allotted to IIFL Special Opportunities Fund – Series 6; 42,346 CCPS were allotted to IIFL Special Opportunities Fund – Series 7.*

(9) *1,025,318 CCPS were allotted to Augusta Investments II Pte. Ltd.*

As of the date of the Draft Red Herring Prospectus, 41,323,204 CCPS are outstanding. Such CCPS will be converted into 41,323,204 Equity Shares prior to filing of the Red Herring Prospectus with the RoC in accordance with Regulation 5(2) of the SEBI ICDR Regulations.

2. **Issue of Equity Shares at a price lower than the Offer Price in the last one year**

Except as disclosed below, our Company has not issued any Equity Shares at a price which may be lower than the Offer Price during the period of one year preceding the date of this Draft Red Herring Prospectus.

Date of Allotment	Number of Equity Shares Allotted	Face Value (₹)	Issue price per Equity Share (₹)	Reason for Allotment	Whether part of Promoter Group
October 19, 2020	209,097	10	10	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme I" under the ESOP Plan 2016 (1)	No
October 19, 2020	73,550	10	110	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme II" under the ESOP Plan 2016 (2)	No
December 10, 2020	32,000	10	10	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme I" under the ESOP Plan 2016 (3)	No
March 16, 2021	16,000	10	10	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme I" under the ESOP Plan 2016 (4)	No
March 16, 2021	24,000	10	110	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme II" under the ESOP Plan 2016 (5)	No
March 16, 2021	60,000	10	121	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme II" under the ESOP Plan 2016 (6)	No
March 31, 2021	24,000	10	10	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme I" under the ESOP Plan 2016 (7)	No
March 31, 2021	5,000	10	121	Allotment pursuant to the Northern Arc Employee Stock Option Scheme 2016 – "Scheme II" under the ESOP Plan 2016 (8)	No

(1) Allotment of 209,097 Equity Shares to Northern Arc Employee Welfare Trust.
(2) Allotment of 73,550 Equity Shares to Northern Arc Employee Welfare Trust.
(3) Allotment of 32,000 Equity Shares to Northern Arc Employee Welfare Trust.
(4) Allotment of 16,000 Equity Shares to Northern Arc Employee Welfare Trust.
(5) Allotment of 24,000 Equity Shares to Northern Arc Employee Welfare Trust.
(6) Allotment of 60,000 Equity Shares to Northern Arc Employee Welfare Trust.
(7) Allotment of 24,000 Equity Shares to Northern Arc Employee Welfare Trust.
(8) Allotment of 5,000 Equity Shares to Northern Arc Employee Welfare Trust.

3. **Issue of Equity Shares for Consideration Other than Cash or by way of bonus issue**

Other than the issue and allotment of Equity Shares pursuant to the Scheme, our Company has not issued any Equity Shares in the past for consideration other than cash or by way of bonus issue. For details of the Equity Shares issued pursuant to the Scheme, see "*Capital Structure -Issue of Equity Shares pursuant to schemes of arrangement*" on page 89.

4. **Issue of Equity Shares out of revaluation reserves**

Our Company has not issued any Equity Shares out of revaluation reserves since its incorporation.

5. **Issue of Equity Shares pursuant to schemes of arrangement**

Our Company has not issued any Equity Shares in the past in terms of a scheme of arrangement approved under Sections 391-394 of the Companies Act, 1956 or Sections 230-234 of the Companies Act, 2013, except as disclosed below.

Date of Allotment	Number of Equity Shares Allotted	Face Value (₹)	Issue price per Equity Share (₹)	Reason for Allotment	Allottees	Benefits Accrued to our Company
March 7, 2019	45,887,686	10	-	Allotment pursuant to the Scheme	Dvara Holdings Private Limited (formerly known as Dvara Trusteeship Services Private Limited), Trustee of Dvara Trust; Accion Africa-Asia Investment Company; and LeapFrog Financial Inclusion India (II) Ltd (1)	Transfer of the demerged undertaking to the Company and transition of the Company into a professionally managed company.

(1) For further details, see "Capital Structure - Share Capital History of Our Company" on page 83 and "History and Certain Corporate Matters – Details regarding Acquisition or Divestment of Business/Undertakings, Mergers, Amalgamations and Revaluation of Assets" on page 229.

6. **Details of Lock-in of Equity Shares**

(a) *Details of Equity Shares locked-in for three years*

Our Company is a professionally managed company and does not have an identifiable promoter in terms of the SEBI ICDR Regulations and the Companies Act. Accordingly, in terms of Regulation 14(1) of the SEBI ICDR Regulations, there is no requirement of minimum promoter's contribution in the Offer and none of the Equity Shares will be locked in for a period of three years pursuant to the Offer.

(b) *Details of Share Capital locked-in for one year*

As prescribed under Regulation 17 of the SEBI ICDR Regulations, the entire pre-Offer Equity Share capital of our Company will be locked-in for a period of one year from the date of Allotment of Equity Shares in the Offer including any unsubscribed portion of the Offer for Sale, other than: (i) the Equity Shares transferred pursuant to the Offer for Sale; (ii) any Equity Shares allotted to employees, whether currently an employee or not, pursuant to the ESOP Plan 2016 prior to the Offer; and (iii) the Equity Shares that are held by any VCFs, AIFs (category I or category II) or FVCIs subject to the conditions set out in Regulation 17 of the SEBI ICDR Regulations, provided that such Equity Shares will be locked-in for a period of at least one year from the date of purchase by such VCF, AIF (category I or category II) or FVCI. Since the IIFL Funds are registered with the SEBI as AIFs (category II), accordingly, all Equity Shares held by the IIFL Funds at the date of Allotment shall be exempt from the above lock-in requirement.

In terms of the ESOP Schemes, Equity Shares allotted to our employees at any time prior to listing of our Equity Shares are required to be beneficially held on their behalf by the Northern Arc Employee Welfare Trust and transferred to such employees after the listing of our Equity Shares on the Stock Exchanges. The Equity Shares received by employees (whether currently employees or not and including the legal heirs or nominees of any deceased employees or ex-employees) from Northern Arc Employee Welfare Trust shall be exempt from lock-in under Regulation 17 of the SEBI ICDR Regulations, subject to the SEBI SBEB Regulations.

(c) *Lock-in of Equity Shares Allotted to Anchor Investors*

Any Equity Shares Allotted to Anchor Investors in the Anchor Investor Portion will be locked-in for a period of 30 days from the date of Allotment.

(d) *Other Requirements in respect of Lock-in*

In terms of Regulation 22 of the SEBI ICDR Regulations, Equity Shares held by our Shareholders prior to the Offer and locked-in for a period of one year may be transferred to any other person holding Equity Shares which are locked in along with the Equity Shares proposed to be transferred, subject to the continuation of the applicable lock-in and the transferee being ineligible to transfer such Equity Shares until expiry of the lock-in period, and compliance with the provisions of the SEBI Takeover Regulations.

7. Shareholding Pattern of our Company

The table below presents the shareholding of our Company as of the date of this Draft Red Herring Prospectus.

Category (I)	Category of Shareholder (II)	Number of Shareholders^ (III)	Number of Fully Paid-up Equity Shares Held (IV)	Number of Partly Paid-up Equity Shares Held (V)	Number of Shares Underlying Depository Receipts (VI)	Total Number of Equity Shares Held (VII) =(IV)+(V)+(VI)	Shareholding as a % of Total Number of Equity Shares (calculated as per SCRR, 1957) (VIII) As a % of (A+B+C2)	Number of Voting Rights held in Each Class of Securities (IX)			Number of Shares Underlying Outstanding Convertible Securities (including Warrants) (X)	Shareholding, as a % Assuming Full Conversion of Convertible Securities (as a Percentage of Diluted Share Capital) (XI)= (VII)+(X) As a % of (A+B+C2)	Number of locked-in shares (XII)		Number of Shares Pledged or Otherwise Encumbered (XIII)		Number of Equity Shares held in Dematerialized Form (XIV)
								No of Voting Rights		Total as a % of (A+B+C)			Number (a)	As a % of total shares held (b)	Number (a)	As a % of total shares held (b)	
								Class: Equity Shares	Total								
(A)	Promoter and Promoter Group	-	-	-	-	-	-	-	-	-	-	-	-		-		-
(B)	Public	16	87,414,420	-	-	87,414,420	99.42	87,414,420	87,414,420	99.42	41,323,204^^	99.61	-		9,540,183	10.85%^^^	128,737,624^^^^
(C)	Non-Promoter-Non-Public	-	-	-	-	-	-	-	-		-	-	-		-		
(C1)	Shares Underlying DRs	-	-	-	-	-	-	-	-		-	-	-		-		
(C2)	Shares held by Employee Trusts	1	507,130	-	-	507,130	0.58	507,130	507,130	0.58	-		-		-		507,130
	Total	17	87,921,550	-	-	87,921,550	100			100	41,323,204^^		-		-		129,244,754

^ The number of Shareholders includes one Shareholder holding only CCPS as on the date of this Draft Red Herring Prospectus.
^^ Includes 41,323,204 CCPS. The CCPS will be converted into Equity Shares prior to the filing of the Red Herring Prospectus with the RoC.
^^^ As a percentage of the total number of fully paid-up Equity Shares
^^^^ Includes 87,414,420 Equity Shares and 41,323,204 CCPS

8. **Details of the Shareholding of the major Shareholders of our Company**

(1) The Equity Shareholders holding 1% or more of the paid-up Equity Share capital of our Company and the number of Equity Shares held by them as of the date of this Draft Red Herring Prospectus are detailed in the table below:

S. No.	Name of Shareholder	No. of Equity Shares held	No. of Equity Shares held on a fully diluted basis^	Percentage of the pre- Offer Equity Share capital on a fully diluted basis (%)^
1.	LeapFrog	29,952,665	29,952,665	22.75
2.	Augusta	20,328,820	23,584,935	17.91
3.	Eight Roads	1,979,859	13,610,748	10.34
4.	Dvara Trust	12,878,682	12,878,682	9.78
5.	Accion	7,699,529	7,699,529	5.85
6.	IIFL Special Opportunities Fund - Series 4	929,618	7,538,980	5.73
7.	SMBC	7,004,364	7,004,364	5.32
8.	IIFL Special Opportunities Fund	2,560,798	6,721,940	5.11
9.	IIFL Special Opportunities Fund - Series 5	762,773	6,185,901	4.70
10.	IIFL Special Opportunities Fund – Series 7	2,431,928	6,125,875	4.65
11.	IIFL Special Opportunities Fund – Series 2	614,899	4,986,680	3.79
12.	IIFL Special Opportunities Fund – Series 3	270,482	2,193,541	1.67
	Total	**87,414,417**	**128,483,840**	**97.59%**

^ The Company's Equity Share capital on a fully diluted basis includes Equity Shares that will be allotted upon conversion of CCPS and options under the ESOP Plan 2016 that have vested as of the date of this Draft Red Herring Prospectus (assuming exercise of all options), and for the sake of clarity, further includes the Equity Shares already issued and held by the Northern Arc Employee Welfare Trust pursuant to the ESOP Plan 2016.

(2) The Equity Shareholders who held 1% or more of the paid-up Equity Share capital of our Company and the number of Equity Shares held by them 10 days prior to the date of this Draft Red Herring Prospectus are detailed in the table below:

S. No.	Name of Shareholder	No. of Equity Shares held	No. of Equity Shares held on a fully diluted basis^	Percentage of the pre- Offer Equity Share capital on a fully diluted basis (%)^
1.	LeapFrog	29,952,665	29,952,665	22.75
2.	Augusta	20,328,820	23,584,935	17.91
3.	Eight Roads	1,979,859	13,610,748	10.34
4.	Dvara Trust	12,878,682	12,878,682	9.78
5.	Accion	7,699,529	7,699,529	5.85
6.	IIFL Special Opportunities Fund - Series 4	929,618	7,538,980	5.73
7.	SMBC	7,004,364	7,004,364	5.32
8.	IIFL Special Opportunities Fund	2,560,798	6,721,940	5.11
9.	IIFL Special Opportunities Fund - Series 5	762,773	6,185,901	4.70
10.	IIFL Special Opportunities Fund – Series 7	2,431,928	6,125,875	4.65
11.	IIFL Special Opportunities Fund – Series 2	614,899	4,986,680	3.79
12.	IIFL Special Opportunities Fund – Series 3	270,482	2,193,541	1.67
	Total	**87,414,417**	**128,483,840**	**97.59**

^ The Company's Equity Share capital on a fully diluted basis includes Equity Shares that will be allotted upon conversion of CCPS and options under the ESOP Plan 2016 that have vested as of the date of this Draft Red Herring Prospectus (assuming exercise of all options), and for the sake of clarity, further includes the Equity Shares already issued and held by the Northern Arc Employee Welfare Trust pursuant to the ESOP Plan 2016.

(3) The Equity Shareholders who held 1% or more of the paid-up Equity Share capital of our Company and the number of Equity Shares held by them one year prior to the date of this Draft Red Herring Prospectus are detailed in the table below:

S. No.	Name of Shareholder	No. of Equity Shares held	No. of Equity Shares held on a fully diluted basis^	Percentage of the pre- Offer Equity Share capital on a fully diluted basis (%)^
1.	LeapFrog	29,952,665	29,952,665	22.96
2.	Augusta	20,328,820	23,584,935	18.08

S. No.	Name of Shareholder	No. of Equity Shares held	No. of Equity Shares held on a fully diluted basis^	Percentage of the pre- Offer Equity Share capital on a fully diluted basis (%)^
3.	FIL Capital Investments (Mauritius) II Limited (now known as Eight Roads)	1,979,859	13,610,748	10.44
4.	Dvara Trust	12,878,682	12,878,682	9.87
5.	Accion	7,699,529	7,699,529	5.90
6.	IIFL Special Opportunities Fund - Series 4	929,618	7,538,980	5.78
7.	SMBC	7,004,364	7,004,364	5.37
8.	IIFL Special Opportunities Fund	2,560,798	6,721,940	5.15
9.	IIFL Special Opportunities Fund - Series 5	762,773	6,185,901	4.74
10.	IIFL Special Opportunities Fund – Series 7	2,431,928	6,125,875	4.70
11.	IIFL Special Opportunities Fund – Series 2	614,899	4,986,680	3.82
12.	IIFL Special Opportunities Fund – Series 3	270,482	2,193,541	1.68
	Total	**87,414,417**	**128,483,840**	**98.51**

^ The Company's Equity Share capital on a fully diluted basis includes Equity Shares that will be allotted upon conversion of CCPS and options under the ESOP Plan 2016 that have vested as of the date of this Draft Red Herring Prospectus (assuming exercise of all options), and for the sake of clarity, further includes the Equity Shares already issued and held by the Northern Arc Employee Welfare Trust pursuant to the ESOP Plan 2016.

(4) The Equity Shareholders who held 1% or more of the paid-up Equity Share capital of our Company and the number of Equity Shares held by them two years prior to the date of this Draft Red Herring Prospectus are detailed in the table below:

S. No.	Name of Shareholder	No. of Equity Shares held	No. of Equity Shares held on a fully diluted basis^	Percentage of the pre- Offer Equity Share capital on a fully diluted basis (%)^
1.	Dvara Trust	16,685,402	16,685,402	14.02
2.	Accion	12,470,618	12,470,618	10.48
3.	LeapFrog	3,54,85,098	3,54,85,098	29.82
4.	FIL Capital Investments (Mauritius) II Limited (now known as Eight Roads)	1,979,859	13,610,748	11.44
5.	Standard Chartered Bank (Singapore Branch)	94,88,908	1,17,19,705	9.85
6.	IIFL Special Opportunities Fund	828,971	4,835,784	4.06
7.	IIFL Special Opportunities Fund – Series 2	614,899	3,587,433	3.01
8.	IIFL Special Opportunities Fund – Series 3	270,482	1,578,040	1.33
9.	IIFL Special Opportunities Fund – Series 4	929,618	5,423,564	4.56
10.	IIFL Special Opportunities Fund – Series 5	762,773	4,450,157	3.74
11.	IIFL Special Opportunities Fund – Series 7	755,371	4,406,972	3.70
12.	Augusta	3,944,774	3,944,774	3.31
	Total	**84,216,773**	**118,198,295**	**99.32**

^ The Company's Equity Share capital on a fully diluted basis includes Equity Shares that will be allotted upon conversion of CCPS and options under the ESOP Plan 2016 that have vested as of the date of this Draft Red Herring Prospectus (assuming exercise of all options), and for the sake of clarity, further includes the Equity Shares already issued and held by the Northern Arc Employee Welfare Trust pursuant to the ESOP Plan 2016.

9. **Details of the Shareholding of our Directors and Key Managerial Personnel**

(1) None of our Directors and Key Managerial Personnel hold any Equity Shares in our Company as of the date of filing of this Draft Red Herring Prospectus other than as disclosed below:

S. No.	Name of the Shareholder	Number of Equity Shares	Percentage of the pre-Offer Equity Share capital (%)	Percentage of the post-Offer of Equity Share Capital (%)
Directors				
1.	Dr. Kshama Fernandes	1*	0	0
Key Managerial Personnel				
1.	Bama Balakrishnan	1*	0	0
2.	Kalyanasundaram C	1*	0	0
Total		3*	0	0

**excludes Equity Shares held by the Northern Arc Employee Welfare Trust on behalf of Key Managerial Personnel*

For details of employee stock options granted to our Directors or Key Managerial Personnel, see *"- Employee Stock Option Schemes"* on page 94.

10. **Employee Stock Option Schemes**

Northern Arc Employee Stock Option Plan 2016, as amended ("**ESOP Plan 2016**")

Our Board of Directors and our Shareholders approved the ESOP Plan 2016 pursuant to their resolutions each, dated October 7, 2016. Subsequently, our Board of Directors and our Shareholders have approved amendments to the ESOP Plan 2016 from time to time. The latest amendment to our ESOP Plan 2016 was approved by our Board of Directors pursuant to their resolution dated May 6, 2021 and our Shareholders pursuant to a resolution dated May 25, 2021.

Pursuant to the ESOP Plan 2016, options to acquire Equity Shares may be granted to eligible "employees" (as defined in the ESOP Plan 2016) including (i) a permanent employee of the Company working inside or outside of India; or (ii) a Director of the Company whether a whole-time director or not but excluding an independent director; or (iii) an employee as defined in (i) and (ii) above, of one or more subsidiaries of our Company but excluding (a) an employee who is a promoter or a person belonging to the promoter group; or (b) a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the Company. The ESOP Plan 2016 is compliant with the SEBI SBEB Regulations.

The ESOP Plan 2016 contemplates that based on the eligibility criteria set out thereunder, eligible employees will be granted options under schemes notified under the ESOP Plan 2016. Pursuant to the ESOP Plan 2016, our employees have been granted options under the Northern Arc Employee Stock Option Scheme 2016 – "Scheme I", the Northern Arc Employee Stock Option Scheme 2016 – "Scheme II" and the Northern Arc Employee Stock Option Scheme 2018 – "Scheme– III".

Details of the ESOP Plan 2016 are disclosed below:

Particulars	Total	
Total options granted	Scheme I	721,371
	Scheme II	6,412,500
	Scheme III	1,657,524
Total options vested (net of forfeited/ lapsed/ cancelled/ exercised options)	Scheme I	43,000
	Scheme II	1,678,900
	Scheme III	685,368
Total options exercised*	Scheme I	354,371
	Scheme II	636,100
	Scheme III	Nil
Total number of Equity Shares that would arise as a result of full exercise of options granted (net of cancelled options)	Scheme I	397,371
	Scheme II	3,728,500
	Scheme III	1,142,283
Total options forfeited/lapsed/cancelled	Scheme I	324,000
	Scheme II	2,684,000
	Scheme III	515,241
Money realised by exercise of options	Scheme I	3,543,710
	Scheme II	72,766,000
	Scheme III	Nil
Total number of options in force	Scheme I	43,000
	Scheme II	3,092,400
	Scheme III	1,142,283
Total Equity Shares issued*	Scheme I	281,097
	Scheme II	226,033
	Scheme III	Nil

**Of the total 990,471 options exercised under Scheme I and Scheme II, as on date, Equity Shares have been issued in lieu of 507,130 options and the Company is in the process of issuing Equity Shares in lieu of 483,341 options.*

Particulars	Fiscal 2019		Fiscal 2020		Fiscal 2021		For the period April 1, 2021 till the date of this Draft Red Herring Prospectus	
Options granted	Scheme I	Nil	Scheme I	Nil	Scheme I	Nil	Scheme I	Nil
	Scheme II	1,150,000	Scheme II	400,000	Scheme II	125,000	Scheme II	215,000
	Scheme III	877,330	Scheme III	780,194	Scheme III	Nil	Scheme III	Nil
Options vested (excluding options that have been exercised)	Scheme I	7,000	Scheme I	7,000	Scheme I	15,000	Scheme I	Nil
	Scheme II	378,450	Scheme II	374,000	Scheme II	532,950	Scheme II	393,500
	Scheme III	Nil	Scheme III	180,734	Scheme III	342,680	Scheme III	161,954
Options exercised (including options pending for allotment)	Scheme I	Nil	Scheme I	84,000	Scheme I	248,371	Scheme I	22,000
	Scheme II	Nil	Scheme II	116,483	Scheme II	206,967	Scheme II	312,650
	Scheme III	Nil	Scheme III	Nil	Scheme III	Nil	Scheme III	Nil
Options forfeited/ lapsed/ cancelled	Scheme I	10,000	Scheme I	Nil	Scheme I	14,000	Scheme I	Nil
	Scheme II	87,000	Scheme II	639,000	Scheme II	688,000	Scheme II	Nil
	Scheme III	34,208	Scheme III	173,604	Scheme III	301,929	Scheme III	5,500
Options outstanding (total of vested, unvested, cancelled and lapsed options)	Scheme I	69,000	Scheme I	69,000	Scheme I	91,000	Scheme I	Nil
	Scheme II	717,450	Scheme II	868,000	Scheme II	1,071,950	Scheme II	838,500
	Scheme III	Nil	Scheme III	263,199	Scheme III	497,252	Scheme III	234,062

Exercise price of options	Scheme I – Rs.10 Scheme II – Rs.110, Rs. 121, Rs. 181, Rs. 188, Rs. 210 Scheme III – Rs.181, Rs.188							
Total no. of Equity Shares that would arise as a result of full exercise of options granted (net of forfeited/ lapsed/ cancelled options)	Scheme I	411,371	Scheme I	411,371	Scheme I	313,371	Scheme I	65,000
	Scheme II	4,315,500	Scheme II	4,076,500	Scheme II	3,397,017	Scheme II	3,405,050
	Scheme III	843,122	Scheme III	1,449,712	Scheme III	1,147,783	Scheme III	1,142,283
Variation in terms of options	N/A							
Money realised by exercise of options	Scheme I	Nil	Scheme I	840,000	Scheme I	2,483,710	Scheme I	220,000
	Scheme II	Nil	Scheme II	13,594,130	Scheme II	23,481,370	Scheme II	35,690,500
	Scheme III	Nil	Scheme III	Nil	Scheme III	Nil	Scheme III	Nil
Total no. of options in force (vested and unvested options)	Scheme I	411,371	Scheme I	327,371	Scheme I	65,000	Scheme I	43,000
	Scheme II	4,281,292	Scheme II	3,925,809	Scheme II	3,155,842	Scheme II	3,058,192
	Scheme III	877,330	Scheme III	1,483,920	Scheme III	1,181,991	Scheme III	1,176,491

Employee wise details of options granted to:

(i) Key management personnel	**Name of key managerial personnel**	**Total no. of options granted**
	Kshama Fernandes Scheme I – 156,371 Scheme II – 510,000 Scheme III – 144,666	811,037
	Bama Balakrishnan Scheme I – 100,000 Scheme II – 400,000 Scheme III – 89,394	589,394
	C. Kalyanasundaram Scheme I – 40,000 Scheme II – 80,000 Scheme III – 41,427	161,427
	Pardhasaradhi Rallabandi	148,965

		Scheme II – 125,000 Scheme III – 23,965	
		R Srividhya Scheme II – 20,000 Scheme III – 12,686	32,686
		Ravi Vukkadala Scheme II – 150,000 Scheme III – 60,568	210,568
		Salil G Nair Scheme II – 125,000 Scheme III – 16,814	141,814
		Saurabh Jaywant Scheme II – 100,000 Scheme III – 38,387	138,387
		Umasree Parvathy Scheme II – 25,000 Scheme III – 24,895	49,895
		Atul Tibrewal Scheme II – 115,000	115,000
(ii)	Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	**Name of Employee**	**Total no. of options granted**
		Gaurav Dangwal[#] Scheme II – 450,000	450,000
		Varoon Naidu Scheme II – 100,000 Scheme III – 23,090	123,090
		Sandeep Singh Scheme II – 125,000	125,000
		Litesh Kishan Majethia Scheme II – 100,000	100,000
		Atul Tibrewal Scheme II – 115,000	115,000
(iii)	Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	Nil	

	Fiscal 2019	Fiscal 2020	Fiscal 2021	For the period April 1, 2021 till the date of this Draft Red Herring Prospectus
Fully diluted EPS on a pre-Offer basis pursuant to the issue of equity shares on exercise of options calculated in accordance with the applicable accounting standard on 'Earnings Per Share'	Rs. 10.91	Rs. 7.92	Rs. 5.35	N.A.*
Difference between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that shall have been recognised if the Company had used fair value of options and impact of this difference on profits and EPS of the Company	Not applicable, as valuation of ESOPs has been done through fair valuation of options under IndAS			
Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option	Fair value of options is calculated by way of Black Scholes model taking into account the various factors like time value, interest rate, volatility, dividend yield, etc.			
Impact on profits and EPS of the last three years if the Company had followed the accounting policies specified in the SEBI ESOP Regulations in respect of options granted in the last three years	Not applicable, since the Company has followed the accounting policies as specified in the SEBI ESOP Regulations in respect of options granted in the last three years.			
Intention of the key managerial personnel and whole-time directors who are holders of Equity Shares allotted on exercise of options granted under an employee stock option scheme or allotted under an employee stock purchase scheme, to sell their Equity Shares within three months after the date of listing of the Equity Shares in the initial public offer, if any	Nil			

Intention to sell Equity Shares arising out of an employee stock option scheme or allotted under an employee stock purchase scheme within three months after the date of listing, by directors, senior managerial personnel and employees having Equity Shares issued under an employee stock option scheme or employee stock purchase scheme amounting to more than one per cent. of the issued capital (excluding outstanding warrants and conversions)	Nil

 # Resigned from the Company in Fiscal 2019.

********Financials post March 31, 2021 upto date of DRHP are not available.*

Pursuant to the ESOP Schemes, the Company has issued 507,130 Equity Shares to 20 employees of the Company, as of the date of this Draft Red Herring Prospectus:

S.No	Scheme details	No. of Equity Shares – Allotted	No. of employees	No. of Equity Shares – Allotment is under process	No. of employees
1	Northern Arc ESOP 2016 - Scheme I	281,097	6	73,274	3
2	Northern Arc ESOP 2016 - Scheme II	226,033	14	410,067	8
3	Northern Arc ESOS 2018 - Scheme III	-	-	-	-
	Total	507,130	20	483,341	11

11. **Non-Convertible Debentures**

Details of the non-convertible debentures issued by our Company that are currently listed are disclosed below:

S.No	ISIN Number	Stock Exchange	Amount Issued (₹)	Scrip Code	Maturity Date
1.	INE850M07251	BSE	500,000,000	959675	June 26, 2023
2.	INE850M07244	BSE	750,000,000	959400	March 30, 2024
3.	INE850M07327	BSE	1,000,000,000	960111	September 30, 2024
4.	INE850M07269	BSE	500,000,000	959746	July 13, 2023
5.	INE850M07335	NSE	1,500,000,000	N.A	May 13, 2022
6.	INE850M07160	BSE	1,000,000,000	958442	June 11, 2022
7.	INE850M07178	BSE	1,000,000,000	958460	December 20, 2023
8.	INE850M07301	BSE	1,500,000,000	960009	March 14, 2022
9.	INE850M08085	BSE	300,000,000	959016	September 25, 2023
10.	INE850M07285	BSE	75,000,000	959862	April 30, 2022
11.	INE850M07384	BSE	147,858,186	973021	February 24, 2023
12.	INE850M07376	BSE	232,000,000	960432	January 20, 2023
13.	INE850M07384	BSE	348,000,000	973021	February 24, 2023
14.	INE850M07293	BSE	500,000,000	959987	March 08, 2022
15.	INE850M07350	BSE	125,000,000	960321	March 11, 2022
16.	INE850M07368	BSE	125,000,000	960320	June 11, 2022
17.	INE850M07277	BSE	500,000,000	959764	January 17, 2022
18.	INE850M07418	BSE	1,000,000,000	973208	July 27, 2021
19.	INE850M07384	BSE	115,990,440	973021	February 24, 2023

12. In relation to 12,878,682 Equity Shares held by one of the Selling Shareholders, Dvara Trust, 9,540,183 are pledged in favour of Axis Bank Ltd. on behalf of Vistra (ITCL) India Limited (in its capacity as security trustee of Avendus Finance Private Limited) ("**Pledged Shares**") and a non-disposal undertaking has been provided in respect of 3,338,499 Equity Shares ("**NDU Shares**") as of the date of this Draft Red Herring Prospectus. Dvara Trust proposes to offer up to 3,864,160 Equity Shares under the Offer for Sale, out of which 3,338,499 Equity Shares currently form part of the NDU Shares ("**NDU OFS Shares**") and 525,661 Equity Shares form a part of the Pledged Shares ("**Pledged OFS Shares**"). Vistra ITCL (India) Limited has through its letter dated July 13, 2021 consented to: (i) release the NDU OFS Shares and Pledged OFS Shares three days prior to the filing of an updated draft red herring prospectus with the SEBI and (ii) temporarily release the remaining Pledged Shares and NDU Shares three days prior to the filing of the Red Herring Prospectus with the RoC.

13. As of the date of this Draft Red Herring Prospectus, other than outstanding stock options under the ESOP Plan 2016 and the CCPS, there are no outstanding warrants, options, debentures, loans or other instruments convertible into Equity Shares.

14. Except as specified below, none of the BRLMs or their respective associates, as defined in the SEBI

Merchant Bankers Regulations, hold any Equity Shares in our Company as of the date of this Draft Red Herring Prospectus:

The IIFL Funds, in respect of which associate entities of IIFL Securities Limited act as a sponsor or investment manager, collectively hold 25.83% of the share capital of our Company on a fully diluted basis, as financial investors. The IIFL SS Funds are also Selling Shareholders in the Offer, accordingly IIFL Securities Limited will only be involved in the marketing of the Offer.

15. Our Company has not made any public issue since its incorporation, and has not made any rights issue of any kind or class of securities since its incorporation, other than as disclosed in "*Capital Structure - Share Capital History of our Company*" on page 83.

16. Our Company, our Directors and the BRLMs have not entered into any buy-back arrangements for purchase of Equity Shares to be Allotted pursuant to the Offer.

17. Our Company does not have any partly paid-up Equity Shares as of the date of this Draft Red Herring Prospectus. All Equity Shares Allotted in the Offer will be fully paid-up at the time of Allotment.

18. There will not be any further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with the SEBI until the Equity Shares have been listed on the Stock Exchanges or all application monies have been refunded, as the case may be, other than in connection with: (i) the Offer; (ii) the Pre-IPO Placement; (iii) conversion of any CCPS; or (iv) any issue of Equity Shares pursuant to exercise of options granted under the ESOP Plan 2016.

19. There have been no financing arrangements whereby our Directors and their relatives have purchased or sold or financed the purchase by any other person of securities of our Company during the period of six months immediately preceding the date of filing of this Draft Red Herring Prospectus.

20. Our Company presently does not intend or propose and is not under negotiations or considerations to alter its capital structure for a period of six months from the Bid/Offer Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether on a preferential basis or by way of issue of bonus shares or on a rights basis or by way of further public issue of Equity Shares or qualified institutions placements or otherwise. Provided, however, that the foregoing restrictions do not apply to: (a) the issuance of any Equity Shares under the Offer; (b) any issuance, pursuant to the exercise of employee stock options under the ESOP Plan 2016.

21. As of the date of filing of this Draft Red Herring Prospectus, the total number of holders of the Equity Shares is 16.

OBJECTS OF THE OFFER

The Offer consists of the Fresh Issue and the Offer for Sale, aggregating to ₹[●] million.

Offer for Sale

Each Selling Shareholder will be entitled to the proceeds from the sale of their respective Offered Shares in the Offer for Sale, net of their share of the Offer related expenses. Our Company will not receive any proceeds from the Offer for Sale. For further details of the Offer for Sale, see "*The Offer*" beginning on page 65.

Objects of the Fresh Issue and requirement of funds

Our Company proposes to utilize the Net Proceeds towards augmenting our Company's capital base to meet our future capital requirements.

Further, our Company expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges, enhancement of our Company's brand name and creation of a public market for our Equity Shares in India.

The main objects set out in the Memorandum of Association enable our Company to undertake its existing activities and the activities for which funds are being raised through the Fresh Issue.

Net Proceeds

After deducting our Company's share of the Offer related expenses, from the gross proceeds received pursuant to the Fresh Issue we estimate the proceeds to be ₹[●] million ("**Net Proceeds**"), as detailed below:

Particulars	Amount (₹ in million)
Gross proceeds of the Fresh Issue(1)	[●]
(Less) Offer related expenses in relation to the Fresh Issue(2)(3)	[●]
Net Proceeds	[●]

(1) Includes proceeds, if any, received pursuant to the Pre-IPO Placement. Upon allotment of Equity Shares pursuant to the Pre-IPO Placement, we may utilize the proceeds from the Pre-IPO Placement towards the objects of the Offer as set out in this section.

(2) To be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC.

(3) For details of the expenses related to the Offer, see "Objects of the Offer - Offer Related Expenses" on page 103.

Utilization of the Net Proceeds and Details of the Objects of the Fresh Issue

Augmenting the capital base of our Company

As an NBFC, registered with the RBI, we are subject to regulations relating to capital adequacy, which determine the minimum amount of capital we must hold as a percentage of the risk-weighted assets on our portfolio and of the risk adjusted value of off-balance sheet items, as applicable. As per the capital adequacy norms issued by the RBI, we are required to have a regulatory minimum Capital to Risk Weighted Assets Ratio ("**CRAR**") of 15% consisting of Tier I and Tier II capital. As of March 31, 2021, our Company's CRAR was 28.89% of which Tier I capital was 27.62%. Our Company proposes to utilize the Net Proceeds towards augmenting its capital base to meet future capital requirements. For further details, see "*Key Regulations and Policies*" beginning on page 206.

Proposed Schedule of Implementation and Deployment of the Net Proceeds

The Net Proceeds are currently expected to be deployed in Financial Year 2022 and Financial Year 2023.

Appraising Entity

The fund requirements for the objects of the Offer have not been appraised by any bank or financial institution or other independent agency.

Means of Finance

Our Company proposes to utilise the Net Proceeds from the Fresh Issue towards augmenting its capital base to meet future capital requirements. Accordingly, we confirm that there is no requirement for us to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from the Fresh Issue and existing identifiable accruals, as prescribed under the SEBI ICDR Regulations.

Interim Use of Net Proceeds

The Net Proceeds shall be retained in the Public Offer Account until receipt of the listing and trading approvals from the Stock Exchanges by our Company. Pending utilization of the Net Proceeds for the purposes described above, our Company will temporarily invest the Net Proceeds in deposits in one or more scheduled commercial banks included in the Second Schedule of Reserve Bank of India Act, 1934, as amended, as required and as may be approved by our Board.

In accordance with Section 27 of the Companies Act, our Company confirms that it shall not use the Net Proceeds for buying, trading or otherwise dealing in shares of any other listed company or for any investment in the equity markets.

Bridge Financing Facilities

Our Company has not raised any bridge loans or other financial arrangements, from any bank or financial institution as of the date of this Draft Red Herring Prospectus, which are proposed to be repaid from the Net Proceeds.

Offer Related Expenses

The total expenses related to the Offer are estimated to be approximately ₹ [●] million.

The Offer related expenses primarily include fees payable to the BRLMs and legal counsels, Statutory Auditors, brokerage and selling commission, underwriting commission, commission payable to Registered Brokers, RTAs, CDPs, SCSBs' fees, Sponsor Bank's fees, Registrar's fees, printing and stationery expenses, advertising and marketing expenses and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchanges.

Other than (a) the listing fees which will be borne by the Company, and (b) fees and expenses in relation to the legal counsel to the Selling Shareholders which will be borne by the respective Selling Shareholders, all costs, charges, fees and expenses associated with and incurred in connection with the Offer shall be shared among the Company and each of the Selling Shareholders in proportion to the number of Equity Shares issued and Allotted through the Fresh Issue and sold by each of the Selling Shareholders through the Offer for Sale.

All the above payments shall be made first by the Company. Upon the successful completion of the Offer, each Selling Shareholder will reimburse the Company in proportion to its respective portion of the Offered Shares in the Offer, for any expenses incurred by the Company on behalf such Selling Shareholder. However, in the event any Selling Shareholder withdraws, abandons or terminates its participation in the Offer for Sale at any stage prior to the completion of Offer, it will reimburse to the Company all costs, charges, fees and expenses incurred in connection with the Offer on a pro-rata basis, up to the date of such withdrawal, abandonment or termination with respect to such Selling Shareholder in a reasonable manner as may be mutually agreed between the Company and the Selling Shareholder. Additionally, in the event that the Offer is postponed or withdrawn or abandoned for any reason or is not successfully completed, the Selling Shareholders will not be liable to reimburse any expenses incurred by the Company in relation to the Offer.

The break-down of the estimated Offer expenses is disclosed below.

Activity	Estimated expenses(1) (in ₹ million)	As a % of the total estimated Offer expenses(1)	As a % of the total Offer size(1
BRLMs' fees and commissions (including underwriting commission, brokerage and selling commission)	[●]	[●]	[●]

Activity	Estimated expenses(1) (in ₹ million)	As a % of the total estimated Offer expenses(1)	As a % of the total Offer size(1
Selling commission/processing fee for SCSBs, Banker to the Offer, Sponsor Bank and fee payable to the Sponsor Bank for Bids made by RIBs(2)(3)(4)	[●]	[●]	[●]
Brokerage and selling commission and bidding charges for members of the Syndicate (including their sub-Syndicate Members), Registered Brokers, RTAs and CDPs(5)	[●]	[●]	[●]
Fees payable to the Registrar to the Offer	[●]	[●]	[●]
Fees payable to the other advisors to the Offer	[●]	[●]	[●]
Others			
- Listing fees, SEBI filing fees, upload fees, BSE & NSE processing fees, book building software fees and other regulatory expenses	[●]	[●]	[●]
- Printing and stationery	[●]	[●]	[●]
- Advertising and marketing expenses	[●]	[●]	[●]
- Fee payable to legal counsels	[●]	[●]	[●]
- Miscellaneous	[●]	[●]	[●]
Total estimated Offer expenses	[●]	[●]	[●]

(1) *Amounts will be finalised and incorporated in the Prospectus on determination of Offer Price. Offer expenses include applicable taxes, where applicable. Offer expenses are estimates and are subject to change.*

(2) *Selling commission payable to the SCSBs on the portion for Retail Individual Bidders, Eligible Employees and Non-Institutional Bidders, which are directly procured by the SCSBs, would be as follows*

*Portion for Retail Individual Bidders**	*[●]% of the Amount Allotted* (plus applicable taxes)*
*Portion for the Eligible Employees**	*[●]% of the Amount Allotted* (plus applicable taxes)*
*Portion for Non-Institutional Bidders**	*[●]% of the Amount Allotted* (plus applicable taxes)*

**Amount allotted is the product of the number of Equity Shares Allotted and the Offer Price. The selling commission payable to the SCSBs will be determined on the basis of the bidding terminal ID as captured in the Bid Book of BSE or NSE*

(3) *No uploading/processing fees shall be payable by our Company and the Selling Shareholders to the SCSBs on the applications directly procured by them Processing fees payable to the SCSBs on the portion for Retail Individual Bidders, Eligible Employees and Non-Institutional Bidders which are procured by the members of the Syndicate/sub-Syndicate/Registered Broker/RTAs/ CDPs and submitted to SCSB for blocking, would be as follows:*

Portion for Retail Individual Bidders	*₹[●] per valid Bid cum Application Form (plus applicable taxes)*
Portion for Eligible Employees	*₹[●] per valid Bid cum Application Form (plus applicable taxes)*
Portion for Non-Institutional Bidders	*₹[●] per valid Bid cum Application Form (plus applicable taxes)*

(4) *The processing fees for applications made by Retail Individual Bidders using the UPI Mechanism would be as follows:*

Sponsor Bank	*₹[●] per valid Bid cum Application Form* (plus applicable taxes)* *The Sponsor Bank shall be responsible for making payments to the third parties such as remitter bank, NCPI and such other parties as required in connection with the performance of its duties under the SEBI circulars, the Syndicate Agreement and other applicable laws.*

**For each valid application*

(5) *Selling commission on the portion for Retail Individual Bidders, Eligible Employees and Non-Institutional Bidders which are procured by members of the Syndicate (including their sub-Syndicate Members), Registered Brokers, RTAs and CDPs or for using 3-in-1 type accounts- linked online trading, demat & bank account provided by some of the Registered Brokers which are Members of the Syndicate (including their Sub-Syndicate Members) would be as follows:*

Portion for Retail Individual Bidders	*[●]% of the Amount Allotted* (plus applicable taxes)*
Portion for Non-Institutional Bidders	*[●]% of the Amount Allotted* (plus applicable taxes)*
*Portion for the Eligible Employees**	*[●]% of the Amount Allotted* (plus applicable taxes)*

**Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price*

Uploading charges payable to Members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs on the applications made by RIBs using 3-in-1 accounts, Eligible Employees and Non-Institutional Bidders which are procured by them and submitted to SCSB for blocking or using 3-in- 1 accounts, would be as follows: ₹ [•] plus applicable taxes, per valid application bid by the Syndicate (including their sub-Syndicate Members), RTAs and CDPs.

(6) *The Selling Commission payable to the Syndicate / Sub-Syndicate Members will be determined on the basis of the application form number / series, provided that the application is also bid by the respective Syndicate / Sub-Syndicate Member. For clarification, if a Syndicate ASBA application on the application form number / series of a Syndicate / Sub-Syndicate Member, is bid by an SCSB, the Selling Commission will be payable to the SCSB and not the Syndicate / Sub-Syndicate Member.*

(7) *Bidding Charges payable to members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs on the portion for RIBs and Non-Institutional Bidders which are procured by them and submitted to SCSB for blocking, would be as follows: ₹ [●] plus applicable taxes, per valid application bid by the Syndicate (including their sub-Syndicate Members), RTAs and CDPs.*

The selling commission and bidding charges payable to Registered Brokers the RTAs and CDPs will be determined on the basis of the bidding terminal id as captured in the Bid Book of BSE or NSE.

Bidding charges payable to the Registered Brokers, RTAs/CDPs on the portion for RIBs, Eligible Employees and Non-Institutional Bidders which are directly procured by the Registered Broker or RTAs or CDPs and submitted to SCSB for processing, would be as follows:

*Portion for Retail Individual Bidders**	*₹ [●] per valid application (plus applicable taxes)*
*Portion for Eligible Employees**	*[●]% of the Amount Allotted* (plus applicable taxes)*
*Portion for Non-Institutional Bidders**	*₹ [●] per valid application (plus applicable taxes)*

** Based on valid applications*

All such commissions and processing fees set out above shall be paid as per the timelines in terms of the Syndicate Agreement and Cash Escrow and Sponsor Bank Agreement.

Monitoring of utilization of funds

Our Company shall appoint [●] as the Monitoring Agency in accordance with Regulation 41 of the SEBI ICDR Regulations prior to the filing of the Red Herring Prospectus. Our Board and the Monitoring Agency will monitor the utilisation of the Net Proceeds, and the Monitoring Agency shall submit the report required under Regulation 41(2) of the SEBI ICDR Regulations.

To the extent applicable, our Company will disclose the utilisation of the Net Proceeds under a separate head in our balance sheet along with the relevant details, for all such amounts that have not been utilised. Our Company will indicate investments, if any, of unutilised Net Proceeds in the balance sheet of our Company for the relevant Fiscals subsequent to receipt of listing and trading approvals from the Stock Exchanges.

Pursuant to Regulation 18(3) and Regulation 32(3) of the Listing Regulations, our Company shall, on a quarterly basis, disclose to the Audit Committee the uses and applications of the Net Proceeds. On an annual basis, our Company shall prepare a statement of funds utilised for purposes other than those stated in this Draft Red Herring Prospectus and place it before the Audit Committee and make other disclosures as may be required until such time as the Net Proceeds remain unutilised. Such disclosure shall be made only until such time that all the Net Proceeds have been utilised in full. The statement shall be certified by the Statutory Auditors.

Furthermore, in accordance with Regulation 32(1) of the Listing Regulations, our Company shall furnish to the Stock Exchanges on a quarterly basis, a statement indicating (i) deviations, if any, in the actual utilisation of the proceeds of the Fresh Issue from the object of the Fresh Issue as stated above; and (ii) details of category wise variations in the actual utilisation of the proceeds of the Fresh Issue from the object of the Fresh Issue as stated above. This information will also be uploaded onto our website.

Variation in Objects

In accordance with Section 13(8) and Section 27 of the Companies Act and applicable provisions of the SEBI ICDR Regulations, our Company shall not vary the objects of the Fresh Issue without our Company being authorized to do so by the Shareholders by way of a special resolution through postal ballot. In addition, the notice issued to the Shareholders in relation to the passing of such special resolution ("**Postal Ballot Notice**") shall specify the prescribed details as required under the Companies Act and applicable rules. The Postal Ballot Notice shall simultaneously be published in the newspapers, one in English and one in Tamil, being the local language of the jurisdiction where the Registered and Corporate Office is situated in accordance with the Companies Act. Since our Company does not have any identifiable promoters, no exit opportunity is required to be provided to such Shareholders who do not agree to the proposal to vary the objects in accordance with Regulation 59 of the SEBI ICDR Regulations.

Other Confirmations

No part of the Net Proceeds will be paid by our Company as consideration to our Directors, our Key Managerial Personnel or our Group Companies. There are no existing or anticipated transactions/arrangements in relation to utilization of Net Proceeds with our Directors, our Key Managerial Personnel, or our Group Companies.

BASIS FOR OFFER PRICE

The Price Band and Offer Price will be determined by our Company in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and on the basis of quantitative and qualitative factors as described below, and is justified in view of these parameters. The face value of the Equity Shares is ₹10 each and the Floor Price is [●] times the face value and the Cap Price is [●] times the face value. Investors should also refer to "*Risk Factors*", "*Our Business*", "*Financial Statements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 25, 170, 256 and 330, respectively, to have an informed view before making an investment decision.

Qualitative Factors

Some of the qualitative factors which form the basis for computing the Offer Price are:

- Large, diversified and growing base of Originator Partners and Investor Partners with demonstrated long-term relationships that present network effects
- Nimbus, our proprietary technology system, expands business opportunities and drives efficiencies
- Demonstrated track record of offering customized debt products
- Diversified business model across sectors, offerings, products, geographies and borrower segments
- Robust risk management framework based on domain know-how, qualitative field-level insights and data lake
- Maintaining diversified sources of funding for our own deployment and proactive liquidity management
- Focus on high standards of governance and experienced professional management
- Strategic focus on ESG alignment resulting in creation of sustainable impact with a returns-focused approach

For details, see "*Our Business – Strengths*" on page 173.

Quantitative Factors

Some of the information presented below relating to our Company is derived from the Restated Consolidated Financial Information. Some of the quantitative factors which may form the basis for calculating the Offer Price are as follows:

1. Basic and Diluted Earnings per Share ("EPS") at face value of ₹ 10 each:

Derived from Restated Consolidated Financial Information:

Financial Year/ Period	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
2021	7.71	5.35	3
2020	11.05	7.92	2
2019	12.66	10.91	1
Weighted Average	9.65	7.13	

Note: EPS is as per the Restated Consolidated Financial Information which has been calculated in accordance with the Indian Accounting Standard (Ind AS) 33 (earnings per share) issued by the ICAI. The face value of Equity Shares of the Company is ₹ 10.

2. Price/Earning Ratio in relation to Price Band of ₹ [●] to ₹ [●] per Equity Share:

Particulars	P/E at the Floor Price (no. of times)	P/E at the Cap Price (no. of times)
P/E ratio based on basic EPS for financial year 2021	[●]	[●]
P/E ratio based on diluted EPS for financial year 2021	[●]	[●]

Note: Information in relation to price earning ratio shall be updated in the Prospectus after finalisation of the Offer Price.

3. Industry Peer Group Price / Earning (P/ E) Ratio

Industry P/E ratio

Particulars	P/E
Highest	84.25
Lowest	9.58

Particulars	P/E
Average	39.39

Note: The industry high and low has been considered from the industry peer set provided later in this chapter. For Industry P/E, P/E figures for the peers are computed based on closing market price as on July 7, 2021 on the BSE, divided by Basic EPS (on consolidated basis unless otherwise available only on standalone basis) based on financial results of the respective company for the year ended March 31, 2021 submitted to stock exchanges.

4. Return on Net Worth ("RoNW"):

Financial Year	RoNW (%)	Weight
2021	4.27	3
2020	6.16	2
2019	8.49	1
Weighted Average	5.60	

Notes:

(1) Return on Net Worth (%) is calculated as net profit after tax attributable to the equity shareholders of the Company divided by Total Equity attributable to owners of the Company for the years/period. Total Equity = Share capital + Other Equity.

(2) Net Worth represents aggregate value of share capital and Other Equity. "Other Equity" shall mean free reserves and surplus, securities premium, statutory reserves, share option outstanding reserve and other comprehensive income as per the Restated Consolidated Financial Information.

(3) Weighted Average = Aggregate of year-wise weighted RoNW divided by the aggregate of weights i.e. (RoNW x Weight) for each year / Total of weights.

5. Net Asset Value ("NAV") per Equity Share of face value of ₹ 10 each

Net Asset Value per Equity Share	(₹)
As on March 31, 2021	179.97*
After the completion of the Offer	
- At the Floor Price	[●]
- At the Cap Price	[●]
Offer Price	[●]

** 41,323,204 CCPS outstanding as at March 31, 2021 shall be converted into 41,323,204 Equity Shares prior to filing of the Red Herring Prospectus with the RoC in accordance with Regulation 5(2) of the SEBI ICDR Regulations. After giving effect to the conversion of the CCPS, the NAV per share as at March 31, 2021 amounts to ₹122.43.*

Notes:

(1) Net Asset Value per Equity Share is calculated as Net Worth as of the end of relevant period divided by the number of Equity Shares outstanding at the end of such period. Net Worth represents aggregate value of Equity Share Capital and Other Equity. "Other Equity" shall mean free reserves and surplus, securities premium, statutory reserves, share option outstanding reserve and other comprehensive income as per the Restated Consolidated Financial Information

6. Comparison with Listed Industry Peers:

There are no listed companies in India whose business is exactly comparable with that of our business and our scale of operations. However, the following listed companies have been considered as part of our peer group since such companies operate in similar sectors in which our Company operates and whose business segment(s) in part or full may be comparable with parts of our business.

Name of the company	Total Income (₹ in million)	Face Value per equity share (INR)	P/E	EPS		Return on Net Worth (%)	Net Asset Value per Equity Share (INR)
				Basic (INR)	Diluted (INR)		
Northern Arc Capital Limited*	6,852.87	10	[●]	7.71	5.35	4.27%	179.97**
Listed Peers#							
MFIs							
CreditAccess Grameen Limited	24,660.70	10	80.44	8.96	8.90	4.43%	237.27
Spandana Sphoorty Financial Ltd	15,056.14	10	31.92	22.55	22.47	4.20%	427.44
Small Business Loans							

Name of the company	Total Income (₹ in million)	Face Value per equity share (INR)	P/E	EPS		Return on Net Worth (%)	Net Asset Value per Equity Share (INR)
				Basic (INR)	Diluted (INR)		
MAS Financial Services Limited	6,277.12	10	32.39	26.41	26.41	12.99 %	215.85
DCB Bank Limited	39,167.10	10	9.58	10.82	10.70	8.94%	121.00
Vehicle Finance							
Bajaj Finance Limited	2,66,830.00	2	84.25	73.58	73.00	11.82 %	612.66
Cholamandalam Investment and Finance Company Limited	95,837.80	2	27.97	18.55	18.52	15.54 %	117.07
AU Small Finance Bank Limited	64,015.98	10	29.45	38.19	37.86	18.97 %	197.69
Equitas Small Finance Bank Limited	36,124.68	10	19.16	3.53	3.49	11.31 %	29.81

** Financial information for Northern Arc Capital Limited is derived from the Restated Consolidated Financial Information for the year ended March 31, 2021*

*** 41,323,204 CCPS outstanding as at March 31, 2021 shall be converted into 41,323,204 Equity Shares prior to filing of the Red Herring Prospectus with the RoC in accordance with Regulation 5(2) of the SEBI ICDR Regulations. After giving effect to the conversion of the CCPS, the NAV per share as at March 31, 2021 amounts to ₹122.43*

Notes#:

1. All the financial information for listed industry peers mentioned above is on a consolidated basis (unless otherwise available only on standalone basis) and is sourced from the annual reports as available of the respective company for the year ended March 31, 2021 submitted to stock exchanges

2. P/E ratio is calculated as closing share price (July 7, 2021 - BSE) / Basic EPS for year ended March 31, 2021.

3. Basic and Diluted EPS as reported in the annual report of the company for the year ended March 31, 2021.

4. Return on net worth (%) = Net profit/(loss) after tax / Net worth at the end of the year.

5. Net asset value per share (in ₹) = Net worth at the end of the year / Total number of equity shares outstanding at the end of the year.

6. Since Northern Arc Capital Limited has various sectors such as microfinance, MSME finance and vehicle finance, the above listed peers have been shown.

The Offer price is [●] times of the face value of the Equity Shares.

The trading price of the Equity Shares could decline due to the factors mentioned in the "*Risk Factors*" on page 25 and you may lose all or part of your investments.

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS

The Board of Directors
Northern Arc Capital Limited,
No. 1, Kanagam Village,
10th Floor, IITM Research Park,
Taramani, Chennai TN 600113

15 July, 2021

Dear Sirs,

Subject: Statement of possible tax benefits available to Northern Arc Capital Limited ('the Company') and its shareholders for proposed initial public offer of equity shares by the Company under Regulation 6(1) of Chapter II of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ('the Regulations') ("Proposed Offer")

1. This statement is issued in accordance with the terms of our engagement letter dated 7 May 2021.

2. We hereby report that the enclosed Annexure II prepared by the Company, signed by us for identification purpose, states the possible special tax benefits available to the Company and its shareholders under direct and indirect tax laws (together "the Tax Laws"), presently in force in India as on the signing date, which are defined in Annexure I. The Company does not have any material subsidiary in accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, i.e. the Company does not have a subsidiary whose income or net worth in the immediately preceding year (i.e. 31 March 2021) exceeds 10% of the consolidated income or consolidated net worth respectively, of the Company.

3. These possible special tax benefits mentioned in the enclosed Annexure II are dependent on the Company and its shareholders fulfilling the conditions prescribed under the relevant provisions of the Tax Laws. Hence, the ability of the Company and its shareholders to derive the possible special tax benefits is dependent upon fulfilling such conditions, which, based on business imperatives the Company faces in the future, the Company and its shareholders may or may not choose to fulfil.

4. The benefits discussed in the enclosed Annexure II cover the possible special tax benefits available to the Company and its shareholders and do not cover any general tax benefits available to them and are not exhaustive in nature. Further, the preparation of the enclosed Annexure II and its contents is the responsibility of management of the Company. We were informed that this Annexure II is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and changing tax laws, each investor is advised to consult with his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Proposed Offer particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the possible special tax benefits, which an investor can avail. Neither are we suggesting nor are we advising the investor to invest money based on this Statement.

5. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) ('the Guidance Note') issued by the Institute of Chartered Accountants of India (the 'ICAI'). The Guidance Note requires that we comply with the independence and other ethical requirements of the Code of Ethics issued by the ICAI.

6. We have complied with the relevant applicable requirements of the Standard on Quality Control ('SQC') 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

7. We do not express any opinion or provide any assurance as to whether:
   (i) the Company and its shareholders will continue to obtain these possible special tax benefits in the future; or
   (ii) the conditions prescribed for availing the possible tax benefits have been/would be met.

The contents of the enclosed Annexure are based on information, explanations and representations obtained from the Company and its shareholders and on the basis of our understanding of the business activities and operations of the Company.

8. Our views expressed herein are based on the facts and assumptions indicated to us. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of the Tax Laws and their interpretation, which are subject to change from time to time. We do not assume responsibility to update this Statement consequent to such changes. We shall not be liable to the Company for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this Statement, except under applicable law.

9. We give our consent for inclusion of this Statement in the Draft Red Herring Prospectus and in any other material used in connection with the Proposed Offer, and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm's Registration No: 101248W/W-100022

S Sethuraman
Partner
Membership number: 203491
ICAI UDIN: 21203491AAAADU5791

Place: Chennai
Date: 15 July 2021

ANNEXURE I

LIST OF DIRECT AND INDIRECT TAX LAWS ('TAX LAWS')

Sr. No.	Details of tax laws
1	Income-tax Act, 1961 and Income-tax Rules,1962
2	Central Goods and Services Tax Act, 2017
3	State Goods and Services Tax Act, 2017
4	Integrated Goods and Services Tax Act, 2017
5	Goods and Services Tax legislations as promulgated by various states

ANNEXURE II

ANNEXURE TO THE STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE APPLICABLE DIRECT AND INDIRECT TAXES ("TAX LAWS") IN INDIA

Outlined below are the possible special tax benefits available to the Company and its shareholders under the Tax Laws in force in India. These possible special tax benefits are dependent on the Company and its shareholders fulfilling the conditions prescribed under the Tax Laws. Hence, the ability of the Company and its shareholders to derive the possible special tax benefits is dependent upon fulfilling such conditions, which are based on business imperatives it faces in the future, it may or may not choose to fulfil.

UNDER THE TAX LAWS

1. Special tax benefits available to the Company

The Company is neither eligible nor is availing any special corporate tax benefits under the Tax Laws identified in Annexure I above

2. Special tax benefits available to Shareholders

The shareholders of the Company are not eligible for any special tax benefits under the Tax Laws identified in Annexure I above.

NOTES:

1. We have not considered general tax benefits available to the Company or shareholders of the Company.

2. The above is as per the current Tax Laws in force in India (i.e., applicable for the Financial year 2021-22 relevant to the Assessment year 2022-23 till the date of signing this annexure)

3. The above Statement of possible special tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership, and disposal of equity shares of the Company.

4. The above statement also does not discuss any tax consequences, in the country outside India, of an investment in the shares of an Indian Company.

5. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Taxation Avoidance Agreement ("DTAA"), if any, between India and the country in which the non-resident has fiscal domicile.

for **Northern Arc Capital Limited**

Signed by B S R & Co. LLP for identification only

Kshama Fernandes
Managing Director and Chief Executive Officer

Place: Mumbai
Date: 15 July 2021

SECTION IV: ABOUT OUR COMPANY

INDUSTRY OVERVIEW

*Unless noted otherwise, the information in this section is obtained or extracted from "Industry Report on Various Asset Classes" dated July 2021 (the "**CRISIL Report**") prepared and issued by CRISIL Research, a division of CRISIL Limited, on our request. We have commissioned the report for the purposes of confirming our understanding of the industry in connection with the Offer and the report has been paid for by our Company for an agreed amount. Neither we nor any other person connected with the Offer have independently verified this information. The data may have been re-classified by us for the purposes of presentation. Further, the calculation of certain of our statistical and/ or financial information/ ratios specified in the section titled "Selected Statistical Information" and otherwise in this Draft Red Herring Prospectus may vary from the manner such information is calculated by CRISIL Limited for purposes of, and as specified in, the CRISIL Report. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Accordingly, investors must rely on their independent examination of, and should not place undue reliance on, or base their investment decision solely on this information*

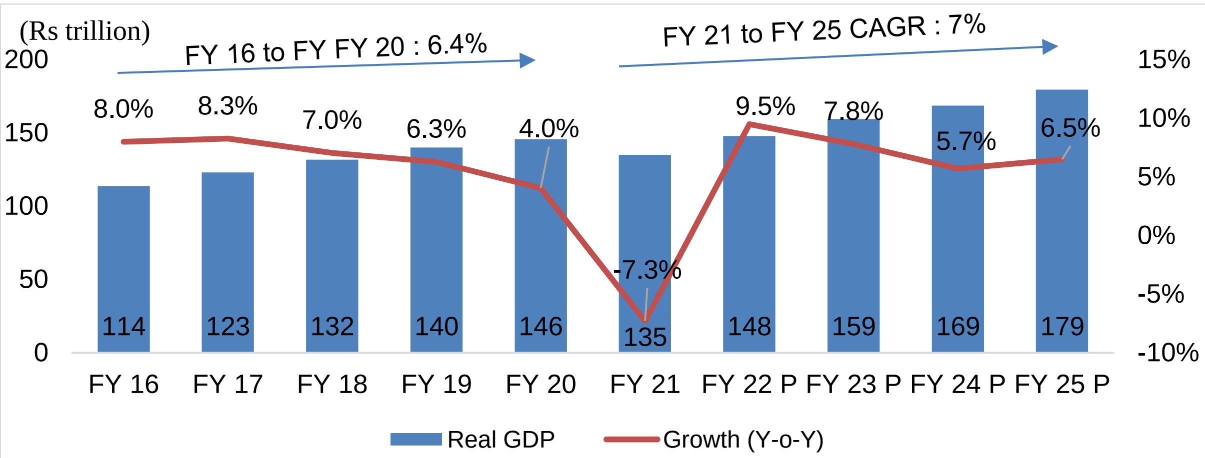
MACROECONOMIC SCENARIO

COVID-19 pandemic impacts world and Indian economy; bounce back expected in fiscal 2022

Fiscal 2020 was volatile for the global economy. Hopes of broad-based recovery in the fourth quarter were dashed by the Covid-19 pandemic, which has infected more than 172 million people in 219 countries (as of June 6, 2021) and counting, leading to considerable human suffering and economic disruption. The Indian economy contracted by 7.3% in fiscal 2021 on account of the pandemic. The pandemic came at the most inopportune time since India was showing signs of recovery following a slew of fiscal/monetary measures. Having said that, CRISIL foresees growth rebounding in fiscal 2022, on the back of a very weak base, a counter-cyclical Union Budget for fiscal 2022 pushing investments and some benefit from a rising-global-tide-lifting-all-boats effect. The gradual increase in vaccinations against Covid-19 is also expected to boost confidence and support stronger recovery. Even after the strong rebound, GDP would have grown merely 1% over the pre-pandemic level of fiscal 2020.

The budget's focus on pushing capital expenditure (capex) despite walking a fiscal tightrope however provides optimism and creates a platform for higher growth. Given that the focus of the budget was on investment rather than consumption push, the full impact of these spends will be seen in the near term via multiplier effects, and over time, through enhancement of productive capacity. To that extent, the budgetary provisions help raise the medium-term prospects for the economy.

Budgetary support and vaccines expected to boost economic growth



Note: P - Projected
Source: National Statistics Office (NSO), International Monetary Fund (IMF) and CRISIL Research estimates

The resurgence of Covid-19 infections since March 2021 forced many states to implement localised lockdowns and restrictions to prevent the spread of the infection. In the beginning of May, the country witnessed the highest number of daily covid-19 cases being reported. While the case load has come down since then, the restrictions on economic activity and mobility imposed by various state governments in the wake of the resurgence in Covid-19 infections has led to downgrades in GDP growth estimates for the year.

CRISIL Research forecasts India's GDP for fiscal 2022 to grow by around 9.5% in our base case scenario, assuming that Covid-19 restrictions will continue and mobility will remain affected in some form or other, at least till August 2021 and that 70% of the adult population will be vaccinated by December 2021. Nonetheless, the risks to growth are firmly tilted downwards. A third wave would pose a significant downside risk to the growth forecast, as would a slower-than-anticipated pace of vaccination. CRISIL forecasts India's GDP to grow by 8% in fiscal 2022 in our pessimistic scenario.

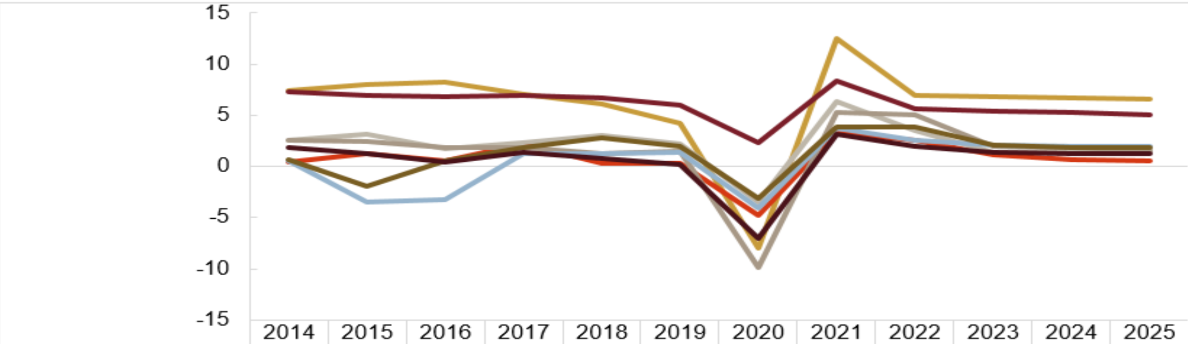
GDP to bounce back over the medium term

After clawing back in fiscal 2022, CRISIL Research forecasts India's GDP to grow at 6.0-7.0% per annum between fiscals 2023 and 2025. This growth will be supported by the following factors:

- Focus on investments rather than consumption push enhancing the productive capacity of the economy.
- Reforms undertaken over the past few years such as:
  - The production linked incentive (PLI) scheme which aims to incentivise local manufacturing by giving volume-linked incentives to manufacturers in specified sectors;
  - Key structural reforms such as implementation of Goods and Services Tax (GST) and Insolvency and Bankruptcy Code (IBC) will begin to show its impact over the longer term;
  - Reform measures aimed at enhancing financial inclusion like Pradhan Mantri Jan Dhan Yojana will broaden the base of the banking ecosystem, leading to higher lending and investment; and
  - Government initiatives like Digital India Initiative will aid digitalisation in the country. This will improve the efficiency in the economy leading to faster growth.
- Raft of reform measures by the government along with a more expansionary stance of monetary policy leading to a steady pick-up in consumption demand.
- Policies aimed towards greater formalisation of the economy are bound to lead to an acceleration in per capita income growth.

Risks to growth include (i) below par monsoons; (ii) Covid-19 cases increasing, and the risk of a third wave of COVID-19 this fiscal; (iii) elevated inflation; (iv) premature tightening of global monetary policies; (v) geopolitical developments; and (vi) Persistent stress in financial sector

India is one of the fastest-growing major economies (GDP growth, % year-on-year)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
India	7.4	8	8.3	7	6.1	4.2	-8	12.5	6.9	6.8	6.7	6.6
China	7.3	6.9	6.8	6.9	6.7	6	2.3	8.4	5.6	5.4	5.3	5.1
Japan	0.4	1.2	0.5	2.2	0.3	0.3	-4.8	3.3	2.5	1.1	0.7	0.6
United states	2.5	3.1	1.7	2.3	3	2.2	-3.5	6.4	3.5	1.4	1.5	1.6
United kingdom	2.6	2.4	1.9	1.9	1.3	1.5	-9.9	5.3	5.1	2	1.8	1.5
Brazil	0.5	-3.5	-3.3	1.3	1.3	1.4	-4.1	3.7	2.6	2.1	2	2
Russia	0.7	-2	0.5	1.8	2.8	2	-3.1	3.8	3.8	2.1	1.8	1.8
South Africa	1.8	1.2	0.4	1.4	0.8	0.2	-7	3.1	2	1.4	1.3	1.3

Note: GDP growth is based on constant prices, Data represented is for calendar years, P: Projected
Source: IMF (World Economic Outlook - April 2021 update), CRISIL Research

Along with being one of the fastest growing economy in the world, India ranks fifth in the world in terms of nominal GDP in 2019. In terms of purchasing power parity, India is the third largest economy in the world, next only to China and the United States.

Digitisation aided by technology to play pivotal role in growth of economy

Technology is expected to play an important role by progressively reducing the cost of reaching out to smaller markets. India has seen a tremendous rise in fintech adoption in the past few years and has the highest fintech adoption rate globally of 87% which is significantly higher than the global average rate of 64% (*Source: InvestIndia*). Among many initiatives by the government, the Unified Payments Interface (UPI) is playing a pivotal role towards financial inclusion. It provides a single-click digital interface across all system for smartphones linked to bank accounts and facilitates easy transactions using a simple authentication method. The volume of digital transactions has also seen a surge in the past few years, driven by increased adoption of UPI. Apart from financial services industry, digitisation in other industries like retail will also play an important role in growth of economy.

Measures to counter the pandemic's onslaught on growth

The RBI announced a host of measures, apart from reduction in interest rates, to address financial market stress due to the pandemic / lockdown including, reducing debt servicing burden through moratorium period, loan restructuring, enhancing liquidity, supporting financial market liquidity, pushing credit growth, addressing rupee volatility and regulatory relaxations.

FINANCIAL INCLUSION

Financial inclusion supported by robust policies can go hand in hand with financial stability. CRISIL Research believes access to finance is empowering and when used responsibly can enable individuals and businesses to thrive and grow sustainably. Over time, this can have a multiplier effect on the economy.

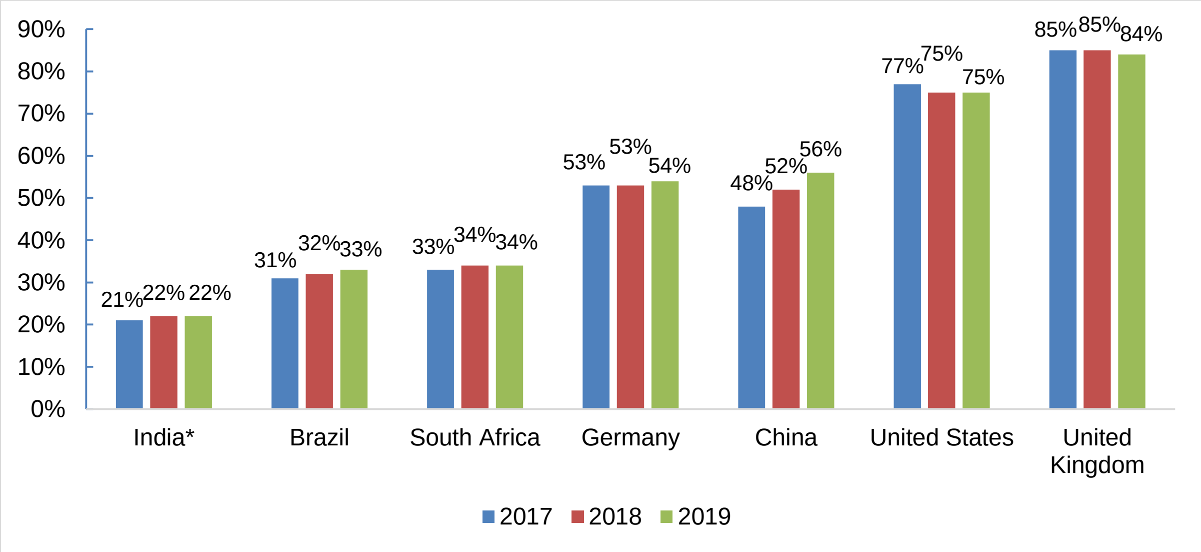
Current scenario and key developments

The COVID-19 pandemic has spread across the world, and India is no exception. The lockdown of nearly 1.3 billion people and a large number of businesses led to disruption and dislocation on a scale never imagined. It slammed the brakes on economic activity and caused enormous human suffering. Nonetheless, with opening of lockdown and businesses restarting, economy is on the path of recovery.

In these unprecedented times, to provide some relief to the customers, the RBI had introduced measures that permits lending institutions to allow a moratorium of six months on repayment of instalments for term loans outstanding as on March 1, 2020. Lending institutions were permitted to defer interest payments on working capital facilities outstanding as on March 1, 2020, by a period of six months which ended on August 31, 2020. However, lending institutions were instructed to provide 10% additional provisioning for on all loans that are overdue but not NPAs (non-performing assets) wherein the moratorium is approved, which could be later adjusted against the provisioning requirements for actual slippage. These measures were required to boost confidence in the economy.

In these times of crisis, financial inclusion as also access to finance becomes more imperative than ever for vulnerable households and businesses to navigate the crises and recover after the pandemic. In terms of the credit to GDP ratio, India has a low credit penetration of only 70% in 2019 compared with other developing countries, such as China (206%) indicating that the existing gap needs to be bridged. Similarly, in terms of credit to households as a proportion of GDP as well, India lags other markets, with retail credit hovering at around 22% of GDP as of fiscal 2020.

Household Credit to GDP ratio (2017-2019)



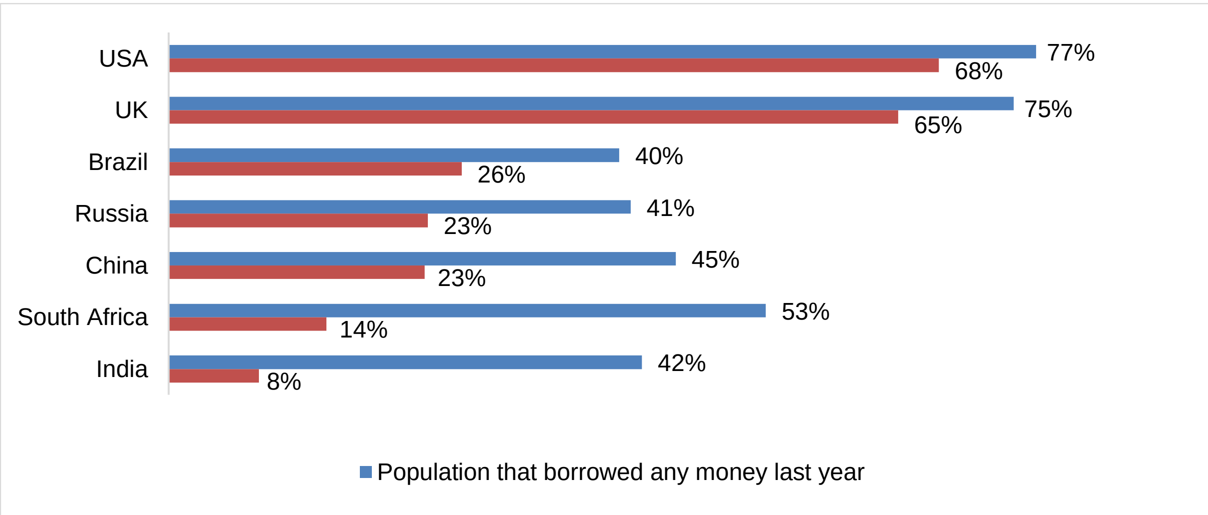
*Note: For countries except India, data is represented for calendar years. *For India, data represented is for FY18, FY19 and FY20*
Source: Bank of International Settlements, CRISIL Research

India's focus on financial inclusion is increasing; however, a large section of the population is still unbanked

According to the World Bank's Global Findex Database 2017, the global average of adult population with an account (with a bank, financial institution, or mobile money providers) was about 69% in 2017. India's financial inclusion has improved significantly in the past three years, with the adult population with bank accounts rising from 53% (as per Global Findex Database 2014) to 80% (in 2017) with concentrated efforts from the government and the rise of various supporting institutions. Although the rise in the number of bank accounts has not translated into a corresponding increase in the number of transactions and fruitful usage of those accounts.

Financial exclusion is widely prevalent in countries, such as India, due to poverty and low income, financial illiteracy, high transaction costs, and lack of infrastructure (primarily information technology). Consequently, a significant proportion of the population still lacks access to formal banking facilities.

Only 8% of India's population borrowed money from formal sources



Note:

1. *Global Findex data for India excludes northeast states, remote islands and selected districts.*
2. *Data is for the population within the age group of 15+*
3. *Formal sources: A bank or another type of financial institution, or using a credit card.*

Source: World Bank - The Global Findex Database 2017, CRISIL Research

To tackle financial exclusion, the Indian government introduced the PMJDY, a scheme that facilitates opening bank accounts by the unbanked. However, the effective use of these new accounts, increase in the number of transactions in these accounts and availability of credit remain key challenges, which need to be effectively addressed as borrowings from the formal sources still remains low.

Priority sector lending aimed at facilitating financial inclusion

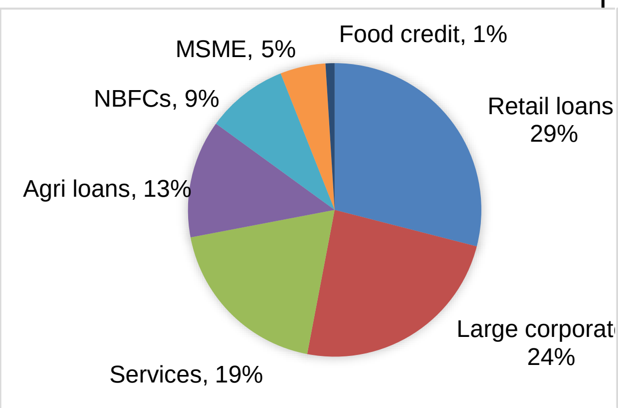
Currently, all banks including foreign banks need to comply with PSL as a proportion of Adjusted NBC of at least 40%. Targets and sub-targets for banks were further classified under the priority sector and revised at intervals. As per the RBI, these sub-divisions include agriculture, social infrastructure, renewable energy, microcredit, MSME, advances to weaker sections, education loans and housing.

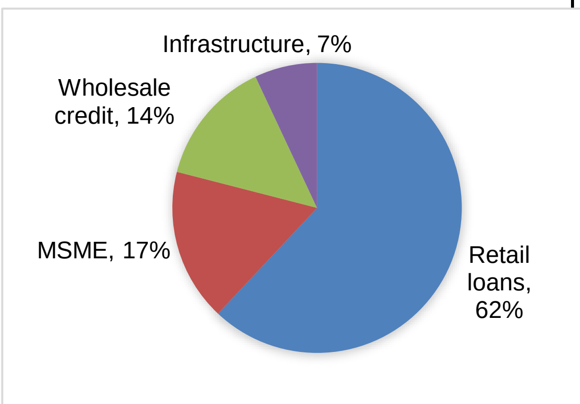
In September 2020, RBI new guidelines for PSL, wherein higher weights would be assigned to districts having a relatively lower credit penetration. From FY22, a weight of 125% would be assigned to incremental priority sector credit in identified districts where credit flow is lower and per capita PSL is lower than Rs 6,000. A lower weight of 90% will be assigned to incremental PSL in identified districts where credit flow is relatively higher and per capita PSL is more than Rs 25,000. Other districts will continue to have the existing weightage of 100%. This will incentivise credit flow to credit deficient geographies.

With high focus on retail loans, NBFCs driving financial inclusion

While banks are the primary institutions for banking in India, retail loan portfolio forms only 29% of the overall banking credit. Other focus areas for banks are wholesale lending to large corporates, credit to services sector and agriculture sector. Lower presence of banks in the retail space has created an opportunity for NBFCs to penetrate the segment which has also led to greater financial inclusion as NBFCs also cater riskier customer profiles with lower income. Compared to that of banks, NBFC credit to retail segment forms more than 60% of its portfolio indicating larger focus on retail customers.

Retail credit forms ~29% of banking credit compared to which…	…retail credit in NBFCs loan portfolio accounts for 62% share





Source: RBI, CRISIL Research

NBFC OVERVIEW

Constituents of the NBFC industry in India

The Indian financial system includes banks and non-banking financial institutions. Though the banking system dominates financial services, non-banking financial institutions have grown in importance by carving a niche for themselves by catering to customers in underbanked regions or those who would not be catered to by traditional financial institutions, due to absence of credit history or lack of proper collateral records.

Classification of NBFCs

NBFCs are classified on the basis of liabilities into two broad categories: deposit-taking; and non-deposit-taking. Deposit-taking NBFCs ("**NBFC-D**") are subject to requirements of capital adequacy, liquid assets maintenance, exposure norms, etc. In 2015, non-deposit-taking NBFCs with an asset size of ₹ 500 crore and above were labelled as ‘systemically important non-deposit taking NBFCs’ (“**NBFC–ND–SI**”) and separate prudential regulations were made applicable to them. Further, based on the activities undertaken by the NBFCs, they are classified as investment and credit company, infrastructure finance company, systemically important core investment company, infrastructure debt fund, microfinance institutions, factors, mortgage guarantee companies or non-operative financial holding company.

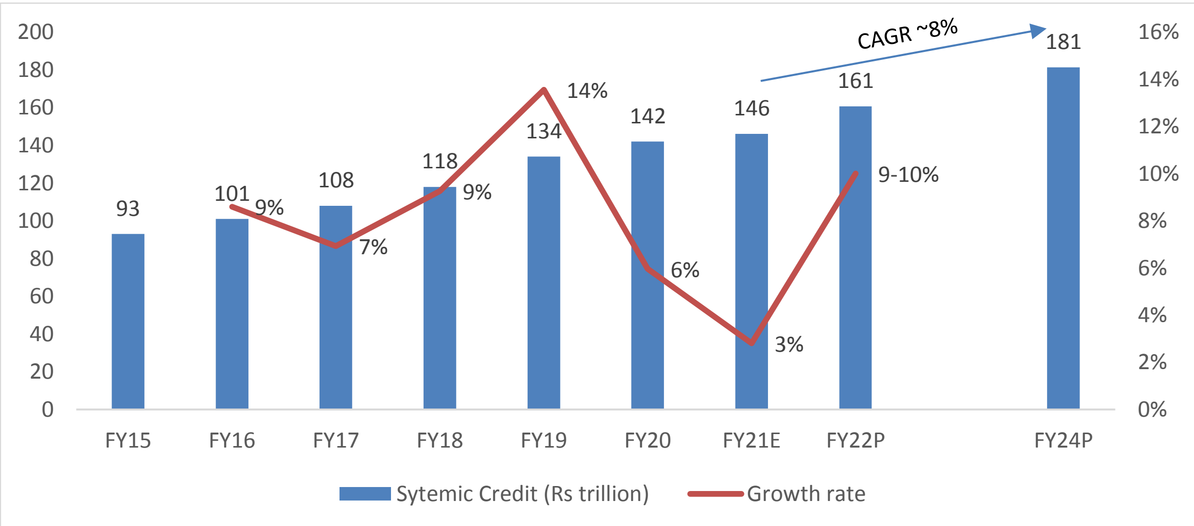
The Reserve Bank of India (RBI) in January 2021 has proposed a tighter regulatory framework for non-banking financial companies (NBFCs) by creating a four-tier structure with a progressive increase in intensity of regulation.

Systemic credit growth to revive in fiscal 2022

Overall systemic non-retail credit grew approximately 9% in fiscal 2019, driven by mainly public sector undertakings and energy sector (oil and gas and power generation and distribution). The slowdown in economic activity, coupled with heightened risk aversion among lenders, has further tightened the overall credit growth to approximately 6% in fiscal 2020. The financial sector, which was already reeling under the NBFC liquidity crisis, saw financial institutions turn cautious towards corporate lending and shift their focus towards the retail segment. While this shift has caused retail credit to drive overall credit growth, it witnessed a slowdown in growth from 18% in fiscal 2018 to 15% in fiscal 2019 on account of a slump in consumption.

Overall systemic credit growth took a hit in first half of fiscal 2021 on account of a significant slowdown in retail credit and intensifying Covid-19 pandemic which triggered a national lockdown. The pandemic came as a jolt for an already slowing economy with a decadal low growth in GDP, low private consumption (capacity utilization of 69.9% in March 2020), cautious lending by financial institutions, poor capital expenditure (capex), and in turn, weakening credit growth. However, with a slew of government and regulatory measures announced, Indian economy revived in the second half of the fiscal. In fiscal 2021, credit grew 3% supported by an uptick in economic activity along with pent-up and festive demand.

In fiscal 2022 as well, the recent surge in Covid-19 cases is expected to pull down economic growth from previously anticipated levels, especially in the first quarter. Nevertheless, as a result of the budgetary push towards investments, economic recovery and pick-up in private investment, systemic credit growth is expected to pick up to 9-10% levels. In the following fiscal (FY23), CRISIL projects systemic credit growth to be in-line with expected nominal GDP growth.

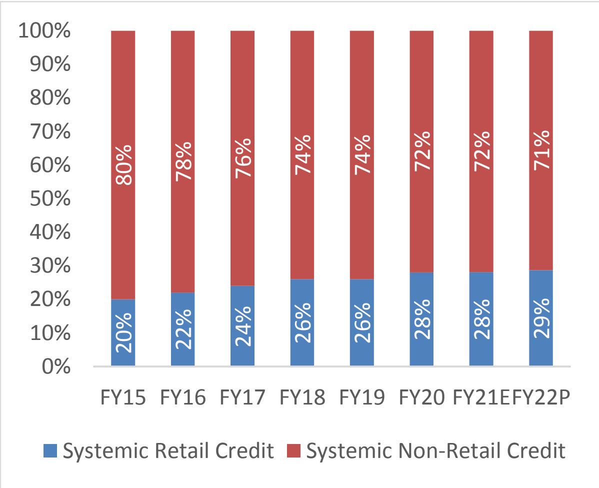


Note: E: Estimated P: Projected; Systemic credit includes domestic banking credit, NBFC credit, commercial papers, external borrowings, corporate bonds excluding those issued by Banks and NBFC
Source: RBI, Company Reports, CRISIL Research

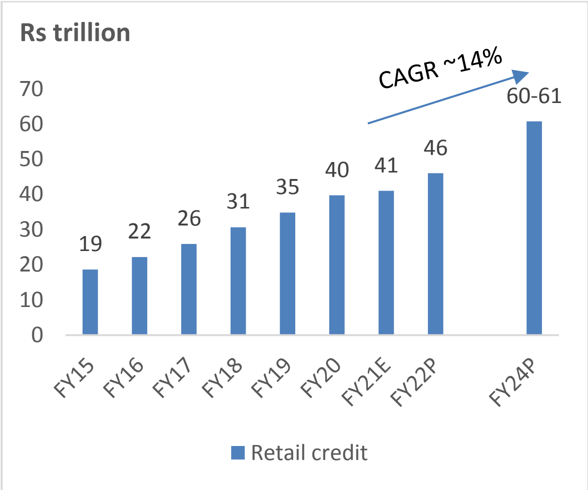
In fiscal 2020, retail credit growth was around 13.5% and is expected to come down sharply to approximately 2% in fiscal 2021 due to significant de-growth in underlying assets (new housing units, passenger and commercial vehicles and consumer durables), which has restricted growth of retail loans.

However, as the economy revives, retail credit is expected to grow around 11-13% in fiscal 2022 and further log a CAGR of approximately 14% between fiscals 2021 and 2024. It is likely to be propelled by an increase in private consumption with a steady rise in GDP growth, a shift in attitude of consumers towards debt, the continuing trend of urbanisation and nuclearisation, increased availability of data from credit bureaus as well as non-traditional data and financiers leveraging technology and data analytics to serve their target markets more efficiently. In addition, it is expected that despite fast growth in retail credit, India's household debt in relation to its GDP still remains low at 22% compared with the BRICS countries – 30% in Brazil, and 55% in China. CRISIL Research thus expects retail credit growth to continue in the long term with banks and NBFCs' continued focus towards the segment.

Retail segment accounted for over one-fourth of overall systemic credit



Retail credit growth to continue on a strong footing



Note: E = Estimated; P = Projected
Source: RBI, CRISIL Research

Retail segment to support NBFCs overall credit growth

The NBFC sector has, over the years, evolved considerably in terms of size, operations, technological sophistication and entry into newer areas of financial services and products. The number of NBFCs as well as the size of the sector have grown significantly, with a number of players with heterogeneous business models starting operations.

Over the last few years, we have seen a transformation in the Indian financial services landscape. The increasing penetration of neo-banking, digital authentication and mobile phone usage as well as mobile internet has resulted in the modularization of financial services, particularly credit. We have seen the emergence of a number of platforms aggregating customers and entering into partnerships for financing – both in the MSME finance and consumer finance sectors. This represents a significant market opportunity for NBFCs with robust technology platforms through the BC or the co-lending model.

The sector has also seen the emergence of a number of fintechs that leverage technology, data, and business insights to provide various financial products and services to identified customer segments. Fintech players in India started lending in fiscal 2015 but they started gaining traction from fiscal 2017 onwards. The business model of fintech firms differ widely but in almost all cases they use technology to change or support existing way of doing business, and hold the promise of enhancing customer convenience, facilitating access to credit for hitherto unserved or underserved customer segments and/or improving operating efficiency.

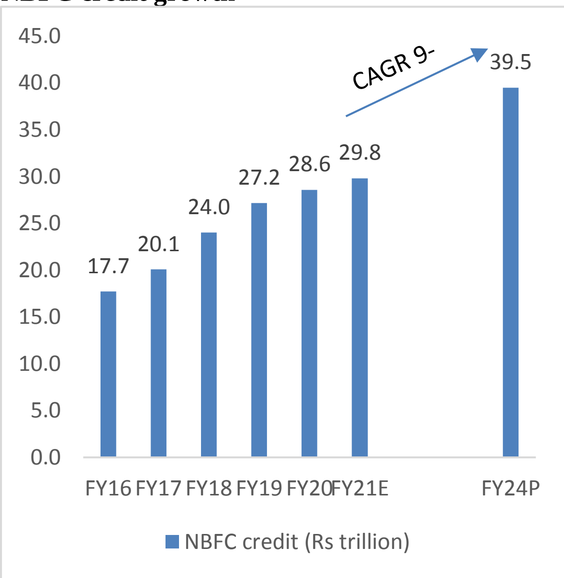
Over the last decade, NBFCs have witnessed phenomenal growth. The market share of NBFCs in overall systemic credit has increased from 16% in fiscal 2015 to 20% in fiscal 2021, the reason for which is their ability to offer differentiated solutions to tap into the large unmet demand of various sectors.

NBFC credit grew at a healthy pace of approximately 16% CAGR over fiscals 2015 to 2019. However, severe liquidity crisis and volatile interest rates following the debt default of IL&FS in mid-September 2018, created panic and led to investor confidence in lending to NBFCs dipping. While the segment was just starting to revive, Covid-19 came a further setback for NBFCs. by limiting disbursements during the initial period of the pandemic, focusing on educating customers on the importance of timely repayments and boosting liquidity buffers by obtaining additional funding through various schemes announced by the government and other non-banks and offshore funds, most NBFCs were able to navigate the crisis.

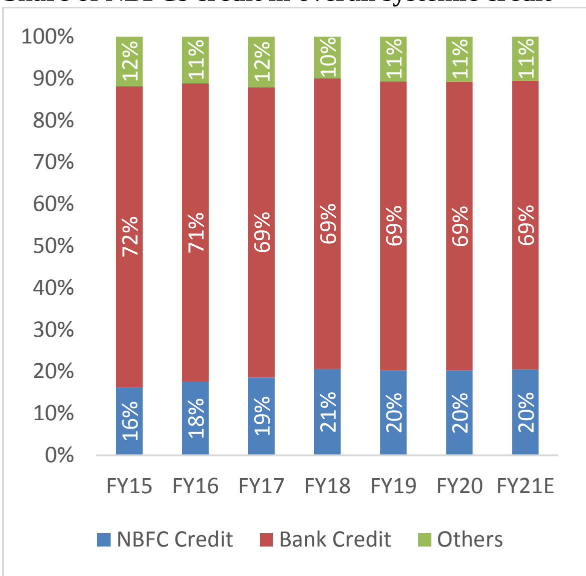
In fiscal 2022, with a rebound in GDP growth, CRISIL expects disbursements of NBFCs also gaining further traction. CRISIL forecasts an approximately 6% growth in NBFC assets during the year, which would still be lower than nominal GDP growth, which is expected to be in the mid-teens. This is because access to funding in a timely manner and at competitive costs remains challenging, especially for smaller and mid-sized NBFCs, and concerns linger over the impact of the pandemic on asset quality.

The industry will also continue to witness the emergence of newer NBFCs catering to specific customer segments; the Covid-19 pandemic and consequent acceleration in both adoption of technology and change in consumer habits as also increasing availability of data for credit decision-making has made it possible to build an NBFC lending business without investing large sums in having a brick-and-mortar presence on the ground.

NBFC credit growth

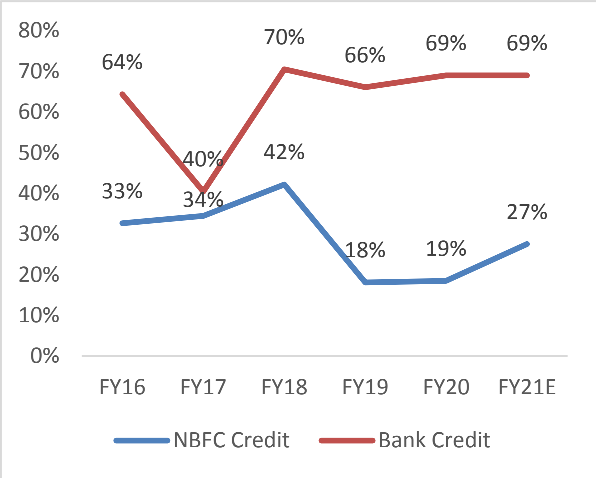


Share of NBFCs credit in overall systemic credit



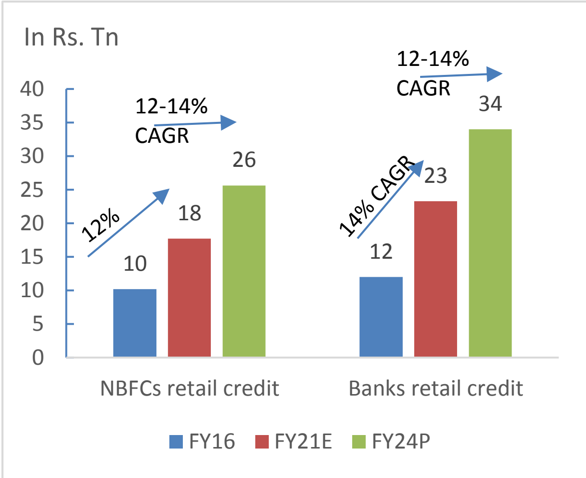
Note: E = Estimated; P = Projected ; Note: (*) Retail credit includes housing finance, Auto finance, microfinance, gold loans, construction equipment finance, consumer durable finance, MSME loans and education loans
Source: RBI, Company reports, CRISIL Research

Share of Bank and NBFC incremental credit in overall systemic credit



Note: E = Estimated; Total will not add up to 100% as other segments are not included
Source: RBI, Company reports, CRISIL Research

Share of NBFCs credit in overall systemic credit



Note: Above retail credit includes housing finance, Auto finance, microfinance, gold loans, construction equipment finance, consumer durable finance, MSME loans and education loans
Source: Company reports, RBI, CRISIL Research

Segment wise and Size-wise NBFCs loan outstanding growth

Parameter	***Sub-Parameter***	***Loan outstanding (CAGR FY18-FY21)***	***Loan outstanding (CAGR FY21-FY24)***
Overall NBFCs growth	*Loan outstanding growth*	*7%*	*9-11%*
Selected asset class wise NBFCs loan outstanding growth	*Consumer loans#*	*28%*	*25%*
	Small business loans	*19%*	*16%*
	Low and middle income segment housing loans	*10%*	*10%*
	Agriculture loans	*13%*	*10%*
	Two wheeler loans	*19%*	*23%*
	Commercial vehicle loans	*9%*	*12%*
	Microfinance	*31%*	*20%*
	*Consumer durable loans**	*1%*	*20%*
	Mid corporate loans	*15%*	*17%*
	Gold loans	*19%*	*15%*

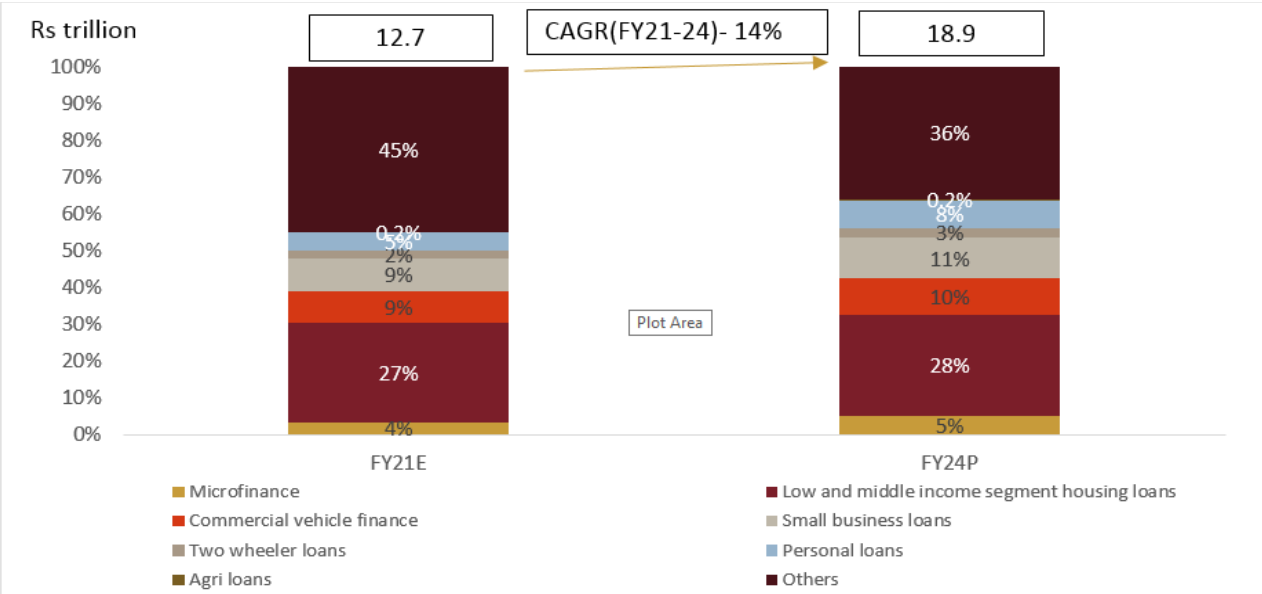
Note: (*) – Disbursement growth
Source: Company reports, RBI, CRISIL Research estimates

Parameter	***Sub-Parameter***	***Loan outstanding (CAGR FY18-FY21)***	***Loan outstanding (CAGR FY21-FY24)***
Size-wise loan outstanding growth	*Small NBFCs*	*6%*	*16%*
	Medium NBFCs	*14%*	*16%*
	Large NBFCs	*13%*	*12%*

Note - Classification of players into large, medium and small is done basis below criteria : -
For MFIs - Large players have GLP>Rs. 20,000 million, Medium players have GLP between Rs. 5,000 and Rs. 20,000 million, Small players have GLP upto Rs. 5,000 million. For other players - Large players have AUM>50 billion, Medium players have AUM> Rs. 10 billion, Small players have AUM upto 10 billion.
Source: CRISIL Research estimates

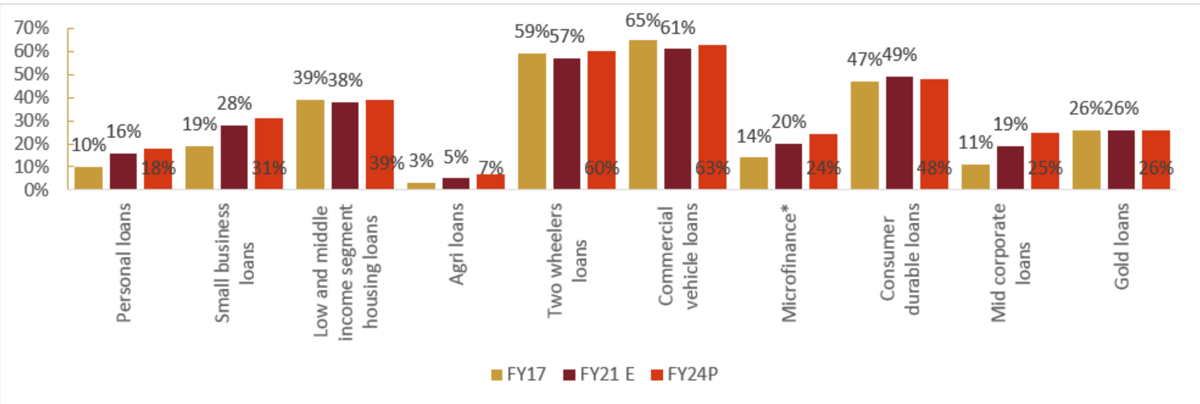
The aggregate size of NBFC loans in microfinance, housing finance focused on low and middle income segment (ticket size lesser than Rs. 7.5 million in metro regions (MMR, NCR, Kolkata and Chennai) and Rs. 5.0 million in non-metro regions), commercial vehicle finance, small business loans (less than Rs. 10 million ticket size), two wheeler loans, personal loans, consumer durable loans and loans focused on the agriculture supply chain stood at Rs. 12.7 trillion as of fiscal 2021, representing 55% overall NBFC credit of Rs. 23.1 trillion (excluding government owned NBFCs operating in infrastructure credit sector). These asset class are expected to witness strong growth of approximately 14% from fiscal 2021 to fiscal 2024, due to increase in business activity, consumer spending and favourable demographics. Consequently, the share of these segments in overall NBFC credit, excluding government-owned NBFCs in the infrastructure space, is projected to increase to 64% by fiscal 2024. Personal loans and small business loans are expected to increase their share from 5% and 9% respectively to 8% and 11% over the same time period.

Share of select retail asset classes to increase from 55% in fiscal 2021 to 64% in fiscal 2024



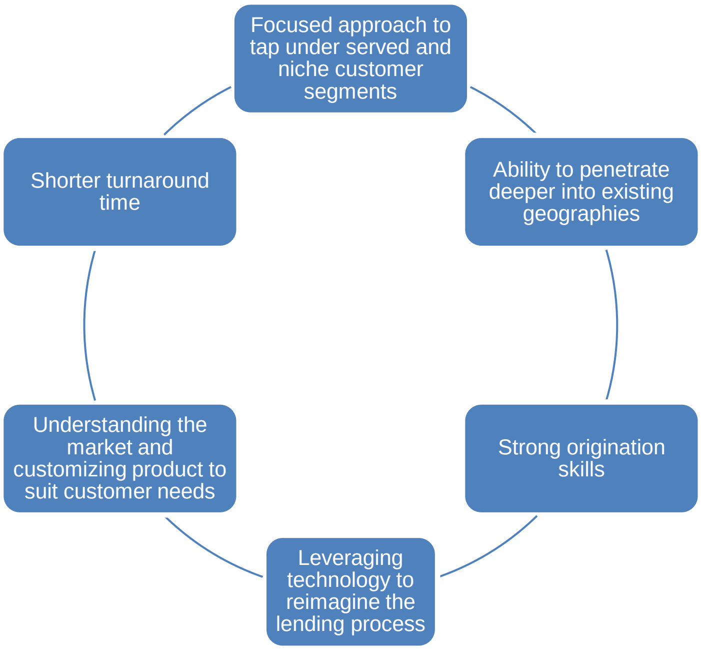
Note: Figures in box represent market size (in Rs. trillion) of selected asset classes. For housing, low and middle income segment is considered with ticket size lesser than Rs. 75 lakhs in metro regions and Rs. 50 lakhs in non-metro regions, small business loans less than Rs. 10 million ticket size is considered.
Source: RBI, Company reports, CRISIL Research

Market share of NBFCs in overall credit across select asset classes



Note: (*) – Includes only NBFC-MFI
Source: Company reports. RBI, MFIN, CRISIL Research estimates

Growth of NBFCs reflects the customer value proposition offered by them



Source: CRISIL Research

Asset size wise break up of number of NBFCs

Segment	Large NBFCs	Medium NBFCs	Small NBFCs	Estimated total number of NBFCs
Agri loans	*3*	*6*	*7*	16
Vehicle finance	*14*	*16*	*110*	140
Housing finance	*19*	*14*	*68*	101
Micro finance	*12*	*13*	*85*	110
Small business loans	*14*	*16*	*70*	100
Gold loans	*2*	*2*	*16*	20

Source: CRISIL Research estimates

Besides players with strong focus on specific asset classes, there also exist a number of NBFCs that are diversified in nature with focus on both corporate and retail loans, or even when focused only on retail loans, having a presence that straddles multiple asset classes. The list of some leading diversified NBFCs are detailed in the table below.

AUM of leading Diversified NBFCs (Rs. Billion)	March 31, 2020	March 31, 2021
Bajaj Finance Limited	1472	1529
L&T Finance Limited	983	940
Tata Capital Limited	776	772
Aditya Birla Finance	471	487
IIFL Finance	380	447
Shriram City Union Finance	291	296
Fullerton India Credit Company	291	NA
Northern Arc Capital Limited	43	53
Capri Global	40	48
Clix Capital	46	43*

NA: Not available
Note: Players who don't have more than 50% portfolio in one asset class are classified as diversified NBFCs; (*) As of September 2020
Source: Company reports, CRISIL Research

Government and RBI measures to provide relief to the NBFC sector post Covid-19 pandemic

The Indian economy was disrupted on a scale not seen in recent memory due to the onset of the Covid-19 pandemic. Recognising the need for swift policy action during an extraordinary and uncertain time, the Union Government and the Reserve Bank of India (RBI) also undertook a number of measures to improve liquidity in the system, support credit offtake and mitigate the impact of Covid-19 on asset quality. The key steps undertaken in this regard to provide relief to NBFCs include:

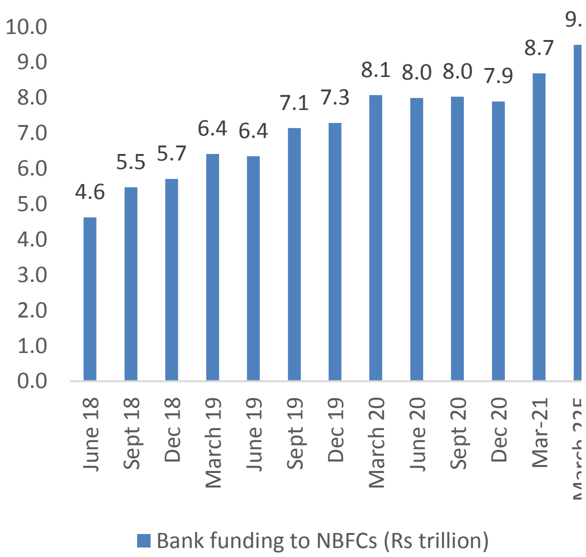
- Enhancing funding availability to non-banks through targeted long term repo operations (TLTRO), partial credit guarantee scheme, and providing additional funding to all-India financial institutions such as SIDBI, NHB and NABARD for refinancing non-banks.
- Allowing borrowers to avail a six-month moratorium upto August 31, 2020 on loan repayments, and the account classification to not be changed so that it does not impact their credit score. While end-borrowers whose incomes were impacted and cash flows had become more uncertain due to the pandemic were allowed to opt for moratorium, in the case of non-banks, the RBI left it to individual lenders to decide whether to extend the moratorium to non-banks they have lent to.
- Making available emergency credit cumulatively totalling upto Rs. 3 lakh crore (i.e. Rs. 3 trillion) backed by a credit guarantee to MSMEs under the Emergency Credit Line Guarantee Scheme (ECLGS).
- Allowing one-time restructuring of loans to help entities and individuals to manage the financial stress caused by the Covid-19 pandemic, subject to their account being standard and below 30 days past due with all lending institutions as of March 1, 2020.

Our analysis indicates that the benefits of most of these measures have accrued to relatively larger NBFCs backed by strong parentage and/or having a good credit rating. For example, only 2.1% of the Rs. 576 billion funding disbursed through the TLTRO as of September 2020 flowed through to NBFCs with a long-term credit rating of below A from any rating agency. Even if entities with a credit rating of "A" are considered, the corresponding percentage increases to just 12%.

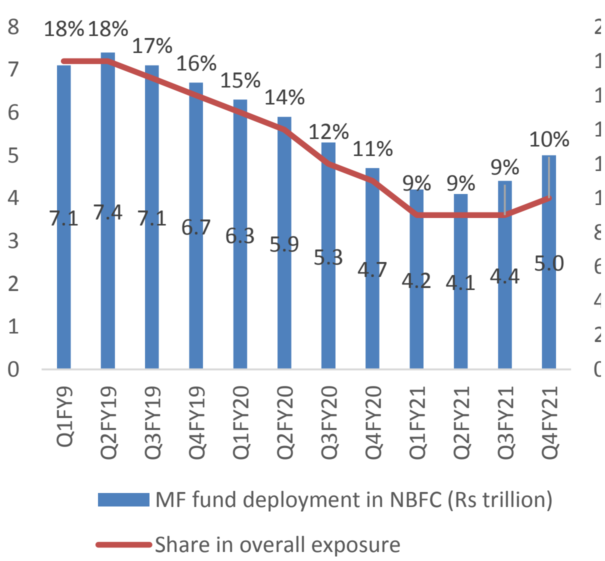
More NBFCs benefited from other schemes like partial credit guarantee and special liquidity scheme, but in these cases as well, the number of NBFCs that directly received funding was low in relation to the NBFC universe and the quantum of benefit was limited in relation to their balance sheet size. During this period, many small and mid-sized NBFCs have been supported by funding from other NBFCs, small finance banks and overseas investors. Admittedly, RBI's measures helped calm market nerves and made sure the larger players got access to liquidity, and thereby improved the market sentiment in respect of funding during the crisis period. If it had not been for these measures, the market may have been staring at a deeper abyss.

Adequate liquidity to meet immediate requirement; access to funds important as demand recovers

Bank funding to NBFCs continues to pose healthy growth

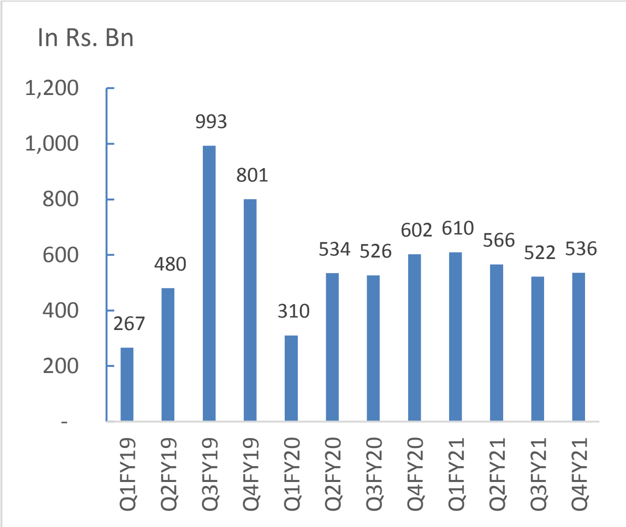


MF's turned risk averse towards NBFCs post liquidity crisis



Source: RBI, CRISIL Research

NCD Issuances revive since Q420



Note: E = Estimated
Source: RBI, company reports, CRISIL Research Estimates

NBFC's borrowing mix has been changing over the past couple of years. Capital market investors have become cautious given the challenging environment and concerns over the asset quality. Investors' risk perception has increased significantly towards players with negative asset liability management mismatch. On the other hand, players with diversified sources of borrowings, and conservative approach to ALM have been able to overcome the severe liquidity crunch and volatile interest rates following IL&FS crisis. Therefore, access to the capital markets has been restricted to limited players, with others moving towards bank borrowings and other players such as other non-banks, small finance banks and overseas debt investors to meet their requirement.

Post fiscal 2018, small and medium NBFCs have increasingly received funding support from larger NBFCs to meet their funding requirements. NBFCs such as Northern Arc Capital, Vivriti Capital, MAS Financial Services, Hero Fincorp and Hinduja Leyland Finance act as debt platforms for these small and medium NBFCs and provide funding support. According to RBI data, lending by NBFCs to other NBFCs, largely indicating lending by large NBFCs to small and medium non-banks, more than doubled to Rs 404 billion between fiscals 2017 (before the IL&FS crisis) and 2020. It is estimated to have risen further last fiscal.

NCDs accounted for 47% of the resources mix of NBFCs as of September 2018, but by March 2021, the proportion of NCDs is estimated to have come down to around 42%. Similarly, the share of CPs in the resources mix of NBFCs has also decreased from 9% as of September 2018 to 3% as of March 2020.

Total bank borrowings increased from Rs. 6 trillion as of March 2018 to Rs. 8 trillion as of March 2020. By February 2021, bank credit to NBFCs increased to Rs. 8.2 trillion.

Modest demand for credit and relatively higher cash build-up by NBFCs over the last few quarters have resulted into lower need for incremental funding in fiscal 2021. NBFCs' ability to raise funds from a diverse set of investors and instruments, on a steady state basis, will be tested only once credit demand picks up with economic recovery and it would remain a key monitorable.

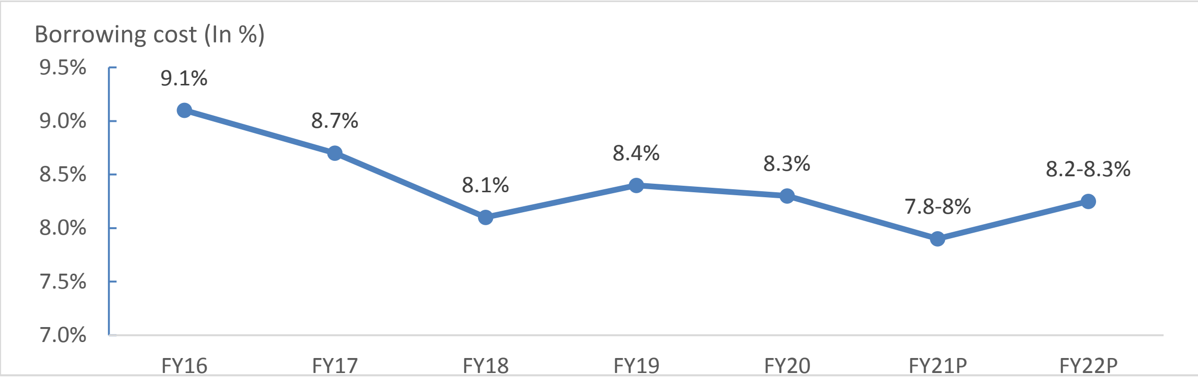
NBFC borrowing cost came down in fiscal 2021; to increase in the current fiscal

Beginning February 2020, the repo rate has been pared 115 bps to shore up the pandemic hit economy. A reduction in repo rates has led to transmission of the same in the form of reduced interest rates on borrowings, albeit with a lag not to the same extent as the reduction in repo rates. The excess liquidity in the system has put pressure on the interest rates, pushing them lower. The reduction in the repo rate has enabled NBFCs to borrow at a reduced cost, leading to reduction in overall interest rate by 40-50 bps during fiscal 2021.

While the RBI stance continues to remain accommodative, the yield curve is seeing some steepening, particularly in longer tenures. G-sec rates are expected to show an uptick in fiscal 2022 on account of continued borrowings by the centre and states to meet their fiscal targets and tax and non-tax revenues not increasing at a commensurate pace. Hence, CRISIL expects the borrowing cost in fiscal 2022 for NBFCs to inch up by 30-40 bps.

However, the borrowing cost will differ for different set of players. Larger players with strong parentage will be able to raise debt at lower spreads while players with smaller balance sheet size and/or catering to susceptible borrower profiles will still find it difficult to get cheaper funds.

NBFC borrowing cost to increase in fiscal 2022



Source: Company reports, CRISIL Research

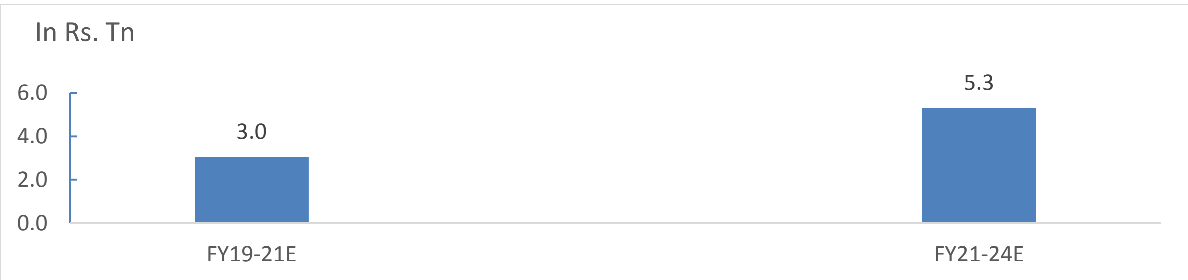
NBFCs will need incremental funding of over Rs. 5.3 trillion for future growth

During Fiscal 2019 to Fiscal 2021, NBFCs have increased their loan portfolio in key segments like low and middle income housing loans, MFI, commercial vehicle loans, two wheeler loans, small business loans and personal loans by Rs. 3.7 trillion and have raised Rs. 3.1 trillion to achieve the strong growth.

Between fiscal 2021 to Fiscal 2024, CRISIL Research projects the AUM across these identified asset classes to increase at a CAGR of 14% to touch close to Rs. 19 trillion by March 2024. This will translate into a considerable increase in funding requirements over the next 3 years.

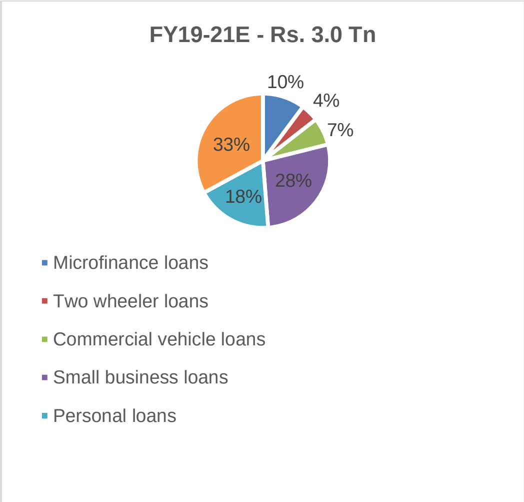
Based on the projected growth in loans, their profitability and leverage levels, CRISIL estimates that NBFCs will require funds to the tune of around Rs. 5.3 trillion during fiscal 2022 to fiscal 2024, which will get financed through a mix of equity, debt, and securitization. The NBFC sector has generally exhibited stable asset quality, notwithstanding a few hiccups in the last three years, and therefore, CRISIL expects investor interest to continue to stay strong for NBFCs who are able to demonstrate strong performance and have in place the requisite systems, processes and governance mechanisms as also management bandwidth and quality.

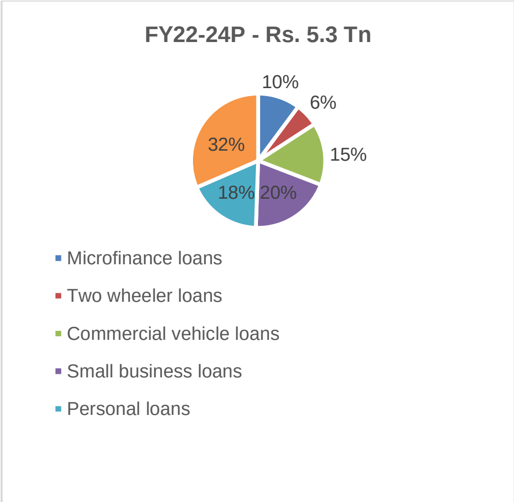
Funding requirement of NBFCs across select segments*



Note: (*) Select segments includes - low and middle income housing loans (ticket size lesser than Rs. 7.5 million in metro regions and Rs. 5.0 million in non-metro regions), MFI, commercial vehicle loans, two wheeler loans, small business loans (less than Rs. 10 million ticket size) and personal loans
Source: CRISIL Research estimates

Funding requirement of NBFCs across select segments* (Rs Trillion) – FY(19-21E)	**Funding requirement of NBFCs across select segments* (Rs Trillion) – FY(22-24P)**





Note: (*) Select segments includes - low and middle income housing loans (ticket size lesser than Rs. 7.5 million in metro regions and Rs. 5.0 million in non-metro regions), MFI, commercial vehicle loans, two wheeler loans, small business loans (less than Rs. 10 million ticket size) and personal loans
Source: CRISIL Research estimates

Asset quality expected to deteriorate in fiscal 2022

Asset quality for NBFCs is influenced by the economic cycle, target customer segment, geographies present, local events and developments and their own sourcing and underwriting practices. Within the NBFC universe itself, it is observed that various asset classes tend to exhibit heterogeneous behaviour. For example, the asset quality in small business loans and personal loans tends to be highly correlated with the macroeconomic environment. On the other hand, microfinance loans have shown lower historic correlation with macroeconomic cycles. This is because asset quality is more influenced by local factors, events that have wide ranging repercussions such as demonetisation and Covid-19 and relative leverage levels amongst borrowers.

Asset quality of the NBFC sector deteriorated as slippages rose in 2019-20. The NNPA ratio remained stable and the provision coverage ratio (PCR) improved in the period under consideration. In 2020-21 (up to September), impairment in asset quality intensified. In fiscal 2020, doubtful assets also registered a marginal uptick. In fiscal 2021, proportion of doubtful and loss assets is expected to further increase, largely driven by infrastructure and wholesale finance.

The pandemic has largely impacted segments such as wholesale, MSME, unsecured loans, microfinance and used commercial vehicle the most because of the weak borrower profile and nature of the loan. On the other hand, segments such as housing and gold loan are relatively less impacted, even though the delinquencies across retail segments are likely to edge higher.

While collection efficiency for NBFCs across segments has been improving as indicated by the table below, collection ratios are still hovering lower than the pre-Covid levels. CRISIL believes this indicates existence of stress amongst certain borrower segments and therefore, it expects delinquencies to edge up across segments.

Overall, CRISIL estimates the stressed assets of NBFCs at Rs. 1.5-1.8 trillion (accounting for 7% of assets) as of March 2021, excluding two large government-owned NBFCs – Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) but including wholesale assets of other NBFCs. Stressed assets include accounts that would have been declared as GNPA if not for the standstill asset classification ordered by the Supreme Court (the SC changed this stance only recently in its final judgment in March 2021) and assets that are undergoing restructuring.

Trend in collection efficiency of NBFCs across various asset classes

Monthly Collection Efficiency (%)	Apr-20	Aug-20	Nov-20	Jan-2021
Home Loans	70-75%	85-90%	90-95%	92-97%
Gold loans	25-30%	90-95%	90-95%	92-97%
Auto loans	25-40%	60-70%	90-95%	90-95%
MSME loans	25-30%	65-70%	80-85%	85-90%
Unsecured loans	25-30%	65-75%	80-85%	85-90%
MFIs	<10%	70-80%	90-93%	89-92%

Collection efficiency is calculated as follows - total collections excluding foreclosures during a month divided by scheduled billings unadjusted for moratorium during the month
Source: Company reports, CRISIL estimates

Asset quality across select asset classes

Parameter	Sub-Parameter	FY20	FY21 E	FY22 P
Overall NBFCs	*NBFCs GNPA*	*6.60%*	*6.6-6.9%*	*7.4-7.7%*
GNPA ratio in the segment	*Consumer loans#*	*6.1-6.5%*	*7.7-8.1%*	*7.3-7.7%*
	Small business loans	*4.30%*	*4.80%*	*5.00%*
	Low and middle income segment housing loans	*2.10%*	*2.50%*	*2.2-2.4%*
	Two wheelers loans	*9.0-9.5%*	*8-9%*	*9-10%*
	New CV	*4.5-5.2%*	*5.2-5.6%*	*5.0-5.3%*
	Used CV	*8.3-8.8%*	*9.0-9.5%*	*8.8-9.3%*
	*Microfinance**	*1.60%*	*4.8%^^*	*6-8%*
	Mid corporate loans	*7.0-7.5%*	*7.5%-8.0%*	*8.0-8.5%*
	Gold loans	*1.80%*	*2.20%*	*1.90%*

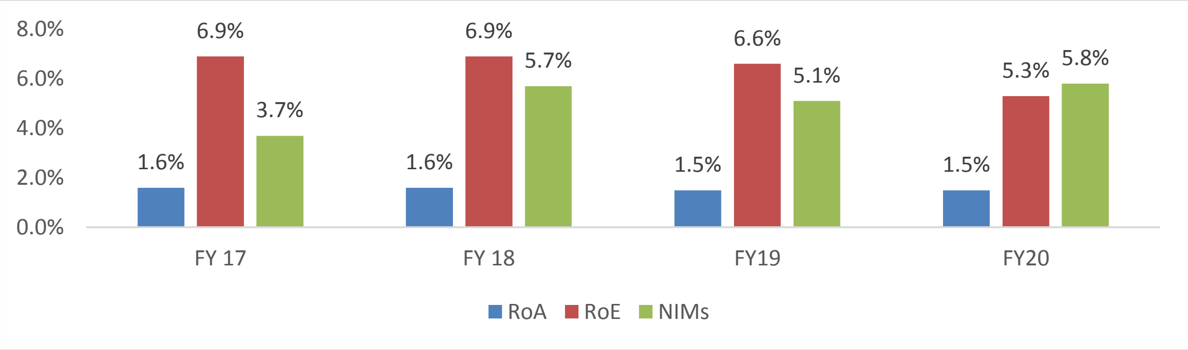
Note: (#) Consumer loans include Personal loans and Consumer durable loans, (*) - PAR >90 for NBFC-MFI, (^^) – As of Q3FY21. (**) – GNPA numbers includes write-offs
Source: Company reports, CRISIL Research estimates

Increasing credit cost, partially offset by lower borrowing cost, to impact overall profitability

The profitability indicators of NBFCs– return on assets (RoA), return on equity (RoE) and net interest margin (NIM) decreased in fiscal 2019. In fiscal 2020, RoE further decreased to 5.3% from 6.6% year before reflecting the stress in the sector.

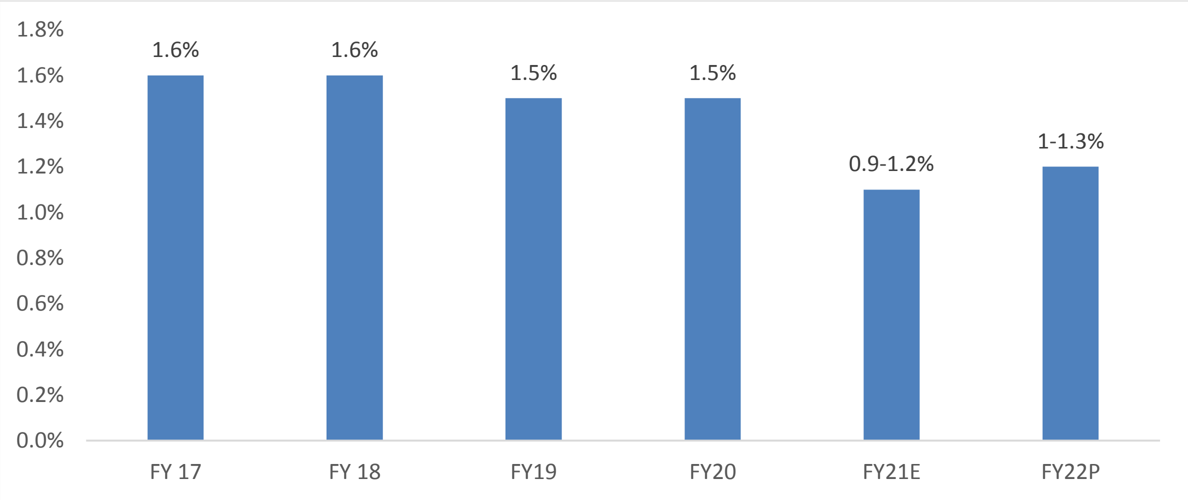
Fiscal 2021 is expected to witness lower interest income on account of lower yields. Lower yields, in turn, along with the higher credit cost on account of pandemic-related provisioning (including 10% regulatory provision on restructured book) will lead to a fall in profitability. Additionally, intense competition from banks will further chip away at the margins, driving down yields. However, lower borrowing cost and reducing operating expenses is likely to help NBFCs control the fall in profitability. In fiscal 2022, CRISIL expects to witness a slight increase in NBFC profitability.

Profitability ratios of NBFCs



Source: RBI, CRISIL Research

RoA to dip in fiscal 2021 for NBFCs



Note: E = Estimated; P = Projected
Source: CRISIL Research

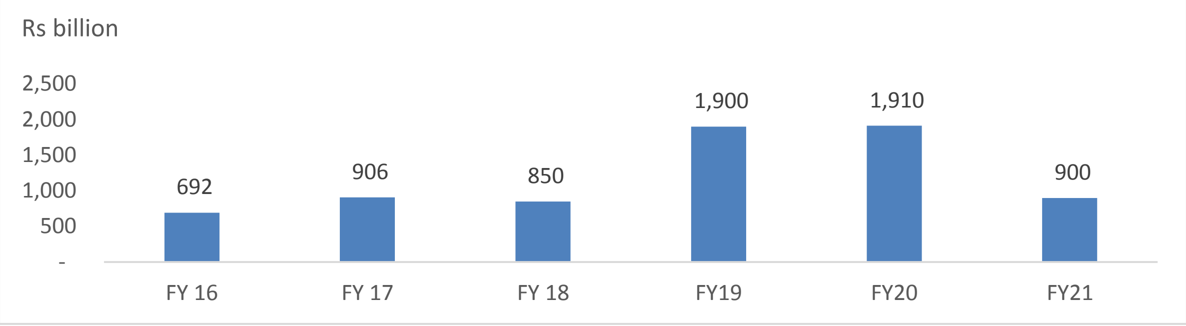
Securitisation and Direct Assignment

The Securitisation market is mainly driven by demand from banks, especially public sector banks, to invest in PSL-compliant assets (both mortgage and other assets) to meet the government's PSL mandate, as also demand from other investors such as mutual funds and insurance companies.

In a Mortgage based securities (MBS) transaction, the underlying assets are Home Loan and LAP against Residential and Commercial Property. The underlying asset in Asset backed securities (ABS) transactions are commercial vehicle loans (CV), car loans, tractor loans, construction equipment (CE) loans, IT & health-care equipment loans, gold loans (GL), cash / personal loans, real estate developer (RE) loans, consumer durable loans (CD), education loans (EL), loans extended to small & medium enterprises (SME), two-wheeler loans (TW), microfinance (MFI) loans etc.

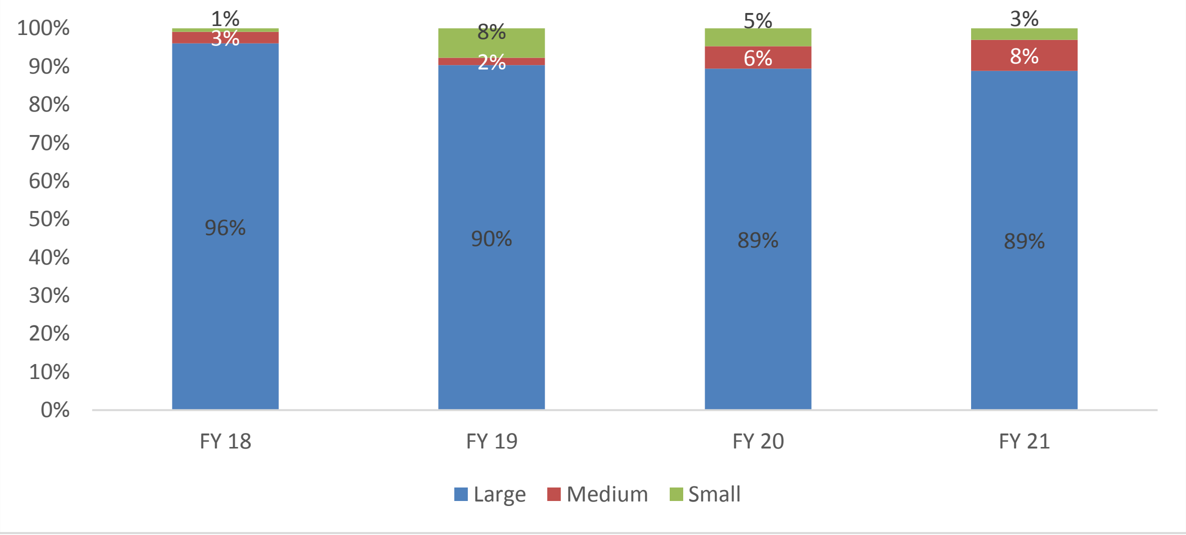
Securitisation has played an important role in managing the resources mix for NBFCs in the aftermath of the IL&FS crisis. Value of assets securitised by NBFCs and HFCs (direct assignment as well as pass through certificates) cumulatively more than doubled to touch Rs. 1.9 trillion in fiscal 2019. The volumes subsequently surged nearly 50% in the first half of the fiscal 2020 itself as the banks found comfort in securitisation rather than going for on-book lending. They were however pulled back in the second half as the economy slowed and COVID -19 pandemic impacted risk perception. Additionally, the funding requirements of NBFCs and HFCs shrunk due to fall in disbursements, which led to declining securitisation transactions.

Overall securitisation volume remained flat in fiscal 2020; has declined in fiscal 2021



Source: CRISIL Ratings, CRISIL Research

Share of medium players has increased but large players continue to dominate securitisation volumes



Note - Classification of players into large, medium and small is done basis below criteria : -
***For MFIs** - Large players have GLP>Rs. 20,000 million, Medium players have GLP between Rs. 5,000 and Rs. 20,000 million, Small players have GLP upto Rs. 5,000 million.* ***For other players** - Large players have AUM>50 billion, Medium players have AUM> Rs. 10 billion, Small players have AUM upto 10 billion.*
Source: CRISIL Ratings, CRISIL Research

As the economy started opening up and commercial activity resumed subsequent to the lockdown restrictions being lifted, an uptick in volumes was observed. As a result, deals comprising nearly three-fourths of annual securitisation volumes of around Rs. 0.9 trillion in fiscal 2021 were executed in the second half of the fiscal. Further, as business activity picked up and borrowers resumed repayments, investors drew comfort from rising collection efficiency in securitised pools. Additionally, as NBFCs resumed disbursements, they raised funds through securitisation to meet incremental funding needs.

Overall in fiscal 2021, over 100 entities securitised assets during the fiscal, with more than 15 entering the market for the first time. In terms of size, share of small and medium issuers have increased from 20% and 24% respectively in fiscal 2018 to 37% and 29% in fiscal 2021. Private and public sector banks invested in more than two-thirds of securitisation issuances, while foreign banks invested in approximately 10%. Mutual funds, insurance companies, NBFCs, and high-networth individuals (HNIs) accounted for bulk of the rest.

ABS transactions have increased on account of emergence of new asset class

Asset-backed securitisation (ABS) deals accounted for nearly two-thirds of securitised volumes in fiscal 2021. Mortgage-backed securitisation (MBS) issuances, with underlying home loans and loans against property, comprised the remaining, with investors drawing comfort from stable collection efficiency in MBS pools in the post moratorium period.

Securitisation asset pool getting wider with emergence of newer asset classes

While traditional asset classes like mortgage loans, commercial vehicle loans, construction equipment loans and micro finance loans continue to dominate the structured finance space, the market has also seen noticeable innovation over the past few years with new structures being introduced that has helped expand the market. Some of the innovations include Multi Originator Securitisations, pooled loan issuance and partial credit enhanced bond. These products provide benefits to both investors and originators by meeting the market requirements in terms of yield, tenure or risk.

Some of the innovations that have taken place in the market over the last few years are detailed in the table below:

Period	Transaction name	Remark
March 2009	IFMR Trust Pioneer I	First microfinance securitisation in India
January 2010	IFMR Capital MOSEC I	India's first pooled multi-originator securitization transactions (MOSEC)
April 2014	Pooled NCD programme of eleven Issuers 1 by corporate guarantors2	India's first pooled bond issuance product was launched
June 2017	IFMR Capital PLI June 2017	India's first pooled loan issuance product was launched
September 2017	Solstice Trust Series I 2017	India's first Collateralised Loan Obligation (CLO) transaction
December 2017	IFMR Capital CEB	First single issuer partial credit enhanced bond
December 2018	Northern Arc 2018 CV PERSEC Aurora	India's first vehicle loan backed securitisation transaction with replenishing structure (persistent securitisation)
January 2019	Kogta Financial India Limited*	First issuance of dual-recourse debentures
April 2020	Northern Arc SDI Falcon 2019 (CredAble)	India's first securitisation transaction involving trade receivables

Note: (*) Issuer name
Source: CRISIL Research

CRISIL Research expects, securitisation will continue to remain an important tool for NBFCs to mobilise liquidity. While volumes are expected to pick up significantly in fiscal 2022 with a rebound in both economic and credit growth, the overall pace of recovery in the transactions will be a function of extent in improvement in economic activities and collection efficiency trends in the retail over the next few months.

Securitisation volumes in the near term would also be impacted by rising Covid-19 cases and the resultant restrictions being imposed in a number of states. Many NBFCs may be compelled to refocus their energies on collections, and fresh disbursements could take a back seat.

PSL contributes to major share in overall securitisation volumes

PSL contributed to a major share in overall securitisation volumes as PSL funding from banks are generally available at concessional interest rates to NBFCs for on-lending. The share of PSL assets has improved to 61% in Fiscal 2021 as compared to 58% in Fiscal 2020. This improvement is mainly due to:

- High requirement of PSL assets in banks book due to their tepid loan book growth amid pandemic
- Lower participation from other non-PSL investors amid pandemic

Opportunities in co-lending

Co-lending model (CLM) refers to an arrangement between two parties wherein one of the parties agrees to take over a larger proportion of the loan (usually 80% in CLM and 100% in case of loans originated by business correspondents (BCs)) originated by another party on its books, with the originator taking on the remaining

[1] Name of 11 issuers - Annapurna Microfinance Private Ltd. (AMPL), Asirvad Microfinance Private Ltd. (Asirvad), Arohan Financial Services Private Ltd. (Arohan), Disha Microfin Private Ltd. (Disha), Future Financial Servicess Ltd. (FFSL), India School Finance Company Private Ltd. (ISFC), Intrepid Finance and Leasing Private Ltd. (Fino), Pahal Financial Services Private Ltd. (Pahal), Suryoday Micro Finance Private Ltd. (Suryoday), SV Credit Line Private Ltd. (SVCL) and Svasti Microfinance Private Ltd. (Svasti)

[2] Corporate Guarantors - Reliance Capital Limited (RCL) and IFMR Capital Finance Private Limited (IFMR)

(usually 20% in CLM) on its books. The collections and all the other activities pertaining to the loan are generally done by the originator. Mid and large sized NBFCs and a few banks as well have been undertaking lending through CLM for the last 3-4 years now by leveraging on the distribution, customer segment understanding and/or digital sourcing capabilities of smaller NBFCs and fintechs. The focus in the case of banks is largely to meet their PSL target, while mid and large sized NBFCs aim at earning higher risk-adjusted yields through CLM. This model allows smaller NBFCs to cater to a larger customer base with lesser capital by leveraging the larger balance sheet of their partners. Backed by a strong understanding of retail lending processes and the performance of retail loans, Northern Arc initiated partnership-based retail lending in Fiscal 2015 and they were also one of the first NBFCs to implement such a model.

Some of the key growth drivers for co-lending market are –

- Operational leverage for both partners
- Capital optimisation allows smaller NBFCs to cater to a larger customer base with lesser capital
- Risk sharing and risk adjusted returns

Future co-lending market opportunity

Currently, the co-origination model is largely being used for small ticket size products like MSME loans, consumer finance, gold loans and vehicle loans in the industry. However, with the RBI putting in place a framework for co-lending and several NBFCs facing challenges in accessing capital, players are now also focusing on longer tenure and relatively higher ticket size loans like housing finance and loan against property.

The largest public sector bank (PSB), for example, has already partnered with NBFCs and fintechs for doing co-lending in home loans segment. The bank is also in the process of digitising the entire value chain where the loan leads would flow directly from an NBFC/ Fintech platform to the bank with very little human intervention. In February 2020, online lending platform Lendingkart entered into partnership with Northern Arc Capital for MSME segment.

CRISIL Research estimates the current loans outstanding under co-lending arrangement at Rs. 150-200 billion as of March 2021, which is less than 1% of NBFCs overall credit outstanding as of fiscal 2021. Majority of the loans under co-lending model are towards relatively low ticket size loans like small business loans, consumer finance loans, MFI and gold loans. However, after the RBI guidelines in November 2020 allowing HFCs to involve in co-lending partnerships, players have increased their focus towards housing loans and loan against property segment as well. Additionally, several NBFCs are looking at growing their assets while conserving their capital. Going forward, CRISIL Research thus estimates the co-lending loans outstanding to reach Rs. 1-1.3 trillion by fiscal 2024, representing 4-5% of their overall book.

Thus, going forward the expanded ambit of CLM will increase the penetration and result into much wider outreach. It will also meet the main objective of financial inclusion thus reducing the cost for the ultimate beneficiary of the loans.

Peer analysis

The players looked at have been selected based on the following criteria:

- Loan book size of Rs. 20 billion and above;
- Player should be in profit for last two years;
- Greater focus on vehicle finance, small business loans or micro finance loans in the product basket as also relatively low proportion of wholesale/ corporate book; and
- Entities having relatively better asset quality with <5% proforma GNPA.

Player-wise AUM trend and growth

	AUM (Rs billion)			CAGR growth (FY19-FY21)
	FY19	FY20	FY21	
Vehicle Finance and Tractors				
Cholamandalam Finance	543	605	700	11%
Bajaj Finance	1,159	1,472	1,529	15%
AU SFB	242	309	377	25%

	AUM (Rs billion)			CAGR growth (FY19-FY21)
	FY19	FY20	FY21	
Equitas SFB	117	154	179	24%
MFI				
Credit Access Grameen	72	99	114	26%
Spandana	44	68	82	37%
MSME				
MAS Financial	53	60	54	1%
DCB Bank	236	253	260	5%
Summary				
Average of Vehicle Finance lenders	515	635	696	16%
Average of MFI lenders	58	84	98	30%
Average of MSME lenders	144	157	157	4%
Average of all the above lenders	308	377	412	16%
Northern Arc Capital#	40	42	52	14%

Note: Player-wise data is at overall portfolio level; (*) 9MFY21 (#) AUM is calculated as Loans + Investments + Impairment loss allowance on loans & investments
Source: Company reports, CRISIL Research

Northern Arc Capital has the second lowest NNPA (%) after Bajaj Finance amongst peers

Bajaj Finance has the lowest NNPA (%) of 0.8% as of fiscal 2021, followed by Northern Arc Capital at 0.9%. In terms of average GNPA across different asset class lender, our Company has the lowest GNPA at 2.2% in fiscal 2021.

Asset quality trend

	GNPA (%)			NNPA (%)			Credit cost/Average AUM		
	FY19	FY20	FY21	FY1 9	FY20	FY21	FY19	FY20	FY21
Vehicle Finance and Tractors									
Cholamandalam Finance	2.7%	3.8%	4.0%	1.7%	2.2%	2.2%	0.6%	1.6%	2.0%
Bajaj Finance	1.5%	1.6%	1.8%	0.6%	0.7%	0.8%	1.5%	3.0%	4.0%
AU SFB	2.0%	1.7%	4.3%	1.3%	0.8%	2.2%	0.4%	0.9%	1.7%
Equitas SFB	2.5%	2.7%	3.6%	1.4%	1.7%	1.5%	0.9%	1.8%	2.3%
MFI									
Credit Access Grameen	0.6%	1.5%	4.4%	0.2%	0.4%	NA	1.2%	2.8%	6.1%
Spandana	0.9%	0.5%	3.1%	NA	0.1%	1.4%	1.2%	4.9%	8.6%
MSME									
MAS Financial	1.4%	1.4%	1.9%	1.1%	1.1%	1.5%	1.2%	1.5%	1.3%
DCB	1.8%	2.5%	4.1%	0.7%	1.2%	2.3%	0.6%	1.1%	1.7%
Summary									
Average of Vehicle Finance lenders	2.3%	2.8%	3.1%	1.3%	1.3%	1.7%	0.9%	1.8%	2.5%
Average of MFI lenders	1.1%	1.1%	5.3%	0.2%	0.2%	1.4%	1.2%	3.8%	7.3%
Average of MSME lenders	2.1%	2.7%	3.7%	0.9%	1.2%	1.9%	0.9%	1.3%	1.5%
Average of all the above lenders	1.8%	2.2%	4.0%	1.0%	1.0%	1.7%	1.0%	2.2%	3.5%
Northern Arc Capital#	0.8%	0.5%	2.2%	0.4%	0.9%	2.9%	0.5%	0.1%	0.9%

Note: Player-wise data is at overall portfolio level; (*) As of Q3FY21; (**) Annualised ; (#) Based on Loans & Investments
Source: Company reports, CRISIL Research

MAS Financial has the highest Return on Assets (RoA) amongst peers followed by Bajaj Finance

MAS Financial has the highest RoA (%) of 3.0% as of fiscal 2021, followed by Bajaj Finance at 2.7%. Our Company has a RoA of 1.5% during the same period.

Profitability trend

Company Name	Return on Assets (RoA)		
	FY19	**FY20**	**FY21**
Cholamandalam Finance	2.3%	1.7%	2.2%
Bajaj Finance	3.8%	3.8%	2.7%
AU SFB	1.5%	1.8%	2.5%
Equitas SFB	1.5%	1.4%	1.7%
Credit Access Grameen	5.2%	3.4%	1.0%
Spandana	7.2%	6.5%	2.0%
MAS Financial	4.6%	3.8%	3.0%
DCB	1.0%	0.9%	0.9%
Northern Arc Capital	2.8%	2.3%	1.5%

Note: RoA is calculated as profit after tax (before any other comprehensive income or extraordinary income) as a % of average total assets
Source: Company reports, CRISIL Research

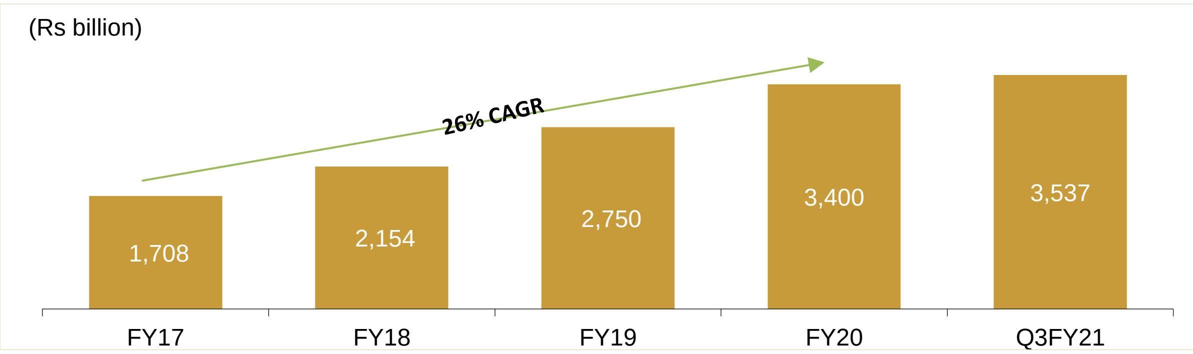
MICROFINANCE INDUSTRY

Industry GLP has surged at 26% CAGR since fiscal 2017; growth in fiscal 2021 impacted by Covid-19

The microfinance industry has recorded healthy growth in the past few years. The industry's gross loan portfolio (GLP) increased at a CAGR of 26% since fiscal 2017 to reach approximately Rs. 3.4 trillion as of fiscal 2020 owing to increase in number of MFIs as well as customers and ticket size during this period. Amongst various player groups, the growth rate has been relatively faster for the NBFCs and NBFC-MFIs, with the outstanding loans for these player groups increasing at a CAGR of 56% and 34% respectively over the same period. However, the growth of NBFCs is on a low base of Rs. 60 billion portfolio as of March 2017.

In fiscal 2021, the industry has been adversely impacted due to the onset of the Covid-19 pandemic.

GLP clocked 26% CAGR between fiscals 2017 and 2020



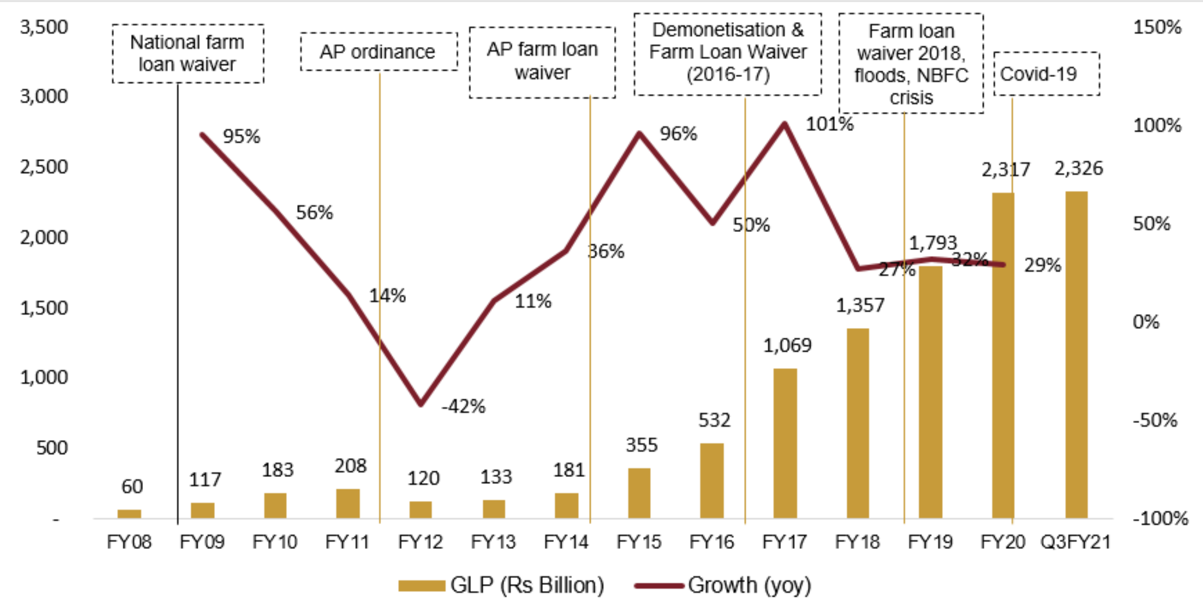
Note: Data includes data for Banks lending through SHG and joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. The amounts are as at the end of fiscal year
Source: MFIN, Company Reports, Industry, CRISIL Research

Industry resilient despite major setbacks and changing landscape

Microfinance lending, as a business model, has existed in India for many decades, but has shown exponential growth only over the last decade, after the introduction of a strong regulatory framework in 2010. The industry's growth has been despite various headwinds in the past decade or so – national farm loan waivers (2008), the Andhra Pradesh crisis (2010), Andhra Pradesh farm loan waiver (2014), demonetisation (2016), and farm loan waiver across some more states (2017 and 2018). Of these events, the Andhra Pradesh crisis of 2010 had a lasting impact on the industry. Some players had to undertake corporate debt restructuring and found it difficult to sustain business. Since then, however, no other event has affected a complete state to such a degree. While the resurgence of Covid-19 has again led to a fresh bout of uncertainty in respect of collections, CRISIL does not expect the impact to be as pronounced as in the early part of the previous fiscal. Furthermore, lockdowns would be gradually eased once the infections are bought under control. CRISIL Research expects the industry to gradually rebound and grow at healthy pace over the next few years as well, given the low penetration of credit amongst the target population.

The industry has also evolved with data being submitted to the credit bureaus and emerging insights from aggregated credit bureau data being used for business purpose. Usage of data driven underwriting in microfinance has also become widely prevalent after the early part of decade starting 2010.

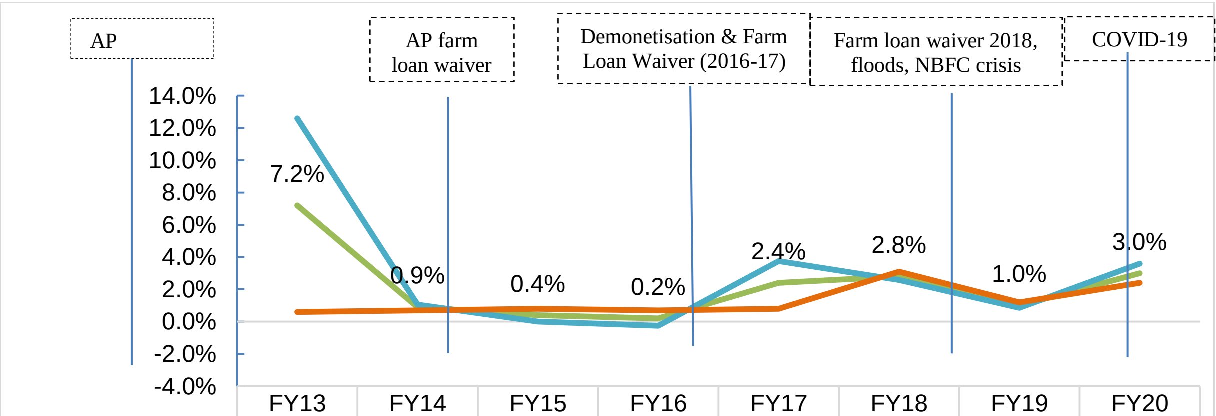
MFI industry has shown resilience over the past decade



Note: Data includes values for NBFCs, NBFC-MFIs, non-profit MFIs, SFBs, and Bank lending (JLG), Data for FY16, FY17, FY18, FY19, FY20 and Q3FY21 includes 56, 71, 160, 149, 170 and 182 entities respectively
Source: MFIN, CRISIL Research

MFIs have played an important role in promoting inclusive growth by providing credit to borrowers at the bottom of the economic pyramid. Moreover, several MFIs have also shown proven ability to raise capital, which has helped the industry grow at a healthy pace despite credit costs getting elevated during periods of crisis.

Credit costs for microfinance industry across various events



	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Overall	7.2%	0.9%	0.4%	0.2%	2.4%	2.8%	1.0%	3.0%
MFIs	12.6%	1.1%	0.0%	-0.3%	3.8%	2.6%	0.9%	3.6%
SFBs	0.6%	0.7%	0.8%	0.7%	0.8%	3.1%	1.2%	2.4%

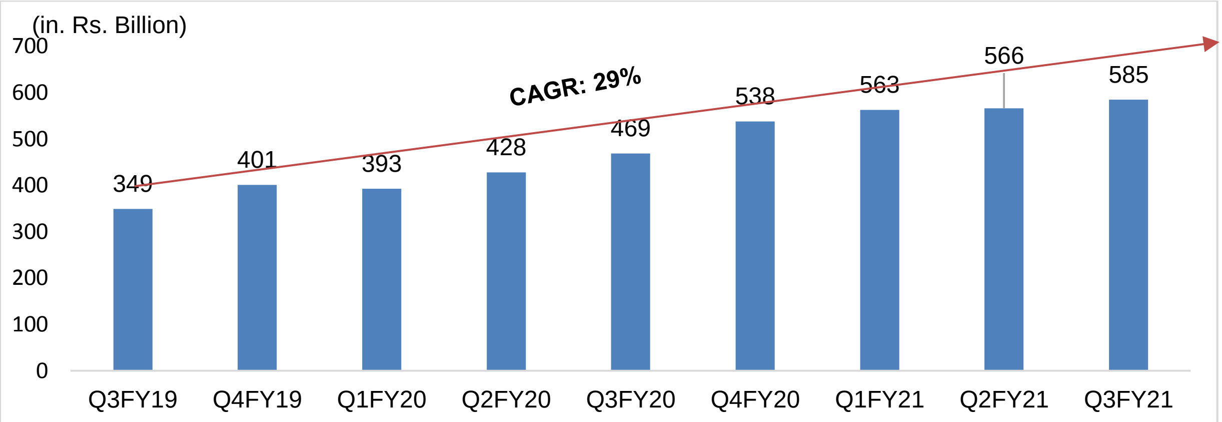
Note: Data includes data for 12 MFIs (includes NBFC MFIs) & 7 SFBs which constitute 60% of Industry. Jana SFB has been excluded from analysis

Source: Company Reports, CRISIL Research

NBFC liquidity crisis

The liquidity crisis plaguing NBFCs in India since mid of fiscal 2018 had a minor ripple effect on micro-lenders. The lenders who relied on NBFCs for funding slowed down disbursement and started looking at different avenues to raise money. However, the impact of the crisis was not that profound as large NBFC-MFIs had a diversified funding mix and were able to leverage this to their advantage. NBFC-MFIs' outstanding borrowings increased at 29% CAGR from December 2018 to December 2020. This was in large part, because of an inherently positive ALM of MFIs, where asset amortizes within 18-24 months, whereas liabilities are available for 18-36 months or longer. The borrowings also vary depending on the credit rating of the respective companies.

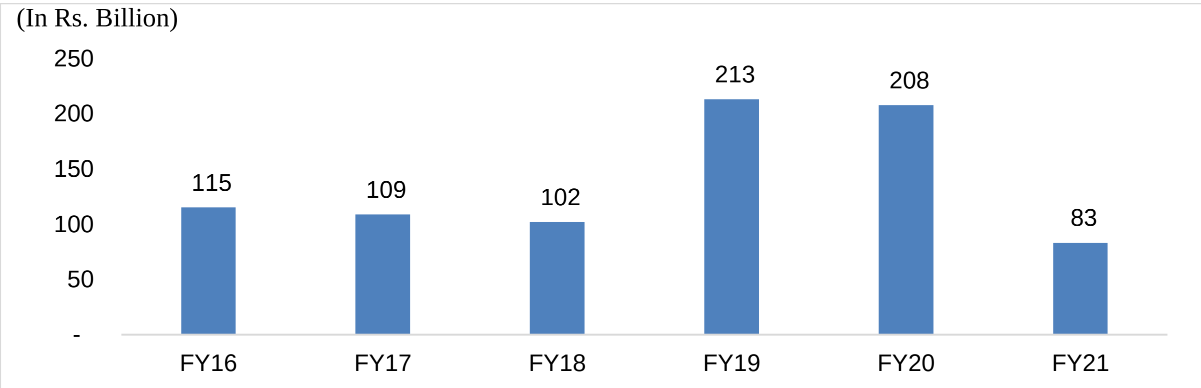
Funding trend of NBFC-MFIs (outstanding borrowing)



Note: Data includes only NBFC-MFIs
Source: MFIN, CRISIL Research

Securitization volumes increased at a robust rate during the past few years growing from Rs. 109 billion in fiscal 2017 to Rs. 208 billion in fiscal 2020. However, in fiscal 2021, securitisation volumes got impacted due to increased uncertainty post the Covid-19 pandemic and entities were only able to raise around Rs. 83 billion through this route.

Securitization in microfinance (in Rs. Billion)



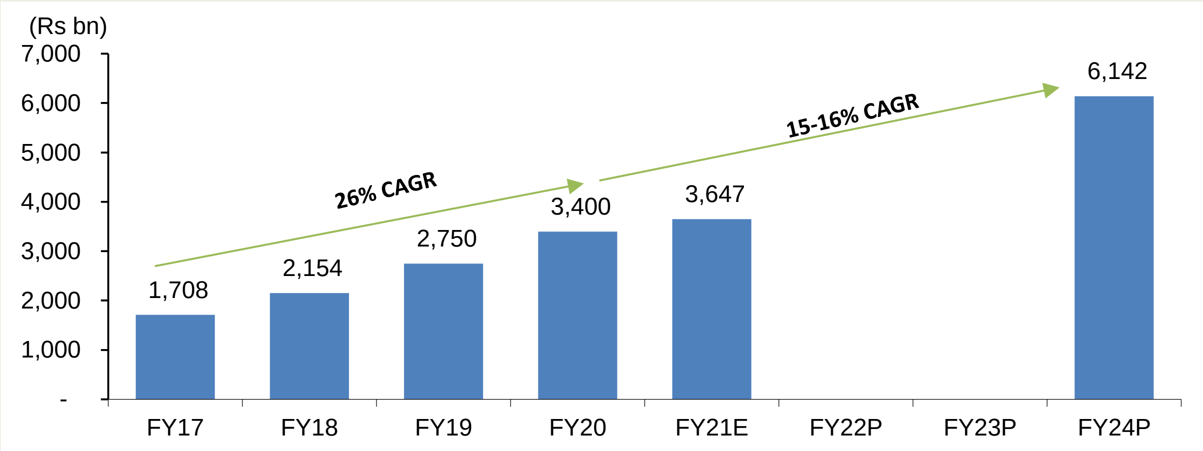
Note: E: Estimated
Source: CRISIL Ratings, CRISIL Research

Disbursement have picked up in the second half of fiscal 2021

MFI loan disbursements dropped significantly in the first quarter of fiscal 2021 on account of lockdown, negligible economic activity, and focus on building up and preserving liquidity. However, with lockdowns easing, coupled with the impact of borrowers understanding the impact of moratorium on their outflows, collections started pickup up in pockets, gradually adding to the comfort of lenders towards the sector. Disbursements started to increase towards the second half of the second quarter of the fiscal, and by the third quarter, disbursements were back at pre-Covid levels. However, industry growth due to lower disbursements, is expected to be lower for fiscal 2021 than in previous years.

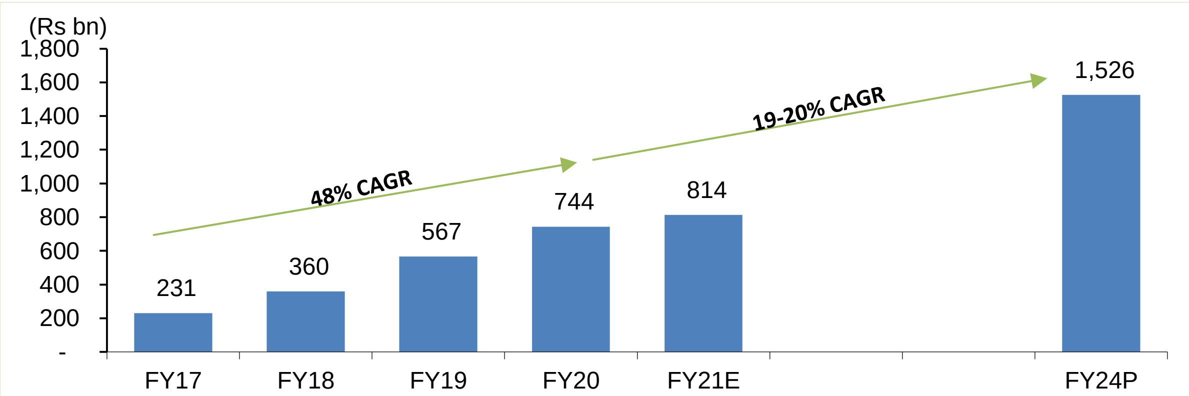
Once the economy returns on the pace towards normalcy, India's GDP is expected to bounce back which will eventually result in driving credit to the lower sections of the society. However, non-banks will be mindful of the vulnerable profile of the borrowers in the segment and will adopt improved processes in the form of stringent underwriting standards or increased digitalization leading to increased digital collections. NBFC MFIs are expected to grow approximately 25-26% in the fiscal 2022.

Overall MFI Industry to grow at 15-16% CAGR over fiscal 2020-24



Note: E: Estimated, P: Projected, Graph includes data for bank lending through joint liability group, bank lending through self-help groups, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs;
Source: MFIN, Company reports, CRISIL Research

NBFC MFI Industry to grow at a faster rate than overall MFI Industry



Note: E: Estimated, P: Projected, Data includes NBFC MFI players
Source: MFIN, Company reports, CRISIL Research

Between fiscals 2020 and 2024, CRISIL Research expects the MFI loan portfolio to clock 15-16% CAGR. While considerably lower compared with the past three fiscal years, growth would be driven by continuous expansion in the client base of MFIs, rising ticket size and increased penetration in rural areas. CRISIL Research expects NBFC-MFIs to grow at a much faster rate vis-v-a-vis MFI industry, on account of increasing presence in newer states, expanding the client base, gradual increase in the ticket size and improving liquidity. NBFC-MFIs are expected to grow at a faster pace than the industry at a CAGR of 19-20% over fiscal 2020 to fiscal 2024.

The availability of borrower credit related data from credit information companies ensures that MFIs have access to more data on borrowers, helping them make informed lending decisions.

Key Success Factors

- Ability to attract funds/raise capital and maintain healthy capital position
- Quality of operation and geographically diversified portfolio helps MFIs mitigate risks
- Ability to control asset quality and ageing of NPAs

Digitalisation to bring down costs, improve efficiency and profitability for MFIs

Digitalisation has impacted almost all aspects of the financial services industry. However, it is far more critical to the MFI industry as lower operating cost can result in higher financial inclusion and increased benefits for customers. The use of technology has helped MFIs grow at a fast pace, improve efficiency and reach out to a larger audience. In the third quarter of fiscal 2021, NBFC-MFIs made 95% of their disbursement through cashless mode.

A strong backend technology platform helps company's scale up faster as the same processes can be easily replicated across geographies. Digitization is also helping MFIs in monitoring the already disbursed loans, as the data on each borrower is available in digital form and can be accessed easily. Direct updation of information on the core platform also helps in better servicing of customers over their credit lifecycle. It also helps in targeted marketing, cross-selling of products, and product customisation. CRISIL Research expects that the lower cost of servicing customers, better productivity and lower credit costs through the use of technology will help MFIs improve their profitability.

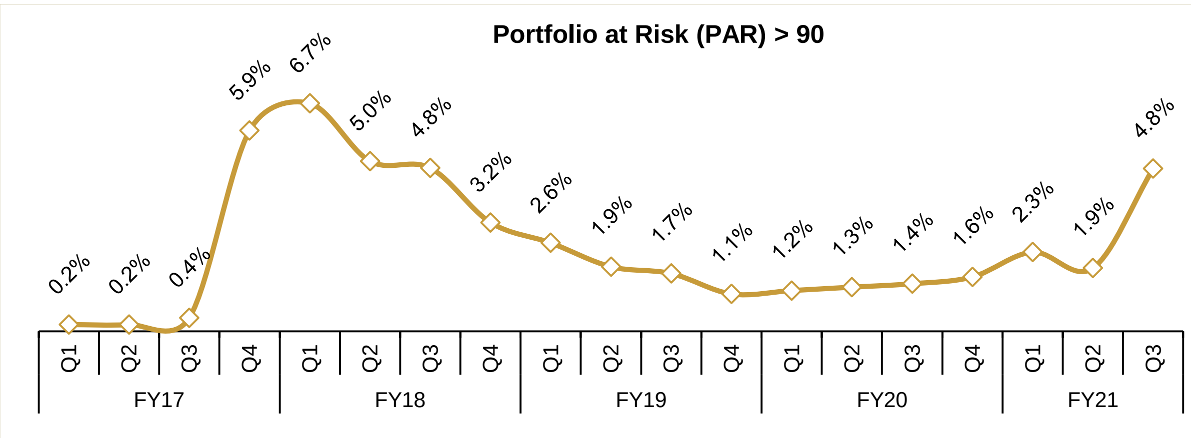
State-wise distribution of MFI loans portfolio outstanding (as of December 2020)

About 82% of the gross loan portfolio is concentrated in the top 10 states with West Bengal (15%), Tamil Nadu (14%), and Bihar (11%) recording the highest shares as of December 2020. In top states Tamil Nadu reported fastest disbursement growth of 32% in fiscal 2020, it is followed by Madhya Pradesh 16%. Assam asset quality is the weakest 12.1%, it is followed by West Bengal (9.0%) and Maharashtra (8.0%). States including West Bengal, Tamil Nadu and Maharashtra have more than 25 MFIs present in fiscal 2020.

Asset quality

Portfolio at risk (PAR), the primary indicator of risk for the sector, equals the percentage of loans overdue. In fiscal 2021, the asset quality of the industry deteriorated quite sharply, reflecting the adverse impact of Covid-19 on the industry. The PAR>90 for the industry shot up to 4.8% as of December 2020. While portfolio quality has deteriorated across the board for rural and urban areas in fiscal 2021, rural geographies bounced back faster than urban areas. However, in fiscal 2022, CRISIL Research expects overall MFI PAR>90 to hover around 6-7% as local lockdowns is expected to impact economic activity and collections.

Asset quality trend over the years



Note: NBFC-MFI data
Source: MFIN, CRISIL Research

MFI collection efficiency improved in November and December 2020, but has slightly come down since then

Collections of microfinance institutions (MFIs), which had plunged to near zero in April because of the nationwide lockdown due to the COVID-19 pandemic, rebounded to 70-75% in July and August, with restrictions being lifted gradually. In the third quarter of fiscal 2021, collection efficiency for the industry as a whole rebounded further to 88-92%, as per CRISIL Research estimates. Subsequently, in the fourth quarter, collections are estimated to have declined, mainly due to a decline in collection efficiency in states such as West Bengal and Assam.

Anticipating the challenges due to COVID-19, in addition to the standard provisioning, many MFIs & SFBs have made special COVID-19 provisions in the last quarter of fiscal 2020 and the first quarter of fiscal 2021. The aggregate special provision accounts for 2.5-3.0% of the March 2020 loan book. That's significantly lower than the credit losses seen during demonetisation, which was in the 3-13% range.

To create a buffer for potential pandemic related credit costs, MFIs are expected to focus on raising additional equity capital over the near to medium term.

Profitability set to see moderation in the medium term

In fiscal 2019, spreads generated by NBFC-MFIs substantially increased because of higher securitisation volume. The cost to income came down from 51% in fiscal 2018 to 44% in fiscal 2019. Transition to Ind-AS accounting framework, and the subsequent ECL provisioning framework, saw NBFC-MFI's RoA jumped to near four-year high of approximately 4.1%, as credit costs declined 45-50 bps. In fiscal 2020, profitability is estimated to have shrunk a marginal 50-60 bps, due to rising credit costs, largely due to floods in several states during the year and Covid Provision. Considering the potential challenges of COVID-19, few of the NBFC-MFIs, in addition to standard provisioning, made special COVID-19 provisioning in the last quarter of fiscal 2020.

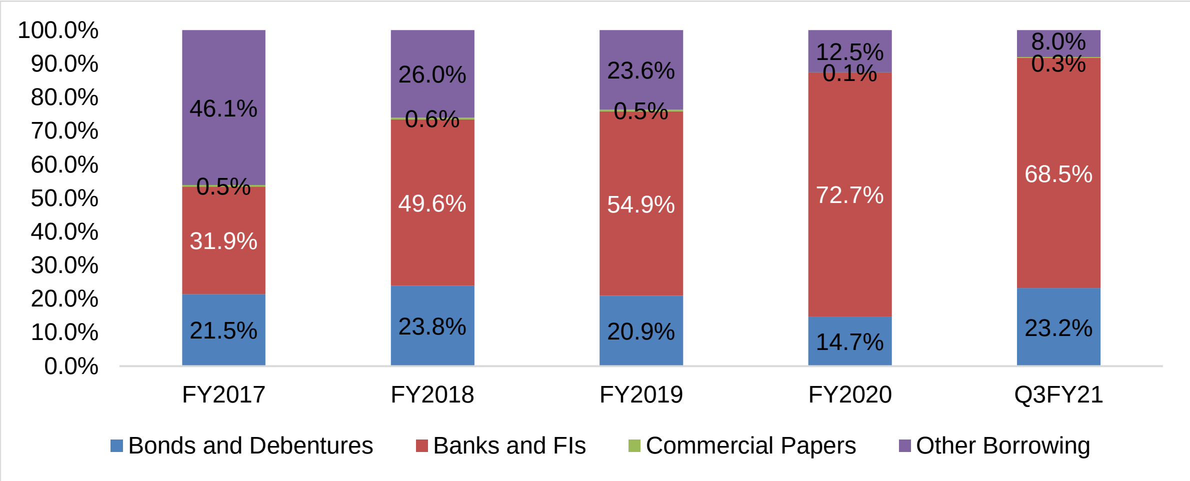
In fiscal 2021, because of COVID-19, the profitability of NBFCs is estimated to decline further. The credit losses are expected to be accounted over a period of 2-3 years (fiscal 2020 – 2022). Players are expected to closely monitor the book post moratorium, with some part of the credit costs being provided for in fiscal 2021 and some in fiscal 2022, given the adequacy of profits to absorb losses.

Borrowing Mix

In fiscal 2019, share of bank funding in resource mix shot up with capital market access being curtailed, as risk perception with respect to NBFCs as a whole increased post IL&FS default in September 2018. As a result, share of capital market funding (largely NCDs) came down, and that of banking and financial institutions (including other NBFCs) shot up.

Medium and smaller NBFC-MFIs source majority of their borrowings through banks and institutional funding, and alternate sources such as subordinated debt, securitization and external borrowings, with limited reliance on capital market borrowing.

Borrowing mix of NBFC-MFIs (Fiscal 2020)



Note: Data is based on sample set of NBFC MFIs accounting for 85% of the GLP as of FY20, Other borrowing include sub-debt and external borrowings
Source: MFIN, CRISIL Research

Securitisation in microfinance has also picked up as a mainstream source of funds from around fiscal 2011. Securitization increased at a robust rate during the past few years growing from Rs.109 billion in fiscal 2017 to Rs. 208 billion in fiscal 2020, but in fiscal 2021, securitisation volumes have also been impacted due to increased uncertainty post the Covid-19 pandemic and is estimated to be around Rs.84 billion. However, fiscal 2021 saw considerable support coming in from the banking sector as banks lent to MFIs under the TLTRO and PCG window, while also evaluating fresh funding facilities to MFIs. CRISIL Research expects securitization volumes to rebound gradually with an uptick in economic growth, gradual improvement in collections and increasing clarity emerging on portfolio quality.

Leverage levels of NBFC MFIs

The debt to equity ratio of NBFC- MFIs have declined over the past two fiscals. It has declined from 3.9 times as of fiscal 2018 to 3.3 times as of fiscal 2020, on the back of rise in outstanding equity capital. Between fiscal 2018 and fiscal 2020, the equity capital has grown at a CAGR of 30% while borrowings have increased at a CAGR of 20%, which reflects the investors' confidence on the sector.

Amongst the NBFC –MFIs, larger players are comfortably placed with a debt to equity ratio of around 2.5 times and 2.7 times as of March 2019 and March 2020, respectively, as compared to other medium and smaller players.

NBFC-MFIs may need incremental funding of over Rs. 500 billion for future growth

In between fiscal 2019 and fiscal 2021, NBFC-MFIs have increased their gross loan portfolio by Rs. 413 billion and have raised Rs. 309 billion to achieve the strong growth. Based on the projected growth in their profitability and leverage levels, CRISIL estimates that NBFC-MFIs will require capital to the tune of around Rs. 540 billion between fiscal 2022 and fiscal 2024, which will get financed through a mix of equity, debt, and securitization.

COMMERCIAL VEHICLE LOANS

Commercial vehicle loans consist of loans given to both new and used vehicle buyers for the purpose of purchasing an asset. NBFCs have a strong presence in the new CV market, and in the used CV market, they have a dominating market share. Their customer profile consists of small road transport operators/small fleet operators, and drivers-turned-owned who are first-time buyers (FTBs).

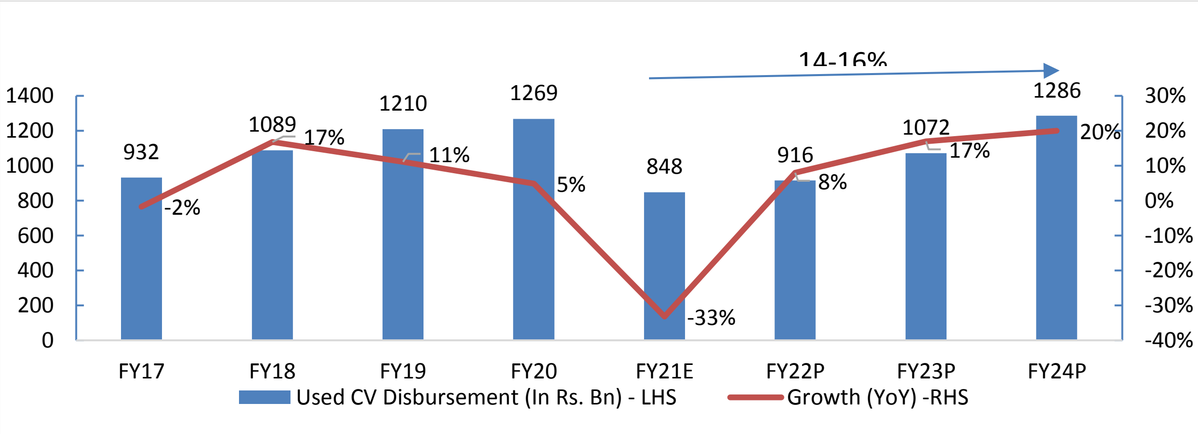
In respect of asset quality, for most NBFCs, it is observed that the used CV segment tends to perform better than the new CV segment over a cycle due to lower purchase cost and consequently lower monthly repayment burden on the borrower. Furthermore, the depreciation rate of a used CV is also lower relative to a new CV, which provides enhanced downside protection to financiers.

Used CV loan disbursements projected to increase at 14-16% CAGR during fiscal 2021-2024

After witnessing healthy growth between fiscals 2017 and 2020 (grew at a CAGR approximately 11%), used commercial vehicle (CV) disbursement growth is estimated to have come down sharply in fiscal 2021 on account of poor fleet demand from customers, especially in passenger transport (tourist and urban commutation) segment, owing to Covid-19 and slowdown in economic activities. The delinquencies in the segment have made the financiers more risk averse, which has led to sharp decline in LTV. CRISIL Research expects the used CV financing segment to grow at 14-16% CAGR over next three years. Below are some of the major factors to drive used CV financing growth in long term.

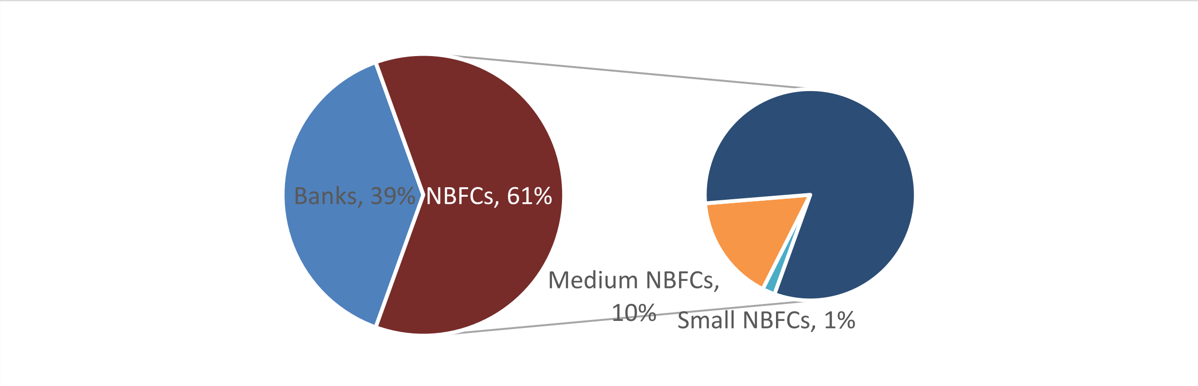
- Expected improvement in demand from Small Fleet operators (SFOs) and First Time Buyers (FTBs) with pick-up in economic activities.
- Government focus on infrastructure spending;
- Improvement in finance penetration especially in lower tonnage used CV segment
- Increasing credit bureau penetration, which will bring in greater transparency across the financing landscape, and enable financiers to expand their customer base within the first time user segment
- Despite improving penetration, India's LCV-MHCV population ratio (1.4 times as of fiscal 2020, expected to rise to 1.5 by fiscal 2023) still lags China (1.8), this, thus, provides scope for further sales growth in the segment
- Improvement in average ticket sizes in the used CV financing segment

Used CV disbursements to perk up



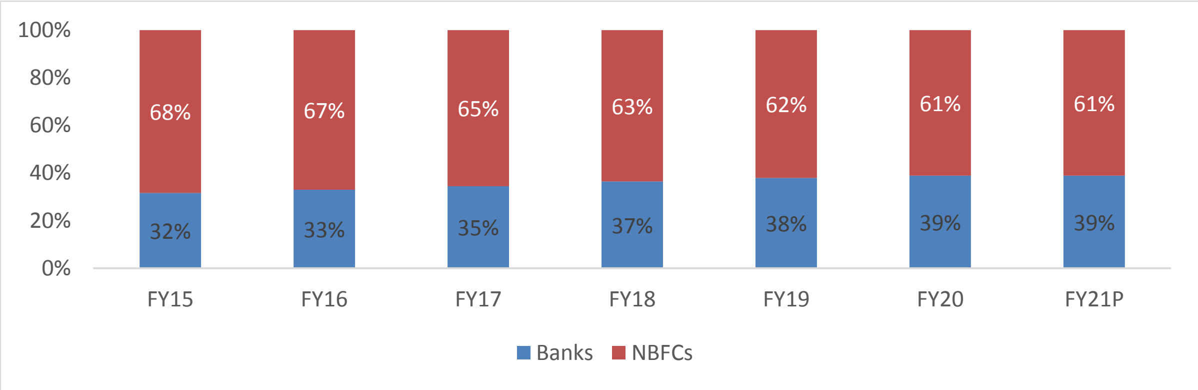
Note: E - Estimated; P – Projected.
Source: SIAM, Company reports, CRISIL Research.

NBFCs account for 61% of commercial vehicle financing (as of March 2020)



Note: Large NBFCs includes players having AUM more than Rs. 50 billion from CV Finance; Mid-sized NBFCs includes players having AUM between Rs. 10 billion to 50 billion from CV Finance; Small NBFCs includes players having AUM less than Rs. 10 billion from CV Finance
Source: Company reports, CRISIL Research

Trend in NBFC's commercial vehicle market share



Note: P- Projected
Source: Company reports, CRISIL Research

Leverage levels of NBFCs offering commercial vehicle finance

The leverage levels of NBFC have increased over the years. It has increased from 4.9 times as of fiscal 2016 to 5.4 times as of fiscal 2020. Amongst the NBFC, smaller players are comfortably placed with a debt to equity ratio of around 3.8 times and 2.7 times as of March 2019 and March 2020, respectively, as compared to other large and medium sized players.

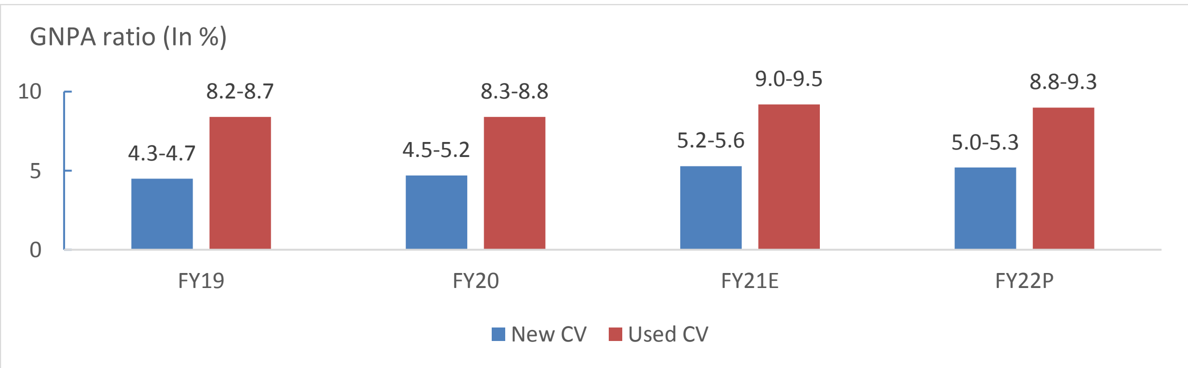
NBFCs require capital of approximately Rs. 800 billion for commercial vehicle financing over next 3 years

Based on the projected growth in the commercial vehicle finance portfolio, profitability and leverage levels, CRISIL estimates that commercial vehicle financing NBFCs will require capital to the tune of approximately Rs. 800 billion between fiscal 2022 and fiscal 2024, which will get financed through a mix of equity, debt, and securitization.

Asset quality expected to deteriorate in fiscal 2021; slight improvement forecast in fiscal 2022

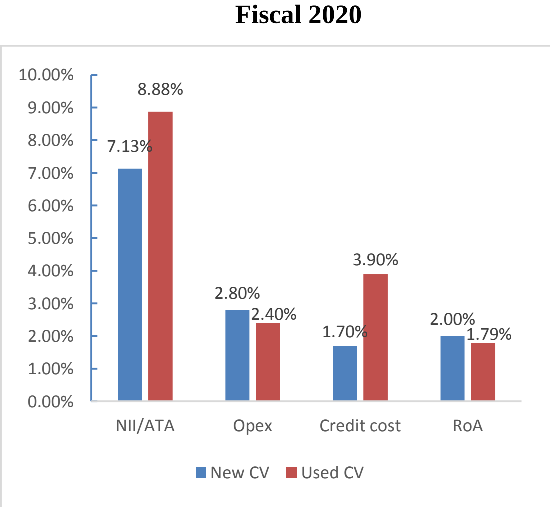
Asset quality of overall commercial vehicle financing is expected to deteriorate on account of wide-scale disruption in economic activity due to Covid-19 and delay in repayments. For most players, the used CV segment is expected to perform better than the new CV segment due to lower purchase cost and consequently lower monthly repayment burden on the borrower. Furthermore, the depreciation curve of a used CV is flatter relative to a new CV, which provides enhanced downside protection to financiers.

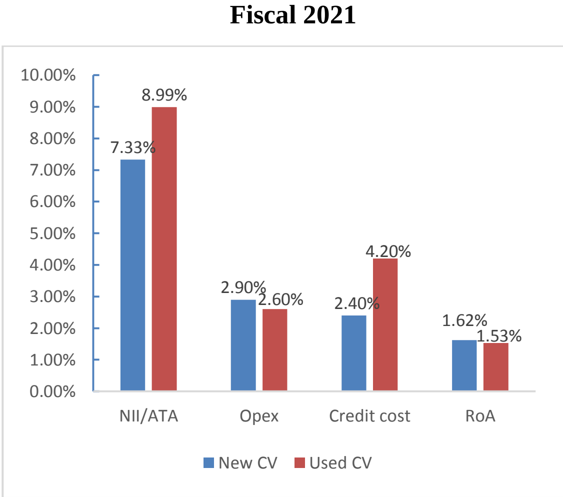
GNPA ratio for new and used CV expected to rise in near term



Source: Industry, Company reports, CRISIL Research

Key Profitability parameters

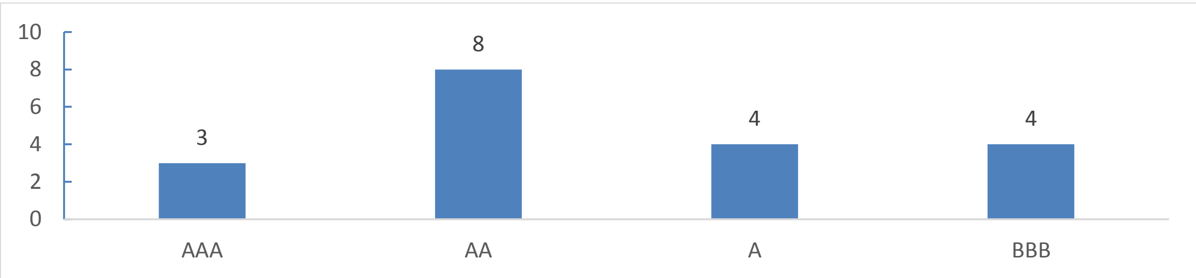




Source: Industry, Company reports, CRISIL Research

Credit rating distribution

The below chart shows the rating of major NBFCs which are engaged in commercial vehicle financing.



Note: Data is as of March, 17th 2021 ; AAA includes AAA rated entities, AA include AA, AA+ and AA- rated entities; A includes A, A+ and A- rated entities, BBB includes BBB, BBB+ and BBB- rated entities,
Source: CRISIL Research

SMALL BUSINESS LOANS

Brief overview of MSMEs in India

MSMEs complement large corporates as suppliers or directly cater to end users. The MSME sector contributes to the country's socio-economic development by providing huge employment opportunities in rural and backward areas, reducing regional imbalances, and assuring equitable distribution of national wealth and income. The segment currently contributes to 28% of the GDP, over 40% of exports and creates employment for about 110 million people in the country, thus supporting economic development and growth.

To bring in more enterprises under the ambit of MSMEs, in June 2020, the government revised the MSME investment limit across each category and introduced an alternate and additional criteria of turnover buckets to the definition. It further helped remove the difference between the definition of manufacturing based and services based MSMEs.

Small Business Loans witnessed a reasonable growth in the past

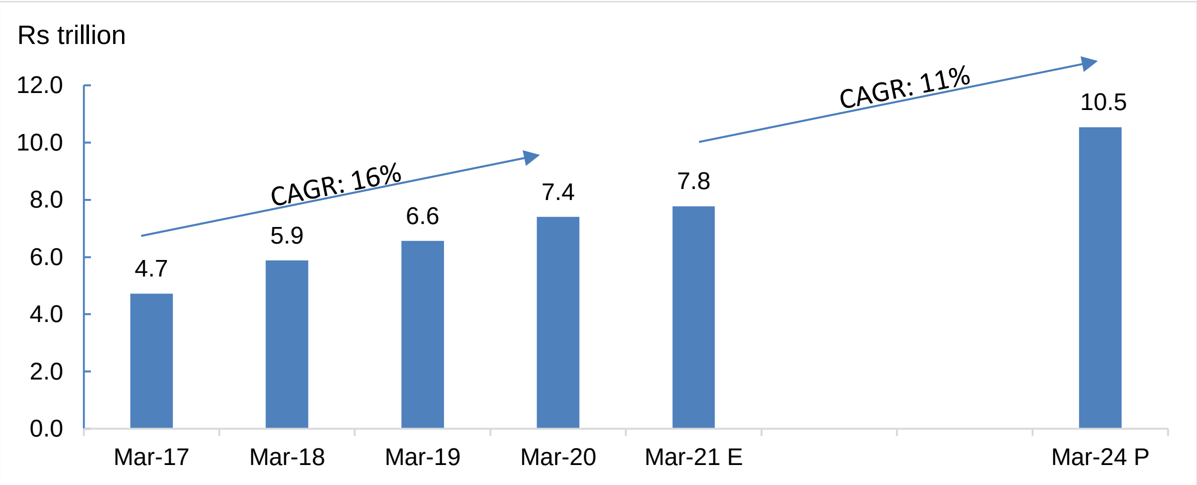
CRISIL Research estimates outstanding small business loans[3] given out by banks and NBFCs to be around Rs. 7.4 trillion as of March 2020. Small business loans grew at a fast pace, registering a CAGR of 16% over fiscal 2017 and 2020. Over the years, more data availability and government initiatives like GST has led to increasing focus of lenders, especially the NBFCs, on the underserved segment of MSME customers as lending to this segment has become easier compared to the past. In fiscal 2019 and 2020, however, the growth was relatively muted due to the NBFC liquidity crisis as well as cautious stance being taken while lending to MSMEs due to slower economic growth.

In fiscal 2021, the nationwide lockdown to contain the spread of the pandemic disrupted economic activity, hit production facilities, impacted working capital needs and supply chain along with future investments and expansions. Domestic supplies and supplies from imports also suffered, affecting both, their availability and cost. Contractual and wage labour was also hit due to more layoffs. MSMEs in the sectors such as hotels, tourism, logistics, construction, textiles and gems and jewellery suffered the most during the first half of the fiscal.

The government undertook several initiatives to support MSMEs to keep them afloat, the most significant of which was the Rs. 3 trillion emergency credit line guarantee scheme (ECLGS) to banks and NBFCs. Under this scheme, banks and NBFCs were allowed to extend incremental credit of up to 20% of the loans outstanding of MSMEs as on February 29, 2020 subject to these accounts not being delinquent as on February 29, 2020. This entire loan was guaranteed by the government. This scheme clearly provided much-needed liquidity to MSMEs that are known to have faced severe working capital crunch during downturns. As on February 28, 2021, cumulative loan sanctions under the scheme stood at Rs. 2.46 trillion against which guarantees of Rs. 2.14 trillion to more than 9.2 million borrowers have been issued. Further, in March 2021, the validity of the scheme has been extended to June 31, 2021 from earlier date of March 31, 2021.

Other measures include making available subordinated debt to MSMEs, equity infusion in MSMEs, steps undertaken to clear MSME dues, introducing ECLGS and disallowing global tenders in government tenders up to Rs. 2 billion to support the MSMEs amidst the pandemic. CRISIL estimates small business loans with ticket size less than Rs. 1 crore to record a 5% growth in fiscal 2021, largely on the back of support extended to MSMEs under the ECLGS scheme.

Small Business Loans to grow at 11% CAGR over fiscal 2021 and 2024



Note: E-Estimated, P-Projected
Source: CRISIL Research

Going forward, CRISIL Research expects the small business loans portfolio to grow at 11% CAGR over fiscal 2021 and 2024 aided by increasing penetration of such loans, enhanced availability of data making it easier to under write such loans, enhanced use of technology, newer players entering the segment, and continued government support.

[3] All loans with ticket size lower than Rs. 1 crore extended to MSMEs, irrespective of the turnover of the entity

Growth driver: Low credit penetration for MSMEs

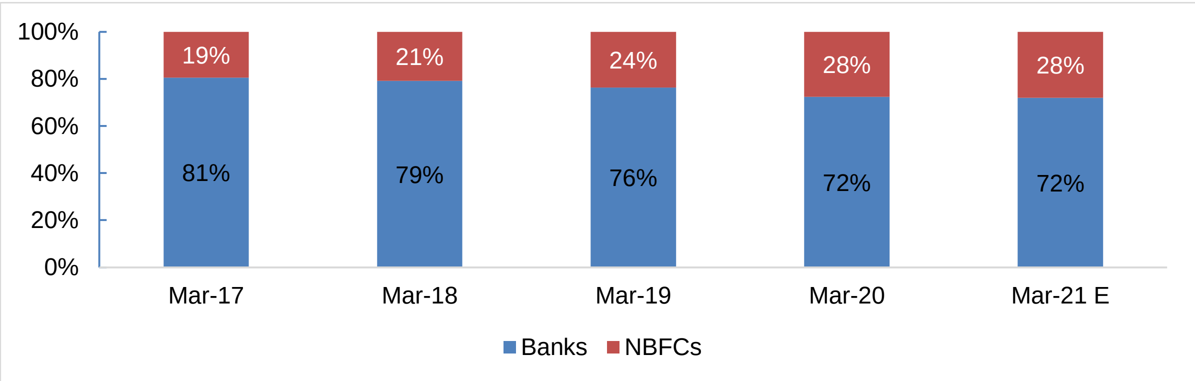
Less than 10% of the MSMEs have access to formal credit in any manner. High risk perception and the prohibitive cost of delivering services physically have constrained traditional institutions' ability to provide credit to underserved or unserved MSMEs historically. They are either self-financed or take credit from the unorganised sector. There are around 63 million MSME's out of which less than 10% have access to formal credit. This untapped market offers huge growth potential for financial institutions.

NBFCs increasing their presence in the small business loans segment

NBFCs have managed to carve out a strong presence in small business loans due to their focus on serving the needs of the customer segment, faster turnaround time, customer service provided and expansion in geographic reach. As of fiscal 2021, more than 100 NBFCs serve this segment, with the cumulative market share of NBFCs in small business loans outstanding estimated to be around 28%.

Over the years, the small business loan portfolio of NBFCs have grown at a faster rate than the overall small business loan portfolio at a systemic level, clocking a CAGR of 31% over fiscals 2017 and 2020.Though banks still account for a giant share of lending to this segment (approximately 70%), NBFCs market share is estimated to have increased by 11 percentage points over fiscals 2017-2021. Going forward, CRISIL expects the market share of NBFCs in this segment to continue to increase and touch 31% by fiscal 2024.

NBFCs continue to gain market share from banks in small business loans



Source: CRISIL Research

Within NBFCs, large NBFCs account for majority of the portfolio. Smaller NBFCs with assets under management (AUM) of less than Rs. 10 billion have, however, grown at a faster pace over the last three years (50-75% growth) compared to medium (22-40% growth) and large NBFCs (9-24% growth).

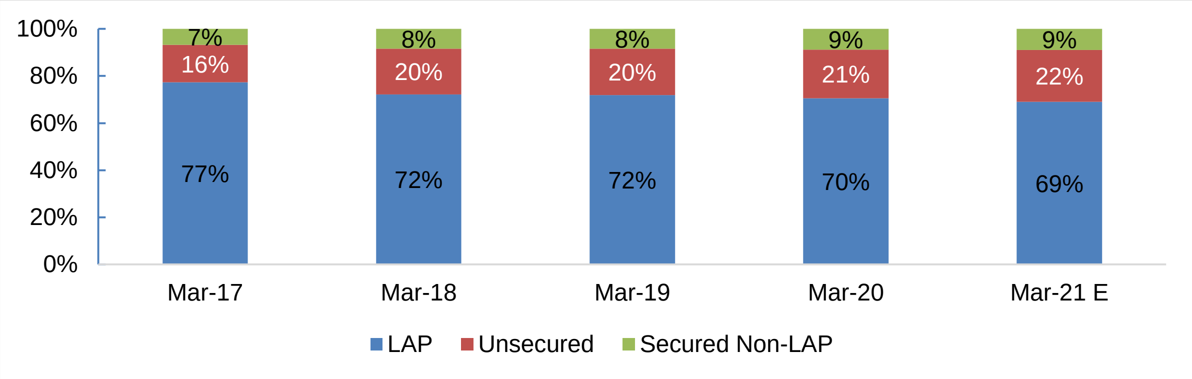
Unsecured loans gaining market share in small business loans of NBFCs

While banks dominated working capital loans, NBFCs managed to capture a share of asset-backed/hypothecated term loans over the past years.

Unsecured loans have also become a focus area for NBFCs. As property prices have remained stagnant over the past few years, the ability of borrowers to offer higher collateral declined. Hence, many NBFCs started offering their existing secured borrowers an unsecured line of credit. A few NBFCs even provided unsecured loans as a bridge finance for clients who were securing loans from banks but had an urgent requirement to fulfil and could not wait until the loan was sanctioned.

Since the beginning of the IL&FS crisis in September 2018, NBFCs have been facing funding constraints. NBFCs also started to witness stress on account of aggressive lending in the loan against property (LAP) segment and cash flow pressure being faced by borrowers. This led to slow down in lending in the LAP segment.

Share of unsecured loans in NBFC small business loans portfolio increased to 22% in fiscal 2021 from 16% in fiscal 2017

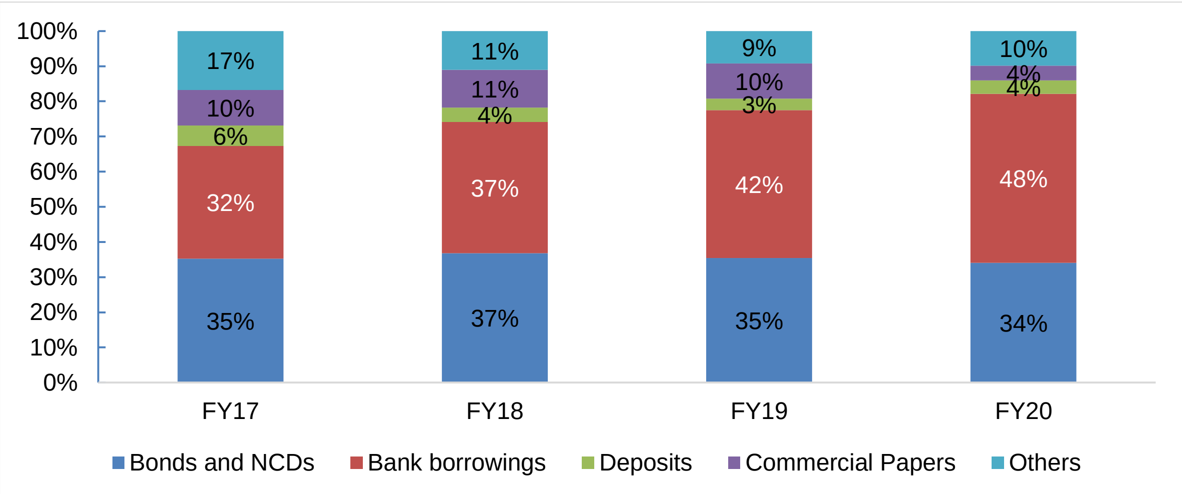


Source: CRISIL Research

Dependence on bank borrowings to remain high for NBFCs

The resources mix of NBFC's providing small business loans has been changing over the past years due to rising cautiousness of capital market investors in investing in smaller NBFCs and those without parent support. This has resulted in reduction in share of Commercial Papers (CPs) and non-convertible debentures (NCDs) and a corresponding increase in banks borrowings during fiscal 2020. CRISIL Research expects that dependence on bank borrowings will remain high due to limited access to market borrowings for smaller players.

Bank borrowings continue to gain market share in the borrowing mix of NBFCs focused on small business loans



Note: The above liability profile is based on data for 17 players accounting for 55-60% of portfolio in NBFC Small Business lending
Source: Company Reports, CRISIL Research

NBFC leverage levels witnessed an increasing trend over the years

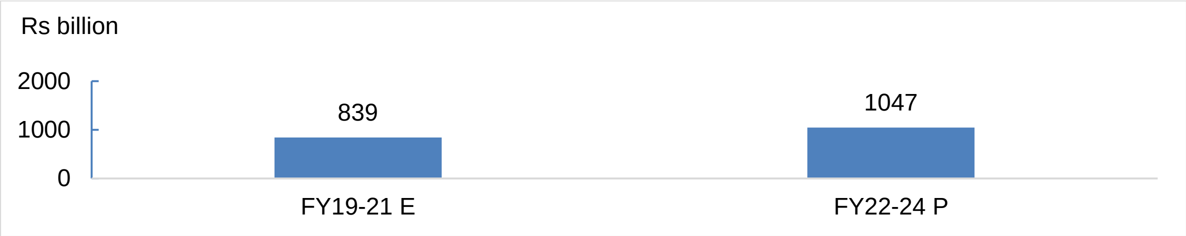
The leverage levels of NBFCs focused on small business loans have marginally increased over the years. It increased from 3.6 times as of fiscal 2017 to 4.0 times as of fiscal 2019 and moderated to 3.8 times as of fiscal 2020. Among the NBFCs primarily focussed on SME segment, smaller NBFCs have lower leverage levels of 1.2 times and 1.5 times as of March 2019 and 2020 respectively. This largely reflects the nature of portfolio and customer focus on the smaller NBFCs (largely unsecured loans to underserved segments) and the stage of their life cycle they are at.

NBFCs require a capital of approximately Rs. 1 trillion over next three years for small business loans

Based on the projected growth in the small business loans portfolio, profitability and leverage levels, CRISIL estimates that NBFCs involved in financing small business loans will require capital to the tune of around approximately Rs. 1.04 trillion between fiscal 2022 and fiscal 2024, which will get financed through a mix of equity, debt, and securitization.

In the last few years, it is expected private equity investors also show tremendous interest in investing in NBFCs catering to the small business loans segment.

Funding requirement of NBFCs involved in small business loans financing



Source: Company reports, CRISIL Research Estimates

Asset quality to deteriorate in fiscal 2021 and 2022

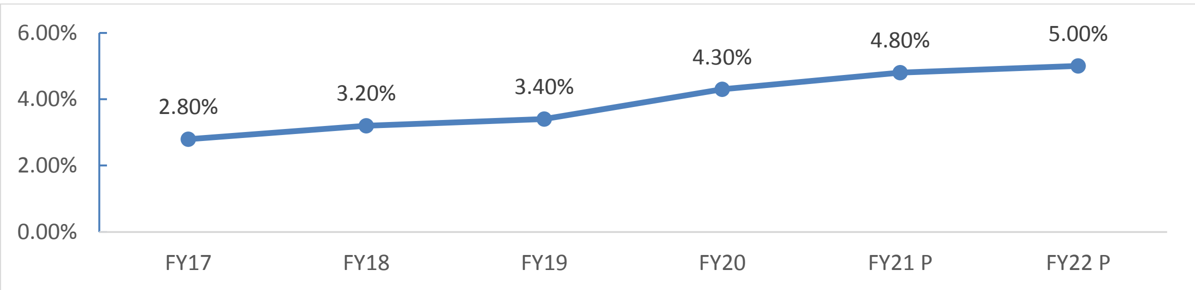
GNPAs in small business loans below Rs. 1 crore for NBFCs has hovered in the range of 3.0-4.5% over the last 3 years ending fiscal 2020. While overall GNPA in fiscal 2021, is estimated to have increased further to around 4.8%, due to the impact of the Covid-19 pandemic on MSMEs, the range of GNPA is different across sub-segments of small business loans as well as different ticket sizes. The deterioration of asset quality would have been worse, if it had not been for the support provided by the emergency credit line scheme of the government and restructuring of loans allowed by the RBI.

Estimated GNPA ratio for fiscal 2021 across various segments of small business loans

The collection efficiency across various types of small business loans financiers amongst the NBFC universe indicates that while collections have picked up after the moratorium period ended in August 2020, they are still below pre-pandemic levels. For example, NBFCs offering loans for business purpose with property as collateral reported collection efficiency in the range of 90-92% in the third quarter of fiscal 2021 and 94-96% in the fourth quarter of the fiscal. Fintechs, largely offering unsecured loans, saw their collection efficiency move in the range of 86-89% and 90-92% as of the third and fourth quarter of fiscal 2021, respectively.

We expect asset quality to remain under pressure in fiscal 2022. While GDP growth is expected to be recover, cash flows for MSMEs is unlikely to spring back to fiscal 2020 levels.

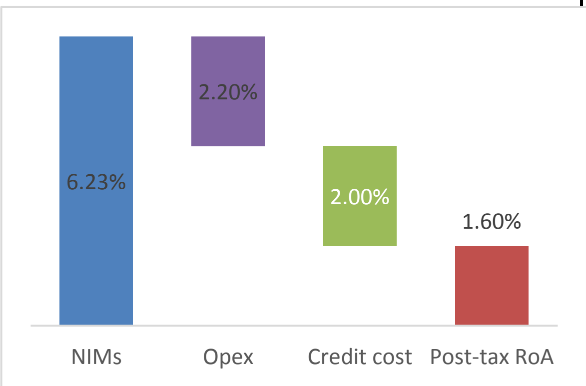
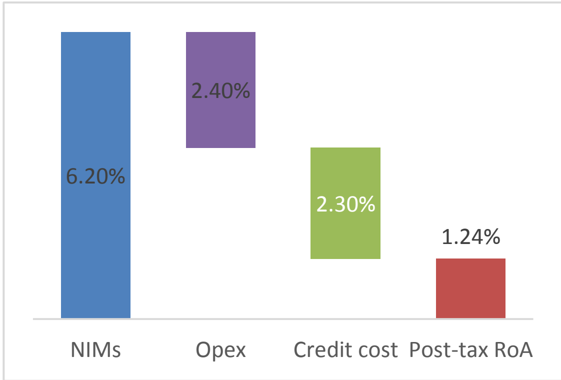
GNPA levels to increase



Note: P-Projected
Source: CRISIL Research

NBFC profitability to take a hit due to higher credit cost

CRISIL Research estimates the profitability in the business loans segment to decline in fiscal 2021 owing to higher credit costs and operational expenses. With businesses getting impacted due to the pandemic, the asset quality is expected to deteriorate which will lead to higher credit costs. Operational expenses are expected to remain relatively higher due to slower business growth and high contribution of DSAs in originating business for NBFCs, especially in unsecured loans.

Fiscal 2020	Fiscal 2021 E
	

E: Estimated
Source: CRISIL Research

HOUSING FINANCE FOCUSED ON LOW AND MIDDLE INCOME HOUSING SEGMENT

Housing finance market focused on low and middle income housing[4] saw subdued growth in fiscal 2021; growth to accelerate in the next 3 years

The low and middle income segment focused housing finance market clocked a healthy ~16% CAGR (growth in loan outstanding) over fiscals 2016-2020 on account of a rise in disposable income, healthy demand and a greater number of players entering the segment. As of March 2021, outstanding loans to this segment were at around Rs. 16.2 trillion.

The first quarter of fiscal 2021 was a complete washout for the industry due to disruption caused by the Covid-19 crisis and the resultant lockdown. On the supply side, the nationwide lockdown has had a cascading impact on construction activity. On the demand side, demand was adversely affected by restricted income growth and limited employment opportunities that have weakened demand from end-buyers, particularly self-employed borrowers.

However, the latent demand for housing in India remains strong, given the vast housing shortage in India and the psychological comfort provided by owning a house post the uncertainty created by the Covid-19 pandemic. In second quarter of fiscal 2021, all major HFCs witnessed a pick-up in demand for home loans. This uptick has continued in the third quarter and fourth quarter of fiscal 2021 as well. Across the banking system, too, housing loans outstanding registered an on-year growth of approximately 8.4% as of February 2021. The factors driving the uptick in housing loan demand post the lows of the first quarter of fiscal 2021 are:

- Home loan interest rates being at an all-time low, which has enhanced the attractiveness of housing loans for buyers and led to increased demand for balance transfers
- Return of some of the pent-up demand for home purchases from the initial days of the lockdown
- Lowering of stamp duty charges by some state governments (such as Maharashtra)
- Higher discounts offered by builders on property purchases

CRISIL Research expects the home loan market focused on low and middle income housing segment to bounce back more strongly in the long term and grow at 10-11% CAGR in between fiscals 2021 and 2024. This growth will be driven by:

- Expected recovery in economic activity over the medium term
- Ease of access to finance and increase in finance penetration
- Increased supply of homes in affordable and mid-income categories

[4] Housing loans with ticket size lesser than Rs. 7.5 million in metro regions (MMR, NCR, Kolkata and Chennai are considered as metros) and Rs. 5 million in non-metro regions

- Demand for affordable homes as consumers increasingly work out of tier 2/ tier 3/ tier 4 cities in a post-COVID world

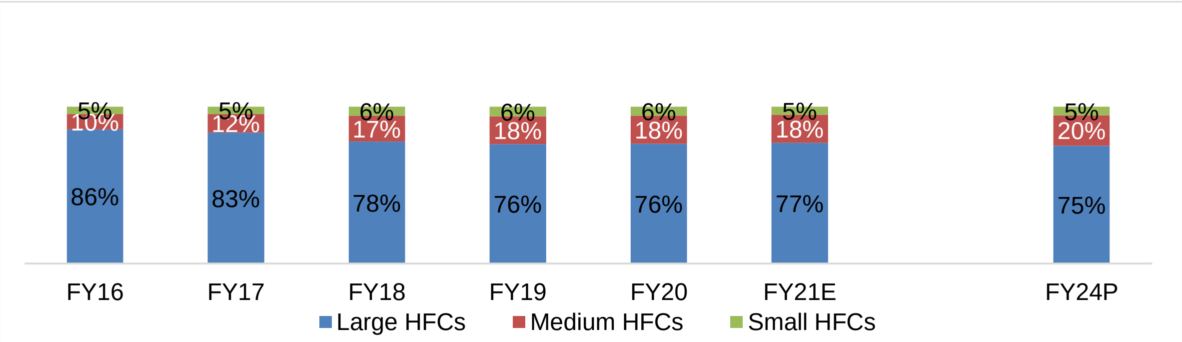
HFCs have a market share of close to 40%

As of June 2020, there were a total of 101 HFCs catering to the home loan demand in the country, as per the National Housing Bank (NHB). The cumulative market share of HFCs in the low and middle income housing finance market is estimated to be around 39% as of March 2020; within the HFC pie, large and mid-sized HFCs rule the roost with these players accounting for 30% and 7% respectively of the market.

During fiscals 2015 to 2018, non-banks grew at a faster rate than the banks. Post the IL&FS crisis, growth slowed down for HFCs owing to liquidity constraints faced by them, and subsequently, banks have been witnessing higher growth compared to the HFCs.

The share of HFCs is estimated to have dropped further in fiscal 2021 on account of liquidity constraints and is expected to be lower in the subsequent fiscal by approximately 200 bps from the current level. Post this, due to their expertise and higher focus in this segment and with assumption of adequate liquidity, the HFCs are expected to gain market share and reach back at the current levels.

Trend in share of large, medium and small HFCs



Source: Company reports, RBI, CRISIL Research Estimates

Monthly collection efficiency continues to improve in housing finance segment; asset quality to improve in long term

Collection efficiency for housing loans was high at 98-99% levels before the onset of the pandemic. However, collections slipped to approximately 70-75% in April 2021 because of the nationwide lockdown due to the Covid-19 pandemic. It rebounded to 85-90% in July and August after the government relaxed restrictions gradually. In October and November 2020, collection efficiency rose further to 90-95%, as per CRISIL Research estimates, and in December 2020, CRISIL estimates the collection efficiency to have further increased to 98-99%. Collection efficiency has continued to be strong at around the same level as December 2020 in the fourth quarter of fiscal 2021 as well.

In the securitised pools too, the collection efficiency ratios are exhibiting similar trends and visibly nearing pre-Covid levels.

Despite increases in delinquency, home loans to be least affected

Despite the rising monthly collections in home loans as compared to pre-Covid levels, lower income generation on account of Covid will impact the asset quality in fiscals 2021 and 2022. Small and mid-sized HFCs focused on the affordable segment do not fund developers or other non-retail borrowers; that is usually the forte of large HFCs. Project risk and volatility is higher in that segment. Players with significant exposure to developer finance and having aggressive underwriting policies will be more vulnerable in comparison to others. With the current second wave of Covid, the impact across all the asset classes is expected to be marginally higher than earlier expected.

For housing finance focused on low and middle income segment, where salaried customers make up for majority of the overall home loan portfolio, CRISIL expects the GNPA of HFCs to increase by approximately 40 bps in fiscal 2021 from 2.1% as of March 2020, but gradually drop down in fiscal 2022.

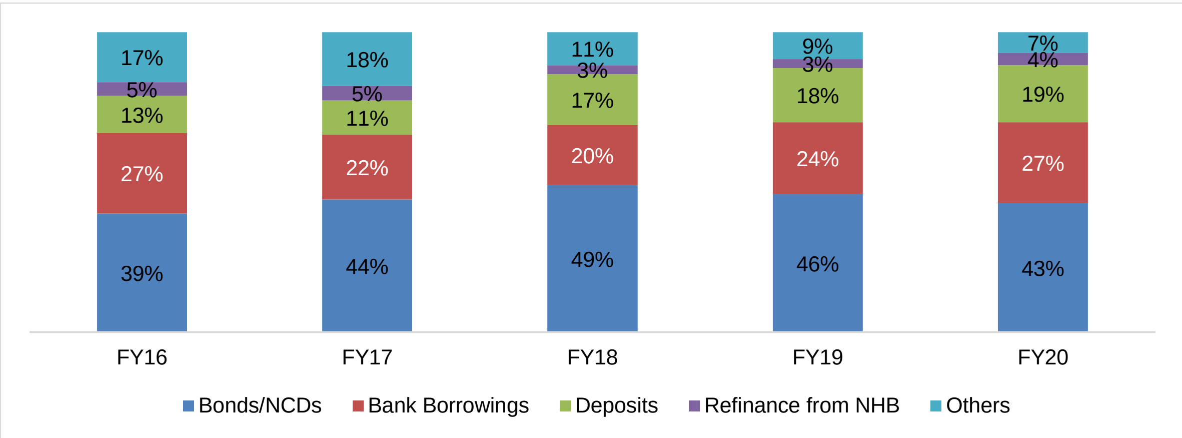
Banks borrowing to gain further share in the borrowing mix of HFCs

CRISIL Research expects the share of bank borrowings in the resources mix of HFCs to increase further over the medium term due to continuing support offered by banks to the stronger HFCs and liquidity support measures announced by RBI. Risk in the HFC sector increased after late 2018, which restricted the HFCs' easy access to market borrowings. During this period, while players with high Asset Liability management (ALM) mismatch and higher share of non-retail portfolio found it difficult to raise funds, players with strong parent company support and relatively higher proportion of retail assets were able to raise funds from the market.

However, over time and with aggressive repo rate cuts by the RBI, the benchmark commercial paper (CP) and non-convertible debentures (NCD) rates have softened.

Bank borrowings have been gaining share in the resources profile for HFCs, especially the smaller HFCs, on account of difficulty in accessing the capital markets post the liquidity crisis of 2018. CRISIL Research expects the proportion of bank borrowings to increase further over the medium term. The outstanding borrowings of HFCs (including public deposits) was Rs. 10.9 trillion as on March 2019, increasing from Rs. 9.4 trillion as on March 2018 by 16%. The total borrowing stood at 11.1 trillion for HFCs as on January 2020.

Resources mix of HFCs: Share of bank borrowings is rising as a reliable continued source of funding



*Note: E – Expected; * - as on January 2020*
Source: Company Reports, CRISIL Research

HFCs increased focus on securitization post the liquidity crisis in the middle of fiscal 2019, as a mechanism to raise funds to meet their liquidity requirements. As a result, securitisation volumes rose to more than double the previous year in fiscal 2019. In fiscal 2020 too, securitization remained a preferred way for HFCs to raise funds. The volumes in fiscal 2020 were close to Rs. 0.7 trillion. However, securitisation volumes tanked in the first half of fiscal 2021 due to increased uncertainty post the Covid-19 pandemic. However, in the third quarter of Fiscal 21, the securitization volumes have trumped the first half level as more originators entered the market and mutual funds, which had by and large stayed away in the first half of the fiscal, started investing in new issuances. The return of interest in the securitization market increased from September 2020 onwards as the moratorium period for underlying assets ended. Even the fourth quarter of fiscal 2021 witnessed securitisation transactions amounting to approximately 0.15 trillion. However, these numbers are overall less than the volumes seen in the earlier fiscals.

Leverage levels of HFCs

The leverage levels of HFCs has declined over the past five fiscals. It has declined from 7.8 times as of fiscal 2016 to 5.9 times as of fiscal 2020, on the back of rise in outstanding equity capital. Between fiscal 2016 and fiscal 2020, the equity capital has grown at a CAGR of 25.4% while borrowings have increased at a CAGR of 16.7%, which reflects the investors' confidence on the sector.

Leverage is the highest for large HFCs followed by small and medium HFCs. This is on account of higher borrowing by these HFCs that are usually parent backed and have a better credit worthiness on account of strong parentage. The sector overall has seen a decreasing trend in the leverage levels for the participating HFCs.

Cost of borrowings for HFCs has come down after the sudden spike post liquidity crisis

After the liquidity crunch that occurred in the second half of fiscal 2019, the cost of borrowing had gone up making it difficult for companies in the housing finance sector to raise funds from the market. However, despite the yields on advances going down, the spreads have improved for HFCs in fiscal 2020 as the costs have declined by approximately 50-60 bps in fiscal 2020.

HFCs RoA to decline in fiscal 2021; remain stable in the next fiscal

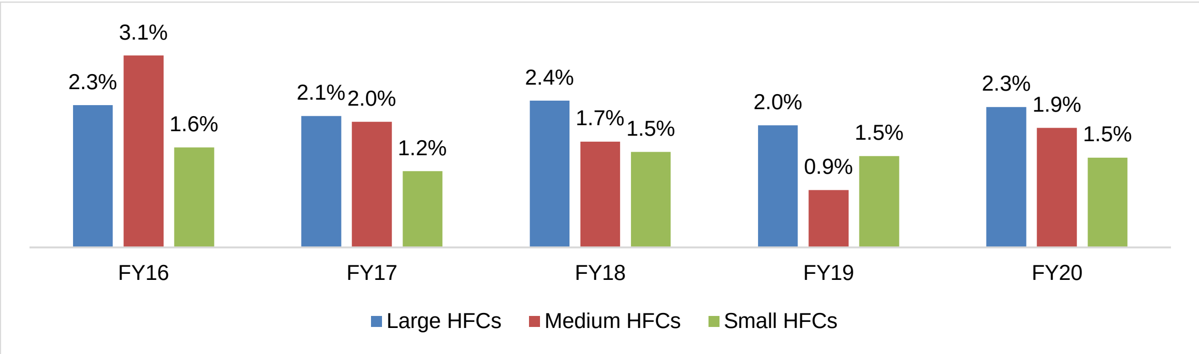
The cost of borrowing for HFCs is estimated to be further down by approximately 50 bps in fiscal 2021 due to the market rate declines, especially for the more established and large HFCs. With economic revival in fiscal 2022, the cost of borrowings are expected to claw back upwards but will not reach the pre-Covid levels. The players are also expected to increase the loan interest rates in line with the increased borrowing costs on account of the improved liquidity and revival in demand for home loans.

The yield on advances is expected to fall further in fiscal 2021 given the current competitive scenario resulting from low interest rates offered by the banks and more than the fall in cost of borrowings. Thus, CRISIL expects the spreads of HFCs to decline by 20-30 bps in fiscal 2021. The spreads are expected to be stable in fiscal 2022 with revival in liquidity and demand improvement.

Funding access will remain a key factor as the demand revives post the pandemic and will be a differentiator for growth in between the HFCs.

The return on assets for HFCs are expected to decline by approximately 30-40 bps in fiscal 2021 on account of squeeze in their spreads and higher credit costs post showing an improvement in fiscal 2020 on account of the tax reduction despite margin contraction for HFCs. In fiscal 2022 too, the profitability of the lenders is expected to remain stable on the back of stable spreads and the evolving competitve scenario.

Return on Assets (RoA) for large, medium and small HFCs



Note: Others include Small Finance Banks, NBFCs, Foreign Banks, Regional Rural Banks and State Co-operative Banks
Large HFCs includes 18 players having AUM more than 50 billion from home loans, loan against property, developer loans and any other loans by the HFC
Mid-sized HFCs includes 11 players having AUM between Rs. 10 billion to 50 billion from home loans, loan against property, developer loans and any other loans by the HFC
Small HFCs includes 11 players having AUM less than 10 billion from home loans, loan against property, developer loans and any other loans by the HFC
Source: Company reports, CRISIL Research

HFCs may need incremental funding of over Rs. 1.67 trillion for future growth

In between fiscal 2018 and fiscal 2021, HFCs have increased their loan portfolio of housing loans catering to the low and middle income housing segment by Rs. 1.26 trillion and have raised Rs. 1 trillion to achieve the strong growth. There has also been a large growing investor interest in this sector, with most HFCs raising equity capital. In addition, several HFCs have also utilised the liquidity they have received from NHB and the debt available in the market to disburse considerable loans (in value terms) in the third quarter and fourth quarter of fiscal 2021 in order to grow the book significantly. This will provide an impetus for them to raise further debt in the near to medium term and drive overall sector growth.

Based on the projected growth in loans, their profitability and leverage levels, CRISIL estimates that HFCs will require capital to the tune of around Rs. 1.67 trillion between fiscal 2021 and fiscal 2024, which will get financed through a mix of equity, debt, and securitization.

TWO-WHEELER LOANS

Two wheeler industry to revive gradually from fiscal 2022

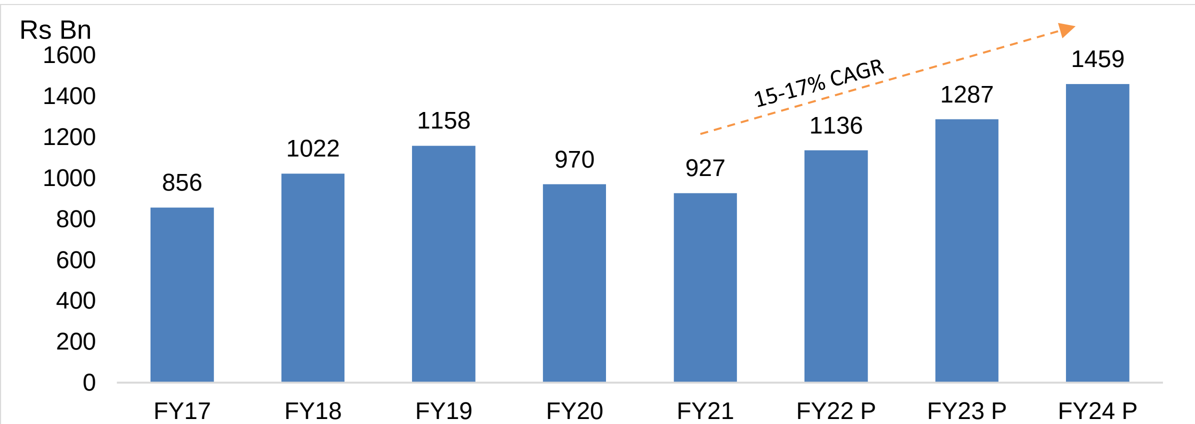
The two wheeler industry sales clocked a 7% CAGR from fiscal 2015 to fiscal 2019, but in fiscal 2020, sales fell sharply by 18% as the decline in economic growth hurt demand. In fiscal 2021 as well, sales continued to be under pressure due to the debilitating impact of Covid-19 on consumer incomes, especially in the lower middle class segment.

Domestic two wheeler wholesale sales plunged by around 13% on year in fiscal 2020-21. Demand sentiment in urban areas were impacted due to widespread COVID-19 cases, several corporates in employee-intensive sectors preferring to allow their employees to work from home and the relatively higher reliance on services sector activity. The continued closure of key demand segments such as students in educational institutes also impacted demand. In rural India as well, the decline in manufacturing and service sector activity in the immediate aftermath of Covid-19 hurt demand, albeit lesser than in urban areas.

We expect to witness a gradual recovery in demand over the fiscal 2022 as the uncertainty about the pandemic continues to fade, rebound in economic growth, and increased consumer mobility. In long term, between fiscal 2021 and 2024, two-wheeler sales in volume terms are expected to grow at 11-13% CAGR due to following factors:

- Increasing rural penetration due to deeper distribution network and improving incomes as rural India becomes structurally resilient due to various measures undertaken by the government
- Rural road connectivity acts as an income multiplier in the rural economy - aiding incomes while roads are constructed and enabling mobility and connectivity once the construction is over
- In the urban areas, demand is expected to be aided from multiple ownership and increase in demand from Tier 2 cities.

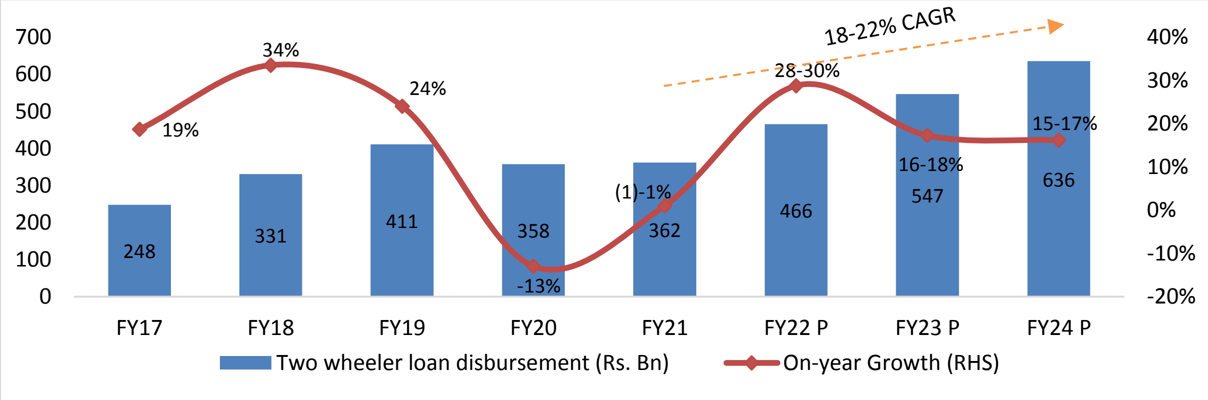
Growth in two-wheeler industry sales value



E: Estimated; P: Projected
Source: CRISIL Research

Two-wheeler disbursements estimated to be flat in fiscal 2021; disbursements expected to grow at a 18-22% CAGR in the subsequent 3 years.

Growth in two wheeler loan disbursements



E: Estimated; P: Projected
Source: CRISIL Research

NBFCs dominate two-wheeler financing with 57% market share

Following the exit of major players, especially large banks, in 2008, NBFCs have gained share in the two-wheeler finance market. Unlike other segments, captive financing units have a sizeable share in the total outstanding loan portfolio. In aggregate, CRISIL Research estimates that NBFCs have a market share of 57% in two wheeler financing; moreover, their market share has been increasing over the years. Smaller players in the market include Manba finance, Bussan Auto Finance and Berar Finance.

Smaller players typically address a different segment, which is primarily informal segment customers in smaller towns and rural areas, pre-owned two-wheelers rather than new two wheelers, and specific regional markets. The market is continuously witnessing the entry of new players as well, with a strong presence in regional markets or with technology and underwriting capability to cater to hitherto underserved customer segments.

Out of the total proportion of NBFCs, captive NBFCs like Hero Fincorp, Bajaj and TVS Credit together have a substantial market share of 65%. Within the non-captive financiers, L&T Finance and Sriram City Union are significant players.

Key factors driving competitiveness of NBFCs

Better presence in rural markets: Rural demand is expected to aid two-wheeler growth in the long term and this will be backed by rising farm incomes and improving rural infrastructure, especially as the government continues to invest in developing rural roadways.

Better LTV and schemes by NBFC players: NBFC's offers a wide range of schemes and promotions such as low down payment, attractive EMI options, no charge on processing fees to attract more customers.

Banks continue to be the support pillar for two-wheeler financing NBFCs : The resources mix of NBFC's providing two wheeler finance has been changing over the past couple of years, as capital market investors have become cautious in investing in smaller NBFCs and those without parent support. This has resulted in reduction in share of Commercial Papers (CPs) and non-convertible debentures (NCDs) and a corresponding increase in banks borrowings during fiscal 2020. Bank borrowings have been gaining share in the sources of liquidity for two-wheeler NBFCs as well due to lower cost of borrowings (50-100 bps lower) compared with bonds/NCDs. CRISIL expects the proportion of bank borrowings in the overall resources mix to remain high, but capital market instruments would also gain in share as the economic environment gradually improves and players are able to demonstrate resilience in performance over time.

NBFCs require capital of around Rs. 300 billion for two wheeler financing over next 3 years

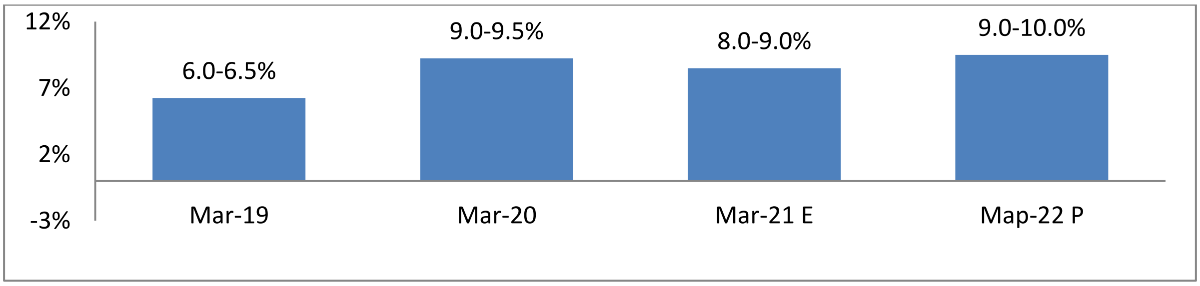
Based on the projected growth in the two wheeler finance portfolio, profitability and leverage levels, CRISIL estimates that two wheeler financing NBFCs will require capital to the tune of around Rs. 300 billion between fiscal 2022 and fiscal 2024, which will get financed through a mix of equity, debt, and securitization.

Asset quality expected to deteriorate

Asset quality of two wheeler financing NBFCs is expected to deteriorate on account of wide-scale disruption in economic activity due to Covid-19 and delay in repayments. The true stress in asset quality is unlikely to be visible on the books in the near term since a reasonable proportion of the book (approximately 20% for two-wheelers) was under moratorium as of August 2020. The moratorium on loan repayments granted to borrowers till August 2020 as also one-time restructuring of loans permitted by RBI is expected to cushion the impact to some extent. Reported GNPAs are expected to remain in the range of 8-9% in fiscal 2021 and in fiscal 2022 GNPA is expected to be in the range of 9-10%.

As a result of higher opex incurred towards collections as well as an increase in credit costs, CRISIL expects the profitability for two wheeler loans given out by NBFCs to slightly decline in the near-term. RoAs are, however, still expected to remain healthy and upwards of 3%, on an average.

GNPA trend of NBFCs in two-wheeler loans



P: Projected
Source: Company reports, CRISIL Research estimates

PERSONAL LOANS

Personal loans to grow at 22% CAGR over fiscal 2021 and 2024

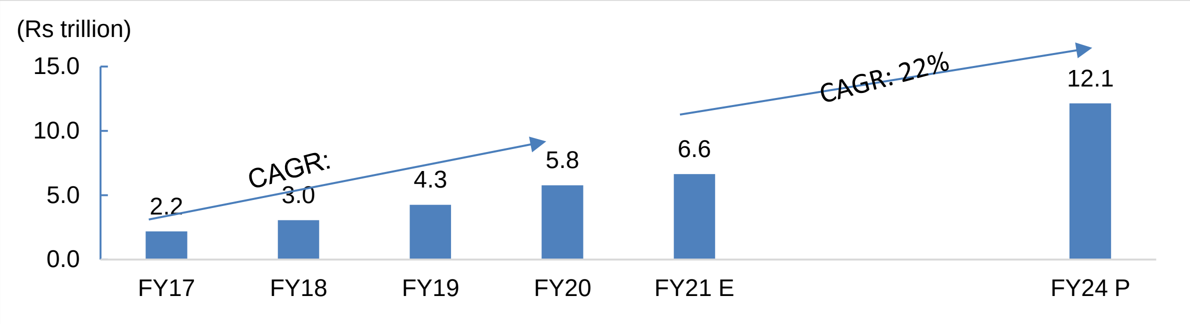
Personal loans are collateral-free loans extended on the basis of the borrower’s credit score, income, age, employment and social credentials. Due to their collateral-free/unsecured nature, their perceived risk is higher for the lender, which, in turn, is compensated by the higher rate of interest charged in this segment.

Earlier, personal loans were viewed as loans to be availed of mostly for emergency purposes. However, over the past six years, they have become quite common and are being increasingly sought to fulfill customer aspirations of dream vacations, leisure and entertainment, or acquisition of latest gadgets.

In fiscal 2017 through fiscal 2020, the personal loan market has grown at a stupendous 38% CAGR to touch Rs. 5.8 trillion as of March 2020. In fiscal 2021, requirements such as funds for marriage, travel, owner’s contribution towards home loan purchase, etc., were severely curtailed due to the pandemic and lockdowns. Individuals were also limiting spends in the wake of the uncertainty ahead, thereby impacting overall personal loan demand. Though additional funding requirements emerged due to layoffs, salary cuts, etc., lenders were also little reluctant to lend due to the higher risk perception. Nevertheless, disbursements gained pace from the second half of the fiscal, as the economy witnessed gradual revival and discretionary spending also increased.

With an expected increase in discretionary spending and economic growth, the personal loans market is expected to see stronger growth in fiscal 2022 and thereafter. Going forward, the personal loans outstanding is expected to grow at a strong 22% CAGR between fiscal 2021 and 2024.

Personal loan outstanding to reach Rs. 12 trillion in fiscal 2024



Note: E – Estimated, P - Projected
Source: CRISIL Research

Growth Drivers

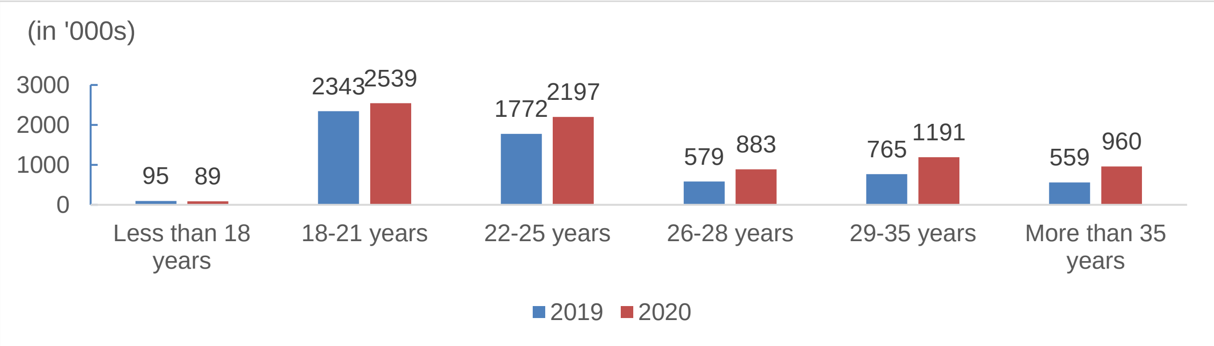
A number of factors are favourable to the growth of personal loans in the coming years.

Low penetration in India

India has the lowest household debt to gross domestic product (GDP) ratio compared to many other economies. India's household debt to GDP ratio is low at about 22% as of March 2020, out of which mortgage penetration itself (home loans to GDP ratio) is 12% indicating a lower share of other loans in household debt.

Increase in potential customer base through higher formal sector employment

The number of employees registered with the Employee Provident Fund Office (EPFO) has risen over the years.

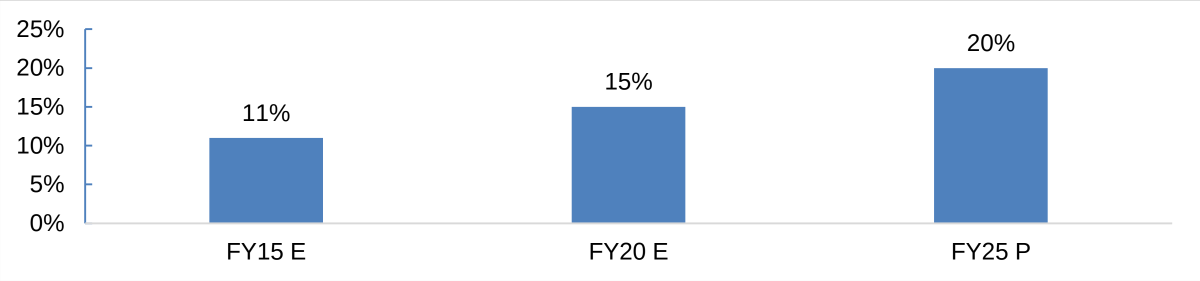


Note: The data is as of 20 March 2021
Source: EPFO, CRISIL Research

Modest personal loan penetration amongst formal sector employees; increasing trend to continue

Over fiscal 2015 and 2020, personal loan penetration is estimated to have increased by 4% amongst formal sector employees. Going forward, this trend is expected to increase. Lenders can better predict cash flows of salaried individuals compared to self-employed individuals and hence are more inclined towards lending to the former. With increasing formal sector employment, personal loans are also expected to grow.

Personal loan account holders as a percentage of formal sector employees



Note: E - Estimated, P - Projected
Source: EPFO, CRISIL Research

Reduction in turnaround time (TAT)

Customers are strongly guided by the TAT in their choice of financial institution for their needs. Most salaried individuals today are tech-savvy and prefer a digital interface which obviates paper work or branch visits. Technology has enabled these loans to be sanctioned almost instantaneously, but in many cases, disbursements still take 2-3 days as they require requisite documentation and checks. NBFCs have the lower TAT compared to banks.

Falling interest rates

From the lenders perspective, lower interest rates are financially viable due the decreasing cost of borrowings for them as well as availability of enhanced data sources and analytical capacities which promote better risk mitigation.

Changing lifestyles and spending habits

Favorable consumer demographics, rising incomes, and higher aspirations, coupled with increasing comfort in availing loans to meet funding needs augur well for the personal loan market.

Increasing usage of non-traditional data in credit decision-making, enhancing the comfort level of lenders

With the advent of digital lending, the elongated period to collect documents has shortened, drastically reducing the timeline for the whole process. The major upshot of digitization to the lending system in India is that the entire process of availing a loan has effectively become paperless. All documents required for undertaking credit assessment of the customer can be done without any paper work.

Furthermore, the usage of alternative data such as mobile phones, payments and social behavior for the purpose of credit decision making is gaining traction.

Usage of personal loans for payment of credit card dues

In recent times, consumers also use personal loans to consolidate their credit card outstanding dues on account of a comparatively lower rate of interest in unsecured personal loans compared with credit card interest. Increasing credit card penetration and usage will also support personal loans growth.

NBFCs market share declined in fiscal 2021; gradual increase foreseen

The market is dominated by banks on account of their wide presence, large customer base which helps in cross selling and lower interest rates as compared to NBFCs. Up to fiscal 2020, NBFCs have grown much faster than banks in this space, partly supported by low base and the advent of new players in this segment. In recent years, players are focusing more towards retaining their customer base as majority of unsecured loans are originated through cross sell. Apart from traditional lenders (banks and NBFCs), entry of several other players such as P2P lenders, fintech firms etc. in the segment makes the segment more competitive.

Large NBFCs focus on individuals with good repayment capabilities (mostly salaried customers). However, there are many small NBFCs and fintechs that extend small ticket sized personal loans to customers with lower or no credit score and charge relatively high interest rates to compensate for the risk and through innovative products.

NBFCs accounted for 18% market share in the personal loan segment in India (as of March 2020), but their market share is estimated to have declined in fiscal 2021 as they reduced disbursements and approval rates also came down due to increased risk aversion in light of Covid-19 and the decline in GDP growth. In fiscal 2022, with economic activity bouncing back and rise in consumer spending, the growth is expected to return. NBFCs are expected to see a gradual increase in their market share from fiscal 2021 levels to reach 18% by fiscal 2024
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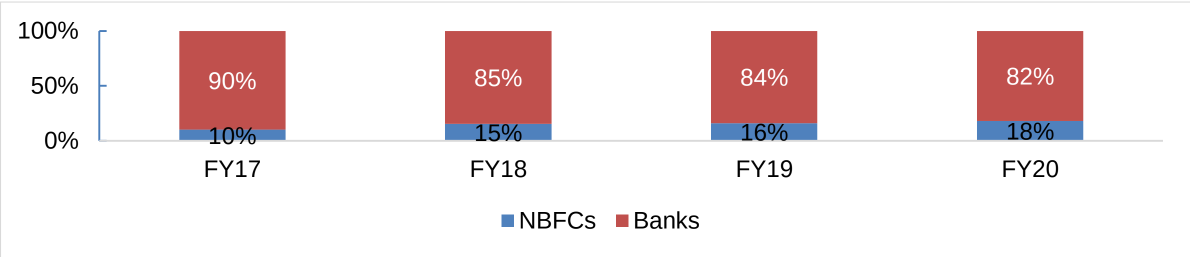
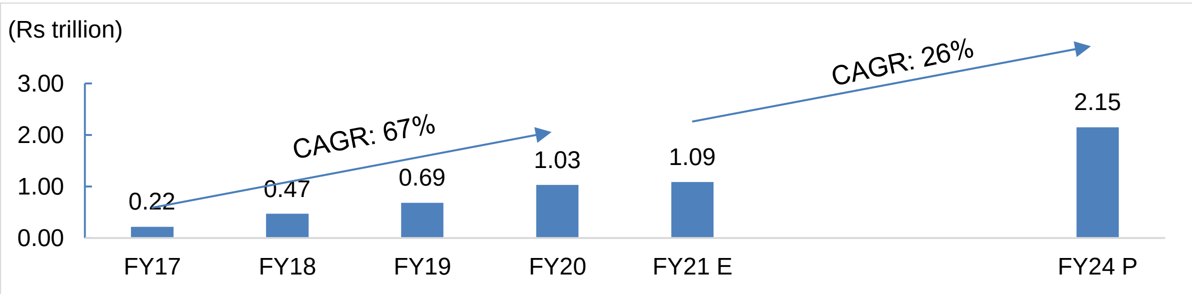
NBFCs witnessed higher growth than banks in the past few years



Source: CRISIL Research

NBFC's personal loan portfolio to grow at a strong 26% CAGR over fiscal 2021 and 2024



Note: E – Estimated, P - Projected
Source: CRISIL Research

Certain key industry parameters and trends in the personal loan segment include (i) average ticket size of personal loans being on a declining trend; (ii) share of DSAs in the sourcing mix for NBFCs in the rage of 45% to 50%; (iii) NBFCs offer a range of interest rates based on the customer profile.

NBFCs gross NPAs to rise in fiscal 2021; expected to moderate fiscal 2022 onwards

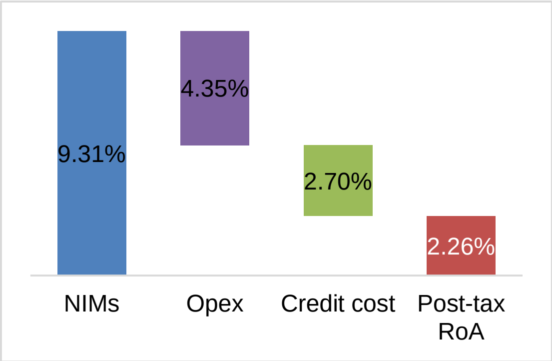
Gross NPAs in the personal loan book of NBFCs were 3.1% as of fiscal 2019 and rose to 5.2% in fiscal 2020. Owing to the pandemic and its impact on customer income, the GNPA ratio is expected to increase further to 6.3-6.8% in the personal loans segment during fiscal 2021. The delinquency increase is expected to be sharper in smaller ticket size loans given by NBFCs. However, with NBFCs focusing on collections, economic revival and improvement in customer income and the ability to repay, the GNPAs are expected to start moderating fiscal 2022 onwards.

NBFC profitability estimated to decline in fiscal 2021; to improve subsequently

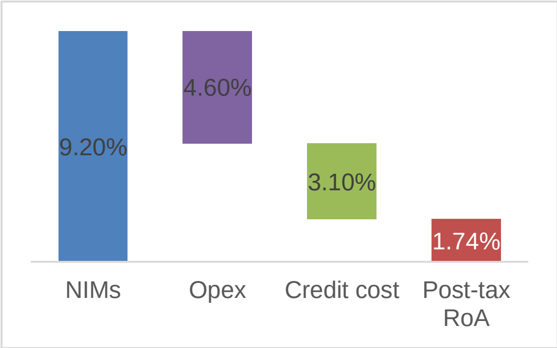
Though the spreads earned in personal loans is reasonable at 8-9%, the credit cost attached to the risk of unsecured lending moderates the ROA earned. The ROA in the personal loan book was 2.0-2.5% in fiscal 2020, which is estimated to have declined to 1.5-2.0% during fiscal 2021 on account of higher credit cost. Some players in this segment are likely to make losses due to high credit costs and upfront provisioning done to wade through Covid-19. In fiscal 2022, CRISIL expects profitability to improve slightly, especially as fresh loans extended post Covid-19 would have passed through more stringent underwriting standards.

Going forward, yields for players are expected to come down on account of intensified competition among the players, opex for players is expected to come down on account of improved operational efficiencies due to technological advancements by players. The dependence of NBFCs on DSAs would reduce owing to increasing focus towards cross sell and growing sourcing from digital sourcing modes. Credit costs are expected to increase on account of increasing focus of players in expanding their customer base and increased share of tier-2 and tier-3 areas.

Fiscal 2020



Fiscal 2021 E



Source: Company Reports, CRISIL Research

CONSUMER DURABLES FINANCE

Covid-19 resulted in a decline in consumer durable financing by NBFCs

Consumer durables loans from financial institutions (banks and NBFCs) are essentially a point-of-sale (POS) finance. Often, the seller's (retail outlet/ showroom) ability to convince the customer at the point of decision-making is instrumental in making them opt for consumer durable loans. This is unlike the trend in other retail loan products, where the services of DSAs or sales team are utilised with the objective of generating inquiries and concluding a transaction.

During fiscals 2017 to 2020, loan disbursement from NBFCs for purchase of consumer durables grew at 20% CAGR to Rs. 393 billion, driven by expansion in distribution network across locations and increasing point-of-sales (POS) set-ups. However, financing is expected to decrease by 10-12% in fiscal 2021, mainly due to negative impact of covid-19 on consumer income and spending habit. However, with a gradual pickup in economic growth and consumers increasingly looking at durables to make their lives more comfortable in an environment of work from home (WFH), NBFCs are expected to grow at strong CAGR of 18-20% in consumer durable financing during fiscal 2021 to 2024.

Other factors that are expected to drive the consumer durables financing market are:

- Lowering of the replacement cycle of consumer products i.e., consumers are replacing their existing consumer products with the newer ones in shorter period compared to earlier days
- Increasing portfolio of products offered by financers covering wider array of consumer products and services.
- Better availability of data and information about customers, thereby enhancing the efficacy of credit decision-making
- Improving ability of customers to purchase higher value products through financing schemes i.e. making purchases more affordable.

In the past, the industry's growth picked up owing to strong demand and thrust from almost all consumer durable manufacturers as also expansion in dealer touch points. These factors would continue to drive growth going forward as well.

Overall consumer durables finance market to cross Rs. 1,300 billion by fiscal 2024

Though the NBFCs consumer durable financing market saw a decline in fiscal 2020, the overall consumer durable finance market grew by 6% to around Rs. 771 billion. This is mainly on account of the significant push in bank and credit card market. The decline in the demand for consumer durables will lead to a 6-8% decline in the financing market in fiscal 2021.

The consumer durables finance market (including banks, NBFCs, and credit cards), which grew 16% CAGR between fiscals 2017 and 2020, from Rs. 490 billion to Rs. 771 billion, was driven by rapid expansion of NBFCs, increasing use of credit cards, and online financing models. CRISIL Research expects the segment to grow at a approximately 19-21% CAGR between fiscals 2021 and 2024.

Overall demand for consumer durable finance is expected to grow further as more consumers migrate towards superior quality and higher capacity products. Over the next two years, finance penetration is also expected to increase across product categories. CRISIL also expects manufacturers to remain supportive, and continue to facilitate financing in an increasingly competitive marketplace.

Finance penetration expected to expand further

Consumer durable loans are seeing increased popularity and acceptance. The entry of NBFCs in the consumer durables segment has deepened the penetration of financing options. Finance penetration within the consumer durables industry has increased from approximately 27% in fiscal 2015 to 30-35% in fiscal 2020, as per CRISIL Research estimates. Finance penetration is relatively higher in the television and refrigerator segments than ACs and washing machines, which are more popular with relatively affluent class with limited financing requirement. Going ahead, CRISIL Research expects finance penetration in the consumer durables segment to expand further with higher aspirations, finance availability and entry of new players in the segment. The industry is expected to come up with innovative business models and plans to attract customers towards financing. For example, post the pandemic, a rapid uptick in buy-now-pay-later option being offered by financiers in partnership with infrastructure providers such as point of sale device manufacturers.

Key trends in the market include: (i) preference for online purchase increase; and (ii) increasing popularity of "buy now pay later" offering.

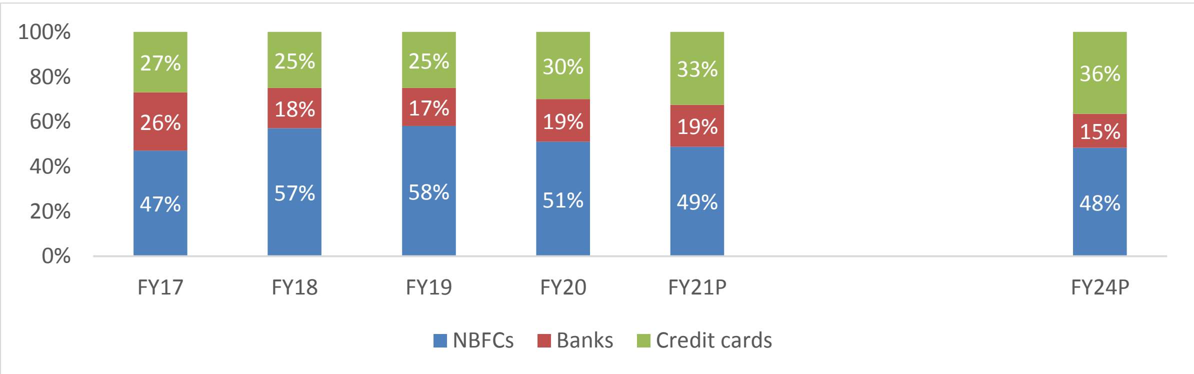
Competitive scenario

NBFCs dominate the consumer durable finance space; Credit card penetration eating into NBFC share in consumer durable financing

NBFCs have been dominating consumer durable financing market as this largely involves point-of-sale financing, i.e., these loans are normally processed at the retail outlet or at the showroom. A customer would prefer to avail of EMI (equated monthly instalment) schemes while purchasing an appliance rather than going to a bank for a loan.

In Fiscal 2020, the NBFC market share exhibited a contraction by approximately 7 percentage points on account of credit card issuers coming out with aggressive plans to woo customers. In fiscal 2021, NBFCs are estimated to have witnessed a further decline of around 2 percentage points in their market share.

NBFCs hold the largest share in consumer durable finance



Note: P = Projected
Source: Company reports, CRISIL Research

Over the years smaller NBFCs or Fintech players have also enhanced their reach in the smaller cities and towns, besides increasing their presence in single shops located in bigger cities. While the customers of e-commerce platforms mostly use credit cards for purchases which have pre-set limits, NBFCs and fintechs are also increasing their focus towards this domain by offering “Buy Now Pay Later” options with their select partner stores by targeting customers largely underserved by credit card providers.

Asset quality to be slightly impacted due to the pandemic

Asset quality in consumer durable financing varies according to the product, area of operations and customer profile. Asset quality is relatively worse in the case of mobile phones and laptop financing due to nature of the customer profile (youth with unstable incomes, lack of understanding of implications of loan default). It also differs across NBFCs due to changes in the customer mix.

CRISIL Research estimates the asset quality to deteriorate in fiscal 2021 and the current fiscal due to the pandemic, as income levels have fallen or business have been temporarily shut. The overall gross non-performing asset level in CD financing has remained in the range of 11%-13% for NBFCs. CRISIL expects it to increase to around 14-16% in fiscal 2021 and 13-15% in fiscal 2022.

Operating profitability expected to remain stable; higher credit costs to pull down RoA

The revenue of a consumer durables financier includes processing fees and subventions given by the manufacturer. Thus, a financier typically generates annualised returns of 23-25%. The operating expenses i.e. employee costs, point of presence for loan origination, in-house processing or outsourcing business process costs is approx 6-7%, but can vary widely based on the scale of business of the financier. In addition to this, the financiers also offer dealer discounts of 2-3% to dealers depending on the volumes generated. Post credit costs, CRISIL expects player RoAs to decline to around 2.2% in fiscal 2022.

Fintechs in this segment invest significantly in upfront costs and incur large fixed costs (salary, technology platform, etc.), thus increasing their time to breakeven as compared to existing, larger NBFCs already present in the market. Fintechs thus need access to equity in order to offer services to customers and stay afloat in the market. Institutional and mainstream investors have been positive on this segment, and access to equity has not been an issue so far. However, going forward, given the large number of small players CRISIL expects to see consolidation in consumer durable segment.

AGRICULTURE VALUE CHAIN FINANCE

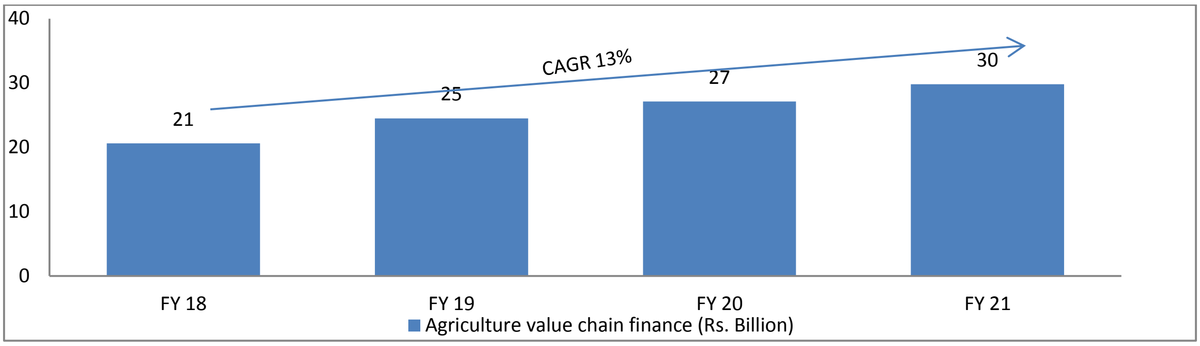
Agriculture value chain finance grew at 15% CAGR in last 2 years

The agriculture value chain consists of activities which are required to bring agriculture products from production (combination of physical transformation and input of various producer services) and deliver them to the final consumer. Currently, agriculture value chain has issues like low investment in quality control, product innovation and market intelligence and lack of brand building and access to organized market players. But this is bound to change in the next few years, as more organised players enter the market.

Over the years, with improving penetration of financial institutions, farmers’ usage of institutional credit has increased. India’s agriculture financing system is mix of formal (Commercial banks, Non-banking financial institutes, regional rural banks and Co-operative banks) and Informal (moneylenders, traders, landlords) lending agencies. It is estimated that only about 30% of agriculture finance is met by financial institutions.

Post-harvest financing consists of warehouse receipt financing and loans given to food and agro processors, and accounts for an estimated 5-7% of total agriculture credit of around Rs. 15 trillion as of fiscal 2021. Under the priority sector lending norms of the RBI, loans up to Rs. 50 lakh (i.e. Rs. 5 million) can be granted to farmers against pledge of agricultural produce (including warehouse receipts) for a maximum one-year period. Warehouse operators issue receipts as evidence that specifies commodities of stated quality and quantity that have been deposited at a particular location by named depositor(s). The warehouse operator holds the stored commodity in safe custody, and the depositor can use the receipt as collateral to borrow from financial institutions. In the current system, credit is largely provided to farmers by traders or godown owners who hold farmers' produce as collateral. The traders and godown owners secure credit from food processors, who largely meet their working capital requirements by taking working capital loans.

Agriculture value chain finance by NBFC's



Source: CRISIL Research estimates

Agriculture supply chain finance provided by NBFCs to grow at 9-11% CAGR in next 3 years

Indian agriculture's transition to demand-driven value chains is still in its nascent stages, barring a few pockets where the shift has taken place primarily due to the transformation brought about by interventions spearheaded by enterprises. In a production-driven value chain, farmers gets lesser price as farmers usually grow excess of certain type of commodities even though the consumption for these commodities may not be so high.
Going forward, as farmers move towards demand-driven value chain, farmers and farmer producer organisations (FPO) are expected to get more share of the profits, which will eventually attract financial institutes to support with additional finance in coming years.

We are also likely to witness increase in finance penetration in across agriculture value chain due to increase in organised players and technology used. Furthermore, the agriculture reforms proposed by the government, if implemented effectively, would improve market access for farmers and buoy investments in the supply chain.
CRISIL Research forecasts the post-harvest agriculture financing provided by NBFCs to increase at a 9-11% CAGR over the next 3 years to touch Rs. 40 billion by fiscal 2024.

NPA levels are low for agriculture supply chain

Traditionally, the agricultural industry has always seen higher NPAs than other sectors. The reason for this is the push by the RBI and the government to meet farm credit targets though the sector is riddled with structural issues, such as low irrigation intensity and higher proportion of small and marginal farmers. On the other hand, agriculture supply chain loans are typically given for short term and farm produce is taken as collateral, which helps NBFC's to curb the default risk. As a result, agriculture supply chain has relatively lower level of NPAs.

GOLD LOANS

Gold loans have grown at a strong pace in fiscal 2020 and fiscal 2021; expected to grow at 14% CAGR between fiscal 2021 and 2024

Gold loans are typically small ticket, short duration, convenient and instant credit. As banks and NBFCs aggressively moved in to seize this vast untapped market, they cornered a significant market share from unorganized lenders, growing at a compounded annual growth rate (CAGR) of 76% between fiscals 2009 and 2012. Sustained increase in gold price till 2012 saw the gold loan business boom in India. In such a scenario, customers could be offered higher and higher loan amounts on their gold, while lenders would benefit by price increases acting as a natural hedge, in the event of default.

The RBI moved to tighten regulations on gold loans through several measures which included capping of LTV at 60% and prohibition of grant of loans against bullion and gold coins, higher Tier-I capital adequacy ratio. These measures derailed the growth of NBFCs gold loan offtake and they lost considerable ground to banks and the unorganized sector. However, in the long term, the intervention strengthened the sector's ability to withstand price risk, improve customer service, standardise processes related to security valuation and brought transparency to auctioning of pledged gold ornaments.

In fiscal 2020, gold loan industry (including Banks and NBFCs) AUM grew approximately 13.4% YoY to reach Rs. 3.2 trillion on account of increased focus of players on diversifying their regional presence, strong growth in non-southern regions and rise in gold prices by approximately 19% in fiscal 2020 along with the convenience provided by the short turnaround time in disbursing gold loans. The demand for gold loan finance has continued unabated in fiscal 2021, as India's economy coped with the devastating effect of the global pandemic. Many consumers who held gold in reserve considered gold loans as an option to meet their credit requirements during this period.

The demand for gold loans was also supported by a consistent surge in gold price, liquidity crunch due to pandemic and lenders' hesitancy to give unsecured loans due to risk aversion. The RBI has also revisited its guidelines for banks' lending gold loans by increasing its LTV to 90% from existing 75% to help stressed borrowers to unlock more value. From an average of Rs. 41,884 per 10 grams in fiscal 2020, gold prices rose to Rs. 53,063 per 10 grams in August 2020 before declining to Rs. 49,462 per 10 grams in December 2020 and Rs. 47,126 per 10 grams in February 2021.

While the decline in gold prices in the fourth quarter of fiscal 2021 is likely to pull down growth a bit, CRISIL Research still estimate gold loans' assets under management to grow approximately 25-30% in fiscal 2021 to touch Rs. 4.1 trillion. NBFCs are estimated to account for around 26% of the market as of fiscal 2021.

The industry, which has traditionally grown through expansion of branch network across the nook and corner of the country, has witnessed the emergence of branchless fintechs over the last 3-4 years. These fintechs offer doorstep pickup and disbursement of gold loans directly to the account of the customer. The sector, which is undergoing a considerable transformation in many aspects, from unorganized to the organised sector and further from organised to digital and online products, is expected to grow in the mid-teens over the medium-term. CRISIL projects industry AUM to touch close to Rs. 6,150 billion by March 2024, translating into a 14% CAGR over a 3-year period.

Growth Drivers

- Rising share of organised financier in gold loans;
- Share of organised players to further improve in gold loans segment; and
- Greater accessibility and growing customer base to boost growth for NBFCs.

Competitive landscape

In fiscal 2021, banks have witnessed a faster growth in gold loans as compared to NBFCs on account of increasing LTV offered by banks, rising gold prices, demand from small businesses for cash and increasing focus of banks towards this asset class. For instance, State Bank of India' (SBI) personal gold loan book jumped to Rs. 175 billion as of December 2020 from Rs. 115 billion as of September 2020 and Rs. 21.8 billion as of March 2020 respectively. The gold loan portfolio of CSB Bank also increased by 60% on year to reach Rs. 56 billion as of December 2020, leading to an increase in banks share in overall gold loans industry in fiscal 2021.

Asset Quality

Gold Loan NBFCs NPA to remain range bound

In fiscal 2018, gross NPA for gold financiers stood at 3.4% after RBI changed the NPA recognition norms for NBFCs. Since then, players have been continuously focusing on de-risking their business models from volatility in gold prices, by tightening their interest collections (regular interest collections versus bullet system in the past) leading to improvement in their asset quality in fiscals 2019 and 2020. Also, shorter tenure of loans will shield the companies from any sharp volatility in gold prices. Loss given default for a gold finance company is also generally miniscule, as the loan is fully secured and the collateral is highly liquid. In case of default, the gold gets auctioned and the lender recovers its dues and returns the balance amount to the borrower. Unless the LTV offered is upwards of 80% and gold prices decline by more than 20%, the value of gold will more than offset the value of loans outstanding.

CRISIL Research expects gold loan NBFCs' gross NPAs to increase slightly to 2.0-2.2% in fiscal 2021 and subsequently come down marginally in fiscal 2022 to 1.9% as lenders' take a cautious view on gold prices in light of the decline seen in the fourth quarter of fiscal 2021.

Profitability of large gold loan NBFCs to remain stable

With the reduction in the repo rates due to COVID -19, the borrowing cost has improved marginally and large gold loan NBFCs are estimated to maintain their profitability in fiscal 2021 despite the disruption caused due to pandemic. There has been significant bounce back in the profitability of gold finance NBFCs, after a tighter regulatory phase till fiscal 2016. In 2019, after NBFC funding crisis, cost of borrowing for gold financiers increased. However, higher gold prices, cost control and lower credit cost have helped them to maintain higher return on assets (RoAs). Going forward in fiscal 2022, in the lower interest rate scenario, NBFCs might witness slight pressure on yields. Nevertheless, net interest margins and ROAs are expected to remain more or less stable even though the credit cost may experience a slight increase.

At the same time, profitability for small and medium gold loan NBFCs is likely to remain moderate at current levels in view of high competition in the industry. Considering the impact of Covid-19 pandemic, the ability of small and medium gold loan NBFCs to raise required funding and maintain asset quality and healthy earning profile will remain a key monitorable.

Profitability of gold loan NBFCs to be remain range- bound in fiscal 2021 and 2022

	FY17	FY 18	FY 19	FY20	FY21E	FY22P
Gross Spread	13.0%	13.8%	13.7%	13.6%	13.5%	13.4%
Operating expenses	5.2%	5.4%	5.3%	4.6%	4.5%	4.5%
Other income	0.3%	0.5%	0.3%	0.4%	0.4%	0.4%
Credit costs	0.9%	1.0%	0.3%	0.6%	0.9%	0.6%
Post-tax RoA	4.5%	5.1%	5.4%	6.5%	6.3%	6.6%

Note: E: Estimated, P: Projected, Profitability is based on Assets; Aggregate includes Muthoot Finance and Manappuram Finance
Source: Company reports, CRISIL Research

MID CORPORATE LOANS

NBFC's mid-corporate loan portfolio grew at CAGR of 31% between Fiscal 2017 to Fiscal 2020; growth took a dive in Fiscal 2021 due to Covid-19

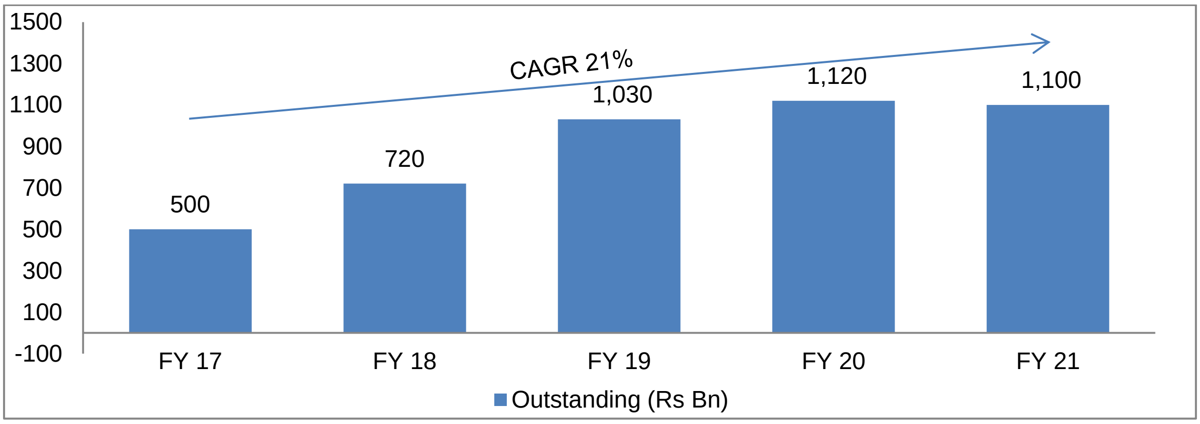
In recent years, bank lending to the corporate segment has slowed down due to increase in bad debts from the segment as also slowdown in economic growth. This has spawned opportunities for NBFCs to chip in with their services and offer credit to corporates backed by promoters with sound credentials, sustainable business models, and strong governance mechanism.

The rapid emergence of newer economy business, which keep technology and the consumer right at the centre of their business model, backed by external equity capital is also leading to increase in funding requirement as these businesses scale up and look at different forms of risk capital.

NBFCs have positioned themselves in-between banks and venture debt funds on the yield spectrum. Banks generally offer loans to mid-corporates at yields in the range of 8-11%. Amongst NBFCs, parent-backed players offer credit at interest rate of between 9-13%, while other players operate on a higher yield band of between 12-16%. Wholesale loans focussed NBFCs also extend loans to corporates, but their ticket sizes are generally much higher. NBFCs active in the mid-corporate lending space differentiate themselves on the basis of their strong focus on specific sectors, sound operating knowledge of these sectors, client connect, ability to offer customised solutions and faster turnaround time compared to banks. In addition, some NBFCs also have a high degree of focus on cash flows, promoter background and governance while deciding which mid-corporates to lend to.

We have defined mid-corporate loans as loans with a ticket size of between Rs. 5-30 crore. The aggregate value of such loans given out by NBFCs is estimated at around Rs. 1.1 trillion as of March 2021. Between fiscals 2017 and 2020, NBFCs credit to the mid-corporate segment increased at a strong 31% CAGR. While growth was extremely strong in fiscals 2018 and 2019, growth slowed down a tad in the subsequent year due to funding constraints faced by some NBFCs and caution being exercised in lending in light of slower economic growth. In fiscal 2021, Growth remained subdued in light of the downturn in economic growth due to Covid-19.

Credit outstanding of Mid-corporate loans given out by NBFCs clocked 21% CAGR between fiscals 2017 and 2021

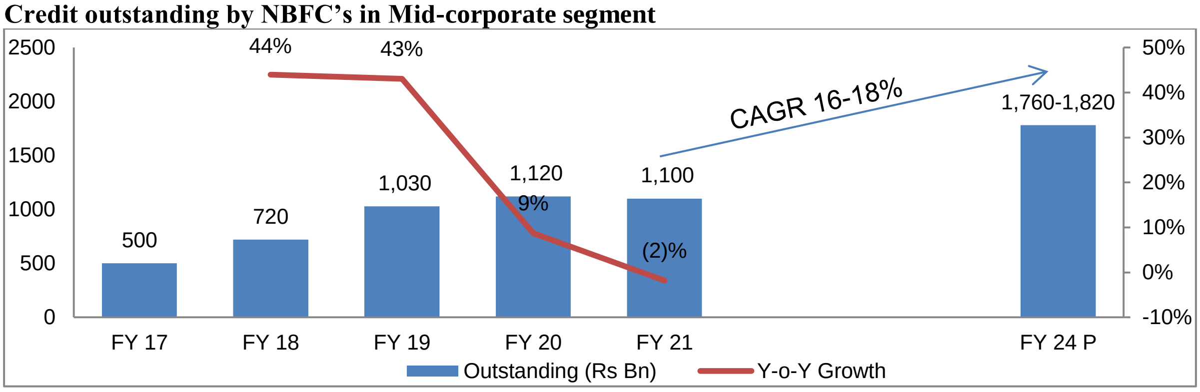


Source: CRISIL Research estimate

NBFC's loan book in mid-corporate segment expected to grow at 16-18% CAGR in the next 3 years

Over the years, as a result of a flight towards safety, lenders, especially banks, have enhanced focus on lending to large corporates enjoying strong credit rating. Furthermore, mutual fund and Insurance companies also prefer to invest in debt paper of highly rated corporates. This has led to a gap in the availability of cash flow backed loans to mid-corporates. NBFCs have stepped in to address this gap in a small way, but the potential remain immense, given the difficulty such corporates face in obtaining funding, especially in the early stages of their life cycle before they become established. Going forward, CRISIL expects NBFC credit towards mid-corporates to increase at a 16-18% CAGR over the next three years to touch Rs. 1.8 trillion by fiscal 2024.

Credit outstanding by NBFC's in Mid-corporate segment

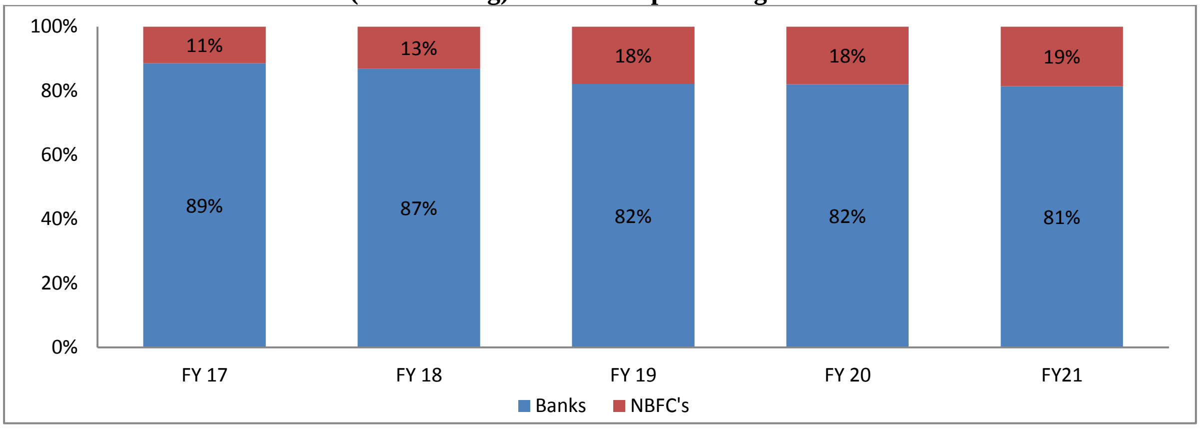


Source: CRISIL Research estimate

NBFCs have gained market share in mid-corporate segment

Between Fiscal 2017 to Fiscal 2021, NBFCs are estimated to have improved their market share in mid-corporate lending by nearly 700 basis points due to strong focus coupled with ability to customise products to suit customer needs. With faster turnaround time and better service, NBFCs were also better able to meet customer demand for convenience. As of fiscal 2020, NBFCs had a market share of around 18% in the mid-corporate lending segment; in fiscal 2021, CRISIL estimates the market share to have remained more or less stable.

NBFC vs Banks market share (Outstanding) for Mid-corporate segment



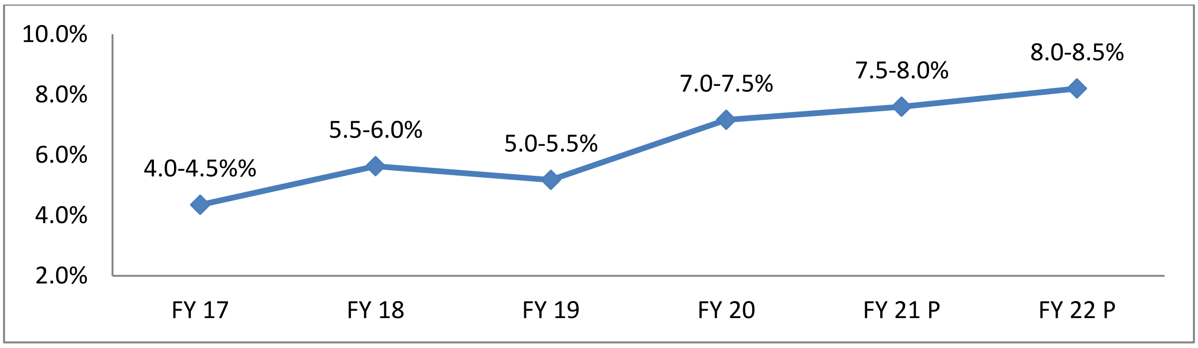
Source: CRISIL Research estimate

NPA levels to be contained in fiscal 2021 due to restructuring; however to rise in fiscal 2022

In the past, intense competition has led to aggressive lending by NBFCs. Some NBFCs sourced major proportion of the book through balance transfer, whereby additional top-up loans were given leading to higher loan-to-value (LTV) ratios and thus higher risks. Asset quality in the segment deteriorated in fiscal 2020 with gross non-performing assets (GNPA) ratio (90+ days past due) increasing from 5.2% as on fiscal 2019 to approximately 7.2% as on fiscal 2020 as portfolio seasoning and slower growth effect come into play.

The Covid-19 pandemic has amplified the stress on certain sectors within the mid-corporate segment such as hotels, engineering and capital goods, residential real estate and educational institutes. Restructuring of loans allowed by the RBI is expected to buttress the impact of Covid-19 pandemic on asset quality within the mid-corporate universe to some extent. Nevertheless, CRISIL foresees deterioration in asset quality in the near-term. GNPA levels of NBFCs in mid-corporate lending of Rs. 5-30 crore ticket size are expected to increase to 7.5-8.0% as of fiscal 2021 and further to 8.0-8.5% by the end of fiscal 2022.

Gross NPA of NBFCs in mid-corporate segment



Source: CRISIL Research estimates

However, there exists considerable variation in the asset quality of different players as can be seen from the following table. NBFCs focused on real estate and structured finance are worse off in respect of asset quality compared to their counterparts largely focusing on non-real estate corporate loans. In the case of NBFCs focused on financing K-12 schools, the asset quality has deteriorated over the past couple of years, due to slower economic growth and the debilitating impact of the Covid-19 pandemic on affordable private schools catering to the lower middle class. Within the mid-corporate segment, sectors such as logistics, healthcare, food and agriculture business and consumer discretionary are some sectors that have exhibited better asset quality, while sectors such as infrastructure, textiles and gems and jewellery are worse off.

Estimated GNPA for select NBFC cohorts in mid-corporate loans

Category of NBFCs	GNPA
NBFCs focussed on corporate loans	4 to 6%

Category of NBFCs	GNPA
NBFCs focussed on real estate and structured finance	6 to 9%
NBFCs focussed on supply chain financing	2 to 3%
School financing NBFCs	6 to 8%

Source: CRISIL Research estimates

ALTERNATIVE INVESTMENT FUNDS (AIFS)

Alternative assets include equity, private equity, private debt (dealing mainly in performing credit, distressed assets, real estate credit, and infrastructure funds), early-stage ventures, special opportunity funds, and art. However, it does not include traditional investments, such as mutual funds and life insurance. Equity AIFs cater to the UHNI/HNI clients and compete with equity PMSs for the wallet share of such clients. On the debt side, institutional investors such as insurance companies and pension funds are investing in alternative assets in search of higher yields.

Alternative investment funds (AIFs) are regulated by the SEBI under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012. The regulator defines AIFs as privately pooled investment vehicles, which collect funds from investors for investing as per a defined policy for the benefit of its investors, and are not covered by any other regulations of the SEBI that govern fund-management activities.

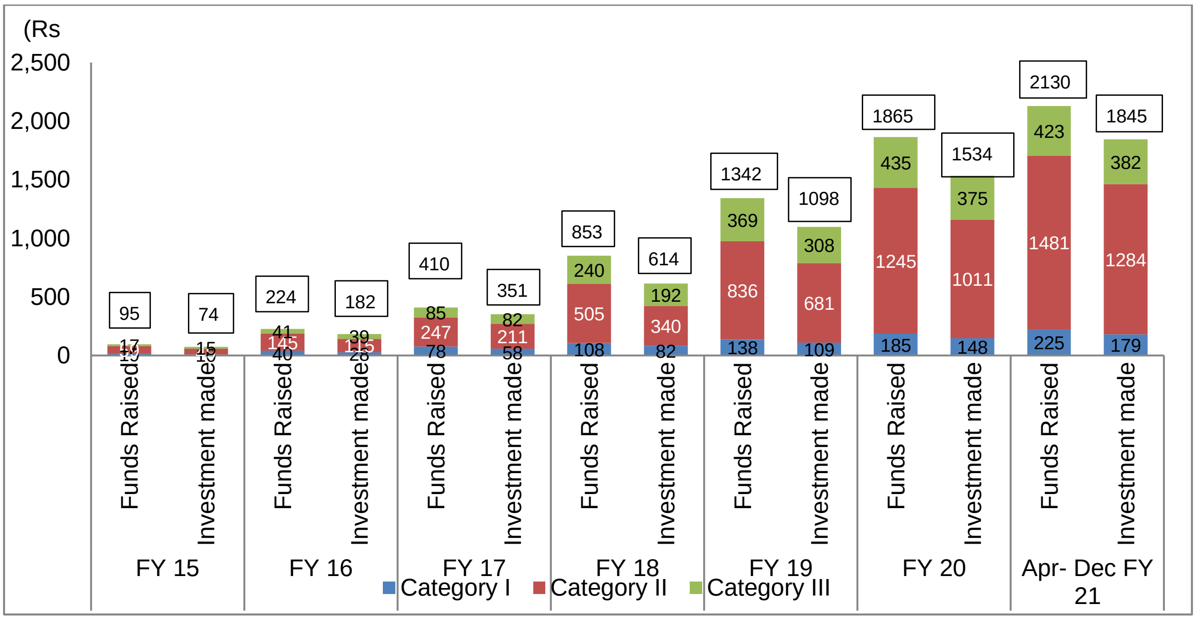
AIF has gained strong traction in recent years

In recent years, AIFs have gained significant attraction due to its ability to generate higher returns for UHNIs/HNIs by investing in funds like real estate funds, venture capital funds and start-up funding, etc., as well as enabling investors to take exposure to specific themes such as private debt focused on entities focused on financial inclusion. The growth in AIF industry can be attributed to the surge in investment activities and fund raising in the country along with support from regulatory reforms brought by SEBI. As of April 12, 2021, there were 736 AIFs overseeing over Rs. 4 trillion in investor commitments, as against 209 AIFs with Rs. 0.38 trillion in commitments as of March 31, 2016, reflecting an impressive approximately 10x growth during the interim period. Despite such a strong growth in AIF, India’s AIF market is still underdeveloped as compared to rest of world. For example, in 2019, US AIF industry size was USD10.3 trillion. The key factors for underdeveloped AIF market is higher investment ticket size and higher returns from traditional investment options. The higher investment criteria keeps large number of potential investors away from AIF market, which could bring in higher amount of funds.

Recent interest rate cuts and other moves by the RBI have brought down bank FD deposit yields, money market rates and bond yields. Earlier, higher yields from investment grade bonds had kept Investors away from AIF market as Investors could enjoy good returns at low risk. Going forward, yield from Investment grade bonds are expected to be relatively less attractive, which would bring Investors to AIF in search of higher yields.

Pension funds and Insurance companies are expected to increase their allocation to private debt as AIF market gets matured and generate higher yields as compare to traditional asset class. Furthermore, off shore funds and UHNIs/HNIs are expected to continue to bring in additional funds for higher returns.

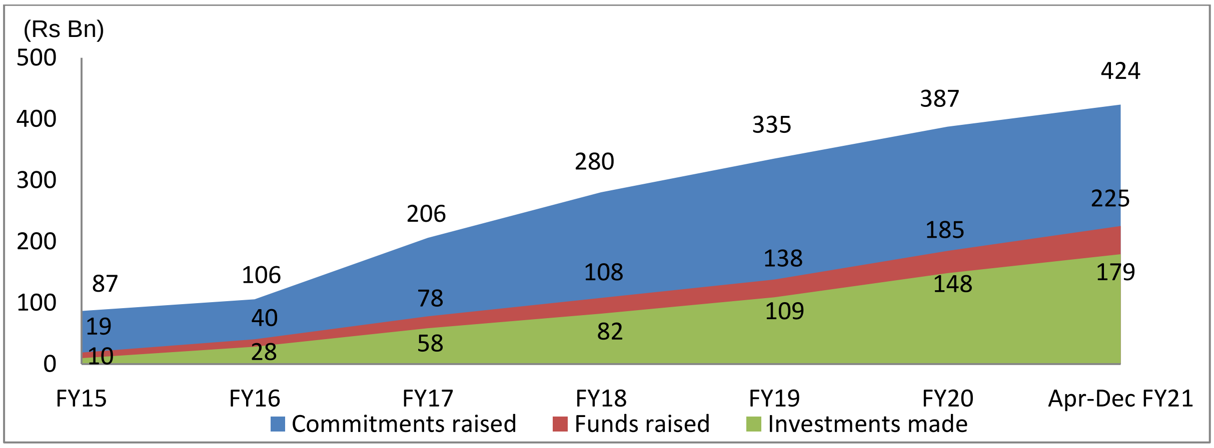
Investment made in AIFs have increased significantly



Source: SEBI Statistics, CRISIL Research

Around 67% of fund raised by AIFs as on March 2020 are under Category II funds, which includes real estate funds, private equity funds and debt funds. Category III funds were able to raise funds of around Rs. 435 billion which is 23% of overall fund raised by AIFs as on March 2020. Category III funds are permitted to invest in commodity derivatives until 10% of Investible funds and they are also allowed to leverage up to two times.

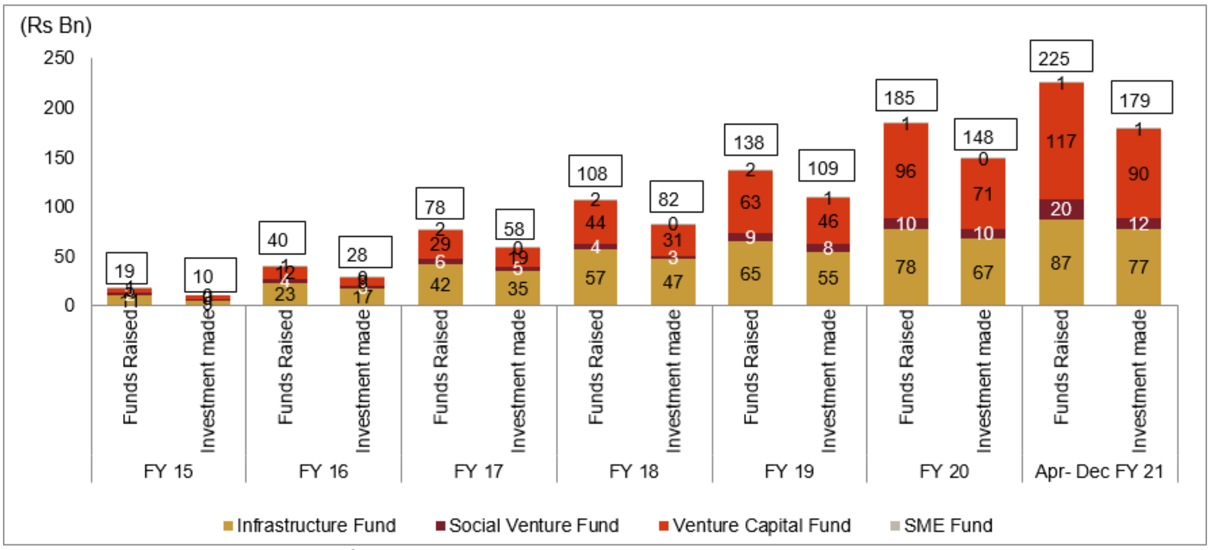
Fund raised under Category I AIF grew at CAGR 58% in last five years (Fiscal 2015 to Fiscal 2020)



Source: SEBI Statistics, CRISIL Research

Category I AIF is dominated by Infrastructure fund and venture capital fund, which account for approximately 95% of, fund raised in the category. Category I AIF has relatively slower growth as compared to Category II and III. Category I funds are largely driven with support from government incentives and concessions.

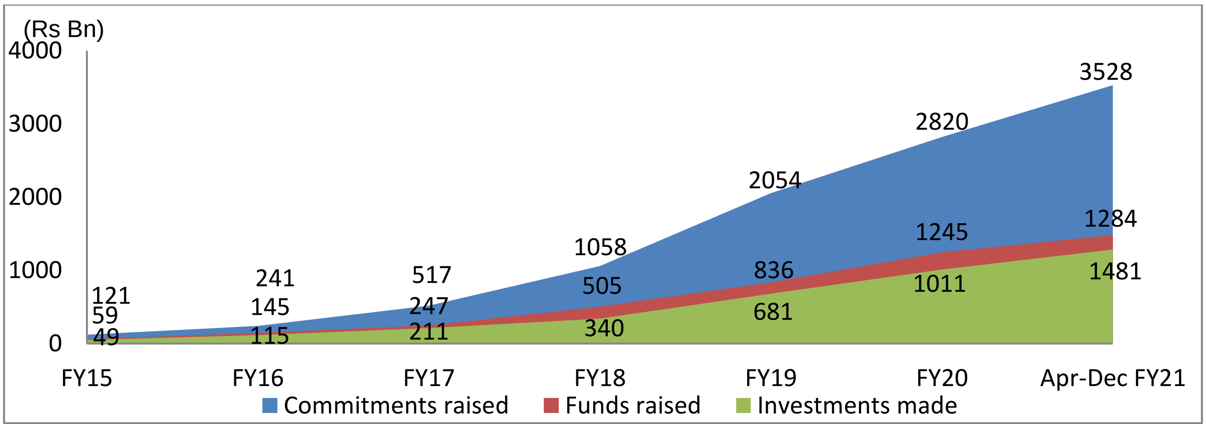
Fund raised under Social venture fund grew at CAGR 34% in last five years (Fiscal 2015 to Fiscal 2020)



Source: SEBI Statistics, CRISIL Research

Venture capital funds (VF) focuses on risk and return whereas Social venture capital funds (SVF) focuses on social value creation along with risk and reasonable return to investors. The fund managers of SVFs are expected to invest in businesses that are targeted at improving the livelihood of or providing greater access to funding for the unserved and underserved sections of society. As per SEBI guidelines, a social venture capital fund needs to invest at least 75% of its assets in businesses which have a positive impact on society. IFMR Impact Investment Fund is the first fund launched by Northern Arc in 2015 under SVF category which is among the first few funds to launch under the category which has delivered net returns (pre-tax, post all other expenses) of over 15%.

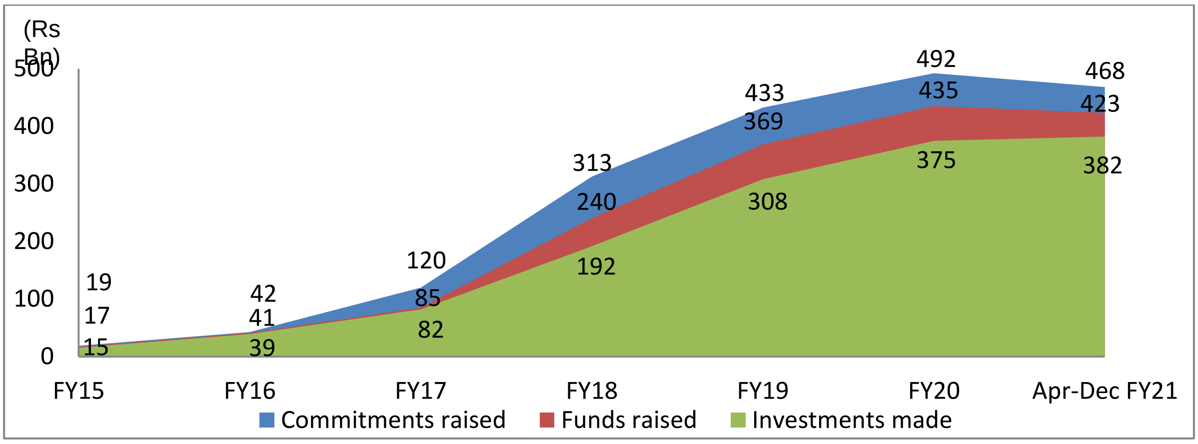
Fund raised under Category II AIF grew at CAGR 84% in last five years (Fiscal 2015 to Fiscal 2020)



Source: SEBI Statistics, CRISIL Research

Category II funds, which focus on private debt, real estate and distressed assets, accounted for approximately 70% of investments in AIFs as of Dec 2020.

Fund raised under Category III AIF grew at CAGR 92% in last five years (Fiscal 2015 to Fiscal 2020)



Source: SEBI Statistics, CRISIL Research

Category III funds usually focus on complex trading strategies (e.g., long short, derivative-based, arbitrage-based strategies, other hedge fund strategies). Also, many fund houses also focus on plain vanilla debt portfolios under Category III. Strong performance of equity markets, increase in product awareness, and launch of innovative products by fund managers have led to higher investment in these funds over the past two years. These funds are also perceived as a great diversification option by the equity-focused UHNIs individuals. Total investments in category III funds have grown from Rs.82 billion as of March 2017 to Rs. 382 billion as of December 2020.

In terms of player wise analysis, Anicut Capital, Centrum Alternatives, Northern Arc Investments and Vivriti Asset Management are the key domestic players present in the market. Out of the key players analysed in the table below, Northern Arc Investments is one of India's most experienced domestic fund manager operating in financial inclusion sector. It also has the largest AUM of over Rs 2,000 crore spread across 9 different funds followed by AUM of Anicut Capital at Rs 1,500 crore. Northern Arc Investments and Vivriti Asset Management are also mainly focused towards financial inclusion sectors.

Player-wise total AUM and number of funds

	Firm Name	Year of incorporation	Total AUM (INR Crore)	No. of Funds	Sectoral Focus
	Domestic fund managers				
1	Anicut Capital	2015	1500	2	Consumer Discretionary, Education/Training, BFSI, Healthcare, Retail
2	Centrum Alternatives	2017	650*	2	Retail financial services, chemicals, metals, building materials, healthcare, packaging,
3	Northern Arc Investments	2014	2000+	9	Financial inclusion
4	Vivriti Asset Management	2017	236**	3	Financial inclusion

*Note: * This includes co-invested capital managed by the Fund team; # including funds matured & redemption in open ended funds; ** As of December 2020*
Source: Company websites as of May 2021, Rating rationales, CRISIL Research

OUR BUSINESS

Some of the information in the following discussion, including information with respect to our business plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read "Forward-Looking Statements" beginning on page 23 for a discussion of the risks and uncertainties related to those statements and "Risk Factors" beginning on page 25 for a discussion on certain factors that may affect our business, financial condition or results of operations. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Our fiscal year ends on March 31 of each year, and references to a particular Fiscal are to the twelve months ended March 31 of that year.

Unless otherwise indicated or the context requires otherwise, the financial information included herein is based on our Restated Consolidated Financial Information for Fiscals 2019, 2020 and 2021 included in this Draft Red Herring Prospectus. For further information, see "Financial Statements" beginning on page 256.

Unless the context otherwise requires, in this section, references to "we", "us" or "our" refers to our Company together with its Subsidiaries, Northern Arc Investment Managers Private Limited, Northern Arc Investment Adviser Services Private Limited, Pragati Finserv Private Limited and Northern Arc Foundation, on a consolidated basis and references to "Company" or "our Company" are to Northern Arc Capital Limited on a standalone basis.

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Industry Report on various asset classes" dated July, 2021 (the "**CRISIL Report**") prepared and released by CRISIL. We have commissioned the report for the purposes of confirming our understanding of the industry in connection with the Offer and the report has been paid for by our Company for an agreed amount. Neither we, nor the BRLMs, nor any other person connected with the Offer has independently verified this information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant calendar year.*

Overview

We are a platform in the financial services sector set up primarily with the mission of catering to the diverse credit requirements of under-served households and businesses by providing efficient and reliable access to debt finance. Registered with the RBI as a systemically important, non-deposit taking non-banking finance company ("**NBFC**"), we have been operating in the financial inclusion space for over a decade. We are a leading player amongst India's diversified NBFCs, with a business model diversified across offerings, sectors, products, geographies and borrower segments. We provide access to credit to under-served households and businesses directly and indirectly through our Originator Partners. We operate with a risk management framework that uses a combination of proprietary quantitative data analytics based on over 22 million unique data points and qualitative field-level insights that aid credit assessment and monitoring. Our proprietary integrated technology system called 'Nimbus by Northern Arc™' ("**Nimbus**") enables us to do this efficiently at scale. Our digital initiatives earned us the 'Best Digital NBFC of the Year' award at the Economic Times BFSI Excellence Awards in Fiscal 2020 and "Excellence in Digital Execution for Process Innovation" at the MINT | TechCircle Business Transformation Awards 2021.

According to the World Bank's Global Findex Database 2017, only 8% of the Indian population borrowed from formal sources. Under-served households and businesses represent a significant proportion of India's population that faces challenges in obtaining credit due to reasons such as a lack of credit history and the ability to provide collateral. NBFCs have generally been able to address this opportunity on account of their strong origination skills, extensive reach, better customer service, faster processing, fewer documentation requirements, digitization of customer on-boarding process, customized product offerings, local knowledge, and differentiated credit appraisal methodology. (*Source: CRISIL Report*). Over the past 12 years, we have focussed on this challenge through our platform approach. We focus on addressing a wide spectrum of the credit requirements of under-served households and businesses through our sectoral approach. We operate in focussed sectors including microfinance, MSME finance, vehicle finance (includes commercial vehicle and two-wheeler finance), consumer finance, affordable housing finance and agricultural supply chain finance. Of these sectors, four of them, being microfinance, MSME finance, vehicle finance and consumer finance, have grown at rates of approximately 9% to 31% during the period from Fiscal 2018 to Fiscal 2021. (*Source: CRISIL Report*). Set out below is a sector-wise break-down of our overall business volumes and AUM (excluding our investment in AIFs) based on our financing activities in each of the above sectors that we lend to as of the dates indicated.

Sector-wise break-down of volumes

	Fiscal 2021	Fiscal 2020	Fiscal 2019
Volume by sector			
Microfinance	41.55%	36.45%	53.25%
MSME finance	27.99%	28.56%	19.17%
Vehicle finance (including commercial vehicle and two-wheeler finance)	11.44%	22.97%	19.14%
Consumer finance	5.26%	6.14%	4.08%
Affordable housing finance	4.94%	1.81%	2.46%
Agricultural supply chain finance	1.87%	0.68%	1.10%
Other retail finance sectors	6.95%	3.39%	0.80%
Total	**100.00%**	**100.00%**	**100.00%**
Total volume* (in ₹ million)	**130,536.93**	**146,925.63**	**143,653.49**

**Total volume represents the aggregate value of financing enabled by us from our own balance sheet as well as from other lenders or investors during the relevant Fiscal Year.*
Note: This table does not include our volume attributable to our rural finance business through our subsidiary, Pragati, as it has not commenced operations.

Sector-wise break-down of AUM

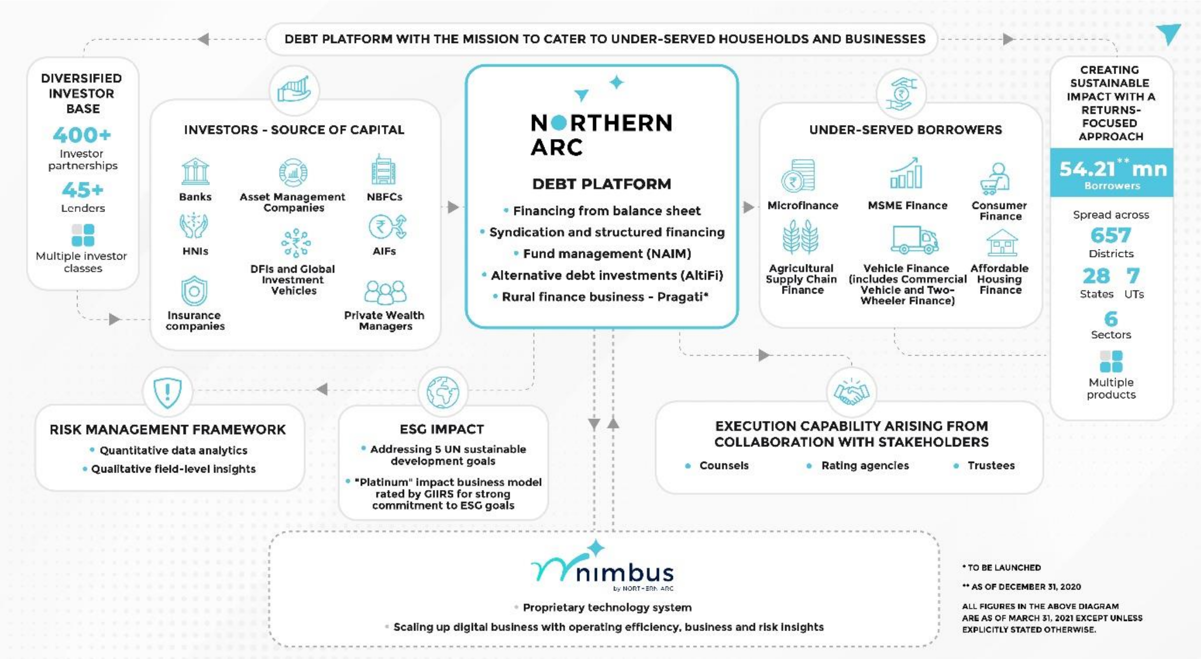
(in ₹ million)

AUM by sector	March 31, 2021	March 31, 2020	March 31, 2019
Microfinance	34.78%	26.34%	33.80%
MSME finance	30.84%	34.19%	30.40%
Vehicle finance (including commercial vehicle and two-wheeler finance)	17.85%	21.27%	19.11%
Consumer finance	8.14%	8.49%	5.43%
Affordable housing finance	4.41%	5.52%	6.51%
Agricultural supply chain finance	2.06%	2.58%	3.24%
Other retail finance sectors	1.92%	1.61%	1.51%
Total	**100.00%**	**100.00%**	**100.00%**
Total AUM (excluding our investment in AIFs)	**48,950.30**	**40,346.52**	**37,454.16**

Note: This table does not include our AUM attributable to our rural finance business through our subsidiary, Pragati, as it has not commenced operations.

Our diversified platform taps into a large network of financial institution partners, technology platforms (such as financial technology businesses ("**Fintechs**")) and other entities that act as business correspondents to originate financial exposure (collectively, "**Originator Partners**") as well as small businesses and individuals. While we lend to such Originator Partners which are in the nature of financial institutions for the purpose of on-lending by them, we also engage with certain Originator Partners who enable us to lend directly to retail borrowers ("**Retail Lending Partners**"). We also have an equally large network of investors across different investor classes who use our platform to access opportunities to invest in under-served sectors in India ("**Investor Partners**"). Since the inception of our platform, we have cumulatively raised over Rs. 950.00 billion in funds for our clients, which included funding from our balance sheet as well as from Investor Partners, most of whom are repeat users of our platform.

Set out below is a schematic representation of our business and operations.



Our platform provides three primary offerings:

- ***Financing*** – from our balance sheet, we (i) lend to and guarantee the borrowings of Originator Partners for retail on-lending by them, and invest in and/or credit enhance the portfolios sold down by them; (ii) lend to under-served households and businesses through our retail business; and (iii) lend to mid-market companies operating in preferred sectors. As part of our financing offering, we also plan to launch a dedicated rural finance business through our subsidiary, Pragati.

- ***Syndication and structuring*** – we work with our Investor Partners to structure and syndicate financing through a variety of debt, credit-enhanced debt and portfolio financing products for our Originator Partners and mid-market companies. We also demonstrate skin-in-the-game in our syndication and structuring offerings, which provides comfort to our Investor Partners and which differentiates us from other debt arrangers in the market which do not assume skin-in-the-game.

- ***Fund management*** – based on contributions received from Investor Partners, our subsidiary, Northern Arc Investment Managers Private Limited ("**NAIM**"), manages debt funds that invest in mid-market companies and our Originator Partners. As part of our skin-in-the-game approach, we make capital contributions to our funds, including contribution as sponsor of the funds.

Since 2009, when we entered the financial inclusion space, we have enabled financing for Originator Partners who have impacted over 54.21 million lives across India, of which more than 42 million were women. Our AUM from three primary offerings increased at a CAGR of 56.12% over the last 10 years, and as of March 31, 2021, we had an AUM (including our investment in AIFs) of Rs. 52.21 billion. As of March 31, 2021, through our Originator Partners, we had credit exposure, directly or indirectly, spread across 657 districts in 28 states and seven union territories ("**UTs**"). Since the inception of our platform, we have cumulatively raised over Rs. 950.00 billion in funds for our clients, executed over 900 structured finance transactions, obtained over Rs. 28.00 billion in investor commitments across nine high performing funds, and gathered over 22 million data points on customer repayment behaviour.

We have built partnerships with 228 Originator Partners, with whom we engage across multiple products through their life cycles to meet their funding requirements. We also partner with select Originator Partners to lend to retail borrowers. As part of our syndication and structuring and fund management offerings, we have built partnerships with over 400 Investor Partners across different investor classes who access opportunities to invest in the under-served households and businesses in India through our platform.

The growth in the number of Originator Partners and Investor Partners also attracts new borrowers and lenders which creates positive network effects and a diversified platform. Originator Partners on the platform engage in repeat transactions because of access to deep pools of liquidity, wider classes of investors and the ability of the platform to meet their unique requirements. For our Company, this generates an annuity effect providing us with a combination of fee income and interest income.

Using our customized credit-underwriting approach and tailored product suite that aids in the deployment of capital, we continue to build a diversified business with multiple offerings that help us grow. Our diversified approach towards assets, liabilities and products allows us to operate at a structurally lower risk as compared to monoline companies. Our assets are diversified across multiple sectors, borrower segments and geographies. Such diversification also provides us with multiple levers to steer through periods of cyclicality thereby, resulting in lower volatility of risk, return and growth.

We commenced our fund management business, which we operate through our subsidiary NAIM, in Fiscal 2014. Our Company also co-invests in funds managed by NAIM. We are one of India's most experienced private debt fund managers with over Rs. 28.00 billion, in investor commitments raised across nine AIFs since 2014, out of which we have facilitated successful exits for Investor Partners in two AIFs. (*Source: CRISIL Report*) Further, we had more than Rs. 14.00 billion of Fund Management AUM across 43 portfolio companies as of March 31, 2021. We have a deep understanding of the sectors in which our portfolio companies operate and leverage upon the long-term relationships cultivated with them by our Company. Our fund management business accounted for 4.42%, 0.65% and 11.17% of our net profit and 3.52%, 4.23%, and 4.33% of our Adjusted net total income for each of Fiscals 2019, 2020 and 2021, respectively. Our Fund Management AUM increased at a CAGR of 8.01% between Fiscal 2019 and Fiscal 2021.

A deep understanding of economics of businesses and sectors at the grassroot level combined with robust credit and risk underwriting has enabled our Company to diversify across sectors, geographies, borrower segments and products. Our quantitative analysis is based on our data lake of 22 million granular loans and pools evaluated and invested in by us over a decade. Our technology system, Nimbus connects with many Originator Partners over API and processes data and workflows. Our Originator Partners and Investor Partners can log on to Nimbus and access documents, access fundraising and investment opportunities, and execute transactions online. Nimbus provides the ability for end-to-end processing of debt transactions, from loan application, credit evaluation, generation of legal documentation to transaction execution and closure. As of March 31, 2021, our Originator Partners have raised more than Rs. 200,846.00 million in funding through 796 financing and syndication and structuring transactions executed through Nimbus. As of March 31, 2021, Nimbus has enabled disbursements of over 2.50 million retail loan accounts involving an aggregate sum of over Rs.17,500 million, in partnership with our Retail Lending Partners. We have an established track record in customizing products that help match the requirements of Originator Partners and Investor Partners catering to the under-served households and businesses. For further details in relation to our products, please see "- *Our Products*" on page 194.

We aim to create a consistently profitable business with a strong focus on ESG aspects. Over the years, we have demonstrated a strong commitment to ESG goals and impact-creation with a special focus on enabling access to credit to women.

We have an experienced leadership team whose members have committed significant part of their careers towards building our Company and our brand. Our Company's objective is to create an impact on the lives of the under-served in India while running a consistently profitable business that keeps the team motivated. We have benefited and expect to continue to benefit from the strong capital sponsorship and professional expertise, especially in the area of corporate governance and risk management, of our shareholders, which include funds and a global systemically important bank. As of the date of this Draft Red Herring Prospectus, our shareholders include IIFL Funds, LeapFrog, Augusta, Eight Roads, Dvara Trust, Accion and SMBC.

For details of certain key financial and operational information for our Company, see "*Selected Statistical Information*" on page 367.

Strengths

Large, diversified and growing base of Originator Partners and Investor Partners with demonstrated long-term relationships that present network effects

We have built partnerships with 228 Originator Partners in the nature of financial institutions which lend to under-served households and businesses. These Originator Partners operate across six focussed sectors which are set out below.

Focussed Sector	Total Originator Partners
Microfinance	61
MSME finance	54
Vehicle finance (including commercial vehicle and two-wheeler finance)	37
Consumer finance	19
Affordable housing finance	29
Agricultural supply chain finance	10
Other retail finance sectors	13
Other diversified sectors	5

These Originator Partners have been identified on the basis of a credit underwriting framework designed to identify and nurture financial firms that are close to their customers in the under-served credit segments, and in our assessment, have the ability to grow once provided with access to debt. At the outset, most of our Originator Partners are relatively smaller in scale and typically have limited avenues of raising debt. This gives us the opportunity to build long-terms relationships with first mover advantage and derive benefit from continued engagement as they scale up in their businesses. As of September 30, 2020, our Originator Partners reported a cumulative AUM of over Rs. 2.80 trillion. We have developed expertise to engage with our Originator Partners across multiple products through their life cycles and differing credit requirements. Repeat business with Originator Partners contributed to 84.80%, 93.80% and 90.30% of our total fee income (including upfront processing fee) from Originator Partners for Fiscals 2019, 2020 and 2021 respectively. Further, we continue to steadily add to our base of Originator Partners and have added 37, 30, 36 Originator Partners in Fiscals 2019, 2020 and 2021, respectively. Some of our Originator Partners include Asirvad Micro Finance Limited, Arohan Financial Services Limited, ASA International India Microfinance Limited, Kogta Financial (India) Limited, Samunnati Financial Intermediation & Services Private Limited, Shubham Housing Development Finance Company Limited and Home Credit India Finance Limited.

In addition to assuming on-balance sheet exposure through loans and investments, we also provide portfolio financing to our Originator Partners through structures such as securitization and direct assignment which involve investment in their retail pools, and arrange, syndicate and guarantee debt for fund raising from Investor Partners. Further, approximately 25.00% of our Originator Partners have received debt investment from AIFs managed by our subsidiary, NAIM. We also partner with select Originator Partners, including Fintechs, to lend to retail borrowers, who provide us with necessary support in various functions such as loan origination, execution of loan documents, disbursements and collections. As of March 31, 2021, we had 27 partnerships with Originator Partners that we work with in connection with our retail lending business (our "**Retail Lending Partners**", and such partnerships, "**Retail Lending Partnerships**") 55.56% of these Retail Lending Partnerships were long-term relationships (that is, of over three years). Some of our Retail Lending Partners are Lendingkart Finance Limited, Hiveloop Technology Private Limited (Udaan), New Opportunity Consultancy Private Limited, Finnovation Tech Solutions Private Limited (KrazyBee), Digikredit Finance Private Limited (SMEcorner.com), Social Worth Technologies Private Limited (Early Salary) and Camden Town Technologies Private Limited (Zest Money).

As part of our syndication and structuring and fund management offerings, we have also built partnerships with over 400 Investor Partners. These include banks, asset management companies, insurance companies, DFIs, fund-of-funds, AIFs, FPIs, global investment vehicles, family offices, private wealth managers, foundations and HNIs. We offer due-diligence capability, customized approach to underwriting, on-going monitoring/surveillance, skin-in-game/co-participation by us, and the execution efficiency that our platform provides. Further, since its inception in 2014, our subsidiary, NAIM, has raised over Rs. 28 billion in investor commitments across nine AIFs, of which two have facilitated successful exits to our Investor Partners. Each of the AIFs has deployed or proposes to deploy debt capital predominantly in Originator Partners and other businesses. As of the last three Fiscals, we had 37, 47 and 72 institutional and 65, 82 and 113 individual investors in the funds managed by NAIM. Further, our Fund Management AUM has grown at a CAGR of 8.01% between Fiscal 2019 and Fiscal 2021. Some of our Investor

Partners are SBI General Insurance Company Limited, Royal Sundaram General Insurance Company Limited, Reliance General Insurance Company Limited, Hinduja Leyland Finance Limited and PG Impact Investments. For illustrative case studies explaining how our platform offerings have benefitted Originator Partners, please refer to " – *Illustrative case studies*" on page 193.

This growing community of Originator Partners and Investor Partners coupled with our track record in diversified product offerings has resulted in an expansion in opportunities for debt raising and investment, and therefore there has been a consistent growth in the number of new Originator Partners and Investor Partners on our platform. This creates positive network effects and a diversified platform that is resilient through different economic cycles.

This platform approach, as underpinned by our long-term relationships with Originator Partners and Investor Partners, has, among other reasons, allowed us to stay consistently profitable and grow our AUM and total revenue at a CAGR of 13.41% and 6.41% respectively over the last three Fiscals.

Nimbus, our proprietary technology system, expands business opportunities and drives efficiencies.

Nimbus, our proprietary technology system, enables us to scale up business operations with execution and functional efficiencies and data analytics. Nimbus has been the backbone of our growth as a platform. We commenced our deployment of Nimbus in Fiscal 2019. In the span of the last three Fiscals, Nimbus has provided an impetus to our platform that has allowed us to: (i) engage with our Originator Partners, and Investor Partners, mid-market companies and execute and conclude a host of loan and other debt investment transactions; (ii) successfully integrate the full spectrum of internal functions like client on-boarding, approval of credit exposure limits, credit decisioning, data-driven risk monitoring, documentation, etc.; and (iii) digitize a data lake collected from underlying retail pools of our Originator Partners. This data lake comprises (i) broad insights on Originator Partners; (ii) transaction-level data; and (iii) 22 million granular data points farmed from the performance of certain underlying retail pools of our Originator Partners.

Apart from our own adoption, Nimbus is also used by certain key stakeholders in our business such as our Originator Partners and Investor Partners. Certain key benefits offered by Nimbus to our Originator Partners include, that it provides access to a wide investor base and provides curated opportunities for raising debt. As of March 31, 2021, our Originator Partners have raised more than Rs. 200,846.00 million in funding through 796 financing and syndication and structuring transactions executed through Nimbus. Similarly, certain key benefits offered by Nimbus to our Investor Partners, include providing curated opportunities for investments and enabling digital execution of a wide range of transactions. For further details on the key benefits offered by Nimbus to our Originator Partners and Investor Partners, see "- *Information Technology*" on page 201.

Integration of Nimbus with the technology systems of Retail Lending Partners allows flow of data in relation to retail borrowers, which is largely processed using automated business rule engines. Our underwriting and default prediction algorithms are recalibrated periodically, incorporating more variables and features as we disburse more loans and enrich our data bases.

In the span of three Fiscals, we have successfully adopted Nimbus to cover the full spectrum of internal functions ranging from client on-boarding, approval of credit exposure limits, credit decisioning, data-driven risk monitoring and analytics, to documentation (including e-stamping and digital signatures of documentation). This has helped our Company cultivate three advantages: scalability, precision, and efficiency in terms of turnaround time.

In addition to our large data lake, we also add insights from our on-field surveillance to Nimbus to allow for a comprehensive data repository. A combination of insights from the data lake and on-field surveillance enables us to carry out benchmarking of all our Originator Partners, current and potential, which is a key input in our credit decision-making process, portfolio stress testing, early warning indications. We also use these insights to provide feedback to Originator Partners including comparison with operational and financial industry benchmarks. Further, these insights are also used to publish blogs, conduct webinars for domestic and offshore investors, and publish detailed sector presentations. For more details, see "– *Information Technology*" on page 201.

Demonstrated track record of offering customized debt products

We have demonstrated a track record of more than a decade in offering customized products for various users of our platform. Our Company has pioneered the introduction of multiple innovative products such as the first securitization of microfinance loans, first pooled multi-originator securitization transactions ("**MOSEC®**"), persistent securitization ("**PERSEC®**") involving securitization of vehicle loans with a replenishing structure. (*Source: CRISIL Report*) Embedded in our product designing capability is an understanding of the diverse credit requirements of our retail borrowers, Originator Partners, and mid-market companies, the sectors that they operate in, as also the risk and return expectations of our Investor Partners. Our product structuring and designing capabilities have earned us awards for the 'Best Arranger of the Year' consecutively in 2018 and 2019 and 'Most Innovative Deal' in 2019 by the Indian Securitization Foundation. Our knowledge in product designing and customization is further strengthened by Nimbus, which makes use of technology and our Company's large data lake to offer curated opportunities to both Originator Partners and Investor Partners.

For our Originator Partners, we offer a wide variety of debt and credit-enhanced debt products aimed at increasing their balance sheet size. These include term and working capital loans, Principal Protected Market-Linked Debentures ("**PP-MLD**"), commercial paper, External Commercial Borrowings ("**ECBs**"), sub-debt products, guarantee-backed lending, SPiCE loans and SPiCE BOND® (together, "**SPiCE**"), pooled loan and bond issuance programmes and, Credit Enhanced Non-Convertible Debentures ("**CENCDs**") Credit Enhanced Market-Linked Debentures ("**CEMLDs**") that are suited to their specific lifecycles, credit ratings, and their requirements on size, tenor, pricing, etc. We also offer portfolio financing products such as rated securitization, MOSEC®, PERSEC®, and direct assignment that help our clients avail liquidity through a sale of assets. Our Company has enabled small and medium Originator Partners to access securitization markets where large NBFCs are active participants. (*Source: CRISIL Report*) Notably, our microfinance securitization product was used as a case study to analyze how we enabled funding to microfinance institutions by tapping into a new class of capital markets investors including pension funds, mutual funds and bank treasury desks.

Further, we selectively assume skin-in-the-game in some of these products to enhance their credit rating and enable our Originator Partners and other businesses to raise debt from investors. The skin-in-the-game could be in the form of guarantees for a stated amount, co-investment, and credit enhancement in the form of investment in subordinate tranches of an instrument or unfunded second-loss credit enhancement.

The overall securitization and direct assignment volumes in the market stood at Rs.1900 billion, Rs. 1910 billion and Rs. 900 billion for Fiscals 2019, 2020 and 2021 respectively (*CRISIL Report*). In Fiscals 2019, 2020 and 2021, our Company has enabled funding of Rs. 81.10 billion, Rs. 75.34 billion and Rs. 33.90 billion respectively through securitization (including MOSEC® and PERSEC®) and direct assignment, which amount to 3.00% to 5.00% of the aforesaid overall market volumes reported by CRISIL. Further, the overall market volumes for securitization and direct assignment in microfinance and MSME finance, being the sectors where a majority of our Originator Partners operate, stood at Rs. 251 billion, Rs. 342 billion and Rs. 144 billion for Fiscals 2019, 2020 and 2021 respectively (*CRISIL Report*). In Fiscals 2019, 2020 and 2021, our Company, through securitization and direct assignment, enabled funding of Rs. 63.28 billion, Rs. 45.51 billion and Rs. 23.77 billion to Originator Partners operating in the microfinance and MSME finance sectors, which range between 13.00% and 25.00% of the aforesaid total volumes reported by CRISIL in these sectors. Our Company has also ventured into securitization of relatively newer asset classes such as cash loans, consumer durables and trade receivables to cater to the funding needs of its existing and new Originator Partners.

Our track record of offering customised products suited to investor needs is borne out in our funds business as well. Since 2014, our funds business has put together several structures with potentially useful features for investors, including pass-through taxation and tenure matching of underlying investments with fund tenure for improved predictability of investor returns. Our multi-sectoral funds offer risk diversification and capital protection to investors for longer tenures.

Diversified business model across sectors, offerings, products, geographies and borrower segments

We implement diversification in various aspects of our business operations such as in our sectoral presence, offerings, product suite, geographical reach and exposure, and borrower segments. This has provided us with necessary levers for risk management and business growth.

Our focussed sectors are spread across and represent different credit requirements of the under-served households and business namely, microfinance, MSME finance, vehicle finance (includes commercial vehicle and two-wheeler finance), consumer finance, affordable housing finance and agricultural supply chain finance. This sectoral diversification has helped us in mitigating the effects of slowing demand for credit in standalone sectors owing to cyclicality, events or regulatory changes affecting such sectors, and in maintaining the health of our portfolio thereby, resulting in lower volatility of risk, return and growth. Notably, sectors such as microfinance, have shown lower historic correlation with macroeconomic cycles. (*Source: CRISIL Report*) Further, as part of our business with mid-market companies, we have enjoyed flexibility to build a heterogeneous portfolio across different sectors such as food and agriculture, healthcare, clean energy, logistics and education.

We provide multiple offerings to facilitate the flow of credit to the under-served households and businesses. Our platform provides three primary offerings, i.e., (i) financing, (ii) syndication and structuring; and (iii) fund management. We also have a diversified product suite. For details of our products, please see "- *Our Products*" on page 194. Our diversified product suite and business model enables us to address different business opportunities over cycles. As risk preferences of Investor Partners change, we are able to assume exposure to, structure and syndicate debt, as well, through a variety of products which meet the preferred risk and return profile. For example in Fiscal 2020, portfolio financing transactions accounted for more than 50% of our overall business volume as Investor Partners preferred to do tenure matched investments with greater visibility of the underlying portfolio. However, in Fiscal 2021, share of syndication of other products (i.e. debt and credit-enhanced debt products) and our own balance sheet lending was significantly high given the preference to lend to well-capitalized, well-rated entities due to COVID-19 and the uncertainties regarding retail portfolio asset quality. Further, we offer financing from our own balance sheet including during periods of risk aversion, benefiting from our own credit rating and underwriting capability in the sectors we work in. We also cater to three borrower segments namely, Originator Partners, mid-market companies and retail borrowers.

Our Company has been continuing its funding initiatives even during the COVID-19 pandemic based on borrowings, investments and guarantees from our lenders, bankers, debenture holders, investors and guarantors including United States International Development Finance Corporation, Asian Development Bank, FMO, Kotak Mahindra Bank, Michael & Susan Dell Foundation and The Rockefeller Foundation. We have also been shortlisted as a co-guarantor under the 'Structured Finance and Partial Credit Guarantee Program' of NABARD aimed at enabling funding to MFIs. Further, we have offered case-by-case moratoria for borrowers adversely affected in the first wave of the COVID-19 pandemic.

As of March 31, 2021, we had a well-diversified AUM with underlying assets spread, directly or indirectly, across 657 districts in 28 states and seven UTs. Our diversified presence across India mitigates the impact of any adverse geography specific risk events including natural disasters.

Robust risk management framework based on domain know-how, qualitative field-level insights and data lake

Risk management is core to our business and over the years we have developed, fine-tuned and implemented a customized risk management system. Our risk management systems are customized for each sector that we operate in and are specific to each offering. This enables us to effectively build a diversified portfolio and manage general risks and specific risks that are unique. Building and retaining a team with expertise in sectors that we operate in, a strong and independent risk governance structure, well-documented risk management practices and effective implementation of such practices are the cornerstones of our risk management framework. This has helped us in effectively building a quality credit portfolio. Most of our credit risk management processes are enhanced through deep analytical models built on Nimbus. With additional data points and sources being added every year to Nimbus, the risk models continue getting robust.

An understanding of economics of businesses and sectors at the grassroot level combined with robust credit and risk underwriting has enabled our Company to diversify across sectors, geographies, borrower segments and products.

Our quantitative analysis is based on our data lake of 22 million granular loans, which includes: (a) loan pools we have evaluated and invested in since inception across more than 900 structured finance transactions, and (b) 2.58 million retail loans disbursed by us. Additionally, secondary data from external data sources such as credit bureaus and economic research portals is used for analysing pin code level borrower characteristics such as indebtedness, collection efficiencies, sector growth trends, among others.

Our risk management approach is aimed at actively identifying, monitoring and managing risks. As a result of our approach to risk management, as of Fiscal 2021, our Company had the lowest GNPA of 2.3% and the second lowest NNPA of 0.9%, among our peers. We had an overall GNPA of 0.8%, 0.5% and 2.3% as of Fiscals 2019, 2020 and 2021, as compared to the industry average (taking into account average of vehicle financial lenders, MFI lenders and MSME lenders) of 1.7%, 2.0% and 3.4% as of the same dates and an overall NNPA of 0.05%, 0.15% and 0.9% as of Fiscals 2019, 2020 and 2021 as compared to the industry average (taking into account average of vehicle financial lenders, MFI lenders and MSME lenders) of 1.0%, 1.0% and 1.7% as of the same dates (*Source: CRISIL Report)*. For more details, see "- *Risk Management*" on page 198.

Maintaining diversified sources of funding for our own deployment and proactive liquidity management

We maintain a well-diversified funding profile that is underpinned by our robust and time-tested relationships with our lenders and investors, proactive liquidity management system and strong credit rating.

We continue to seek, cost-effective debt funding from a variety of sources and instruments. As of March 31, 2021, we had over 45 lenders and investors. Further, as of March 31, 2021, 53.43% of our total borrowings were from banks, 33.46% were from impact funds and DFIs, 6.33% were from other capital markets investors such as mutual funds, private wealth management firms and HNIs, and 6.79% were from other lenders and investors. Our diversified base of lenders and investors provide us a strong base for increased funding.

Our credit rating is a key enabler for our diversified funding profile. Since 2015, our Company's commercial paper program has been rated A1+ and our non-convertible debentures and long-term bank facilities have been rated A+. Further, our market-linked debentures, and subordinated debt program currently have a rating of A+. Also, a portion of our retail lending qualifies for categorisation as priority sector lending under RBI guidelines, enabling us to raise lower cost funding from banks.

Our Company has adopted an asset/liability management policy which requires us to monitor and manage interest rate and liquidity risks proactively from time to time. This has enabled us to maintain a positive asset liability management ("**ALM**") position with no cumulative negative mismatches in the last three Fiscals. We reduce the negative carry while maintaining sufficient liquidity to comply with the LCR norms by investing in low risk, liquid investments such as short term Treasury bills.

We raised ₹30,297.08 million in debt in Fiscal 2021. Our Company's average cost of borrowings during each of Fiscals 2019, 2020 and 2021 was 10.18%, 10.46% and 10.23%, respectively. Our incremental cost of borrowing during each of Fiscals 2019, 2020 and 2021 was 10.49%, 12.04% and 9.84%, respectively.

We have also conducted 11 rounds of equity fund raises (including issuances of CCPS) in the last seven Fiscals which has allowed us to benefit from the capital sponsorship of a marquee set of equity investors which include impact-focussed funds and a global systemically important bank.

Focus on high standards of governance and experienced professional management

We are a professionally managed company with no identifiable promoter. Our Company strives to adhere to high standards of corporate governance and has established policies and procedures to support transparency, strong business ethics and a well-established compliance framework. Our Board is chaired by a non-executive independent director, with two additional non-executive independent directors, four non-executive nominee directors and one managing director also on the Board. Our Board supervises our operations through committees designed to manage and oversee key aspects of our business. We have an audit committee, risk management committee, nomination and remuneration committee, IT strategy committee, credit committee, asset liability committee and finance committee that are dedicated to addressing and managing the various risks that we face. Such committees constituted of independent directors, non-independent directors and/or employees, with distinct and delineated responsibilities, are critical to the efficient organization of our business and lends to good corporate governance. For more details, see *"Our Management"* on page 233. In addition to the steps we have taken to ensure strong corporate governance, we have also been subject to diligence performed by our shareholders, lenders and debt investors, which include various private equity funds, and DFIs. These have further strengthened and added credibility to our quality of governance, accounting and controls, and ESG focus.

We have a motivated, professional and experienced management team. Our team of Key Management Personnel have been with our Company for an average of more than six years. We focus on being an equal opportunity employer. 33.33% of our Key Management Personnel are women. Further, as of March 31, 2021, 26% of our total employees were women. Our independent directors and Key Management Personnel have a substantial experience in the BFSI space in both India and abroad. For further details on the experience and qualifications of our Key Management Personnel, see "*Our Management*" beginning on page 233.

In Fiscal 2017, our Managing Director and CEO was conferred the Edward W. Claugus Award by Accion for Financial Inclusion Leadership. Further, in Fiscal 2015, our Managing Director and CEO was recognised as a role model as part of an 'inspiring women in banking' initiative of a reputed DFI. Our strong and experienced leadership and growth-oriented business model has further enabled us to attract motivated and experienced mid-level management employees as well as talented junior-level employees, who contribute to the growth of our business. We have endeavoured to motivate our senior and mid-level management team through a combination of variable compensation linked to their individual performance as well as our Company's performance and long-term incentives such as schemes of our ESOP Plan 2016, thereby enabling a strong alignment of their interests with our performance. In Fiscal 2021, 125,000 options were granted. For further details on the ESOP Plan 2016, see "*Capital Structure*" beginning on page 82.

Strategic focus on ESG alignment resulting in creation of sustainable impact with a returns-focused approach

Since Fiscal 2009, we have been committed to providing efficient and reliable access to debt finance to under-served households and businesses. This commitment brings our business in line with five out of the 17 sustainable development goals by the United Nations ("**UNSDGs**") that directly acknowledge access to financial services as being relevant targets to be achieved by Fiscal 2030. These five UNSDGS are 'no poverty', 'zero hunger', 'gender equality', 'industry, innovation and infrastructure' and 'decent work and economic growth'. Set out below is our reach and work towards expanding access to debt finance through our lending through our Originator Partners over the past three Fiscals.

Particulars	Fiscal 2019	Fiscal 2020	Fiscal 2021
Total Funding Enabled (Y-o-Y) (₹ in million)	143,653.49	146,925.63	130,536.93
Number of districts	572	581	657
Presence in aspirational districts*	103	104	110
Total Number of End- Borrowers **	47,386,385	58,832,282	54, 219,557***
Number of women borrowers	41,636,074	49,428,292	42,765,026***

** A total of 117 districts have been identified by Niti Aayog as requiring improvement based upon composite indicators from health and nutrition, education, agriculture & water resources, financial inclusion, skill development and basic infrastructure.*
*** Includes our retail borrowers and borrowers of Originator Partners.*
**** Data as of December 31, 2020.*

Our Company enforces ESG parameters as part of our corporate governance commitment to our shareholders including through an adherence to the LeapFrog group's 'Responsible Investment Code', with the objective of delivering both financial and social results by incorporating best practices across environmental, social, and governance impact management. Our underwriting guidelines along with the ESG policy also incorporate a responsible financing framework across parameters such as governance, employee rights and environment which are applied at multiple stages such as client on-boarding, investment or lending, and post-transaction monitoring. Specifically, as part of our relationships with Originator Partners, we also require their adherence to norms on customer protection and fair practice codes - including instituting adequate mechanisms for resolution of complaints, fostering fair and respectful treatment of borrowers particularly during collection processes. In May 2020, we entered into a memorandum of understanding with Agents for Impact GmbH & Co. KG ("**AFI**"), with a view to encouraging our Originator Partners to adopt a sustainability alignment rating tool developed by AFI which would assess their performance based on the UNSDGs.

As of December 31, 2020, more than 75.00% of the total underlying borrowers of our Originator Partners comprised of women. As part of our ESG Policy, we also look into whether our clients meet certain minimum elements of corporate governance. Our subsidiary, NAIM, has also developed a social performance assessment tool covering over 55 data points as part of one of its impact-focussed funds.

As a result of our focus on ESG, Global Impact Investing Ratings System has accorded our impact business model a rating of 'Platinum' (on a scale of Bronze to Platinum) thrice in the last five Fiscals, for measures of impactful practices, policies and achievements.

Strategies

Expand access to finance for under-served households and businesses by growing and deepening our origination channels and investor reach as well as scaling our product suite

We operate in focussed sectors including microfinance, MSME finance, vehicle finance (includes commercial vehicle and two-wheeler finance), consumer finance, affordable housing finance and agricultural supply chain finance. Of these sectors, four of them, being microfinance, MSME finance, vehicle finance and consumer finance, have grown at rates of approximately 9% to 31% during the period from Fiscal 2018 to Fiscal 2021. (*Source: CRISIL Report*) We have also started business development efforts to enter and expand in other retail finance sectors such as gold finance and other asset-backed finance sectors. We aim to continue to expand our presence within the under-served households and businesses in India by adding to our origination channels – by on-boarding new Originator Partners onto our platform and financing the debt capital requirements for the growth of our Originator Partners, and on-boarding new Retail Lending Partners who can help us reach more retail borrowers.

Over the last few years, we have seen a transformation in the Indian financial services landscape. The increasing penetration of neo-banking, digital authentication and mobile phone usage as well as mobile internet has resulted in the modularization of financial services, particularly credit. We have seen the emergence of a number of platforms aggregating customers and entering into partnerships for financing – both in the MSME and consumer sectors. This represents another opportunity set of Originator Partners for us. (*Source: CRISIL Report*)

We aim to continue to add value by providing diverse products and services to our Originator Partners as they scale. As our Originator Partners grow and obtain better credit ratings, they will become eligible for a greater variety of products and meet the risk criteria of more investors. We aim to continue to work with larger clients for specific products and segments of their portfolio, enabling them to improve the efficiency of their financing and/or expanding their investor coverage. This provides us with scale and enable us to offer our investors opportunities across the full spectrum of risk and return.

We intend to expand our investor reach - extending our coverage to newer classes of investors – both domestic and overseas by adding to the base of capital market investors such as NBFCs, AIFs, private wealth investors and distributors, insurance companies, pension funds and corporate treasuries. Further, we expect to see existing investors widen their product and investment appetite as their deployment requirements increase and their understanding of our focussed sectors improve.

AltiFi by Northern Arc™ ("**AltiFi**"), our recently launched digital platform enables our Company to sell down dematerialized securities held by it. All categories of eligible buyers can digitally access the system to explore instruments available for sale on the platform. An integrated third-party gateway enables seamless payment for securities purchased on AltiFi and delivery of instruments is effected through the depositories. The sale of instruments through AltiFi is on an "as is, where is" basis, and investors of the platform are cautioned to seek professional financial advice prior to investing.

Our retail business is partnership-based, with our Retail Lending Partners largely responsible for originating and servicing loans. We intend to continue our non-linear growth trajectory in this business, by utilising our differentiated technology infrastructure to build partnerships with more Originator Partners and scale our existing partnerships. We endeavour to make use of our underwriting models built using machine learning techniques analysing over 22 million loans across sectors, and increasingly implement them on Nimbus to drive the scale and profitability of this business and continue to invest in and scale up the collections infrastructure required to support a business of this nature.

Further, in order to capture a greater market share of the MSME finance sector, we propose to develop a digitised supply chain finance platform. This platform will enable us to finance the working capital requirements of dealers and vendors who are involved in the supply chain of large and medium-size companies that we propose to identify ("**Anchors**"). In our understanding, the supply chain finance business is characterised by lower delinquency due to shorter tenor, involvement of the Anchor in each leg of the financing transaction, end-use monitoring, among other things. We intend to deliver a seamless transaction experience to our customer and aim to be a leading player in the industry by applying our technology capabilities. We believe that this offering will not only bring a new stream of revenue to our Company but also increase our client-base for other products.

We intend to maintain and increase our position as a leading diversified NBFC operating as a platform, through a combination of organic growth and, if beneficial, inorganic growth. To this end, we may from time to time evaluate acquisitions and joint ventures, including portfolio acquisitions. Our expansion will be driven by opportunities to grow our revenues by tapping into new opportunities at our existing markets as well as new markets.

Scaling up our technology system, Nimbus, to further improve customer experience and enhance efficiency

We have made, and intend to continue making, investments in our technology system, Nimbus. Our continued focus on the effective use of technology is aimed at further improving the customer experience and streamlining processes leading to cost efficiencies and productivity. For instance, we may explore greater deployment of machine learning techniques to enhance our data analytics capabilities, enable Investor Partners to choose granular transaction-level terms to customise syndication and structuring transactions as per their requirements, deploying

Nimbus for new products and new offerings including for our proposed offering in relation to MSME supply chain financing.

We plan to build on the capabilities of Nimbus to integrate seamlessly with our Originator Partners, Investor Partners and borrowers, enable transaction execution with efficiency, deliver a superior customer experience and offer business and risk insights in a context-sensitive manner, among others. As our clients and investors make greater use of Nimbus, the increasing number of transactions on the platform can provide larger datasets as inputs for our analytics algorithms which can further improve the quality of opportunities and insights that we can offer.

Establishing a technology and data driven rural finance business through our newly incorporated subsidiary, Pragati

Our subsidiary, Pragati, was incorporated in Fiscal 2021 with the aim of offering small ticket loans through a digital platform to under-served rural and semi-urban areas of the country. Pragati will offer microfinance loans through group-based and individual models of lending. We propose to build a lending model for Pragati that will apply data to assess the creditworthiness and ability of a borrower to service loans. Pragati is developing a mobility-based technology stack with API which will be fully deployed on the cloud. In addition to real-time portfolio monitoring and credit modelling, we will make use of our data repositories and analytics capability to build predictive models on borrower behaviour and geo risk management. Data and data-driven decisioning will enable development of unique product offerings that will support business growth and risk management.

Based on research and data analysis, we have identified 10 states in India where we intend to commence microfinance operations in multiple phases. We intend to focus on income-generating micro loans and household loans with a particular focus on women borrowers. We will be using both the group model and the individual model of lending with most loans falling in the ticket size range of Rs.50,000 to Rs.125,000.

Through Pragati we also intend to focus on small business loans between Rs. 125,000 and Rs. 5,00,000 based on field credit rating and a technology-intensive underwriting platform mainly in the unsecured loan market and could also include co-origination, off-book and cross-sell models for these types of assets.

Expand our fund management business

Since establishing our fund management business in Fiscal 2014, we have expanded the investor base in our funds to include all major classes of investors from India, such as development financial institutions, banks, insurance companies, corporate treasuries, family offices and HNIs. In Fiscal 2020, we set up our first close-ended fund with an impact focus targeted at offshore investors, to expand and diversify our investor base beyond India. We aim to expand our fund management business by: (i) introducing new offerings targeted at specific classes of investors both in India and overseas; (ii) tapping a wider set of investor classes such as funds-of-funds, sovereign wealth funds, foundations, endowments and pension funds; and (iii) expanding our outreach and presence in offshore geographies such as Europe and North America where ESG and impact-oriented investments are established asset classes including through engagement of fund distributors. Products in the pipeline include thematic funds targeting women empowerment and financial inclusion.

Further, NAIM has applied for regulatory approvals for grant of registration as a portfolio manager. A portfolio management services (“**PMS**”) would complement our fund management business and would allow customization of portfolios to suit investor risk appetite and enable NAIM to reach a larger base of investors. Compared to investment in AIFs, PMS investors would have the flexibility of investing with shorter tenure of investments, lower investment thresholds for entry, differing tax treatment, etc. This would allow us access to a wider investor base comprising of private wealth investors and ultra-HNIs. In the first phase, NAIM intends to offer a bouquet of bonds and securitized debt instruments as part of its product.

Continue expanding our strategic focus on ESG

Since Fiscal 2009, we have been committed to providing efficient and reliable access to debt finance to under-served households and businesses. This commitment brings our business in line with five out of the 17 UNSDGs, namely, no poverty’, ‘zero hunger’, ‘gender equality’, ‘industry, innovation and infrastructure and ‘decent work and economic growth’ that directly acknowledge access to financial services as being relevant targets to be achieved by Fiscal 2030.

We propose to carry out the following initiatives to increase our focus on ESG considerations as part of our business:

- Focusing on, among others, identifying and suggesting opportunities and areas for deployment of our Company's funds in the form of investments, etc. in ESG-related areas and contributing towards the UNSDGs with oversight from our ESG Committee;

- Aim to implement a structured framework to measure and track carbon emission intensity per employee in line with widely and globally accepted methodologies, and undertake planned initiatives for reduction in our carbon footprint and waste generation;

- Increase our focus on impact and green-financing products as part of our product suite;

- Increase our focus on gender empowerment and equality initiatives including through our collaboration with a global development institution on the gender advisory framework. For details in relation to this collaboration, see "- *Corporate Social Responsibility*" on page 204 and

- Increase our reporting on key impact indicators as part of our annual reports.

Description of our Business

Set out below are the details of the focussed sectors we operate in, the offerings made available by our platform across these sectors, and the products offered under our diversified product suite.

Our Sectors

We operate in certain focussed sectors which represent the diverse credit requirements of the under-served households and businesses. These focussed sectors are, microfinance, MSME finance, vehicle finance (includes commercial vehicle and two-wheeler finance), consumer finance, affordable housing finance and agricultural supply chain finance.

Set out below are some highlights of our focussed sectors:

Particulars	Microfinance	MSME finance	Vehicle finance (includes commercial vehicle and two-wheeler finance)	Consumer finance	Affordable housing finance	Agricultural supply chain finance
Target end-borrowers	Micro-entrepreneurs in joint liability group format	Self-employed professionals, wholesale and retail dealers, merchants, builders, small and medium scale manufacturing concerns and service providers	Salaried and self-employed individuals	Salaried, Self Employed (Professional), Self Employed (Non-Professional) providers	Salaried and self-employed individuals in rural and semi-urban areas	Farmers, Farmer Producer Organizations, Community building organisation in rural and semi-urban areas
Typical range of loan amount	Rs. 5,000 to Rs. 125,000	Rs. 5000 to Rs. 50 million	Two-wheeler loans: Rs. 40,000 to Rs. 80,000; Used commercial vehicle loans:	Rs.1,000 to Rs. 300,000	Rs. 200,000 to Rs. 5 million	Rs. 100,000 to Rs. 30 million

Particulars	Microfinance	MSME finance	Vehicle finance (includes commercial vehicle and two-wheeler finance)	Consumer finance	Affordable housing finance	Agricultural supply chain finance
			Rs. 250,000 to Rs. 1 million New commercial vehicle loans: Rs. 0.8 million to Rs. 5 million (including loans to operators)			
Average tenor	Up to two years	Up to three years	One to seven years	Up to 60 months	One to 15 years	Three to 12 months

Microfinance

Microfinance lending has played a significant role in furthering financial inclusion in India. Microfinance lending, as a business model, has existed in India for many decades, but has shown exponential growth only over the last decade, after the introduction of a strong regulatory framework in 2010. (*Source: CRISIL Report*) We commenced our operations in this sector in 2009. Under this sector, we work with Originator Partners which are MFIs and companies that act as business correspondents in the microfinance sector, and provide microfinance loans to under-served individuals.

Our underwriting guidelines for this sector focuses on joint liability group (JLG) format of lending, under which multiple borrowers (usually women) come together to form a group to borrow, and generally assume a joint liability to repay the instalments of other borrowers in the group, in the event of a default by any member in the group. We also intend to launch a dedicated microfinance business through Pragati that will disburse loans directly to microfinance borrowers.

MSME Finance

India has around 63 million MSMEs out of which less than 10% have access to formal sources of credit. (*Source: CRISIL Report*) Further, according to a 2018 IFC report titled 'Financing India's MSMEs', the viable debt gap in the MSME sector is in excess of Rs. 25 trillion which can be addressed by financial institutions in the near term. Under this sector, we lend to under-served businesses and work with Originator Partners who lend to MSMEs.

We commenced our operations in this sector in 2011. Our Originator Partners operating in this sector adopt varied business models including such Originator Partners which rely on digital sourcing, underwriting and disbursement and platform lenders financing MSME participants in their specialised marketplaces.

The sector offers diverse opportunities to finance a range of underlying livelihoods and industries. Our credit and risk teams form a view on these underlying livelihoods and industries which serves as an input for portfolio selection for portfolio financing of Originator Partners, including developing Retail Lending Partnerships. Credit to end-borrowers may be structured as short-term financing – such as other supply chain finance or long-term loans, and may be secured with security in the form of immoveable property or hypothecation of assets or equipment. Credit underwriting is cash flow based with a range of approaches – varying from personal discussions which are used to estimate credit worthiness of small informal enterprises to financial analysis in case of formal enterprises and also leveraging the digital data sets such as trade flows, banking and taxation information available in addition to credit bureau data.

Vehicle Finance

We have been operating in this sector since Fiscal 2013. Our operations under this sector include working with Originator Partners operating in this sector as well as lending to under-served individuals and businesses in need of vehicle finance. Our focus under this sector is on end-borrowers exploring financing for purchase of commercial vehicles used for commercial transportation of goods or passengers, and for purchase of two-wheelers. Originator Partners who finance used commercial vehicles include regional players who predominantly fund light weight commercial vehicles and commercial passenger cars with a lower share of heavy commercial vehicles in their portfolios. The loans to such end-borrowers are typically secured by a hypothecation of the vehicle which can be repossessed after following due process in the event of default.

Consumer Finance

We commenced our operations in this sector in 2019. Currently, our operations in this sector include working with Originator Partners operating in this space as well as lending to new to credit and other under-served individuals who may be salaried or self-employed. Financing under this sector includes consumer durable loans, cash or personal loans, salary advance loans as well as the increasing popular segment of buy now pay later financing for products and services delivered through online and offline channels.

The Originator Partners we work with in this sector are largely technology platforms who rely on digital sourcing, underwriting and customer management.

Affordable Housing Finance

In India, the economically weaker sections and low-income group segments in housing are largely under-served. (*Source: CRISIL Report*) However, with increasing focus through governmental schemes and subsidies, there has been a renewed thrust on organized supply of affordable housing through incentives for affordable housing projects. We have been operating in this sector since 2013. In this sector, we work with Originator Partners, being housing finance companies, who lend to self-employed or salaried borrower segments for the purchase of residential property (primarily for self-occupation), home improvement and home extension. The loans to such borrower segments are typically secured either by way of deposit of title deeds or a registered mortgage of immoveable property.

Agricultural Supply Chain Finance

We commenced our operations in this sector in 2016. Our Company works with Originator Partners that provide post-harvest services and financing in the agricultural and allied segments. This includes players who provide commodity warehousing services and warehouse receipt financing as well as players who finance agricultural and allied activities, often working through aggregators such as farmer produce organisations or dairy cooperatives. The loans are short term facilities for three to 12 months based on the cropping pattern, shelf life, harvest period, location and warehouse infrastructure.

In addition to the above focussed sectors, our Company:

(i) provides and enables financing to mid-market companies which is a heterogenous segment comprising of borrowers operating in varied sectors preferred by us. For further details, please see section titled "- *Our Offerings*" on page 184.

(ii) explores opportunities to develop business and sectoral expertise in other retail finance sectors which currently includes gold finance. We currently work with Originator Partners who originate gold loans of short tenors of up to two years with a focus on borrower segments in rural and semi-urban areas. The ticket sizes for these loans range from Rs. 3,000 to Rs. 2 million.

For details of AUM based on our financing activities in each of the above sectors, see "- *Overview*" on page 170.

Our Offerings

As a platform, we make available diversified offerings with the objective of expanding access to credit to under-served businesses and households. These offerings include financing, syndication and structuring, and fund management.

Financing

Our Company extends financing from its balance sheet to three borrower segments namely, Originator Partners, under-served retail borrowers, and mid-market companies. The relationships built with Originator Partners and mid-market companies pursuant to our financing initiatives have allowed us to enable funding to them through other platform offerings such as syndication and structuring and fund management. For each of these segments, set out below is a summary of our financing initiatives.

<u>Originator Partners</u>:

Our financing initiatives are aimed at Originator Partners, which include NBFCs (including NBFC-MFIs), HFCs and SFBs that lend to under-served borrowers. The market share of NBFCs in overall systemic credit has increased from 16% in Fiscal 2015 to 20% in Fiscal 2021, the reason for which is their ability to offer differentiated solutions to cater to the large unmet demand of various retail lending sectors (*Source: CRISIL Report*). The aggregate size of NBFC loans in the sectors that we operate in is Rs. 12.7 trillion as of Fiscal 2021, which is expected to witness strong growth in the next few years due to favourable demographics, increase in consumer spending and business activity. As of September 30, 2020, our Originator Partners reported a cumulative AUM of over Rs. 2.80 trillion and as of March 31, 2021, they had borrowers in 657 districts spread across 28 states and seven UTs of India. Our exposure to Originator Partners from financing initiatives accounted for 87.02%, 80.08%, and 79.79% of our total AUM for Fiscals 2019, 2020 and 2021 respectively, and increased at a CAGR of 9.47% over Fiscal 2019 to 2021.

We finance Originator Partners in a variety of ways depending on their specific needs:

(i) lending to and investing in debt securities issued by Originator Partners primarily for the purpose of retail on-lending by them. Such products include loans, NCDs, market-linked debenture ("**MLDs**") and CPs.
(ii) providing guarantees for borrowings by Originator Partners; and
(iii) investing in retail portfolios originated by Originator Partners through portfolio financing transactions such as rated securitization and direct assignment, as well as providing credit enhancements in respect of such transactions to enable investment by Investor Partners. These transactions involve a sale of assets by the Originator Partner which allows them to avail liquidity.

For details in relation to the products offered to Originator Partners, see "- *Our Products*" on page 194.

On-boarding Originator Partners:

Our relationships with Originator Partners are typically long-term in nature. We offer products suited to the specific life cycle and credit needs of our Originator Partners. Out of the total Originator Partners that we have worked with since inception, 80.95% have involved repeat business. Further, out of the total of 228 Originator Partners that are currently onboarded, 54.82% were relationships of more than three years.

We have dedicated origination teams for each of the focussed sectors in which we operate, each of which is responsible for originating relationships with potential Originator Partners and for working with Originator Partners to fulfil their financing needs.

Upon identifying a potential Originator Partner, the origination team conducts an initial pre-due diligence ("**pre-DD**") review. If the potential Originator Partner fulfils our initial pre-DD criteria, an extensive due diligence ("**DD**") process is undertaken to assess the client against our underwriting guidelines for the relevant sector. This involves obtaining and analysing operational and financial information and business plans, review of governance structures, interviews with the management, operating team and promoters or equity investors of the potential Originator Partner, site visits, market checks, etc., based on which a detailed DD report is prepared. The DD report is presented to our Credit Committee ("**CC**") by the origination team which may seek additional information as needed. If the CC is satisfied with the entity assessment and the business potential with the entity, it approves the entity which is then onboarded as an Originator Partner, and a counterparty exposure limit is then requested and assigned. Alternatively, the CC may decide not to onboard the entity or to keep it on hold and reconsider at a later date if there is an adequate improvement in the financial or non-financial parameters. Since 2009, we have conducted pre-DD on 483 financial institutions, of which DD was undertaken on 295, and 228 were approved and on-boarded as Originator Partners. In Fiscal 2021, we have commenced the digital onboarding of potential originator partners through Nimbus. This allows our partners to share data as may be required by us for our pre-DD or DD processes, respond to queries raised by us and also monitor the status of onboarding from time to time.

Once an Originator Partner is on-boarded, the relationship managers maintain regular contact and understand their financing requirements based on their business needs. Further, our relationship teams engage with the Originator Partners to understand their growth plans, the planned equity and debt raise and identify the debt requirement that our Company can facilitate. We ensure that each incremental exposure by our Company (whether through loans, investments, guarantees or other credit enhancements) is within the limit approved for such Originator Partner, and is individually considered by the CC and may be approved or rejected based on the specific evaluation undertaken at that point. Based on periodic review and changes in the financial and non-financial parameters as also the business plans of the client, the partner limit may be revised upwards or downwards.

In addition to financing from our balance sheet, we also work with the Investor Partners to syndicate and structure financing for Originator Partners. For details, please see "*Our Offerings - Syndication and Structuring*" on page 172.

Some of our Originator Partners across the focussed sectors are set out as below.

Sector	Originator Partner
Microfinance	Arohan Financial Services Limited, Annapurna Finance Private Limited, Asirvad Micro Finance Limited, Chaitanya, India Fin Credit Private Limited Centrum Microcredit Limited, Fusion Micro Finance Private Limited, Suryoday Small Finance Bank Limited, Satin Creditcare Network Limited
MSME Finance	Five-Star Business Finance Limited, Lendingkart Finance Limited
Vehicle Finance	Amrit Malwa Capital Limited, IKF Finance Limited, Kogta Financial (India) Limited, Ess Kay Fincorp Limited, (SK Financie), Kanakadurga Finance Limited, Mahaveer Finance India Limited
Consumer Finance	Social Worth Technologies Private Limited (Early Salary), Home Credit India Private Limited
Affordable Housing Finance	Shubham Housing Development Finance Company Limited
Agricultural Finance	Samunnati Financial Intermediation & Services Private Limited, Origo Finance Private Limited

Mid-market Companies

According to the report titled 'Financing India's MSMEs' by IFC issued in November 2018, the viable debt gap in the median enterprises sector is in excess of Rs. 25 trillion which can be addressed by financial institutions in the near term. (*Source: CRISIL Report*) Further, on account of robust and sustained equity support over the last decade from institutional investors, a large number of medium enterprises with sustainable business models and strong governance structures have emerged. However, their credit needs are largely under-served by banks and other NBFCs due to reasons such as: (i) size, (ii) vintage, and (iii) lack of collaterals.

We started financing of mid-market companies in 2016 and we are among the early lenders to them. We finance borrowers in this segment exclusively for their growth needs such as working capital purposes, capital expenditure, etc. Over the last five Fiscals, we have worked with companies across preferred sectors, such as food & agriculture, education, healthcare, clean energy, B2B services, logistics and IT/ITeS. The sector insights and know-how built through our work across specified sectors enables us to address the credit opportunities in the sector with efficiency, and also help our Investor Partners access them through our platform.

Set out below is a variety of ways in which we provide customised financing to mid-market companies depending on their specific needs and lifecycle stage:

(i) Lending to and investing in debt securities issued by mid-market companies to cater to their working capital, capital expenditure or other needs. The products include term loans, structured working capital lines, NCDs, etc.; and
(ii) Investing in trade receivables through rated securitization.

For details in relation to the products offered to mid-market companies, see "- *Our Products*" on page 194.

Our exposure to mid-market companies from financing initiatives accounted for 7.51%, 9.25%, and 9.01% of our total AUM (excluding our investment in AIFs) for Fiscals 2019, 2020 and 2021 respectively, and increased at a CAGR of 25.20% over Fiscal 2019 to 2021.

Origination Process:

We aim to identify suitable borrowers in this segment early by being an initial source of debt capital to them and/or supporting the growth of their business over their life cycle. Our underwriting framework for this borrower segment has among other things focussed on the identification of early stage or transformational companies that are: (i) backed by strong promoters; (ii) have implemented sound corporate governance structures; (iii) have in place strong processes and controls for a sustainable business model, and (iv) robust cashflows.

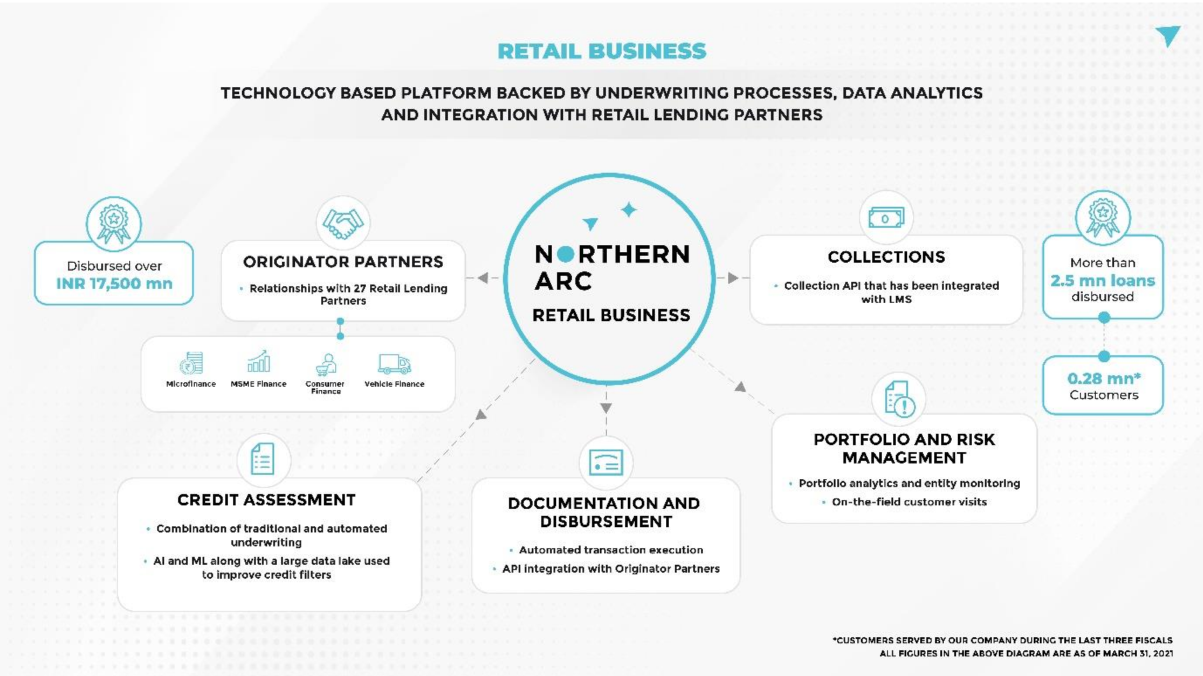
We identify potential borrowers through a combination of online sources, references, scoping activity within each asset class, sector-specific events and seminars, as well as through references by private equity investors and debt arrangers. Similar to the on-boarding of Originator Partners, we carry out pre-DD and DD processes for this borrower segment as well. Since Fiscal 2016, we have conducted pre-DD on 187 mid-market companies, of which DD was undertaken on 102, and 67 were approved and on-boarded as borrowers.

The growth in our clients' business provides us with opportunities for repeat business with them and to finance their ecosystem players comprising of vendors, customers, etc. As our clients build their credit history with us and scale up in size, we also work with our Investor Partners to syndicate and structure financing from Investor Partners for them, in addition to financing from our balance sheet. For details, please see "*Our Offerings - Syndication and Structuring*" on page 172.

MSME Supply Chain Financing: For details, see " – *Strategies - Expand access to finance for under-served households and businesses by growing and deepening our origination channels and investor reach as well as scaling our product suite*" on page 179.

<u>Retail Borrowers</u>

Set out below is a schematic representation of our retail lending operations.



We serve our retail borrowers through a tech and data analytics-based lending platform. Backed by a strong understanding of retail lending processes and the performance of retail loans, we initiated our Retail Lending Partnerships in Fiscal 2016. We were one of the first NBFCs to implement such a model.(*Source: CRISIL Report*) We have been able to achieve seamless technology integrations with our Retail Lending Partners, and in some cases, this integration spans across major business processes like sourcing, underwriting, disbursements, collections and customer servicing. The digital integration ensures a seamless flow of customer data at the time of customer onboarding, which is processed using automated credit decisioning for small ticket size loans and is supported by a team of credit managers for larger ticket sizes.

Our exposure to retail borrowers from financing initiatives accounted for 5.48%, 10.66%, and 11.21% of our total AUM (excluding our investment in AIFs) for Fiscals 2019, 2020 and 2021 respectively, and increased at a CAGR of 63.58% over Fiscal 2019 to 2021. As of March 31, 2021, our platform had disbursed more than 2.50 million loans amounting to over Rs. 17,500 million. During the last three Fiscals, our Company served over 0.28 million retail borrowers.

As of March 31, 2021, our financing offerings through this vertical comprises of microfinance loans, MSME finance loans, vehicle finance loans and consumer finance loans with ticket sizes ranging from Rs. 10,000 to Rs. 5 million.

The underwriting of these loans is heavily supported by our analytical models which are increasingly built using machine learning techniques. These underwriting models are recalibrated periodically by incorporating more variables and features as we disburse more loans and collect more data.

In order to lend to this borrower segment, we partner with multiple categories of Retail Lending Partners (i.e. financial institutions, technology platforms such as fintechs, and business correspondents) who provide us with necessary support in various functions such as loan origination, execution of loan documents, collections, etc. Further, if the Retail Lending Partners is a financial institution, such Partner may also assume a percentage of the credit exposure to the retail borrowers along with our Company ("**Co-lending Partnerships**").

We provide loans using a straight through processing (STP) approach implemented in select Retail Lending Patnerships for consumer loans and microfinance loans. Under this approach, the entire process of customer origination through disbursement can be completed within one minute. Below are some functional enablers in the processing of retail loans.

- Sourcing: We have developed standard API modules for each asset class which fetches loan related data, information, and all relevant documents in real time from partners' portal.
- Data Processing: Once data is fetched into Nimbus, de-duplication, data & image processing and verifications are done by the system through an automated process and results are displayed in real time.
- Loan Sanctioning: We have developed customized workflows for each asset class/products on the back of Business Rule Engine that governs the Straight Though Process (STP) while maintaining credit and risk control.
- Loan disbursement and Booking: Post Loan sanctioning, disbursement is initiated which enables us to fund end customers' account in real-time. Loans are created and then loan booking files are generated by Nimbus as an auto trigger.
- Loan repayment: Collection APIs enable real-time collection feed to Nimbus from the partner portal.

Through Nimbus and integration with our Retail Lending Partners, we are able to serve our customer 24X7 currently with more than 400,000 successful transactions done on a monthly basis. The platform is capable of handling more than one million loans on a monthly basis which allows us to pursue our growth plans. For details on how Nimbus interacts with the technology systems of our Originator Partners, please see "*Strengths - Nimbus, our proprietary technology system, expands business opportunities and drives efficiencies*" on page 175.

We have designed key risk mitigation measures for our partnership-driven retail business:

- our Retail Lending Partners take responsibility for any service deficiency and related losses on the portfolio;
- our Partners provide a First-Loss Default Guarantee ("**FLDG**"). If the Retail Lending Partner is a financial institution, they may assume "skin-in-the-game" by co-lending, typically to the extent of 20% of the loan amount;
- typically, we ensure direct collection of sums owed from the borrower either by way of the NACH mandates being registered in our favour which enables us to update the account into which instalments or repayment amounts are deposited, and
- all collections and repayments of loans are placed in an escrow account in the case of Co-lending Partnerships. For loans originated through Retail Lending Partners that are not Co-lending Partners,

collections are routed to Northern Arc designated collection accounts through multiple ways including NACH, UPI, account debit, etc.

- retaining the right to replace the loan-servicer in the event the Retail Lending Partner is unable to undertake collections satisfactorily. We have also on-boarded collection agencies and tele-calling service providers to assist us in undertaking collection activities including loan utilization, field-level collections and legal proceedings.

On-boarding Retail Lending Partners:

Most of our Retail Lending Partners in the financial institution category were existing clients of our Company. We carefully evaluate the suitability and capability of the Retail Lending Partner while on-boarding them for our retail lending business. We identify potential Retail Lending Partners by participation in industry meets and seminars, networking with industry influencers, through private equity funds, referrals and incoming enquiries.

If a potential Retail Lending Partner is not already a client of Northern Arc, our business team carries out a pre-DD assessment and if this establishes the preliminary feasibility of partnering with that entity, a detailed diligence is conducted. In addition to governance, management information systems and operational and financial performance, the diligence exercise puts great emphasis on integration of the technology platform of the potential Originator Partner with Nimbus, given that the business is designed to be a low-touch operation, i.e., through automated systems. Upon completion of the diligence, a DD report is presented to the CC and includes a recommendation on the proposed product, credit policy, operating framework and the FLDG that we should procure from the Originator Partner for loans originated under the said partnership.

As of March 31, 2021, we had 27 Retail Lending Partners who supported us in financing retail borrowers, out of which 23 were financial institutions, 3 were technology platforms and one was a business correspondent.

Participation in Credit Guarantee Pilot Programme:

We have entered into a non-binding term sheet with a company that proposes to launch credit guarantee facilitation and ancillary services ("**Credit Guarantee Services Company**"). The objective is to expand access to credit for new-to-credit or thin-file (borrowers with limited credit history) MSME borrowers ("**Target Borrowers**"). Our Company along with certain impact investors and entities propose to extend guarantees up to a stated amount to lenders of Target Borrowers.

It is also proposed that our Company would acquire a stake in the Credit Guarantee Services Company.

<u>Rural finance business</u>

Pragati was incorporated in Fiscal 2021 with the aim of offering small ticket loans though an efficient, agile and scalable digital platform to under-served rural and semi-urban areas of the country. We intend to offer microfinance through both group-based and individual models of lending. Based on research and data analysis, we have identified ten states in India where we intend to commence microfinance operations in multiple phases. We will focus on income-generating micro loans and household loans with a particular focus on women borrowers with most loans falling in the ticket size range of Rs. 50,000 to Rs. 125,000.

Pragati will also aim to focus on small business loans between Rs. 125,000 and Rs. 5,00,000 based on field credit rating and technology-led underwriting platform mainly in the unsecured loan market and could also include co-origination, off-book and cross-sell models for these types of assets.

We propose to build a lending model for Pragati that will apply data to assess the creditworthiness and ability of a borrower to service loans. Pragati is developing a mobility-based technology stack with API which will be fully deployed on the cloud. In addition to real-time portfolio monitoring and credit modelling, we will make use of our existing data repositories and analytics capability to build predictive models on borrower behaviour and geographical risk management. Data and data-driven decisioning will enable development of unique product offerings that will support business growth and risk management.

Collections and delinquency management: As part of our portfolio monitoring activities, we combine data analytics with field intelligence to provide us with early warning signals on the health of assets in our portfolio. For instance, insights from our data analytics and field intelligence on socio-political stress building in Assam in Fiscal 2020 and West Bengal in Fiscal 2021 helped us in scaling down our exposure to those regions. Basis the nature and severity of the risks to our assets, we intervene and take necessary action.

We have an experienced collections team which manages loan recovery and delinquencies in our portfolio. Based on the assessment of stress in a specific asset, we also take appropriate legal actions against a borrower/issuer which may include filing of criminal complaints, initiating proceedings under the IBC or civil suits for recovery. For details of our outstanding litigation initiated by us, please see "*Outstanding Litigation and Material Developments*" beginning on page 383. In case of delinquencies by Originator Partners, we have the capability to take over the underlying loans that are offered to us as security and collect from such underlying loan pool using a combination of collection agencies and our network of Originator Partners. In Fiscal 2021, we took over such a portfolio of retail loan assets from which we continue to collect.

Syndication and Structuring

We work with our large community of Investor Partners to structure and syndicate financing to clients, thus enabling the efficient flow of debt from providers to users. The clients under this offering currently include our Originator Partners and mid-market companies. Our syndication and structuring business accounted for 6.82%, 6.69% and 5.21% of our Total income, and 14.64%. 13.34%, and 10.95% of our Adjusted net total income as of March 31, 2019, 2020, and 2021, respectively.

Since the inception of our platform business, we have worked with over 170 domestic and overseas investors across different investor classes such as public-sector, private-sector and foreign banks, NBFCs, domestic and international DFIs, mutual funds, insurance companies, family offices, HNIs, and offshore impact funds. Set out below are some highlights of these partnerships.

(i) Our Company was approved by ADB as a partner financial institution in 2011 to enable partial-guarantee backed lending to Indian MFIs. Under the programme, a domestic banking partner extends rupee loans to MFIs in India backed by partial guarantees from ADB and our Company. Under the programme framework, we recommend eligible MFIs to ADB and the domestic banking partner based on our own internal due diligence and also provide subsequent portfolio monitoring and surveillance support. As a co-guarantor under the facility, our incentives are aligned with that of ADB and the banking partner in ensuring the long-term success and sustainability of the programme. Through the partnership, total loans of Rs. 8.93 billion have been facilitated to ADB approved MFIs.

(ii) In Fiscal 2020, we entered into an agreement with Social Investment Managers and Advisors, LLC ("**SIMA**"), an investment management company to provide them with opportunities to invest in debt capital of our Originator Partners.

(iii) Our Company's relationship with SMBC, a global systemically important bank, began in Fiscal 2017. We have syndicated and structured transactions which have allowed our Originator Partners to raise more than Rs. 8,200 million in aggregate from SMBC. This funding has been enabled through a combination of portfolio financing products like rated securitisation as well as loan syndications. Notably, the loan transactions syndicated by our Company in Fiscal 2017 were SMBC's first debt funding to microfinance institutions at a global level.

We continue to seek to syndicate and structure funding for our Originator Partners by working with Investor Partners including through our relationship with SMBC to present them with investment opportunities including opportunities for securing priority sector assets.

We use a variety of debt, credit-enhanced debt and portfolio financing products that suit the credit requirements of our clients while also meeting the risk and return expectations of our Investor Partners. For details in relation to the products we have syndicated and structured, please see "*Our Products*" on page 194.

On the Investor Partner side, our syndication and structuring initiatives allow us to provide differentiated value additions:

- We only represent Originator Partners and mid-market companies that have been onboarded onto our platform. Consequently, these clients: (i) are subject to our due diligence processes; (ii) have been in existence for a minimum number of years; and (iii) are subject to monitoring if we have exposure to them.

- We have identified relationship managers interacting with and servicing the needs of our Investor Partners to ensure personalised services and further deepen our relationships with them.

- We selectively co-invest in transactions along with our Investor Partners.

- Nimbus, provides several functionalities to our Investor Partners in a user-friendly manner. This includes the ability to view the funding requirements of and instruments offered by various clients in real-time, customization of structures such as underlying pools for securitization and direct assignment, reporting of underlying loan pool performance, updates on financial and operational performance of the issuers / borrowers, etc. In addition, Nimbus facilitates digital execution of a wide range of syndication and structuring transactions.

- Using Nimbus and our risk management framework that incorporates qualitative and quantitative insights, we provide qualitative insights at various levels – at the level of the client, transaction and post-investment portfolio monitoring.

- We only on-board clients from the focussed and preferred sectors that we operate our financing business from. This allows us to apply our sectoral know-how and analyse credit behaviour at the client level, and in the case of Originator Partners at the end-borrower level. Such aggregated analyses aid our investors' understanding of the focussed and preferred sectors.

- The growing community of Investor Partners, Originator Partners and other businesses accessing our Company results in positive network effects as also a growing number of syndication and structuring transactions with multiple nuances in-built to cater to specific investment and credit requirements. This provides us with market intelligence and an understanding of market trends, which is of value to our investors.

- We regularly organise and sponsor knowledge exchange events and conferences for our community of investor partners that typically also allows us an opportunity to showcase our extensive risk coverage, sector insights, diversified product suite, and tailor-made investment solutions.

Investor engagement: Our markets team maintains long-term relationships with various categories of Investor Partners. We believe that the targeted universe of banks, insurance companies, NBFCs, domestic and international investors as well as multilateral financial institutions and mutual funds that focus on investment opportunities in India and in the particular space we operate in, is well defined, and our team has developed and established relationships with several of them. We are also in regular touch with intermediaries who can help us onboard HNIs, potential debt funds and family offices onto our platform. through primary research on market activity as well as by networking with industry professionals and participation at industry events. A source of investor on-boarding is also through reverse enquiries.

Over the years, our investor engagement team has contributed to broadening the investor base of our Originator Partners and mid-market companies. In Fiscal 2013, the Columbia Business School included our microfinance securitization product as a case study to analyze how we enabled funding to microfinance institutions by tapping into a new class of capital markets investors including pension funds, mutual funds and bank treasury desks. In Fiscal 2020, we arranged and structured India's first securitization transaction involving trade receivables. This allowed multiple vendors to access the securitization market for their working capital needs.

Since 2009, we have cumulatively raised over Rs. 650 billion for our clients from our Investor Partners pursuant to our syndication and structuring initiatives.

Fund management business

We commenced our alternate investment fund management business, which we operate through our subsidiary NAIM, in Fiscal 2014. Our fund management business has served over 235 Investor Partners as of March 31, 2021, and largely enabled debt funding to a sub-set of the Originator Partners and mid-market companies that our Company works with. NAIM is one of the key players in the market with over Rs. 28.00 billion in commitments raised across nine AIFs and more than Rs. 14.00 billion of Fund Management AUM across 43 portfolio companies as of March 31, 2021. (*Source: CRISIL Report*) Out of the nine AIFs established by us since 2014, we have already facilitated complete exits in two AIFs.

Since our funds largely serve borrowers of our Company, they have a similar sectoral presence spread across microfinance, MSME finance, vehicle finance, affordable housing finance, and agricultural supply chain finance. Our fund management business accounted for 19.36%, 24.09%, and 28.31% of our professional and management fee income for each of Fiscals 2019, 2020 and 2021, respectively. Our Fund Management AUM increased at a CAGR of 8.01% between Fiscals 2019 and 2021.

Set out below are the details of the funds that we have managed:

Particulars	Tenure	Maturity	Target Sectors*	Net Fund returns [(1)]	Fund status	Year established
IFMR FImpact Investment Fund (“**Fund 1**”)	Five years	March 2021	MF	15.77% as on 30-Mar-2021 (being the fund’s maturity date)	Fully Exited	2014
IFMR FImpact Long-Term Multi Asset Class Fund	Six years	June 2022	MF, VF, MSME, AHF	12.46%	Fully Deployed	2015
IFMR FImpact Medium Term Microfinance Fund	Three and a half years	December 2019	MF	13.58% as on 10-Dec-2019 (being the fund’s maturity date)	Fully Exited	2016
IFMR FImpact Long Term Credit Fund	Ten years	January 2028	MF, VF, MSME	12.37%	Fully Deployed	2017
IFMR FImpact Medium term Opportunities Fund	Five years	March 2023	MF, VF, MSME	11.75%	Fully Deployed	2017
IFMR FImpact Income Builder Fund (“**Fund 6**”)	Three and a half years	July 2022	MF, VF, MSME	12.47%	Fully Deployed	2018
Northern Arc Money Market Alpha Fund	Open-ended fund with monthly redemptions	-	Sector Agnostic	9.24%	Open-ended fund	2019
Northern Arc India Impact Fund	Five years	September 2026	MF, MSME, VF, ASC, CF	11.27%	Open for subscription	2020
Northern Arc Income Builder Fund – Series II	Three and half years	September 2024	MF, VF, MSME	13.72%	Open for subscription	2020

[(1)] Net Fund Returns are as of March 31, 2021 (unless indicated otherwise) and calculated pre-tax and post all fund expenses.

** MF: Microfinance, VF: Vehicle Finance, MSME: MSME Finance, AHF: Affordable Housing Finance, CF: Consumer Finance, ASC: Agricultural Supply Chain Finance*

Since starting the fund management business in Fiscal 2014, we have developed tailor-made solutions to the investors in our funds, by providing multiple investment strategies (single and multi-sector focus), varying tenures (ranging from 3.5 years to 10 years for close ended funds) and liquidity preferences (regular coupon pay-outs or bullet payments). Further, Fund 1 was a financial inclusion-focused private credit fund and Fund 6 was a market-linked debentures targeted fund. In Fiscal 2021, our fund management business was included in the Impact Assets 50, a global showcase of 50 experienced private debt and equity impact investment fund managers.

Investment process: The investment process typically entails five broad stages: (i) entity identification: based on the fund's strategy and defined eligibility criteria, we identify opportunities in the relevant focussed sectors; (ii) pre-investment evaluation: an evaluation framework comprising financial and operational performance, strategy and business plan, governance and leadership quality; (iii) detailed due diligence post issuance of term sheet: we carry out meetings with the management , field visits, assessment of processes, details of which are captured in a due diligence report; (iv) investment committee approval: a detailed credit report along with the term sheet is presented to the investment committee for approval, after which the final term sheet is negotiated and executed to close the process; and (v) post-investment: covenant compliance reporting on a quarterly basis, performance and risk monitoring, and credit review.

The investors in our funds include insurance companies, corporate treasuries, international investors and banks and development finance institutions. Some of these investors are SBI General Insurance Company Limited, Royal Sundaram General Insurance Company Limited, Reliance General Insurance Company Limited, Hinduja Leyland Finance Limited, PG Impact Investments.

For names of the portfolio companies that we have financed through our funds, see "- *On-boarding Originator Partners*" on page 185.

Investor Onboarding: While have traditionally onboarded domestic investors, we launched our first close-ended fund targeted at overseas investors in Fiscal 2020. Through an offshore pooling vehicle domiciled in Mauritius, we successfully onboarded a leading set of impact-focussed funds as anchor investors. In addition to investors identified by our in-house investor relations team, we also intend to avail the services of placement or distribution agents to broaden our base of overseas investors.

Among domestic investors, we focus on institutional investors (such as banks, corporate treasuries and insurance companies), HNIs and family offices. We onboard institutional investors either through outreach by the in-house investor relations team or via external distribution agents.

Distribution of funds to domestic HNIs and family offices is predominantly done through external distribution agents (comprising financial advisors and distributors) as these categories of investors usually rely on intermediaries for investment advice and showcasing suitable investment opportunities. These agents are predominantly of four types: private wealth arms of banks, standalone national wealth management companies, mutual fund distributors and SEBI-registered investment advisors.

*Portfolio management services ("**PMS**")*: In addition to our AIF fund management business through NAIM, we also intend to launch portfolio management services business. A PMS offering would allow customization of portfolios to suit investor risk appetite at a more granular level and enable NAIM to reach a larger base of investors. Compared to investment in AIFs, PMS investors would have the flexibility of investing with shorter tenure of investments, lower investment thresholds for entry, differing tax treatment, etc. This would allow us access to a wider investor base comprising of private wealth investors and ultra-HNIs.

Illustrative case studies

Set out below are a few illustrative case studies showing how the offerings of our platform have benefitted our Originator Partners.

Case study 1 – A vehicle finance Originator Partner

The Originator Partner is a specialized regional NBFC providing loans for purchase of used commercial vehicles, two-wheelers and other automobile purchases for commercial purposes. It operates in seven states and has approximately 175,000 customers. It was on-boarded by us in Fiscal 2014 when its AUM was less than ₹ 4,000.00 million. Over the last seven years, the AUM of the Originator Partner has grown to ₹ 44,000.00 million. During this period, we have enabled debt capital funding of over ₹ 18.00 billion for the Originator Partner through all three platform offerings, namely financing, syndication and structuring, and investments by funds managed by NAIM, by using a variety of debt products, credit-enhanced debt products, and portfolio financing products.

Working closely with the Originator Partner, we played a key role in creating investor interest in securitization transactions with used commercial vehicles loans as underlying assets. This was based on the analysis of the historical performance of the loan portfolio of the Originator Partner. We helped the Originator Partner in diversifying its sources of liabilities by enabling the first debt investment in them from an offshore investor and debt capital from mutual funds. We structured and executed innovative products such as PERSEC® for the Originator Partner.

Apart from facilitating debt capital, we have guided them on strengthening their corporate governance practices that would enable them to access debt capital markets and the use of data analytics to provide the insights that are needed to understand and improve portfolio performance.

During Fiscal 2019 to Fiscal 2021, we earned a total income of over ₹ 165.00 million from the Originator Partner including a fee income of over ₹ 30.00 million.

Case study 2 – A consumer finance Originator Partner

The Originator Partner, established in Fiscal 2015, is an NBFC that primarily provides personal loans to salaried customers. We were the first lenders to the Originator Partner in Fiscal 2017 when its AUM was less than ₹ 500.00 million. By Fiscal 2021, the AUM had grown to over ₹ 4,500.00 million. During this period, we have enabled debt capital funding of over ₹ 3,800.00 million for the Originator Partner through all three platform offerings, namely financing, syndication and structuring, and investments by funds managed by NAIM, by using a variety of debt products, credit-enhanced debt products, and portfolio financing products.

We continue to be the largest lender to the Originator Partner and have also established a retail lending partnership with them. We have enabled many first-time products for the Originator Partner including NCDs, commercial papers, securitization, direct assignment and credit-enhanced bonds. Over 60.00% of the Originator Partner's borrowing relationships were enabled by our Company.

We have also worked with the Originator Partner in helping them manage their treasury investments effectively. During Fiscal 2019 to Fiscal 2021, we earned a total income of ₹ 120.00 million from the Originator Partner.

Case study 3 – A MSME finance Originator Partner

The Originator Partner, established in Fiscal 2011, is a socially responsible fintech company propelling financial inclusion of small business entrepreneurs in India. Its key focus is on addressing the credit gap for MSME manufacturing, trading and services sectors. It operates across 129 districts in six states and has over 35,000 customers as of December 31, 2020. The underwriting is based on the cash flow generated and potential of the business and not on the immovable collateral that can be provided by the MSME or its promoter.

We were the first lender to this Originator Partner in Fiscal 2013 when its AUM was less than ₹ 200.00 million. Over the last eight Fiscals, its AUM has grown to ₹ 9,000.00 million. During this period, we have enabled debt capital funding of over ₹ 5,500.00 million for the Originator Partner through all three platform offerings, namely financing, syndication and structuring, and investments by funds managed by NAIM, by using a variety of debt products, credit-enhanced debt products, and portfolio financing products. We also have a retail lending partnership with the Originator Partner, through which we lend to MSMEs.

We have enabled the Originator Partner to diversify its borrowings across banks, NBFCs, AIF's and offshore investors. We enabled the first debt investment by an offshore investor into the Originator Partner, raising long term funding for them. This Originator Partner also has a focus on enabling financing to MSME women borrowers, an area of strategic interest to our Company.

During Fiscal 2019 to Fiscal 2021, we earned a total income of over ₹ 310.00 million from the Originator Partner.

Our Products

Our Company has a diversified product suite that can broadly be divided into two categories: (a) debt and credit enhanced debt products, and (b) portfolio financing products. This diversification allows us to cater to the specific financing requirements of multiple borrower segments namely, Originator Partners, mid-market companies and retail borrowers by structuring products that meet the risk and return expectations of our Investor Partners. A majority of products involve customized structuring including with respect to credit tranching, returns, repayment schedules, covenants, security, etc. For Originator Partners who are financial institutions, we offer products which cater to their needs at different stages of their lifecycle.

In selective instances where we offer these products as part of our Syndication and Structuring Offering, we also assume skin-in-the-game which allows our Investor Partners to derive greater comfort. The skin-in-the-game could be in the form of co-investment, guarantees (including partial guarantees), and/or credit enhancement in the form of investment in subordinate tranches of an instrument or unfunded second-loss credit enhancement.

Debt and Credit-Enhanced Debt Products

Debt Products:

Term loans and working capital loans: We offer term loans and working capital loans to clients from all three borrower segments, through our own balance sheet and through our Investor Partners. The tenor of these loans are structured to match the underlying cash flow profile asset-liability profile, as applicable. The ticket sizes of our loans to financial institutions vary significantly based on their size and credit assessment. The ticket sizes of our loans to mid-market companies range from Rs. 50 million to Rs. 250 million, and for retail borrowers from Rs. 0.01 to Rs. 5 million.

We also offer structured credit lines to meet the working capital needs of mid-market companies. Within the overall tenor, the Borrower has the flexibility to use the limit on a need basis and pay interest only for the period of utilization with full repayment at maturity. The product gives flexibility to clients to effectively manage cash flows. Structured credit lines can further be customized based on a client's requirements such as purchase order financing (pre-shipment finance) and financing for entire cash conversion cycle of our borrowers.

Non-convertible debentures (NCDs): NCDs are an important source of funding for our Originator Partners and mid-market companies since they help tap into funding from diverse groups of investors such as foreign portfolio investors, mutual funds, large NBFCs, private wealth investors, etc. We assist our clients in the issuance of secured and unsecured NCDs of differing sizes, tenors and credit ratings to us and Investor Partners.

Principal Protected Market-Linked Debentures ("PP-MLD"): Our Company has structured, arranged and invested in the issuance of Principal Protected Market Linked Debentures (PP-MLDs) by our clients. Under these instruments, the yield to Investor Partners is dependent on the performance of a reference index and is ascertained towards the maturity of the debentures. Issuers of listed PP-MLDs benefit from the longer average maturity due to the generally bullet repayment structure (principal and interest) of the instrument.

Over the last five Fiscals, we have enabled financing through NCDs and PP-MLDs of approximately Rs. 84 billion for over 75 financial institution clients.

Commercial paper: We have enabled our Originator Partners to raise debt through commercial paper issuance. The tenor for such paper is up to a year. Investor Partners in this product have included AIFs, NBFCs and mutual funds.

External commercial borrowings ("ECBs"): This product has allowed our clients to tap into offshore Investor Partners. We have offered both rupee-denominated and foreign currency-denominated ECBs and have concluded ECB transactions for multiple Originator Partners. Our Company has enabled debt funding of over Rs. 3,500.00 million under this product in the last two Fiscal years.

Sub-debt products: We offer these products to Originator Partners in the form of subordinated term loans, long-term unsecured subordinated NCDs and redeemable preference shares. These products allow our Originator Partners to strengthen their capital base.

Credit-Enhanced Debt Products:

In addition to debt products, our Company also offers a variety of products backed by guarantee and other forms of credit enhancement to enable our clients to avail financing from Investor Partners. In some cases, such credit enhancement may be offered by us as well as others.

- **Guarantee-backed lending**

  We enable our clients to avail debt (whether in the form of loans or instruments such as debentures) by providing a guarantee for a stated amount ("Partial Guarantee"). The Partial Guarantee provides a degree of comfort to Investor Partners as well as helps improve the credit rating.

  In some cases, we also have other co-guarantors. For instance, our Company was approved by ADB as a partner financial institution in 2011 to enable partial-guarantee backed lending to Indian MFIs. Under the programme, a domestic banking partner extends rupee loans to MFIs in India backed by partial guarantees from ADB and our Company. Under the programme framework, we recommend eligible MFIs to ADB and the domestic banking partner based on our own internal due diligence and also provide subsequent portfolio monitoring and surveillance support. As a co-guarantor under the facility, our incentives are aligned with that of ADB and the banking partner in ensuring the long-term success and sustainability of the programme. Through the partnership, total loans of Rs. 8.93 billion have been facilitated to ADB approved MFIs.

  We also provide guarantee products as part of more customised products like SPiCE, PBI and PLI as detailed below.

- **The Single Issuer Partial Credit Enhanced Loans and SPiCE BOND®**: In 2018, we launched our first single issuer partial credit enhanced bond ("**SPiCE BOND®**"). Under this structure, the client issues NCDs or avails of loans, which are backed by a Partial Guarantee as well as collateral (typically, in the form of a pool of the issuer's receivables), which the Investor Partner may access under certain situations. The guarantee is typically in respect of an agreed percentage of the principal sums due under the NCD/loan and may be invoked by the Investor Partner in case of a default by any client covered by the structure.

  Since the launch of this product in 2017, our Company has structured around 19 SPiCE loan and bond transactions resulting in funding of over Rs.4,000 million to our clients. Our Company has offered guarantees in nearly all of these transactions.

- **Pooled loan and bond issuance programme**: We structured and arranged our first pooled bond issuance in Fiscal 2014. Under this structure, loans or rated NCDs of multiple clients are housed within a single structure and backed by a common guarantee by our Company and other financial institutions. The guarantee is typically in respect of an agreed percentage of the aggregate principal sums due under the structure and may be invoked by the Investor Partner in case of a default by any client covered by the structure. Our Originator Partners benefit from this product since it typically improves the credit rating and thereby provides access to a wider base of investors and lenders and better pricing. The Investor Partner benefits from a diversified structure with the partial guarantee from a better rated guarantor that covers the risk of default (in part or whole) of any individual loan/NCD under the structure. Further, investments in this product also help Investor Partners such as banks to meet their PSL deployment requirement based on end-use.

  Since the inception of this product in Fiscal 2014, our Company has enabled financing through around 35 of such transactions totalling approximately Rs. 33,000.00 million. Our Company has acted as a co-guarantor or a sole guarantor in all of the said transactions.

  Recently, we partnered with CDC, the UK's development finance institution to jointly structure a PBI that facilitated debt funding of Rs. 3,200.00 million by CDC to six Indian MFIs. The funding has been channelled towards on-lending to under-served retail borrowers. Our Company also provided a partial guarantee for the bonds issued under the PBI.

- **Credit Enhanced Non-Convertible Debentures (CENCDs) or Credit Enhanced Market Linked Debentures (CEMLDs):**

  CENCDs and CEMLDs are relatively new products offered by our Company as 'dual recourse' debentures and are currently largely targeted at Originator Partners since the structure requires a pool of receivables like loan assets to be offered as collateral. Under these products, the collateral pool of receivables is ring-fenced from the balance sheet of the issuer. This structure can enable the issuer's debentures to achieve a credit rating that is a few notches higher than the standalone credit rating of the issuer.

Due to its higher credit rating, this product can enable our Originator Partners to access additional investor classes. Our Company has facilitated debt funding of Rs. 3,508 million in the last Fiscal through these CEMLDs.

- **Portfolio financing products**

  Our portfolio financing products include rated securitization and direct assignment. These products are primarily offered to Originator Partners and mid-market companies who have a portfolio of identifiable receivables / cashflow streams that can be sold down such as loan receivables and trade receivables. Our Company manages the end-to-end structuring and execution of such transactions, including the selection of the pool of receivables, designing specific and suitable structures basis the financing requirements of our clients and the return expectations and risk appetite of Investor Partners, and liaising with the legal counsels, trustees and rating agencies. Since Fiscal 2021, we have started executing portfolio financing transactions on Nimbus by bringing counsels, trustees and rating agencies together on the Nimbus platform, and thus, facilitating structuring, negotiation, credit rating of the transaction, execution and settlement as well as post-settlement monitoring of the portfolio via the Nimbus. Portfolio financing products (including MOSEC® and PERSEC®) are among our most popular products, having contributed to between 25.00%-56.50% of our Company's overall volumes of funding enabled in the last three fiscals.

- **Rated securitization**: Through rated securitization transactions, a pool of loan assets, originated by our Originator Partner is transferred to a securitization trust which issues pass-through certificates ("**PTCs**") to investors. The PTCs represent the beneficial interest of the investors in the underlying loan assets and are backed by credit enhancements from the Originator Partner, and additionally, in some cases from our Company. Such transfer of assets unlocks liquidity for our Originator Partners, and provides them access to their deployed capital much earlier than the outstanding tenor of the loan, while also ensuring that the funding is tenure matched. Additionally, such transactions offer capital benefit to the clients under the RBI guidelines, making them a preferable option for fund raising by Originator Partners.

  A key benefit of the structure is the flexibility it offers in terms of tranches of investments. These tranches may be risk-based or time-based, giving potential investors a choice in investment basis their individual risk appetite and maturity requirement. These transactions, are structured to be bankruptcy-remote from the bankruptcy of the Originator Partner, and can achieve a credit rating better than that of the Originator Partner, which provides a degree of comfort to investors.

  We have also started offering this product to enable mid-market companies to access funding via securitisation of trade receivables. For more details see "- *Our Offerings – Syndication and Structuring*" on page 172.

- **Multi-Originator Securitization (MOSEC®)**: In 2010, we arranged and structured India's first multi-originator microfinance securitization transaction which enabled funding to four Originator Partners operating in the microfinance sector. Under MOSEC®, loan pools of a similar nature, originated by various Originator Partners are combined together and sold to a securitization trust, which then issues PTCs backed by these loans. By enabling securitization of loan pools originated by multiple Originator Partners within the same structure, this product has the capability to diversify the risk across multiple geographies and servicers, which makes it an efficient option to our Originator Partners and provides a better risk profile to Investor Partners.

  As of March 31, 2021, our Company has facilitated more than 105 MOSEC® transactions which have helped over 50 Originator Partners realize liquidity to the extent of over Rs. 55,000.00 million. Further, we have also had knowledge sharing exchanges with international financial institutions in relation to this product.

- **Persistent Securitizations (PERSEC®):** Our Company introduced the PERSEC® as another customized product to address the needs of our Originator Partners offering short tenor loans to their customers. PERSEC® seeks to provide a long-term source of funding to our Originator Partners through transfer of existing portfolio to release capital for further growth, and to our Investor Partners seeking reasonable risk-adjusted returns along with reduced risks of reinvestment and prepayments from the underlying loan pool being securitized. PERSEC® brings in structural efficiency by enabling the securitization of additional loan assets meeting the eligibility criteria within the same transaction and structure.

Our Company undertook our first-ever persistent securitisation transaction, which was also India's first vehicle loan backed securitisation transaction with replenishing structure in 2018.

- **Direct Assignment**: This is also a product that is currently aimed at our Originator Partners and involves the sale of a portfolio of receivables (typically, loan assets) from the Originator Partner to the assignee or buyer. This product helps: (i) banks to buy priority sector loans; (ii) buyers or investors to inorganically grow the loan portfolio; and (iii) diversify the Investor Partner's portfolio. Our Company as the structurer and arranger carefully selects loans from the Originator Partner's portfolio that can be assigned, identifies Investor Partners for the client, and facilitates deal execution. Through Nimbus, we also provide Investor Partners with post-investment monitoring insights.

Over the last decade, we have enabled fund raising of approximately over Rs. 416.00 billion for more than 115 of our Originator Partners through rated securitization, MOSEC®, PERSEC® and direct assignment products and carved a niche for ourselves in this space.

Our track record of offering customised products suited to investor needs is borne out in our funds business as well. Since inception, our fund management business has put together several structures with potentially useful features for investors, including pass-through taxation and tenure matching of underlying investments with fund tenure for improved predictability of investor returns. Our multi-sectoral funds offer risk diversification and capital protection to investors for longer tenures. For details of the funds we have launched since inception, please see table under "- *Fund management business"* on page 192.

Capital Adequacy Ratios

Our Company is subject to the capital adequacy requirements prescribed by the RBI for NBFCs. The following table sets forth our Company's capital adequacy ratios as of the dates indicated.

Particulars	As of March 31, 2021	As of March 31, 2020	As of March 31, 2019
Tier I capital (as a percentage of total risk weighted assets)	27.62	31.83	25.87
Tier II capital (as a percentage of total risk weighted assets)	1.27	1.33	1.18
Total capital (as a percentage of total risk weighted assets)	28.89	33.16	27.05

Risk Management

Our Company's business model requires strong risk management and we have put in place a governance structure and a risk management framework to be able to identify and mitigate to the extent possible various types of risks inherent in our business operations. The risk management framework supports not just the governance structure and processes required to manage identified risks in our regular course of business but also improvement in systems and processes required to meet emerging challenges with developments in the marketplace and our understanding of the market with field monitoring and quantitative techniques.

Further, we have an understanding of risk based on historical data across various event-based shocks and their aftermath including demonetisation, natural disasters, and other socio-economic disruptions in the past decade. This helps us in strengthening the models to incorporate future risk events which may result in portfolio deterioration. For instance, the data collected during the market disruptions earlier have helped us in evaluating borrower behaviour and estimating the impact on our portfolio on account of COVID-19 and the related relief measures such as moratorium and restructuring of loans. These events have further enriched our default prediction and recovery estimation capabilities and thus equipped us to effectively manage such unpredictable events in the future.

Set out below are the details on governance structure and the risk management framework.

Governance Structure

The Board of Directors is ultimately responsible for all business and risk outcomes in our Company. To ensure adequate risk management, the Board is supported by the Risk Management Committee and Finance Committee which are sub committees of the Board and are further supported by several executive-level committees.

Our Risk Management Committee has oversight on all risks faced by our Company. It is chaired by an independent director and comprises three nominee directors and our Managing Director and CEO. Apart from oversight on all risks, Risk Management Committee is responsible for evaluating and approving new products, defining the risk appetite for the Company and acceptable broad risk thresholds for each class of risk and advising the risk team on new ideas and trends in risk management. A Credit Committee ("**CC**") comprising our Managing Director and CEO, CFO, Chief Operating Officer, Chief Legal Counsel and Chief Risk Officer is responsible for credit decisions and portfolio monitoring including early alert process in the company. CC meets once a month or more frequently as and when required. There is also an Additional Credit Committee comprising our Chief Risk Officer, Senior Credit Officers, Head of Compliance and Head of Operations to which the CC can delegate its activities.

The Finance Committee comprises one executive director and two nominee directors. The Finance Committee reviews the framework and policies for liquidity risk management and interest risk management, treasury strategies and management and compliance with lender investor covenants. It is assisted in the process by an assets and liabilities committee ("**ALCO**") which is responsible for approving the borrowings to be availed by the Company within the overall limits stipulated by our Board and the Finance Committee.

Risk Management Framework

Overall risk management is governed by an enterprise risk management framework ("**ERM Framework**") which covers nine types of principal risks faced by our Company. Our ERM Framework enables us to identify, monitor and manage various types of risks inherent in our business operations. We have a monthly process of reviewing exposures through exposure reports and a process of reviewing and approving counterparty limits across products based on the most recent quarterly information as well as our risk monitoring feedback including insights from our field visits. Our qualitative and quantitative risk insights also feed into the portfolio selection for securitization and direct assignment transactions. Managing the risks under the ERM Framework allows us to view our existing risks holistically, while improving our ability to identify and proactively manage new types of risks.

Credit Risk: Credit risk including credit concentration risk is the largest risk faced by the Company. This risk is controlled through: (i) our sector specific and general underwriting guidelines; (ii) a customized approach to credit risk assessment and underwriting of our exposures to originator partners which monitors the portfolios of loans originated by them; (iii) exposure limits set across counterparty, product, geography, sector and portfolio; (iv) regular credit monitoring, both onsite and off-site, of exposures; (v) portfolio monitoring and reporting; (vi) early alert process; and (vii) stress testing of exposures and portfolio.

Originator Partners and mid-market companies are on-boarded after a comprehensive DD covering governance, management profile, liquidity, portfolio quality of the underlying assets and a detailed evaluation of management information systems. We also conduct field visits, to the extent possible to understand the customer profiles of the underlying business and for an exhaustive review of the processes followed. We also benchmark the client with peers to understand the relative position before taking a credit decision.

We have developed a comprehensive internal rating model in-house. The rating model is used to distinguish entities across sectors and various sizes. The rating model considers various aspects of the business, such as the sector in which the entity operates, capitalisation, liquidity, quality of management and other operational aspects such as strength of sourcing, credit and collections. All these factors are considered by scoring more than 80 parameters across various aspects of the business in arriving at the final score and a rating. This exercise is undertaken at the time of onboarding Originator Partners and mid-market companies and updated periodically. The rating is a summary view of the client and helps identify any deterioration early for timely corrective action. We extend retail loans primarily through a partnership model including though co-lending. We on-board Retail Lending Partner who are responsible for loan originations, underwriting and collections. In addition, the partner's ability to integrate with our IT systems and meet reporting requirements are also considered prior to onboarding. We use internal analytical models, the intelligence gathered through monitoring visits and visibility gained from our institutional portfolio in choosing partners, products and geographies where such retail portfolio is built. Credit parameters applicable for each partnership is approved by us in all cases whereas we employ automated underwriting engines in most partnerships to enhance process efficiency. Retail Lending Partners can be in the form of a business-correspondent model or co-lending, and specific risks associated with each model are managed both at a partnership level and at a loan underwriting level.

We conduct periodic monitoring visits on all clients where we have a credit exposure. The monitoring visits cover a comprehensive coverage of the branches and other operational offices of the client on a sample basis including meeting with borrowers, review of credit files and collection processes. The monitoring visits also include meetings with the senior management of the clients for conducting a review of business strategy, financial position and management information systems. The scope and frequency of such visits are guided by a clearly defined risk-based framework. Set out below is our risk monitoring coverage.

Particulars	Fiscal 2019	Fiscal 2020	Fiscal 2021
No. of visits	160	196	288 (includes virtual meetings)
No. of entities	116	142	164

We also conduct a quarterly desktop review of all credit exposures with detailed information on financial and operational performance of clients. This also includes a review of collateral provided to us against each exposure. The underwriting and monitoring are also supported by data collected from counterparties both at portfolio level and underlying retail loans through securitization and direct assignment transactions invested in by us over the years. Access to such data to assess potential losses in portfolios or pools supported by models to estimate losses gives us ability to underwrite differently from traditional risk underwriters who do not have data analytics capabilities. In addition, we also obtain and analyse industry level data such as pin code reports to understand retail borrower level indebtedness, debt affordability and credit culture at periodic intervals. This also provides us insights into geography level analysis and feeds into our district risk assessment model.

More recently, we have been focussing on: (i) our ability to handle stressed exposures to maximize post default recoveries and not just pre-default early alerts to control risk; and (ii) underwrite retail risk to support our retail lending portfolio. We conduct quarterly assessments of control failures and material risks that we may be exposed to.

Liquidity risk: A broad framework for liquidity risk is laid down by the ALCO establishing parameters to measure and control liquidity risk. The liquidity profile is analysed on a static as well as on a dynamic basis. The ALM position is periodically reported to ALCO, Finance Committee and the RBI.

Interest rate risk: Interest risk is managed through a floating rate mechanism by linking the lending rate of interest to Floating Benchmark Lending Rates for various tenors, which are reviewed periodically by ALCO.

Operational risk: Strict measures are put in place towards formulating an effective operational risk management strategy which involves identification, assessment, control and reporting of key operational risks. We have ensured proper segregation of functions, clear reporting structures, well-defined processes, operating manuals, staff training, verification of high value transactions and audit trails to control our operations to mitigate operational risks.

IT risk: Our Company has adopted a comprehensive IT Policy to address various IT risks including risks that may arise to our information and communication systems, hardware, networks, etc. Our Company also has a comprehensive Business Continuity Plan (BCP), effectiveness of which is gauged by proper testing mechanisms and which ensures continuity of business in the unlikely event of business disruption. This was well tested last year with lockdowns and an extended work from home situation owing to the COVID-19 pandemic. In terms of our ERM Framework, we are also required to monitor key risk indicators and undertake incident reporting to better manage our IT risks.

Compliance Risk: Compliance risk is the risk of legal or regulatory sanctions, penalties, material financial loss, or loss to reputation specifically due to failure to comply with laws, rules and standards. Know Your Customer (KYC) and Anti-Money Laundering (AML) policy is in place to prevent the Company from being used intentionally or unintentionally by criminal elements for money laundering. The risk management framework emphasises proper analysis and understanding of the underlying risks before undertaking any transactions and changing or implementing processes and systems. This enables a proper assessment of all risks and ensures that the transactions and processes conform to the risk appetite and regulatory requirements.

Other risks including reputational risk, conduct risk and strategic risk are handled by the management through active monitoring and timely response.

Risk Management through Nimbus: Our in-house technology system, Nimbus, is a key tool in our risk management process. Extensively utilising internal and external databases, the platform generates descriptive risk analytics and models. Nimbus also has built-in early warning systems enabling us to take a proactive approach towards managing and mitigating risks. Through Nimbus, our teams can access diligence reports and near-real time intelligence on the portfolio at all times. Set out below are details of how Nimbus assists with risk management in each of our business offerings.

(i) *Financing:*

(a) *Financing to Originator Partners and Mid-market companies*: Nimbus provides a comprehensive and in-built rating model developed through our understanding of the various sectors we operate in. It integrates with third-party risk datasets to develop quantitative risk scorecards overlaying them with field observations. It is also used to conduct event-based analysis and provides industry-level insights encompassing peer benchmarking, sector benchmarking and product benchmarking. Our underwriting process is backed by advanced data analytics and continuous credit monitoring, ensuring most operational risks are mitigated. Nimbus helps track customer behaviour and understand market trends which can be further analysed to provide detailed insights to our investors and partners.

(b) *Financing to Retail borrowers*: Nimbus provides a comprehensive view of each borrower through real-time data gathering techniques. It is used to develop enhanced risk scorecards which enable ongoing decision-making and portfolio monitoring. A machine learning based underwriting models built based on over 22 million data points is currently being tested to provide steady recalibration of credit filters in our credit underwriting models.

(ii) *Syndication and Structuring*: Nimbus helps us to create efficient and accurate models for portfolio selection, product structuring and cashflow modelling for effective decision-making. Its ability to conduct active portfolio monitoring at a granular level, enhances our risk management capabilities. It has advanced and dynamic portfolio models with predictive loss estimation models built using a repository of structured finance transactions.

(iii) *Fund management* business: Nimbus provides comprehensive coverage of the debt capital markets in India by tracking a variety of parameters including deal-level data for primary and secondary issuances, historical yield/spread movements across corporate debt products and rating categories, and macro data indicators such as MCLR, repo-rates, etc. Nimbus facilitates better decision making by providing access to latest market information, and serves as an efficient tool for portfolio creation and performance benchmarking.

Information Technology

We consider information technology ("**IT**") as being of key importance to our Company. At the core of our IT initiatives is Nimbus, our proprietary technology system which was built in-house.

Set out below are some of the benefits offered by Nimbus to our Originator Partners and Investor Partners along with key metrics.

Originator Partners	• provides access to a wide investor base; • provides curated opportunities for raising debt; • enables digital execution of a wide range of debt transactions such as loans, capital markets and structured debt transactions such as issuance of NCDs, rated securitization, direct assignment, pooled loan issuance ("**PLI**"), pooled bond issuance ("**PBI**"); and • enables execution of capital markets transactions with the same interface used by other parties like trustees, rating agencies and legal advisors.

	As of March 31, 2021, our Originator Partners have raised more than Rs. 200,864.00 million in funding through 796 financing and syndication and structuring transactions executed through Nimbus. In addition to the above, Nimbus also provides the following benefits to our Retail Lending Partners: • provides 'Plug and play' capability that enables integration with platforms of Retail Lending Partners and other third parties; • assists in interactions based on: (i) nature of the Retail Lending Partner (such as a Fintech or a financial institution); (ii) products offered (such as microfinance loans, MSME finance loans, vehicle finance loans and consumer finance loans); and (iii) loan management processes, underwriting framework and workflow processes of each Retail Lending Partner; and • provides capabilities of for real-time loan disbursement and credit approvals. As of March 31, 2021, Nimbus has enabled disbursements of over 2.50 million retail loans involving an aggregate sum of over Rs. 17,500 million, in partnership with our Retail Lending Partners.
Investor Partners	• provides curated opportunities for investments; • enables digital execution of a wide range of transactions such as loans, capital markets and structured finance transactions such as issuance of NCDs, rated securitization, direct assignment, PLI and PBI; • provides post-investment portfolio insights; • provides investor partners with insights from macro and transaction-level data in relation to the primary and secondary bond markets

Please also see "*Strengths - Nimbus, our proprietary technology system, expands business opportunities and drives efficiencies*" on page 175.

In Fiscal 2021, on the Nimbus system we on-boarded 36 Originator Partners and 21 mid-market companies, and conducted risk monitoring on 148 Originator Partners. Further, we conducted transactions involving value of 87.41% of the aggregate value of financing and syndication and structuring transactions in Fiscal 2021 on Nimbus.

We have hosted our data centre on Microsoft Azure and created a virtual IT infrastructure to host new applications. Our IT infrastructure is built on a robust architecture consisting of a primary data centre and a disaster recovery centre that links all our offices. We use a combination of customized, off-the-shelf, and tailored software developed in-house.

We have adopted an IT Policy that governs key issues relating to information technology such as accountability of IT assets, information security and cyber security, information systems audit, business continuity planning and outsourcing of IT services. Further, in line with the guidelines issued by the RBI, we have formed an IT Strategy Committee that is responsible for inter alia overseeing the implementation of the IT Policy. The IT Strategy Committee comprises our Managing Director & CEO, an independent director, and the Chief Technology and Information Officer.

Our Credit Ratings

Our long-term debt is presently rated by India Ratings as A+ (stable) and by ICRA as A+ (negative). Our Company's average cost of borrowings during each of Fiscals 2019, 2020 and 2021 was 10.18%, 10.46% and 10.23%, respectively.

Our Company aims to reduce its cost of borrowings through a larger share of financing from lower cost lenders such as public sector banks and DFIs and also plan to increase the tenure of its liabilities and improve its ALM profile through longer tenure financing.

Human Resources

As of March 31, 2021, we had 207 employees. Our human resources policies and practices coupled with our commitment to improving the work culture has earned us the recognition as a 'Great Place to Work' in the 'small and mid-sized organizations' category for the period from November 2020 and October 2021, from the Great Place to Work Institute, India.

We focus on providing proper and adequate training to our employees. We conduct comprehensive induction programs for our employees including training sessions which are mandated by law such as on prevention of sexual harassment, information security and prohibition of insider trading. Training sessions on specific subject matters are also conducted by experts and practitioners on various topics relevant to our business and beneficial to the professional growth of our employees. We also conduct training sessions for our employees to improve soft skills such as communication with clients. Further, we nominate employees in leadership roles for a leadership program run by a reputed business school in India. In the past, we have also facilitated international leadership programmes for our senior employees such as (i) a program in leadership and diversity for innovation conducted by a non-profit organisation working for financial inclusion of women and a reputed university in the United States of America; and (ii) the "LeapFrog Talent Accelerator" programme conducted by the LeapFrog group's Talent Accelerator, an initiative by the LeapFrog group.

The following table sets out employee details as of March 31, 2021.

Department	Number of employees
CEO's Office (strategy and corporate communication)	4
Finance and Operations	34
Human Resources	4
Investment Adviser	1
Investments	12
Legal	7
Markets	25
Origination	49
Rural finance business	1
Risk	32
Secretarial	4
Structured Finance and Products	9
Technology	16
Treasury	9
Total	**207**

We conduct periodic reviews of our employees' job performance and determine salaries and discretionary bonuses based on such reviews and our Company's performance. In October 2016, we also introduced the ESOP Plan 2016 for our employees, which has since been enhanced and widened in terms of the grant coverage. Our Company formulated three ESOP schemes with multiple grants covering a total of 69 employees, about 33.33% of the employee base. For more details on the ESOP Plan 2016 and ESOP schemes, see section "*Capital Structure*" on page 94.

Intellectual Property

As at the date of this Draft Red Herring Prospectus, our Company has 13 registered trademarks in India. Further, our Company has also registered the trademark "*Northern Arc*" in Mauritius and Singapore. For a list of intellectual property owned and registered by us, see "*Government and Other Approvals*" beginning on page 389.

Competition

Each of our businesses competes against distinct sets of market players. Our financing offerings faces competition from private and public sector banks, certain NBFCs, development financial institutions. Our lending activities to mid-market companies mainly compete against banks, certain NBFCs and venture debt funds. (*Source: CRISIL Report*) Various banks, NBFCs, MFIs and unorganized money lenders operate in the same space as us and compete against our retail lending activities. The microfinance business is likely to face competition from banks (including small finance banks), MFIs as well as local, unorganised money lenders. A variety of players operate in the structuring and syndication space and provide competition to our business. At a national level, this includes the syndication desks of various private sector banks and merchant bankers, certain NBFCs that act as arrangers and structurers, and certain other entities that operate as arrangers. Our fund management business faces competition from private debt funds and venture debt funds, as also the credit risk schemes of various mutual funds.

We believe that our ability to deliver our products and services with speed and efficiency using Nimbus, and in the case of our institutional and corporate-oriented businesses, the ability to combine this with personalised services, will enable us to maintain and improve our market position relative to competition.

Properties

Our registered office is located at No. 1, Kanagam Village, 10th Floor, IITM Research Park, Taramani, Chennai 600 113, Tamil Nadu, India.

As of March 31, 2021, all of the properties used for our operations throughout India were held on a leave-and-license or leasehold basis, or on seat-sharing arrangement basis. The registered office of our Subsidiary, Pragati, in Hyderabad, India has been rented by us on a leasehold basis.

Corporate Social Responsibility

Our CSR activities are conducted through our subsidiary, NAF. We have adopted a CSR policy and established a CSR Committee in compliance with the requirements of the Companies Act, 2013 and the rules notified thereunder. Our CSR Committee is primarily responsible for monitoring our CSR initiatives and recommending CSR expenditure to our Board.

Set out below are details of our key CSR activities.

- *Capacity building at field and managerial level*: NAF conducted training and skill development programs for graduates and facilitated the placement of candidates as field officers in various financial services companies. NAF also works with officers at field level across MFIs to provide vocational training and skill development programs including on topic pertaining to basics of microfinance and soft-skill related training. The training and knowledge sharing is conducted through an app-based learning system owned by a third party. More than 3,000 field officers of eight MFIs have undergone training. The capacity building at managerial level involves conducting risk analysis workshops with the intention to train managers and introduce them to our risk models. As of March 31, 2021, two workshops have been conducted.

- *Financial inclusion survey*: In collaboration with Dvara Research Foundation, NAF is conducting a financial inclusion survey to understand the impact of financial inclusion and developing a financial inclusion index/metric in order to understand the connection between usage of finance and financial well-being and impact on the economic well-being of households.

- *Household finance research initiative*: In collaboration with Dvara Research Foundation, NAF is developing a comprehensive analytical framework for understanding customer financial wellbeing and reviewing literature on financial wellbeing of Indian households to detect the gaps in research relating to household finance.

- *Future of finance initiative*: The future of finance initiative focuses on (i) the increased disintermediation in finance and its implications; (ii) the growth of public infrastructure for finance in India, including Aadhaar, India Stack; and (iii) the use of consumer data and advances analytics in financial services. Through this initiative, we seek to identify and address challenges for regulation and policy in India.

- *Learning and education*: NAF has partnered with Door Step School to sponsor Balwadi Programs for children in the age group of three-six years and with Swadha Foundation to fund the education of economically under-privileged children in Bengaluru.

- *Partnership with a global development institution on gender advisory programme*: We have partnered with a global development institution on a gender advisory programme. This program seeks to: (i) create a framework to assess existing and potential investee companies on certain gender-focused indicators; (ii) develop a corporate gender scorecard for our Company to assess our Company's and our clients' performance on gender parameters benchmarked against best practices; and (iii) develop and deliver capacity building training programmes across various levels of investee companies. Through this programme, we aim to achieve an increased level of awareness and gender sensitivity across all our investee companies and a demonstrable alignment within our Company.

Insurance

Our Company maintains insurance policies that we believe are customary for companies operating in our industry. We have electronic equipment insurance policies of up to ₹273.61 million in place, which provides coverage for the computers and other electronic equipment used at our offices for our business and operations. We provide our employees with insurance benefits such as medical insurance coverage for the employee and dependents including coverage for COVID-19. Our other insurance policies include group personal accident, term life insurance coverage, group mediclaim policy and directors' and officers' liability policy. Our insurance policies may not be sufficient to cover our economic loss. For details, see "*Risk Factors – Our insurance coverage may not adequately protect us against losses and successful claims that exceed our insurance coverage which could harm our results of operations and diminish our financial position*" on page 50.

Certifications and Awards

For details of our awards, see "*History and Certain Corporate Matters- Key awards, accreditations, certifications and recognitions received by our Company and Subsidiaries*" beginning on page 227.

KEY REGULATIONS AND POLICIES

The following description is a summary of certain key regulations and policies in India which are applicable to the operations of our Company and its Subsidiaries. The information detailed in this section has been obtained from publications available in the public domain. The description of the regulations disclosed below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice. The information in this section is based on the current provisions of applicable laws in India that are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

Our Company is registered with the RBI as a non-banking financial company (not accepting public deposits). One of our subsidiaries, NAIA is registered with the SEBI as an investment adviser, in terms of the SEBI Investment Advisers Regulations. Further, one of our subsidiaries, NAIM, is a fund manager for AIFs registered with the SEBI in terms of the SEBI AIF Regulations. We offer various products to suit the specific financial requirements of our customers. See "*Our Business*" beginning on page 170.

For details of material and necessary regulatory approvals obtained by us, see "*Government and Other Approvals*" on page 389.

1. Key Regulations Applicable to Our Company

The Reserve Bank of India Act, as amended (the "RBI Act")

The RBI Act defines an NBFC as: (a) a financial institution which is a company; (b) a non-banking institution which is a company and which is in the principal business of receiving deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or (c) such other non-banking institution or class of institutions, as the RBI may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.

A company categorized as an NBFC is required to have a net owned fund of ₹2.5 million or such other amount, not exceeding ₹1,000 million, as the RBI may, by notification in the official gazette specify from time to time. Further, NBFCs are required to obtain a certificate of registration from the RBI prior to commencement of the business as an NBFC.

Every NBFC is required to create a reserve fund and transfer thereto a sum not less than 20% of its net profit every year, as disclosed in the profit and loss account and before any dividend is declared. No appropriation can be made from such fund by the NBFC except for the purposes specified by the RBI from time to time and every such appropriation is required to be reported to the RBI within 21 days from the date of such withdrawal.

Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016, as amended (the "Master Directions")

Applicability

The Master Directions are applicable to the following categories of NBFCs ("**Applicable NBFCs**")*:*

(i) Systemically Important Non-Deposit taking Non-Banking Financial Company ("**NBFC-ND-SIs**") registered with the RBI under the provisions of the RBI Act;

(ii) Non-Banking Finance Company – Micro Finance Institutions registered with the RBI under the provisions of the RBI Act and having an asset size of ₹5,000 million and above;

(iii) Deposit taking NBFCs registered with the RBI under the provisions of the RBI Act;

(iv) NBFC-Factors (as defined in the Master Directions) and registered under Section 3 of the Factoring Regulation Act, 2011, as amended, having an asset size of ₹5,000 million and above;

(v) Infrastructure Debt Fund – Non-Banking Financial Company (as defined in the Master Directions) registered with the RBI under the provisions of RBI Act; and

(vi) NBFC – Infrastructure Finance Company (as defined in the Master Directions) registered with the RBI under the provisions of the RBI Act, having an asset size of ₹5,000 million and above.

An NBFC-ND-SI has been defined under the Master Directions to mean an NBFC not accepting or holding public deposits and having total assets of ₹5,000 million and above as shown in the last audited balance sheet and a minimum net owned fund of ₹20 million.

Corporate Governance

<u>Constitution of Committees</u>

All Applicable NBFCs are required to constitute the committees disclosed below:

(i) Audit Committee: Applicable NBFCs are required to constitute an audit committee consisting of not less than three members of its board of directors. The audit committee constituted by an NBFC as required under Section 177 of the Companies Act, 2013 shall be the audit committee for the purposes of the Master Directions as well, and its powers and functions shall be as provided under Section 177 of the Companies Act, 2013.

(ii) Nomination Committee: NBFCs are required to constitute a nomination committee to ensure 'fit and proper' status of proposed or existing directors, which shall have the same powers and functions as the nomination and remuneration committee required to be constituted under Section 178 of the Companies Act, 2013.

(iii) Risk Management Committee: NBFCs are required to constitute a risk management committee to manage the integrated risk.

(iv) Asset Liability Management Committee: NBFCs are required to constitute an asset liability management committee. The asset liability management committee is required to be headed by the chief executive officer/ managing director or the executive director of such NBFC, as prescribed under the Master Directions.

<u>Fit and Proper Criteria</u>

Applicable NBFCs are required to (a) maintain a policy approved by the board of directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis, in line with the guidelines prescribed under the Master Directions; (b) obtain a declaration and undertaking from directors giving additional information on the directors, in the format prescribed under the Master Directions; (c) obtain a deed of covenant signed by directors, in the format prescribed under the Master Directions; and (d) furnish to the RBI a quarterly statement on change of directors and a certificate from the managing director of the Applicable NBFCs that fit and proper criteria in selection of the directors has been followed. The statement must be submitted to the Regional Office of the Department of Non-Banking Supervision of the RBI where the Applicable NBFC is registered, within 15 days of the close of the respective quarter. The statement submitted for the quarter ending March 31, is required to be certified by the auditors.

Disclosures and Transparency

Applicable NBFCs are required to place before the board of directors, at regular intervals, as may be prescribed by their respective boards of directors, the following:

(i) progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the concerned Applicable NBFC; and

(ii) conformity with corporate governance standards including composition of committees, their roles and functions, periodicity of the meetings and compliance with coverage and review functions and so on.

Applicable NBFCs are required to disclose the following in their annual financial statements:

(i) registration/licence/authorization obtained from other financial sector regulators;

(ii) ratings assigned by credit rating agencies and migration of ratings during the year;

(iii) penalties, if any, levied by any regulator;

(iv) information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries and

(v) asset-liability profile, extent of financing of parent company products, non-performing assets and movement of non-performing assets, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures, as prescribed under the Master Directions

Applicable NBFCs are required to rotate the partners of the chartered accountant firm conducting the audit, every three years such that the same partner does not conduct the audit of such NBFC continuously for more than three years. Further, such NBFCs are required to frame their internal guidelines on corporate governance with the approval of the board of directors which is to be published on their respective websites.

Pursuant to the RBI Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021 (RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22), for Financial Year 2022 and onwards, among others, statutory audit firms can be appointed for NBFCs such as us for a continuous period of three years subject to the firm satisfying the eligibility norms each year. Further, an audit firm is not eligible for reappointment in the same entity for a period of six years after completion of full or part of one term of the audit tenure.

Since the above RBI guidelines regarding appointment of statutory auditors shall be implemented for the first time for NBFCs from Financial Year 2022, NBFCs such as us have been provided the flexibility to adopt these guidelines from H2 (second half) of Financial Year 2022 in order to ensure that there is no disruption.

Acquisition or Transfer of Control

Applicable NBFCs are required to obtain prior written permission of RBI for (a) any takeover or acquisition of control, which may or may not result in change in management, (b) any change in the shareholding, including progressive increases over time, which would result in acquisition or transfer of shareholding of 26% or more of the paid-up equity capital (no prior approval is required if the shareholding going beyond 26% is due to buy-back of shares or reduction in capital where it has approval of a competent court but must be reported to the RBI within one month of the occurrence), and (c) any change in the management of the Applicable NBFCs, which results in change in more than 30% of the directors, excluding independent directors, provided that no prior approval is required in case of directors who get re-elected on retirement by rotation.

Additionally, Applicable NBFCs are required to inform the RBI regarding any changes in their board or directors or management on an ongoing basis.

Prudential Norms

All NBFCs are required to maintain capital adequacy ratio consisting of Tier I and Tier II capital which shall not be less than 15% of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items. The Tier I capital in respect of Applicable NBFCs, at any point of time, shall not be less than 10%.

Liquidity Risk Management Framework and Liquidity Coverage Ratio

<u>Liquidity Risk Management Framework</u>

Applicable non-deposit taking NBFCs are required to adhere to the liquidity risk management guidelines prescribed under the Master Directions. The guidelines, *inter alia*, require the board of directors of the Applicable NBFC to formulate a liquidity risk management framework detailing entity-level liquidity risk tolerance, funding strategies, prudential limits, framework for stress testing, liquidity planning under alternative scenarios, nature and frequency of management reporting, and periodical review of assumptions used in liquidity projections.

Liquidity Coverage Ratio

All non-deposit taking NBFCs with asset size of ₹100 billion and above, and all deposit taking NBFCs irrespective of their asset size, are required to maintain a liquidity buffer in terms of liquidity coverage ratio which will promote resilience of NBFCs to potential liquidity disruptions by ensuring that they have sufficient high quality liquid asset to survive any acute liquidity stress scenario lasting for 30 days. The stock of high quality liquid asset to be maintained by the NBFCs is required to be a minimum of 100% of total net cash outflows over the next 30 calendar days. The liquidity coverage ratio requirement is binding on NBFCs from December 1, 2020 with the minimum high quality liquid assets to be held being 50% of the liquidity coverage ratio, progressively reaching up to the required level of 100% by December 1, 2024, in accordance with the time-line prescribed below:

From	December 1, 2020	December 1, 2021	December 1, 2022	December 1, 2023	December 1, 2024
Minimum Liquidity Coverage Ratio	50%	60%	70%	85%	100%

All non-deposit taking NBFCs with asset size of ₹50 billion and above but less than ₹100 billion are required to also maintain the required level of liquidity coverage ratio in accordance with the time-line given below:

From	December 1, 2020	December 1, 2021	December 1, 2022	December 1, 2023	December 1, 2024
Minimum Liquidity Coverage Ratio	30%	50%	60%	85%	100%

Asset Classification and Provisioning Norms

All NBFCs are required to adopt the asset classification and provisioning norms as set forth below:

Asset Classification

(i) a "standard asset" means the asset in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business; and

(ii) a "sub-standard asset" means (a) an asset which has been classified as non-performing asset for a period not exceeding 12 months; (b) an asset where the terms of the agreement regarding interest and/or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms. However, the classification of infrastructure loans as sub-standard assets is subject to the conditions stipulated in the Master Direction.

(iii) a "doubtful asset" means (a) a term loan, or (b) a lease asset, or (c) a hire purchase asset, or (d) any other asset, which remains a sub-standard asset for a period exceeding 12 months.

(iv) a "loss asset" means (a) an asset which has been identified as loss asset by an Applicable NBFC or its internal or external auditor or by the RBI during the inspection of the Applicable NBFC, to the extent it is not written off by the Applicable NBFC; and (b) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

(v) a "non-performing asset" means: (a) an asset for which interest or principal payment has remained overdue for a period of three months or more; (b) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of three months or more or on which interest amount remained overdue for a period of six months or more; (c) a demand or call loan, which remained overdue for a period of three months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more; (d) a bill which remains overdue for a period of three months or more; (e) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans/advances, which facility remained overdue for a period of three months or more; (f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of three months or more; (g) the lease rental and hire purchase instalment, which has become overdue for a period of three months or more; (h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/beneficiary when any of the above credit facilities becomes non-performing asset. Provided that in the case of lease and hire purchase transactions, an Applicable NBFC is required to classify each such account on the basis of its record of recovery.

Provisioning Norms

In addition to provisioning norms under applicable accounting standards, and under the Master Directions, all Applicable NBFCs are required to, 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 sub-standard assets, doubtful assets and loss assets as provided hereunder:

<table>
<tr><th>S. No.</th><th colspan="2">Provisioning Requirement</th></tr>
<tr><td>1.</td><td colspan="2">Loans, advances and other credit facilities including bills purchased and discounted</td></tr>
<tr><td></td><td>(i) Loss Assets</td><td>The entire asset is to be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding is to be provided for.</td></tr>
<tr><td></td><td>(ii) Doubtful Assets</td><td>(a) 100% provision to the extent to which the advance is not covered by the realizable value of the security to which the Applicable NBFC has a valid recourse is to be made. The realizable value is to be estimated on a realistic basis.

(b) In addition to (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e., estimated realizable value of the outstanding) is to be made on the following basis –
<table><tr><th>Period for which the asset has been considered as doubtful</th><th>Per cent of provision</th></tr><tr><td>Up to one year</td><td>20%</td></tr><tr><td>One to three years</td><td>30%</td></tr><tr><td>More than three years</td><td>50%</td></tr></table></td></tr>
<tr><td></td><td>(iii) Sub-standard Assets</td><td>A general provision of 10% of total outstanding is to be made.</td></tr>
<tr><td>2.</td><td colspan="2">Lease and hire purchase assets –</td></tr>
<tr><td></td><td>(i) Hire purchase assets</td><td>I. In respect of hire purchase assets, the total dues (overdue and future instalments taken together) as reduced by –

(a) the finance charges not credited to the profit and loss account and carried forward as unmatured finance charges; and

(b) the depreciated value of the underlying asset, is to be provided for.

<u>Explanation:</u> (i) the depreciated value of the asset is to be notionally computed as the original cost of the asset to be reduced by depreciation at the rate of 20% per annum on a straight line method; and (ii) in the case of second hand asset, the original cost is to be the actual cost incurred for acquisition of such second hand asset.

II. Additional provision for hire purchase and leased assets:
<table><tr><td>Where hire charges or lease rentals are overdue upto 12 months</td><td>Nil</td></tr></table></td></tr>
</table>

S. No.	Provisioning Requirement		
		Where hire charges or lease rentals are overdue for more than 12 months upto 24 months	10% of the net book value
		Where hire charges or lease rentals are overdue for more than 24 months but upto 36 months	40% of the net book value
		Where hire charges or lease rentals are overdue for more than 36 months but upto 48 months	70% of the net book value
		Where hire charges or lease rentals are overdue for more than 48 months	100% of the net book value
		III. On expiry of a period of 12 months after the due date of the last instalment of hire purchase/leased asset, the entire net book value is to be fully provided for.	

Standard Asset Provisioning

All Applicable NBFCs are required to make provisions for standard assets at 0.40% of the outstanding, which shall not be reckoned for arriving at the net NPAs. The provision towards standard assets shall not be netted from gross advances but are required to be shown separately as ‘Contingent Provisions against Standard Assets’ in the balance sheet of the Applicable NBFCs.

Balance Sheet Disclosures

(i) Applicable NBFCs are required to separately disclose in their balance sheets the provisions made, as prescribed under the Master Directions, without netting them from income or against the value of assets.

(ii) The provisions are to be distinctly indicated under separate heads of account as:

(a) Provisions for bad and doubtful debts; and

(b) Provisions for depreciation in investments.

(iii) Such provisions shall not be appropriated from the general provisions and loss reserves held, if any, by the Applicable NBFC.

(iv) Such provisions for each year are required to be debited to the profit and loss account. The excess of provisions, if any, held under the heads general provisions and loss reserves are required to be written back without making adjustment against them.

(v) Additionally, Applicable NBFCs are required to disclose: (a) Capital to risk assets ratio; (b) exposure to real estate sector, both direct and indirect; and (iii) maturity pattern of assets and liabilities.

Regulation of Excessive Interest Charged by NBFCs

(i) The board of directors of each Applicable NBFC is required to adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest, the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers are required to be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.

(ii) The rates of interest and the approach for gradation of risks are also required to be made available on the website of the Applicable NBFCs or published in the relevant newspapers. The information published in the website or otherwise published is required to be updated whenever there is a change in the rates of interest.

(iii) The rate of interest must be annualized rate so that the borrower is aware of the exact rates that would be charged to the account.

Although rates of interest charged by NBFCs are not regulated by the RBI, rates of interest beyond a certain level may be seen to be excessive. The board of directors of Applicable NBFCs are required to layout appropriate internal principles and procedures in determining interest rates and processing and other charges.

Accounting Standards

Accounting Standards and guidance notes issued by the Institute of Chartered Accountants of India are required to be followed by NBFCs insofar as they are not inconsistent with any of the provisions of the Master Directions.

Fair Practices Code

All Applicable NBFCs having customer interface are required to adopt a fair practices code in line with the guidelines prescribed under the Master Directions. The Master Directions stipulate that such fair practices code should cover, *inter alia*, the form and manner of processing of loan applications; loan appraisal and terms and conditions thereof; and disbursement of loans and changes in terms and conditions of loans. The Master Directions also prescribe general conditions to be observed by Applicable NBFCs in respect of loans, and requires the board of directors of Applicable NBFCs to lay down a grievance redressal mechanism. Such fair practices code should preferably be in vernacular language or language understood by borrowers of the Applicable NBFCs.

Further, all Applicable NBFCs are to frame internal guidelines on corporate governance, enhancing the scope of the guidelines without sacrificing the underlying spirit of the guidelines stipulated in the Master Directions. The guidelines framed are required to be published on the NBFC’s website for the information of various stakeholders.

Prevention of Money Laundering Act, 2002 ("PMLA")

The PMLA was enacted to prevent money laundering and to provide for confiscation of property derived from, or involved, in money laundering, and for incidental matters connected therewith. Section 12 of the PMLA *inter alia* casts certain obligations on reporting entities (as defined under the PMLA) in relation to preservation of records and reporting of transactions.

Master Direction (Know Your Customer) Directions, 2016 dated February 25, 2016, as amended (the "KYC Directions")

The KYC Directions require regulated entities (as defined in such directions) to follow certain customer identification procedures while undertaking a transaction. These directions are applicable to every entity regulated by RBI, including scheduled commercial banks, regional rural banks, local area banks, primary (urban) co-operative banks, state and central co-operative banks, all India financial institutions, NBFCs, miscellaneous non-banking companies and residuary non-banking companies, amongst others. Every entity regulated thereunder is required to adopt a 'know your customer' ("**KYC**") policy, duly approved by its board of directors, which has four elements, namely, customer acceptance policy; risk management; customer identification procedures; and monitoring of transactions. Regulated entities are required to ensure compliance with the KYC policy through identifying 'senior management' for the purposes of KYC compliance; allocation of responsibility for effective implementation of policies and procedures; independent evaluation of compliance with KYC and anti-money laundering policies and procedures, including legal and regulatory requirements; concurrent/internal audit system for compliance to verify compliance with KYC and anti-money laundering; and submission of quarterly audit notes and compliance to the audit committee of the board of directors of the regulated entity. Further, regulated entities are required to ensure that decision making functions of determining compliance with KYC norms are not outsourced. The KYC Directions additionally require regulated entities to frame a customer acceptance policy. The KYC Directions also prescribe detailed instructions in relation to, *inter alia*, record management and reporting requirements.

Master Direction – Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 dated September 29, 2016 ("Monitoring of Frauds Directions")

The Monitoring of Frauds Directions are applicable to all deposit taking NBFCs and NBFC-ND-SIs, and requires them to put in place a reporting system for recording of frauds. All frauds are required to be reported to the RBI. Fraud reports are required to be submitted to the Central Fraud Monitoring Cell of the RBI in case amount of fraud ₹10 million and above. In cases where the amount of fraud is less than ₹10 million, reports are required to be sent to the regional office of the Department of Non-Banking Supervision of the RBI, under whose jurisdiction the registered office of the NBFC falls. The amounts involved in frauds reported by the entity are required to be disclosed in its balance sheet for the year of such reporting. The Monitoring of Frauds Directions also requires submission of a copy of quarterly reports on frauds outstanding to the regional office of the RBI within 15 days of the end of each quarter to which it relates, in the format prescribed.

Master Direction – Non–Banking Financial Company Returns (Reserve Bank) Directions, 2016, dated September 29, 2016 ("Returns Master Direction")

The Returns Master Direction lists detailed instructions in relation to submission of returns prescribed by the RBI for various categories of NBFCs, including their periodicity, reporting time, due date, and the purpose of filing such returns.

Master Direction - Information Technology Framework for the NBFC Sector Directions, dated June 8, 2017 ("IT Framework Directions")

The IT Framework Directions have been notified with the view of benchmarking the information technology/information security framework, business continuity planning, disaster recovery management, information technology ("**IT**") audit and other processes to best practices for the NBFC sector. Systemically important NBFCs (i.e., NBFCs with an asset size of above ₹5,000 million) are required to comply with the IT Framework Directions by June 30, 2018. The IT Framework Directions require all systemically important NBFCs to undertake IT governance through formation of an IT strategy committee and formulation of a board approved IT policy. They also require systemically important NBFCs to conduct an information system audit at least once in a year.

In addition to the above IT Framework Directions, we are also required to comply with the Information Technology Act, 2000, as amended, and the rules framed thereunder.

Master Direction – Non- Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016 dated September 29, 2016 ("Auditor's Report Directions")

The Auditor's Report Directions set out disclosures that are to be included in every auditor's report on the accounts of an NBFC such as: (i) the validity of such NBFC's certificate of registration and whether the NBFC is entitled to continue to hold such certificate of registration in terms of its principal business criteria as of March 31 of the applicable year; and (ii) compliance with net owned fund requirements as laid down in the Master Directions.

Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs, 2017 dated November 9, 2017 ("Outsourcing Directions")

The Outsourcing Directions specify the activities that cannot be outsourced and provide the basis for deciding materiality of outsourcing. It mandates the regulatory and supervisory requirements and risk management practices to be complied with by every NBFC before outsourcing its activities. Further, an NBFC intending to outsource any of the permitted activities under the Outsourcing Directions is required to formulate an outsourcing policy which is to be approved by its board of directors.

Guidelines on Risk-based Internal Audit ("RBIA") System for Select NBFCs and Urban Co-operative Banks (the "RBIA Guidelines")

RBIA for non-deposit taking NBFCs with an asset size of ₹50 billion and above (the "**RBIA Applicable NBFCs**"), was mandated by the RBI through its notification dated February 3, 2021 bearing reference number DoS.CO.PPG./SEC.05/11.01.005/2020-21. Under the RBIA Guidelines, RBIA Applicable NBFCs are required to implement the RBIA framework by March 31, 2022. The RBIA Guidelines, *inter alia,* are intended to enhance the efficacy of internal audit systems and contribute to the overall improvement of governance, risk management and control processes followed by RBIA Applicable NBFCs. Under the RBIA Guidelines, the board of directors of the RBIA Applicable NBFC must approve a policy clearly documenting the purpose, authority, and responsibility of the internal audit activity, with a clear demarcation of the role and expectations from risk management function and the RBIA function. It's also mandated that the policy be reviewed periodically, and that the internal audit function not be outsourced. Further, the RBIA Guidelines also require that the risk assessment of business and other functions of RBIA Applicable NBFCs should be conducted at least on an annual basis.

Circular dated June 24, 2021 on Declaration of Dividends by NBFCs ("Dividend Circular")

The Dividend Circular specifies, *inter alia*, certain minimum prudential requirements (relating to its capital adequacy, net NPA and other criteria) for an NBFC to be eligible to declare dividend, the maximum permissible dividend payout ratio, the considerations to be taken into account by the board of directors of an NBFC while considering the proposal to declare dividend and the manner of reporting details of dividends declared. The Dividend Circular will be applicable to NBFCs for the declaration of dividends from the profits of the financial year ending March 31, 2022 and onwards.

The Ombudsman Scheme for Non-Banking Financial Companies, 2018 (the "Ombudsman Scheme")

The Ombudsman Scheme was introduced by the RBI with the object of enabling resolution of complaints in respect of certain services rendered by particular categories of NBFCs, to facilitate the satisfaction or settlement of such complaints, and matters connected therewith.

The Ombudsman Scheme, *inter alia*, establishes the office of the ombudsman, specifies the procedure for the redressal of grievances and the mechanism for appeals against the awards passed by the ombudsman.

Further, the RBI through its 'Statement on Developmental and Regulatory Policies' dated February 5, 2021, proposed the integration of the Ombudsman Scheme with the Banking Ombudsman Scheme, 2006 and the Ombudsman Scheme for Digital Transactions, 2019 under the 'One Nation One Ombudsman' approach for grievance redressal. This is intended to make the process of redress of grievances easier by enabling the customers of the banks, NBFCs and non-bank issuers of prepaid payment instruments to register their complaints under the integrated scheme, with one centralized reference point. The scheme was rolled out in June, 2021.

Pension Fund Regulatory and Development Authority Act, 2013, as amended (the "PFRDA Act")

The PFRDA Act establishes the Pension Fund Regulatory and Development Authority (the "**PFRDA**"). The PFRDA's functions include: (i) the promotion old age income security by establishing, developing and regulating pension funds; (ii) protecting the interests of subscribers to schemes of pension funds; and (iii) regulating other connected or incidental matters.

The PFRDA Act empowers the PFRDA to grant registrations and permit persons to act as a point of presence for the purpose of receiving contribution and instructions, transmitting them to a trustee bank or the central record keeping agency, as the case may be, and paying out benefits to subscribers. The PFDRA Act empowers the PFRDA to issue regulations, from time to time, to provide, *inter alia*, for: (a) the manner of receiving contributions and instructions and transmitting them to the trustee bank or central record keeping agency; (b) functioning of points of presence; and (c) the manner in which a pension fund may receive contributions, accumulate them and make payments to subscribers.

2. Restrictions in Foreign Ownership applicable to our Company

The Consolidated FDI Policy Circular of 2020 (No. 5(2)/2020) dated October 15, 2020, as amended ("FDI Policy") issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India ("DPIIT")

Foreign investment in NBFCs, carrying on activities approved for FDI, is subject to the conditions specified in Paragraph 3.8.3.1 of the FDI Policy. Pursuant to the FDI Policy, FDI of up to 100% is permitted under the automatic route in our Company.

Foreign investment in securities issued by Indian companies, such as us, is also regulated by the RBI, including through the FEMA.

3. COVID-19 Regulatory Framework

In view of the outbreak of the COVID-19 pandemic, the RBI issued various circulars and prescribed other regulatory frameworks and relaxations governing NBFCs to deal with the disruptions caused by the COVID-19 pandemic.

Circular dated March 16, 2020

Pursuant to its circular dated March 16, 2020 (Reference No. RBI/2019-20/172 DoS.CO.PPG.BC.01/11.01.005/2019-20), the RBI provided an indicative list of actions to be taken by NBFCs as part of their operations and business continuity plans. Among others, the actions included taking steps to share important instructions/strategy with the staff members at all levels and sensitizing the staff members about preventive measures/steps to be taken in suspected cases, based on the instructions received from health authorities from time-to-time, taking stock of critical processes and revisiting business continuity plan in the emerging situations/scenarios with the aim of continuity in critical interfaces and preventing any disruption of services, due to absenteeism either driven by the individual cases of infections or preventive measures.

Circulars dated March 27, 2020 and April 17, 2020

The RBI, pursuant to its circular dated March 27, 2020 (Reference No. RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20), announced certain regulatory measures, including, *inter alia*, to mitigate the burden of debt servicing brought about by disruptions on account of the COVID-19 pandemic and to ensure the continuity of viable businesses. In furtherance of such circular, lending institutions were permitted to grant a moratorium of three months on payment of all instalments (including all (i) principal and/or interest components; (ii) bullet repayments; (iii) equated monthly instalments; and (iv) credit card dues) falling due between March 1, 2020 and May 31, 2020 in respect of all term loans (including agricultural term loans, retail and crop loans) ("**Moratorium Period**"). Additional relaxations were granted in relation to the calculation of 'drawing power' in respect of working capital facilities sanctioned in the form of cash credit/overdraft ("**CC/OD**") to borrowers. Under the circular, such measures were not to be treated as a concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower under paragraph 2 of the Annexure to the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 ("**Prudential Framework**") and availing of such measures, by itself, was not to result in asset classification downgrade. The rescheduling of payments, including interest, did not qualify as a default for the purposes of supervisory reporting and reporting to credit information companies ("**CICs**") by the lending institutions. CICs were instructed to ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries. The circular also stated that wherever the exposure of a lending institution to a borrower is ₹50 million or above as on March 1, 2020, the lending institution was required to develop an MIS on the reliefs provided to its borrowers which was required to, *inter alia,* include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted. Further, pursuant to its circular dated April 17, 2020 (Reference No. RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20), the RBI provided detailed instructions in relation to (i) asset classification under the prudential norms on income recognition, asset classification and (ii) provisioning requirements.

Circular dated May 23, 2020

Pursuant to its circular dated May 23, 2020 (Reference No. RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20), the RBI further permitted lending institutions (including NBFCs) to extend the Moratorium Period on payment of all instalments in respect of term loans (including agricultural term loans, retail and crop loans) by another three months, i.e., from June 1, 2020 to August 31, 2020. Such circular also permitted certain relaxations in respect of working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions, subject to certain conditions.

The measures in relation to working capital facilities under the RBI circular dated May 23, 2020, were contingent on the lending institutions satisfying themselves that such measures are necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under this relaxation were subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19. Lending institutions accordingly, could put in place a board approved policy to implement the above measures.

Emergency Credit Line Guarantee Scheme dated May 23, 2020

The Government of India, through the Ministry of Finance, Department of Financial Services introduced the emergency credit line guarantee scheme ("**ECLGS**"). Pursuant to the ECLGS, the National Credit Guarantee Trustee Company, a wholly-owned trustee company of the Government of India, provided a 100% credit guarantee with respect to eligible credit facilities extended by NBFCs in the form of additional term loans.

Special Liquidity Scheme for NBFCs/HFcs dated July 1, 2020 and the Partial Credit Guarantee Scheme

The Government of India approved the Special Liquidity Scheme for NBFCs and HFCs to improve the liquidity position of NBFCs through a special purpose vehicle to avoid potential systemic risks to the financial sector. In order to avail the scheme, NBFCs are required to, *inter alia,*: (a) have made a net profit in one of the two preceding financial years; and (b) be rated investment grade by a SEBI registered rating agency. In accordance with the circular, the scheme is managed by a special purpose vehicle set up by a subsidiary of the State Bank of India, SBI Capital Markets Limited

The Partial Credit Guarantee Scheme ("**PCGS**") was introduced on December 11, 2019 to offer a sovereign guarantee for "first loss" to public sector banks for the purchase of pooled assets, from financially sound NBFCs, subject to certain conditions. Pursuant to a press release dated May 20, 2020, the PCGS was amended to increase the coverage offered by the scheme and the window under the PCGS was extended up to March 31, 2021.

Statement on Development and Regulatory Policies dated August 6, 2020

The RBI, through its 'Statement on 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, provided a window 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 (as set out under the Prudential Framework) subject to specified conditions.

Resolution Framework for COVID-19-related Stress dated August 6, 2020

The RBI has also issued a notification on August 6, 2020 titled 'Resolution Framework for COVID-19-related Stress' ("**COVID-19 Resolution Framework**", Reference No. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21). Under the COVID-19 Resolution Framework, lending institutions were 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 were extended only to borrowers bearing stress on account of the COVID-19 pandemic. The resolution plan extended to eligible borrowers could be invoked anytime till December 31, 2020 and was to be implemented within 180 days from the date of invocation (within 90 days in case of personal loans.).

Restructuring of Advances to Micro, Small and Medium Enterprises

The RBI, pursuant to its circular dated August 6, 2020 titled 'Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances' ("**August 2020 Circular**", Reference No. RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21), had permitted the classification of loans to MSMEs as 'standard' pursuant to their restructuring subject to certain conditions mentioned under such circular and the circular dated February 11, 2020 titled 'Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances' (Reference No. RBI/2019-20/160 DOR.No.BP.BC.34/21.04.048/2019-20). The RBI, pursuant to its circular dated May 5, 2021 titled 'Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)' (Reference No. RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22) has extended the applicability of the August 2020 Circular, subject to certain conditions, including, that: (i) the borrower should be classified as a micro, small or medium enterprise as on March 31, 2021 in terms of the notification dated June 26, 2020 published by the Ministry of Micro, Small and Medium Enterprises; (ii) the aggregate exposure, including non-fund based facilities, of all lending institutions to such borrower should not exceed ₹250 million as on March 31, 2021l; (iii) the borrower's account should have been a 'standard asset' as of March 31, 2021; and (iv) restructuring of the borrower's account is invoked by September 30, 2021. All the measures under the circular are contingent on lending institutions satisfying themselves that this is necessitated on account of the economic fallout from COVID-19.

Circular dated September 7, 2020

The RBI, pursuant to its circular dated September 7, 2020 (Reference No. RBI/2020-21/34 DOR.No.BP.BC/13/21.04.048/2020-21) on "Resolution Framework for COVID-19-related Stress – Financial Parameters", set out key ratios to be mandatorily considered while finalizing the resolution plans in respect of COVID-19 Resolution Framework. Further, it also prescribed sector specific thresholds to be considered by the lending institutions, intended as floors or ceilings. The resolution plans were required to take into account the pre-COVID-19 operating and financial performance of the borrower and impact of COVID-19 on its operating and financial performance at the time of finalizing the resolution plan, to assess the cash flows in subsequent years, while stipulating appropriate ratios in each case. Lending institutions were free to consider other financial parameters as well while finalizing the resolution assumptions in respect of eligible borrowers apart from the above mandatory key ratios and the sector-specific thresholds that have been prescribed.

TLTRO on Tap Scheme

The targeted long-term repo operations on tap scheme of the RBI ("**TLTRO on Tap Scheme**"), announced on October 9, 2020 focuses on liquidity measures and revival of activity in specific sectors and, allows banks to avail liquidity to be deployed in corporate bonds, commercial paper and non-convertible debentures issued by entities in such specified sectors. The liquidity availed by banks could also be used to extend bank loans and advances to these sectors. The RBI through its 'Statement on Developmental and Regulatory Policies' and its press release dated February 5, 2021 stated that NBFCs are well recognised conduits for reaching out last mile credit and act as a force multiplier in expanding credit to various sectors and accordingly, permitted funds from banks under the TLTRO on Tap Scheme to be provided to NBFCs for incremental lending to these sectors until March 31, 2021. The TLTRO on Tap Scheme has further been extended by a period of six months i.e., up to September 30, 2021 with a view to increasing the focus of liquidity measures on revival of activity in specified sectors.

Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts

On October 23, 2020, the Ministry of Finance, Government of India announced a scheme for grant of ex-gratia payment of difference between compound interest and simple interest by way of reliefs for the six months period from March 1, 2020 to August 31, 2020, to borrowers in specified loan accounts ("**October 2020 Scheme**"), benefits of which would be routed through lending institutions. The October 2020 Scheme was applicable to all lending institutions, including, *inter alia*, banking companies, NBFCs and housing finance companies. Borrowers who had loan accounts with sanctioned limits and outstanding amounts not exceeding ₹20 million as on February

29, 2020 were eligible under the October 2020 Scheme, subject to certain conditions. Borrowers of the following classes of loans were eligible, namely (i) MSME loans; (ii) education loans; (iii) housing loans; (iv) consumer durable loans; (v) credit card dues; (vi) automobile loans; (vii) personal loans to professionals; and (viii) consumption loans.

Circular dated April 7, 2021 on Asset Classification and Income Recognition

The RBI, pursuant to the decision of the Supreme Court of India in Small Scale Industrial Manufactures Association v. Union of India, dated March 23, 2021, has issued a circular dated April 7, 2021 (the "**April 2021 Circular**", Reference No. RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22). The April 2021 Circular 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 above judgement. In order to ensure that the above judgement is implemented uniformly in letter and spirit by all lending institutions, the methodology for calculation of the amount to be refunded/adjusted for different facilities is required to be finalised by the Indian Banks Association in consultation with other industry participants/bodies, which shall be adopted by all lending institutions. The above reliefs shall be applicable 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, in terms of the circulars dated March 27, 2020 and May 23, 2020.

Further, in relation to asset classification, the April 2021 Circular stipulates that, (i) in respect of accounts which were not granted any moratorium in terms of the COVID-19 regulatory relief provided, asset classification is to be undertaken in terms of the criteria laid out in the Master Circular – Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 (Reference No. RBI/2015-16/101 DBR.No.BP.BC.2/21.04.048/2015-16) or other relevant instructions as applicable to the specific categories of lending institutions; and (ii) in respect of accounts in relation to which a moratorium was granted in terms of the COVID-19 regulatory relief, the asset classification for the period from March 1, 2020 to August 31, 2020 shall be governed in terms of the circular dated April 17, 2020 (Reference No. RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20), read with circular dated May 23, 2020 (Reference No. RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20). For the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable income recognition and asset classification norms.

Priority Sector Lending Classification

Pursuant to its 'Statement on Developmental and Regulatory Policies' and notification dated April 7, 2021, the RBI with a view to ensure continued availability of credit to specified sectors to aid faster economic recovery, decided to extend the priority sector lending ("**PSL**") classification for lending by banks to NBFCs for on-lending by six months i.e. up to September 30, 2021. Previously, the PSL classification, allowing banks to classify lending to NBFCs for on-lending to agriculture/MSME/housing as PSL, was permitted till March 31, 2021.

Circular dated May 5, 2021 on Resolution Framework for Advances to Individuals and Small Businesses

Through its circular dated May 5, 2021 titled 'Resolution Framework – 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses' (Reference No. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22), the RBI has permitted lending institutions to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying such credit exposures as 'standard' upon implementation of the resolution plan, subject to certain conditions specified under the circular. The lending institutions are required to frame policies, approved by the board of directors, pertaining to the implementation of viable resolution plans for eligible borrowers ensuring that the resolution under this facility is provided only to the borrowers having stress on account of COVID-19. The last date for invocation of resolutions under the window provided is September 30, 2021. The resolution plans implemented under this window may, *inter alia,* include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, and granting of moratorium, based on income streams of the borrower.

4. Regulations Applicable to our Subsidiaries

Securities and Exchange Board of India Act, 1992 (the "SEBI Act")

The SEBI Act was enacted to provide for the establishment of SEBI whose function is to protect the interests of investors and to promote the development of, and to regulate, the securities market. SEBI also issues various regulations, circulars and guidelines from time to time in accordance with the powers vested with it under the SEBI Act. Further, under the SEBI Act, the SEBI has the power to conduct inspection of all intermediaries in the securities market, including, stock brokers, sub-brokers, investment advisers, merchant bankers, underwriters and research analysts.

Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, as amended ("SEBI Investment Advisers Regulations")

The SEBI Investment Advisers Regulations, provides that no person is permitted act as an investment adviser without a certificate granted by SEBI under the regulations. The SEBI Investment Advisers Regulations, lay down, *inter alia*, the eligibility criteria, qualifications and certification requirements an investment adviser, a net worth criteria of not less than ₹5 million, manner of grant/refusal of certificate of registration, and general obligations and responsibilities of investment advisers.

The general obligations include *inter alia* (i) to act in a fiduciary capacity towards clients and disclose conflicts of interest as and when they arise; (ii) maintaining an arms-length relationship between its activities as an investment adviser and its other activities; (iii) ensuring segregation of its other activities from its investment advisory services; (iv) disclosing conflicts of interests to clients; (iv) maintaining confidentiality of client information; and (v) not entering into transactions contrary to its own advice.

Responsibilities of investment advisers include *inter alia* (i) risk profiling of clients; (ii) ensuring appropriate disclosures regarding, *inter alia*, the terms and conditions on which advisory services are offered, disciplinary history of the investment adviser, the investment advisers holdings or positions in financial products that are the subject matter of advice; (iii) maintaining appropriate records; (iv) redressal of client grievances; and (v) client level segregation between investment advisory and distribution activities etc.

Further, investment advisers are required to adhere to a code of conduct provided under the SEBI Investment Advisers Regulations.

Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as amended ("SEBI AIF Regulations")

The SEBI AIF Regulations specify, *inter alia*, criteria for registration, information requirements, procedure for the grant/refusal of certificate of registration. A certificate of registration is mandatory for a person or an entity to act as an AIF and such certificate shall be granted, subject to compliance with the requisite conditions under the SEBI AIF regulations. The registration of the AIF is, amongst other things, also dependent on the ability of the manager to effectively discharge its activities by having the necessary infrastructure and manpower. The AIF sponsor and manager are each required to be a 'fit and proper person', based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008. The obligations of the manager include maintenance of records, addressing the complaints of the investors, taking steps to address conflicts of interest, ensuring transparency and providing all information sought by SEBI. The manager is also required to establish and implement written policies and procedures to identify, monitor and appropriately mitigate conflicts of interest throughout the scope of business. Further, AIFs, key management personnel of the AIF, trustee, trustee company, directors of the trustee company, designated partners or directors of the AIF, as the case may be, managers and key management personnel of managers are required to abide by the code of conduct specified under the Fourth Schedule to the SEBI AIF Regulations.

Under the SEBI AIF Regulations, a 'manager' is a person or an entity who has been appointed by the AIF to manage its investments. The manager of the AIF can also be the sponsor of the AIF. For Category I and II AIFs, the manager or the sponsor of the AIF is required to maintain a continuing interest in the AIF of not less than 2.5% of the corpus or ₹ 50 million, whichever is lower, in the form of investment in the AIF. For Category III AIFs, the manager or the sponsor of the AIF is required to maintain a continuing interest in the AIF of not less than 5% of the corpus or ₹ 100 million, whichever is lower. If the corpus of an AIF is more than ₹5 billion, the manager, sponsor or AIF is required to appoint a custodian registered with SEBI for safekeeping of securities. However, irrespective of the size of the corpus of the AIF, the sponsor or manager of category III AIF shall appoint a custodian. Funds of Category I AIFs are allowed to invest in units of Category I AIFs of the same sub-category. Funds of Category II AIFs are allowed to invest in units of Category I or Category II AIFs as may be disclosed in the placement memorandum, and funds of Category III AIFs are allowed to invest in units of other AIFs. Further, AIFs which are authorized under the fund documents to invest in units of AIFs are prohibited from offering their units for subscription to other AIFs.

SEBI by its circulars dated February 5, 2020 (Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24) and June 12, 2020 (Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/99), has notified certain disclosure standards for AIFs including templates for the private placement memorandums ("**PPM**") for AIFs, annual audit to ensure compliance with the disclosure standards in relation to the PPMs and performance benchmarking of AIFs.

Securities and Exchange Board of India (Intermediaries) Regulations, 2008, as amended ("SEBI Intermediaries Regulations")

The SEBI Intermediaries Regulations specify, *inter alia*, the procedure for the grant/ refusal of the certificate of registration to intermediaries by the SEBI. Further, they set out certain general obligation of intermediaries, including: (i) disclosure requirements; (ii) redressal of investor grievances; and (iii) appointment of a compliance officer. The intermediary, its directors, officers and key management personnel are required to abide by the code of conduct prescribed under the SEBI Intermediaries Regulations.

The SEBI Intermediaries Regulations also provide the SEBI the right to inspect books, accounts and records of an intermediary. Further, the SEBI Intermediaries Regulations permit the SEBI to cancel or suspend an intermediary's registration or take other action if an intermediary fails to comply with any conditions subject to which a certificate of registration has been granted to such intermediary or contravenes provisions of securities laws or directions, instructions or circulars issued thereunder.

Securities and Exchange Board of India circular dated December 15, 2011 (Circular No. CIR/MIRSD/24/2011) on Guidelines on Outsourcing of Activities by Intermediaries (the "SEBI Outsourcing Guidelines")

The SEBI Outsourcing Guidelines specify principles that are to be adhered to by an intermediary that seeks to outsource its activities including: (i) adopting a comprehensive policy to guide the assessment of whether and how certain activities can be appropriately outsourced; (ii) implementing a comprehensive outsourcing risk management program to address the outsourced activities and the relationship with the third party; (iii) ensuring that outsourcing arrangements neither diminish its ability to fulfill its obligations to customers and regulators, nor impede effective supervision by the regulators; (iv) conducting appropriate due diligence in selecting the third party and monitoring of its performance; (v) ensuring outsourcing relationships are governed by written contracts / agreements / terms and conditions that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues and termination procedures; (vi) establishing and maintaining contingency plans, including a plan for disaster recovery and periodic testing of backup facilities; and (vii) taking appropriate steps to require that third parties protect confidential information of both the intermediary and its customers from intentional or inadvertent disclosure to unauthorized persons.

The SEBI Outsourcing Guidelines prohibit the outsourcing of the intermediary's core business activities and compliance functions. In this regard, the SEBI Outsourcing Guidelines provides an illustrative list of core business activities.

5. Draft Regulatory Framework for NBFCs

The RBI released a Discussion Paper dated January 22, 2021 on 'Revised Regulatory Framework for NBFCs – A Scale Based Approach' (the "**NBFC Discussion Paper**"), and has requested public comments thereon. Under the NBFC Discussion Paper, the regulatory framework for NBFCs is proposed to be based on a four-layered structure, wherein different categories of NBFCs, based on certain identified parameters (size, leverage, interconnectedness, complexity, and supervisory inputs) would be subject to proportionately higher regulation. The NBFC Discussion Paper contemplates the following layers of NBFCs:

(i) **Base Layer ("NBFC-BL"):** Proposed to consist of NBFCs currently classified as non-systemically important NBFCs, along with NBFCs that are Type I NBFCs, Non-Operative Financial Holding Companies, peer to peer lending platforms and account aggregators. NBFC-BLs will largely continue to be subject to regulations currently applicable to non-deposit taking NBFCs.

(ii) **Middle Layer ("NBFC-ML"):** Proposed to consist of all non-deposit taking NBFCs classified currently as NBFC-ND-SI and all deposit-taking NBFCs, excluding NBFCs in the Upper Layer. Further, NBFCs that are housing finance companies, infrastructure finance companies, infrastructure debt funds, standalone primary dealers and core investment companies, irrespective of their asset size, will be populated in this layer. NBFC-MLs will largely continue to be subject to regulations currently applicable to NBFC-ND-SIs and deposit-taking NBFCs, as well as regulations applicable to NBFC-BLs as well.

Certain measures under the proposed regulatory framework in relation to NBFC-MLs include:

- aligning credit concentration norms for NBFCs with those applicable to banks, by merging the currently applicable lending and investment concentration limits into a single exposure limit of 25% for single borrower and 40% for group of borrowers anchored to the NBFC's Tier 1 capital;
- introducing a requirement for NBFCs to have a policy approved by their respective boards of directors on internal capital adequacy assessment process;
- prescribing limit on initial public offer financing of ₹10 million per individual (the NBFC is free to fix a lower limit);
- regulatory restrictions on lending by NBFCs; and
- mandatory requirement for appointment of a functionally independent chief compliance officer.

(iii) **Upper Layer ("NBFC-UL"):** Proposed to consist of only those NBFCs which are specifically identified as systemically significant among NBFCs, based on specified parameters. The top 10 NBFCs by asset size would be included in this layer, and the applicable threshold for classification would be determined pursuant to parametric analysis. NBFC-ULs would be subject to regulations applicable to NBFC-MLs as well.

(iv) **Top Layer**: Proposed to consist of NBFCs judged to be extreme in supervisory risk perception by the RBI. NBFCs in this layer will be subject to higher capital charge, including capital conservation buffers and there will be enhanced and more intensive supervisory engagement with such NBFCs.

In addition to the above, the Discussion Paper also provides for other listing, corporate governance and disclosure requirements for each layer of NBFCs. The NBFC Discussion Paper does not provide the details of the proposed regulations, and only discusses proposed revisions in the existing regulatory framework.

Further, on June 14, 2021, the RBI issued a 'Consultative Document on Regulation of Microfinance' (the "**MFI Consultative Document**") recognizing the emerging dynamics in the microfinance sector as well as the concerns of customer protection. The MFI Consultative Document seeks to review the applicable regulatory framework to ensure that all the regulated entities engaged in microfinance pursue the goal of customer protection within a well-calibrated and harmonized set-up.

Some of the key proposals under the MFI Consultative Document are as follows:

(i) A common definition of microfinance loans for all regulated entities.
(ii) Microfinance borrowers of all regulated entities are required to be provided with the right of prepayment without attracting penalty;
(iii) Alignment of pricing guidelines for NBFC-MFIs with guidelines for NBFCs, i.e. NBFC-MFIs, like NBFCs, are required to be guided by a policy approved by the board of directors of the NBFC-MFI and the fair practices code, whereby disclosure and transparency would be ensured;
(iv) Disclosure of pricing related information in a standard simplified fact-sheet;
(v) Display of minimum, maximum and average interest rates charged on microfinance loans on the websites of regulated entities; and
(vi) Regulated entities are required to have policies approved by the board of directors for:

i. household income assessment;
ii. capping the payment of interest and repayment of principal for all outstanding loan obligations of the household as a percentage of the household income;
iii. periodicity of repayments as per borrowers' requirements;

iv. all-inclusive interest rates charged to borrowers

6. Other Regulations

In addition to the above, our Company is required to comply with the provisions of the Companies Act, labour laws, various tax related legislations and other applicable statutes for its day-to-day operations.

HISTORY AND CERTAIN CORPORATE MATTERS

Brief History of Our Company

Our Company was incorporated on March 9, 1989 at Madras, India as 'Highland Leasing & Finance Private Limited', a private limited company under the Companies Act, 1956 and was granted a certificate of incorporation by the RoC. After the acquisition of our Company by the IFMR Trust in 2008, the name of our Company was changed to 'IFMR Capital Finance Private Limited' and a fresh certificate of incorporation dated June 19, 2009 was issued by the RoC. Our Company was then converted into a public limited company under the Companies Act, 2013, and consequently, the name of our Company was changed to 'IFMR Capital Finance Limited' and a fresh certificate of incorporation dated December 12, 2017 was issued by the RoC. Subsequently, pursuant to a rebranding exercise, the name of our Company was changed to 'Northern Arc Capital Limited' and a fresh certificate of incorporation dated February 20, 2018 was issued by the RoC.

For details on our Company's registration with the RBI as an NBFC (not accepting public deposits), see "*Government and Other Approvals*" beginning on page 389.

Our Company has 16 Equity Shareholders as of the date of filing of this Draft Red Herring Prospectus. See "*Capital Structure*" beginning on page 82.

Changes in Registered Office

The Registered and Corporate Office of our Company is currently situated at No. 1, Kanagam Village, 10th Floor, IITM Research Park, Taramani, Chennai 600 013, Tamil Nadu, India.

There has been no change in the registered office of our Company since its incorporation other than as disclosed below.

Date of change of registered office	Address of registered office	Reasons for change
March 1, 2010	Changed from No.1, Cenatoph Road, Teynampet, Chennai 600 018, Tamil Nadu, India to No. 1, Kanagam Village, 10th Floor, IITM Research Park, Taramani, Chennai 600 113, Tamil Nadu, India	Administrative efficiency

Main Objects of Our Company

The main objects of our Company contained in its Memorandum of Association are as disclosed below.

1. "*To provide efficient and reliable access to debt finance for institutions that impact low-income households.*

2. *To devise various schemes for raising funds and mobilize funds for institutions that impact low-income households in any manner including but not limited to issue of debentures, debentures stock, bonds, Pass Through Certificates or other securities and to offer or otherwise issue or deal in such instruments of any nature and tenor to Qualified Institutional Buyers or any other persons, natural or juristic (as may be permitted under the various applicable laws), either by itself or through trusts and/or other special purpose vehicles.*

3. *To administer, claim, collect, demand, direct, manage, monitor, conduct surveillance visits, recover, retrieve, repossess, realize, restructure, reconstruct or service financial assets, property, security assets, or appoint agent or manager for such purposes, enforcement of security interest, settlement of dues and/or taking possession of secured assets and provide investor reports.*

4. *To carry on and undertake the business of finance, investment, loan company to provide financial and other guarantees and to invest in acquire, subscribe, purchase, hold, sell, divest or otherwise deal in securities, Pass Through Certificates, shares, stocks, equity linked securities, debentures, debenture stock, bonds, commercial papers, acknowledgements, deposits notes, obligations, futures, calls, derivatives, currencies and securities of any kind whatsoever, whether issued or guaranteed by any person, company, firm, body, trust, entity, government, state, dominion sovereign, ruler, commissioner, public body or authority, supreme, municipal, local or otherwise, whether in India or abroad.*

5. *To carry on and undertake the business of financial services like financial restructuring/reorganization, investment counselling, portfolio management and all activities and facilities of every description including all those capable of being provided by bankers, stockbrokers, merchant-bankers, investment bankers, portfolio managers, trustees, agents, advisors, consultants, providing other financial or related services as permitted by law"*

The objects as contained in the Memorandum of Association enable our Company to carry on the business presently being carried out.

Amendments to the Memorandum of Association

The amendments to the Memorandum of Association of our Company in the 10 years immediately preceding the date of this Draft Red Herring Prospectus are as detailed below.

Date of Shareholders' Resolution	Nature of Amendment
September 27, 2019	Alteration of the objects clause of the Memorandum of Association to replace Clause B titled "Objects incidental or ancillary to the attainment of main objects" with a clause titled "Matters which are necessary for furtherance of the main objects" and deletion of Clause C titled "Other objects of the company not included in (A) and (B)"
March 21, 2019	Clause V of the Memorandum of Association was amended to reflect to reclassification of the authorized share capital from ₹ 2,650 million divided into 165 million Equity Shares of ₹10 each, 17.5 million CCPS of ₹ 20 each and 65 million CCNRPS of ₹ 10 each to ₹ 2,650 million of 125 million Equity Shares of ₹ 10 each, 60.1 million CCPS of ₹ 20 each and 19.8 million redeemable preference shares of ₹ 10 each
September 24, 2018	Clause V of the Memorandum of Association was amended to amended to reflect an increase in the authorized share capital from ₹2,200 million divided into 165 million Equity Shares of ₹10 each, 17.5 million CCPS of ₹ 20 each and 20 million CCNRPS of ₹ 10 each. to ₹2,650 million divided into 165 million Equity Shares of ₹10 each, 17.5 million CCPS of ₹ 20 each and 65 million CCNRPS of ₹ 10 each
February 9, 2018	Change of name from IFMR Capital Finance Limited to Northern Arc Capital Limited
December 6, 2017	Conversion to public limited company.
October 7, 2016	Clause V of the MoA was amended to reflect a reclassification of the authorized share capital from ₹ 2,200 million divided into 200 million Equity Shares of ₹10 each and 20 million CCNRPS of ₹10 each to ₹2,200 million divided into 165 million Equity Shares of ₹10 each, 17.5 million CCPS of ₹ 20 each and 20 million CCNRPS of ₹ 10 each.
July 27, 2016	Clause V of the Memorandum of Association was amended to reflect an increase in the authorized share capital from ₹1,200 million divided into 100 million Equity Shares of ₹ 10 each and 20 million redeemable preference shares of ₹10 each. to ₹ 2,200 million divided into 200 million Equity Shares of ₹10 each and 20 million redeemable preference shares of ₹10 each
December 21, 2015	Clause V of the Memorandum of Association was amended to reflect the increase in the authorized share capital from ₹1,000 million divided into 100 million Equity Shares of ₹10 each to ₹1,200 million divided into 100 million Equity Shares of ₹ 10 each and 20 million redeemable preference shares of ₹10 each
March 13, 2014	Clause V of the Memorandum of Association was amended to reflect an increase in the authorized share capital from ₹650 million divided in 65 million Equity Shares of ₹ 10 each to ₹1,000 million divided into 100 million Equity Shares of ₹ 10 each

Major Events

The table below sets forth some of the major events in the history of our Company:

Calendar Year	Event
2008	• Acquisition of 100% shareholding in our Company by IFMR Trust
2009	• Commenced our operations as a platform catering to diverse credit requirements • Entered the microfinance sector • Undertook the country's first microfinance securitization transaction to enable funding to a microfinance institution.
2010	• Arranged and structured India's first pooled multi-originator securitisation transaction (MOSEC[R]) which enabled funding to four Originator Partners operating in the microfinance sector. • Completed our first placement of a microfinance securitisation with private individual investor
2011	• Entered the MSME finance sector • Approved as a partner- financial institution by the Asian Development Bank to enable partial-guarantee backed lending to Indian MFIs. Through the partnership, total loans of Rs.8.93 billion under this program have been facilitated to ADB-approved MFIs
2013	• Entered the vehicle finance and affordable housing finance sectors • Completed India's first listed securitisation of microfinance loans, which enabled funding to eight Originator Partners operating in the microfinance sector.

Calendar Year	Event
2014	• Credit Rating of commercial paper programme upgraded to A1+ and credit rating of long term bank facilities, non-convertible debentures, and subordinated debt upgraded to A+ • Raised equity from LeapFrog, a subsidiary of LeapFrog Financial Inclusion Fund II, LP, which is a fund focused on financial inclusion in emerging markets • Structured and arranged our first pooled bond issuance, which enabled funding to 10 Originator Partners operating in the microfinance sector and one Originator Partner operating in education finance sector. • Obtained SEBI registration for NAIM's first alternative investment fund, a Category I – Social Venture Fund. Subsequently, we launched a long-term microfinance debt fund as a scheme of the fund.
2015	• Arranged our first ECB transaction for an Originator Partner in the microfinance sector
2016	• Entered the agricultural supply chain finance sector • Obtained a trademark registration for "MOSEC^{R}" • Raised equity from Standard Chartered Bank (entire shareholding of Standard Chartered Bank was transferred to Augusta in December, 2019) and Eight Roads • Expanded our platform with commencement of retail business • Expanded our platform with commencement of business with mid-market companies
2017	• Structured and arranged the country's first pooled loan issuance product which enabled funding to eight Originator Partners operating across microfinance, vehicle finance and MSME finance sectors • Structured and arranged the country's first single issuer partial credit enhanced (SPiCE) bond which enabled funding to an Originator Partner operating in the vehicle finance sector • Structured the country's first collateralised loan obligation transaction which enabled us to securitise receivables from a select pool of term loans advanced by us to four Originator Partners operating in the microfinance and MSME finance sectors. • Accorded 'Impact Business Models Rating - Platinum' rating by GIIRS Ratings for our socially and environmentally focussed products on a scale of bronze to platinum where platinum is the highest possible rating.
2018	• Name changed to Northern Arc Capital Limited • Undertook our first persistent securitisation transaction which was also India's first vehicle loan backed securitisation transaction with replenishing structure. This transaction enabled funding to an Originator Partner operating in the vehicle finance sector. • Accorded 'Impact Business Models Rating - Platinum' rating by GIIRS Ratings for our socially and environmentally focussed products for a second time
2019	• Underwent reorganisation pursuant to the Scheme and became a professionally managed company • Entered the consumer finance sector • Facilitated the first successful exit for investors of an AIF managed by NAIM. • Structured and arranged the country's first issuance of dual-recourse debentures which enabled funding to an Originator Partner operating in the vehicle finance sector. • Completed equity raise from IIFL Funds and strategic investment by SMBC, a global systemically important bank • NAIM's was accorded 'Impact Business Models Rating – Platinum' rating by GIIRS Ratings for its socially and environmentally focussed products
2020	• Commenced disbursement of microfinance loans under our retail business through Nimbus • Completed disbursement of 100,000 retail loans in the financial year ended March 31, 2020 • Arranged and structured India's first securitisation transaction involving trade receivables which enabled funding to 10 vendors • Shortlisted by NABARD to act as co-guarantor under the "Structured Finance and Partial Credit Guarantee Program to NBFC-MFIs" • Case study on the Company included in the report on 'Social Stock Exchanges' published by a working group constituted by SEBI • Company's role in funding MFIs during the 2019 liquidity crunch mentioned in RBI bulletin • Publication of an article by our Managing Director and CEO in relation to microfinance recovery analysis on the blog of World Bank
2021	• Completed disbursement of retail loans of an aggregate amount of Rs.10 billion through Nimbus in the financial year ended March 31, 2021 • Obtained debt funding from USDFC and ADB • Entered into a project services agreement with a global development institution for collaboration on gender advisory programme • Application made by NAIM for portfolio management services registration • Incorporation of Pragati with the aim of offering small ticket loans to underserved rural and semi-urban areas of the country • Structured and arranged pooled bond issuance aggregating to Rs.3,200 million by MFIs with the CDC Group as the Investor Partner • Launched AltiFi, a digital platform that will enable our Company to sell down dematerialized securities held by us to eligible investors

Key awards, accreditations, certifications and recognitions received by our Company and Subsidiaries

The table below sets forth certain key awards, accreditations, certifications and recognitions received by our Company:

Calendar Year	Event
2018	• Best Arranger of the Year at the Indian Securitisation Awards, 2018
2019	• Most Innovative Deal of the Year for our Persistent Securitization (PerSec) product at the Indian Securitisation Awards, 2019 • Best Arranger of the Year at the Indian Securitisation Awards, 2019
2020	• Best Digital NBFC of the Year at the ETBFSI Excellence Awards 2020 • Certification as a great workplace by the Great Place to Work Institute, India under the category of small and mid-sized organizations
2021	• Excellence in Digital Execution for Process Innovation award at the MINT | TechCircle Business Transformation Awards 2021

The table below sets forth certain key awards, accreditations, certifications and recognitions received by our Subsidiary, NAIM:

Calendar Year	Event
2014	• Awarded Most Innovative Product by Asia Asset Management, Best of Best Award, 2014. This award was awarded to our Subsidiary under its prior name, IFMR Investment Managers Private Limited.
2018	• Awarded Asian Fund Launch of the Year by Asia Asset Management, Best of Best Award, 2018
2019	• Excellence in Finance – Companies Award at the FiNext Awards and Conference, Singapore, 2019 • Best Investment Management NBFC of the Year at the India NBFC Summit & Awards, 2019
2020	• Included in ImpactAssets50 - a global showcase of 50 experienced private debt and equity impact investment fund managers

Other Details Regarding Our Company

Significant Financial and Strategic Partners

Our Company does not have any significant financial and strategic partners as of the date of this Draft Red Herring Prospectus.

Defaults or Rescheduling of Borrowings from Financial Institutions/Banks

No payment defaults or rescheduling have occurred in relation to any borrowings availed by our Company from any financial institutions or banks, nor have any such borrowings or loans been converted into Equity Shares. In the past, our Company has not been in compliance with certain covenants in certain financing documents. For details see "*Risk Factors – An inability to comply with repayment and other covenants in our financing agreements could adversely affect our business, financial condition, cash flows and credit rating. Further, we are subject to certain conditions and restrictions in terms of our financing arrangements, which restrict our ability to conduct our business and operations in the manner we desire. Further, in the past, we have not been in compliance with certain covenants under certain of our financing agreements.*" on page 42.

Time and Cost Overruns

Our Company has not implemented any projects since its incorporation and has, accordingly, not experienced any time or cost overrun in relation thereto.

Accumulated Profits or Losses

There are no accumulated profits or losses of any of our Subsidiaries that are not accounted for by our Company in the Restated Consolidated Financial Information

Launch of key products or services, entry into new geographies or exit from existing markets, capacity/ facility creation or location of plants

For the details of key products or services launched by our Company, entry into new geographies or exit from existing markets, capacity/facility creation and location of our branches, to the extent applicable, see "*Our*

Business" beginning on page 170.

Our Subsidiaries

As of the date of this Draft Red Herring Prospectus, our Company has the following four Subsidiaries:

1. Northern Arc Investment Managers Private Limited
2. Northern Arc Investment Adviser Services Private Limited
3. Pragati Finserv Private Limited
4. Northern Arc Foundation

Northern Arc Investment Managers Private Limited ("NAIM")

NAIM was incorporated as IFMR Investment Managers Private Limited on February 17, 2014 as a private limited company under the Companies Act, 1956. Subsequently, its name was changed to Northern Arc Investment Managers Private Limited, pursuant to a fresh certificate of incorporation dated February 20, 2018 being issued upon change of name. Its CIN is U74120TN2014PTC095064 and its registered office is located at IITM Research Park, 10th Floor, No.1, Kanagam Village, Taramani, Chennai 600 113.

NAIM is primarily engaged in the business of, *inter alia,* providing management and advisory services to offshore funds, pension funds, provident funds and all categories of alternative investment funds, managing insurance funds, and financial consultancy.

Capital Structure

The authorized share capital of NAIM is ₹200 million divided into 500,000 equity shares of ₹100 each and ₹1.5 million redeemable preference shares of ₹100 each.

Shareholding

Our Company, together with its nominees, holds 361,000 equity shares of NAIM aggregating to 100% of the equity share capital of NAIM.

Northern Arc Investment Adviser Services Private Limited ("NAIA")

NAIA was incorporated as IFMR Advisory Services Private Limited on September 27, 2012 as a private limited company under the Companies Act, 1956. Its name was changed to IFMR Investment Adviser Services Private Limited, pursuant to a fresh certificate of incorporation received upon change of name dated June 20, 2013. Subsequently, its name was changed to Northern Arc Investment Adviser Services Private Limited, pursuant to a fresh certificate of incorporation consequent upon change of name dated February 20, 2018. Its CIN is U74900TN2012PTC087839 and its registered office is located at IITM Research Park, 10th Floor, No.1, Kanagam Village, Taramani, Chennai 600 113.

NAIA is primarily engaged in the business of: (a) acting as an advisor to issuers and investors; (b) acting as an investment consultant and advisor to corporate bodies; (c) acting as a sub-advisor to existing advisors and providing financial/investment advice to both Indian and foreign investors; (d) providing reports on monitoring and risk management of investments; and (e) providing consulting and advisory services with respect to financial products and services, including advice on distribution and marketing of financial, savings, loan, investments and insurance products.

Capital Structure

The authorized share capital of the company is ₹ 75 million divided into 500,000 equity shares of ₹ 100 each and 250,000 redeemable preference shares of ₹ 100 each.

Shareholding

Our Company, together with its nominees, holds 125,000 equity shares of NAIA aggregating to 100% of the equity share capital of NAIA.

Pragati Finserv Private Limited ("Pragati")

Pragati was incorporated on February 25, 2021 as a private limited company under the Companies Act, 2013. Its CIN is U65990TG2021PTC148992 and its registered office is located at 8-2-624/A/1, 4th Floor, Meena Bazaar Towers, Road No. 10, Avenue 4, Banjara Hills, Hyderabad 500 034.

Under its memorandum of association, Pragati is authorized to undertake the business of: (a) providing micro-finance services to weaker sections of society, as permitted from time to time by the RBI; and (b) providing collateral free credit to poor men and women, and delivering credit and other financial services to them with a view to provide them sustainable livelihood and enhancement of their living conditions; (c) carry on the business of financing development activities through long term loans and other means of financing for the purposes of agricultural development, industrial development, habitat development and for all other activities as permissible as per applicable laws; and (d) providing efficient and reliable access to debt finance for institutions that impact low-income households.

Capital Structure

The authorized share capital of the company is ₹ 1 million divided into 100,000 equity shares of ₹ 10 each.

Shareholding

Our Company, together with its nominee, holds 10,000 equity shares of Pragati aggregating to 100% of the equity share capital of Pragati.

Northern Arc Foundation ("NAF")

NAF is a company established under Section 8 of the Companies Act, 2013 and was incorporated on February 12, 2019. Its CIN is U80904TN2019NPL127426 and its registered office is located at No.1, Kanagam Village, 10th Floor, IITM Research Park, Taramani, Chennai 600 113.

NAF is primary engaged in the business of, *inter alia*, providing vocational training and skill training and development for members of marginalized communities, conducting workshops, seminars and symposiums, carrying out educational programs for social upliftment, and undertaking research to identify areas for improving standards of living.

Capital Structure

The authorized share capital of the company is ₹100,000 divided into 10,000 equity shares of ₹10 each.

Shareholding

Our Company, together with its nominee, holds 10,000 equity shares of NAF aggregating to 100% of the share capital of NAF.

Holding Company, Associates and Joint Ventures

As of the date of this Draft Red Herring Prospectus, our Company does not have any holding company, associates or joint ventures.

Details regarding Acquisition or Divestment of Business/Undertakings, Mergers, Amalgamations and Revaluation of Assets

Except as disclosed below, our Company has not acquired or divested any business or undertaking, and has not undertaken any merger, amalgamation or revaluation of assets in the 10 years immediately preceding the date of this Draft Red Herring Prospectus.

Scheme of arrangement with IFMR Holdings Private Limited and Dvara Investments Private Limited

Pursuant to a scheme of arrangement (demerger) and amalgamation under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, among our Company, IFMR Holdings Private Limited

("**IFMR Holdings**"), Dvara Investments Private Limited ("**Dvara Investments**") and their respective shareholders and creditors, the national pension scheme distribution business of IFMR Holdings was transferred to Dvara Investments (a transient company which was incorporated before the filing of the Scheme in order to effect the re-organisation under the Scheme) by way of a demerger following which Dvara Investments was amalgamated with and into the Company. Our Company had obtained the approval of the RBI dated July 6, 2018 for undertaking the Scheme.

The rationale of the Scheme was to: (i) facilitate focused growth, operational efficiencies, business synergies and increased operational and customer focus in relation to the businesses performed by our Company and IFMR Holdings; (ii) enable streamlining of businesses carried on, and enabling our Company and IFMR Holdings to enhance core activities; (iii) enable shareholders to have direct control of their investments and the business of our Company; (iv) enhance value for shareholders and allow a focussed strategy in operations. The Scheme resulted in our Company becoming a board-led, management-run company with no identifiable promoter.

The Scheme was sanctioned by the National Company Law Tribunal, Single Bench, Chennai through its order dated February 20, 2019 read with the corrigendum dated February 26, 2019. The effective date of the Scheme was March 7, 2019. For further details, including the accounting treatment of the Scheme in our Restated Consolidated Financial Information, see "*Financial Statements*" beginning on page 256.

As consideration under the Scheme, among others, the shareholders of Dvara Investments were allotted Equity Shares of the Company. Pursuant to the Scheme, 16,685,402 Equity Shares were allotted to Dvara Holdings Private Limited (formerly known as Dvara Trusteeship Services Private Limited), trustee of Dvara Trust; 14,430,553 Equity Shares were allotted Accion; and 14,771,731 Equity Shares were allotted to LeapFrog. Further, 45,887,686 Equity Shares held by IFMR Holdings Private Limited were cancelled and extinguished pursuant to the Scheme. For further details on allotment of Equity Shares pursuant to the Scheme, see "*Capital Structure – Share Capital History of our Company*" beginning on page 83.

Acquisition of IFMR Investment Managers Private Limited

Our Company, along with its nominee, acquired 1,000 equity shares, comprising 100% of the share capital, of IFMR Investment Managers Private Limited at ₹100 per share for a total consideration of ₹0.1 million on March 27, 2015.

Acquisition of IFMR Investment Adviser Services Private Limited

Our Company acquired 95,000 equity shares, comprising 100% of the share capital of IFMR Investment Adviser Services Private Limited from IFMR Holdings Private Limited and an individual shareholder for a total consideration of ₹9.78 million on March 25, 2015.

Shareholders' Agreements and Other Agreements

Shareholders' Agreements

Amended and restated shareholders agreement dated September 6, 2019 entered into by and among our Company, Dvara Trust, Accion, LeapFrog, Eight Roads, Standard Chartered Bank (Singapore Branch), the IIFL Funds, Augusta, and SMBC as amended by the first amendment agreement dated February 18, 2021 entered into by and among our Company, Dvara Trust, Accion, LeapFrog, Eight Roads, the IIFL Funds, Augusta, and SMBC and the amendment and termination agreement dated July 7, 2021

Our Company entered into the 2019 SHA, which set out the terms and conditions governing the *inter-se* relationship among Dvara Trust, Accion, LeapFrog, Eight Roads, Standard Chartered Bank (Singapore Branch), the IIFL Funds, Augusta and SMBC.

Under the 2019 SHA, the investors (comprising Dvara Trust, Accion, LeapFrog, Standard Chartered Bank (Singapore Branch), Eight Roads, the IIFL Funds and SMBC) ("**Investors**") had been granted certain rights including certain customary rights to protect their economic interest in the Company as also set out in Part II of the articles of association which include (i) board and observer nomination rights, which are based on specified shareholding thresholds in the Company; (ii) committee nomination rights; (iii) quorum rights; (iv) reserved matter and super majority rights; (v) pre-emptive and anti-dilution rights; (vi) tag-along rights; (vii) specific lock-in obligations on certain Investors; (viii) access and information rights; and (ix) certain exit rights.

On December 16, 2019, Standard Chartered Bank (Singapore Branch) transferred its entire shareholding in the Company to Augusta and in accordance with Clause 9 of the 2019 SHA, the 2019 SHA automatically stood terminated with respect to Standard Chartered Bank (Singapore Branch).

Further, the 2019 SHA requires our Company to file a draft red herring prospectus with the SEBI on or prior to July 15, 2021 in order to undertake an "initial public offering at fair market value". Thereafter, subject to receipt of the SEBI's final observations, our Company is required to file a red herring prospectus upon receipt of a prior written notice from any of the Investors (excluding Standard Chartered Bank (Singapore Branch)) between July 1, 2021 and September 30, 2021 (the "**Trigger Period**"), which period may be extended up to December 31, 2021 by mutual agreement amongst the Investors (excluding Standard Chartered Bank (Singapore Branch)). If the initial public offering at fair market value is not completed within the Trigger Period, the parties are required to endeavor to undertake a qualified initial public offering (as defined in the 2019 SHA). Further, in the event that neither an initial public offering at fair market value nor a qualified initial public offering are completed before December 31, 2021, the Investors (excluding Standard Chartered Bank (Singapore Branch)) are required to be provided with an exit through a secondary sale in accordance with the process set out in the 2019 SHA.

Pursuant to the amendment and termination agreement dated July 7, 2021 the parties to the 2019 SHA have consented to certain matters relating to the Offer and the Pre-IPO Placement and waived their respective special rights that may be triggered under the 2019 SHA as a result of the Company undertaking the Offer and the Pre-IPO Placement. The parties to the 2019 SHA have also agreed that except as stated in the amendment and termination agreement, the 2019 SHA shall stand terminated with effect from the date of listing of the Equity Shares on the Stock Exchanges pursuant to the Offer, subject to the survival of certain provisions such as definitions, confidentiality, notices and governing law and arbitration. Further, under the amendment and termination agreement, with effect from the date of listing of the Equity Shares on the Stock Exchanges pursuant to the Offer, subject to the approval of the Shareholders at the first general meeting held after the completion of the Offer, certain Shareholders whose shareholding in our Company fulfils specified thresholds, shall have the right to nominate directors on the Board as set out below:

(i) Subject to paragraphs (ii), (iii) and (iv), each Shareholder shall be permitted to nominate Director(s) to the Board in accordance with the thresholds set out below:

Shareholding* threshold for acquiring a Board Seat	***Shareholding* threshold for losing an existing Board Seat***
more than 14% but less than or equal to 28% - acquires 1 (one) Board Seat	*less than 9.9% - last Board Seat drops*
more than 28% but less than or equal to 42% - acquires 2 (two) Board Seats	*less than 20% - 1 (one) Board Seat drops*
more than 42% but less than or equal to 56% - acquires 3 (three) Board Seats	*less than 30% - 1 (one) Board Seat drops*
more than 56% - acquires 4 (four) Board Seats	*less than 40% - 1 (one) Board Seat drops*

**Shareholding in the share capital of the Company, held together with a Shareholder's affiliates on a fully diluted basis (as defined in the 2019 SHA) excluding any unvested and vested employee stock options which have not been exercised*

In the event that any Shareholder's shareholding falls below the relevant threshold, such Shareholder's nominee Director(s) is required to immediately resign from the Board.

(ii) Subject to paragraph (iii), each Investor shall be entitled to nominate at least 1(one) Director until such time that such Investor holds 9.9% or more of the share capital of the Company (on a Fully Diluted Basis excluding any unvested and vested employee stock options which have not been exercised). It is further clarified that if an Investor ceases to hold 9.9%, then such Investor may nominate a Director only after an increase in such Investor's shareholding to more than 14% in accordance with Article 108A(i).

(iii) The appointment of Directors to the Board shall be made in compliance with applicable law, including the Act and applicable directions of the RBI. The appointment of Directors to the Board shall be subject to the approval of Shareholders at a general meeting as required under applicable law. It has been further clarified that the composition of the Board (including in particular, the number of Independent Directors) shall at all times comply with applicable law, including the SEBI Listing Regulations.

(iv) Any Shareholder that seeks to exercise its rights under paragraph (i) shall provide a written notice to the Company, which notice shall also set out the shareholding in the Company of such Shareholder and its affiliate(s), if any, including the relationship between such Shareholder and such affiliate(s).

(v) Each Director nominated by a Shareholder pursuant to this provision is required to promptly inform the Board of any change in the shareholding in the Company of the relevant Shareholder, if such change results in a change in the number of Directors that such Shareholder is entitled to nominate to the Board in terms of paragraph (i).

(vi) The Chairperson of the Board and of all committees of the Board shall be an Independent Director. However, if no Independent Director is able to attend a particular meeting, the members of the Board or the relevant committee, as the case may be, shall, subject to applicable law, choose one among them to act as the Chairperson for that meeting. The Chairperson shall not have a casting vote. Nothing in this paragraph (vi) shall apply to any committee of the Board that does not include an Independent Director in its composition.

The above provisions have also been included in Part I of our Articles of Association and are subject to the approval of the Shareholders at the first general meeting held after the completion of the Offer.

See also "*Our Principal Shareholders*" and "*Risk Factors - Certain of our existing and future Shareholders together may be able to exert significant influence over our Company after completion of the Offer, which may limit your ability to influence the outcome of matters submitted for approval of our Shareholders*" on pages 250 and 57, respectively.

The amendment and termination agreement shall terminate if the listing of the Equity Shares pursuant to the Offer is not completed on or before 12 months from the date of receipt of final observations from the SEBI or such other date as mutually agreed between the parties in writing.

Other Agreements

*ESG Framework Letter dated July 10, 2021 between our Company and LeapFrog ("**ESG Framework Letter**")*

Our Company has entered into the ESG Framework Letter with LeapFrog to benefit from LeapFrog's expertise and knowledge, including in global best practices, in ESG matters. In order for LeapFrog to understand and provide feedback on compliance by our Company and our Subsidiaries with the LeapFrog group's ESG policies and standards, our Company has agreed to share information with LeapFrog including in relation to (A) the number, gender and cost of employees of our Company and our Subsidiaries; and (B) payments to government(s) by our Company and our Subsidiaries. The ESG Letter also grants LeapFrog and certain other persons access to our Company's and our Subsidiaries' premises and the ability to inspect our books and records to ascertain compliance with the LeapFrog group's ESG policies, including the LeapFrog group's 'Responsible Investment Code'. Any information and access provided to LeapFrog or any other persons pursuant to the ESG Framework Letter and dissemination thereof by LeapFrog is required to be in accordance with, and subject to, applicable laws, including compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015.

Agreements with Key Managerial Personnel, Director, Promoter or any other employee

There are no agreements entered into by a Key Managerial Personnel or Director or any other employee of our Company, either by themselves or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of our Company. Our Company is a professionally managed company and has no identifiable promoter.

OUR MANAGEMENT

Board of Directors

In accordance with our Articles of Association, our Company is required to have not less than three Directors and not more than 15 Directors. As of the date of this Draft Red Herring Prospectus, our Board comprises eight Directors.

The following table sets forth details regarding our Board as of the date of this Draft Red Herring Prospectus.

S. No.	Name, DIN, Designation, Address, Occupation, Date of Birth and Term	Age (Years)	Other Directorships
1.	P.S. Jayakumar ***DIN***: 01173236 ***Designation***: Chairman and Non-Executive Independent Director ***Address***: Flat No. B-803, 8th Floor, B- Wing, Viverea Near Jacob Circle, Sane Guruji Marg, Mahalaxmi, Mumbai 400 011, Maharashtra, India ***Occupation***: Service ***Term***: Three years (from October 15, 2020). Appointed as Chairman with effect from November 1, 2020. ***Date of birth:*** April 8, 1962	59	*Indian Companies:* • Adani Ports and Special Economic Zone Limited • JM Financial Limited • Emcure Pharmaceuticals Limited • VBHC Value Homes Private Limited • Tata Motors Finance Limited • Tata Motors Finance Solutions Limited • LICHFL Asset Management Company Limited • TMF Holding Limited • CG Power and Industrial Solutions Limited • TVS Industrial and Logistics Parks Private Limited
2.	Dr. Kshama Fernandes ***DIN***: 02539429 ***Designation***: Managing Director and Chief Executive Officer ***Address***: Flat No. 10A/S-1, Models Legacy, Taleigao Tiswadi, Panaji, North Goa 403 002, Goa, India ***Occupation***: Service ***Term***: Three years (from April 1, 2020) ***Date of birth:*** November 13, 1968	52	*Indian Companies*: • NSE Investments Limited • Northern Arc Investment Managers Private Limited • Northern Arc Investment Adviser Services Private Limited • Northern Arc Foundation • Pragati Finserv Private Limited
3.	Michael Jude Fernandes ***DIN***: 00064088 ***Designation***: Non-Executive Nominee Director ***Address***: 31st Floor 3101, Omkar 1973, Tower T II, Pandurang Budkhar Marg, Near Shani Mandir, Worli, Mumbai 400 018, Maharashtra, India ***Occupation***: Service ***Term***: Liable to retire by rotation ***Date of birth:*** October 24, 1969	51	*Indian Companies*: • Neogrowth Credit Private Limited • Ascent Meditech Limited *Foreign Companies*: • African Chemist & Beauty Care Inc. (Kenya) • Tumalon Katak Salahkar Pte. Ltd. (Singapore)
4.	Samir Amrit Shah ***DIN***: 00912693 ***Designation***: Non-Executive Nominee Director ***Address***: 25, Balmoral Park, 08-05 Pinewood Gardens, Singapore 259 854, Singapore ***Occupation***: Service ***Term***: Liable to retire by rotation	52	*Indian Companies:* • Dvara Smart Gold Private Limited • Dvara Kshetriya Gramin Financial Services Private Limited • Dvara Solutions Private Limited • Dvara Money Private Limited • Dvara Research Foundation • Dvara E-Registry Private Limited- • Dvara E-Dairy Solutions Private Limited • Dvara Holdings Private Limited

S. No.	Name, DIN, Designation, Address, Occupation, Date of Birth and Term	Age (Years)	Other Directorships
	Date of birth: October 18, 1968		• Finreach Solutions Private Limited • Northern Arc Foundation
5.	Vijay Nallan Chakravarthi ***DIN*****:** 08020248 ***Designation*****:** Non-Executive Nominee Director ***Address*****:** Flat 2402, Planet Godrej - Tower Terra, Keshavrao Khadye Marg, Mumbai 400 011, Maharashtra, India ***Occupation*****:** Service ***Term*****:** Liable to retire by rotation ***Date of birth:*** September 10, 1975	45	*Indian Companies:* • Affirma Capital Investment Adviser India Private Limited • Pragati Finserv Private Limited
6.	Amit Mehta ***DIN*****:** 07089427 ***Designation*****:** Non-Executive Nominee Director ***Address*****:** 701, Tower - 3, Orchard Residency, Behind R City Mall, Ghatkopar West, Mumbai 400 086, Maharashtra, India ***Occupation*****:** Service ***Term*****:** Liable to retire by rotation ***Date of birth:*** May 21, 1981	40	*Indian Companies:* • Happily Unmarried Marketing Private Limited • Kogta Financial (India) Limited • Neogrowth Credit Private Limited
7.	Anuradha Rao ***DIN*****:** 07597195 ***Designation*****:** Non-Executive Independent Director ***Address*****:** 4C, Kinellan, Nepean Sea Road, Malabar Hill, Near J Mehta Marg Bus Stand, Mumbai 400 006, Maharashtra, India ***Occupation*****:** Service ***Term*****:** 3 years (from October 31, 2019) ***Date of birth:*** September 28, 1959	61	*Indian Companies:* National Stock Exchange of India Limited
8.	Ashutosh Arvind Pednekar ***DIN*****:** 00026049 ***Designation*****:** Non-Executive Independent Director ***Address*****:** A/7, Sneh Kunj, 38, Linking Road Extension, Santacruz West, Mumbai 400 054, Maharashtra, India ***Occupation*****:** Service ***Term*****:** 3 years (from September 14, 2020) ***Date of birth:*** January 3, 1966	55	*Indian Companies:* • Investor Services of India Limited • DFK Consulting Services (India) Private Limited • St. Jude India Childcare Centres

Relationship between our Directors

None of our Directors are related to each other.

Brief Biographies of our Directors

P.S. Jayakumar is a Non-Executive Independent Director and the Chairman of the Board. He was appointed to the Board on October 15, 2020. He has approximately 30 years of work experience, covering both the financial sector and real estate sector. He is a chartered accountant, and holds a master's degree in commerce from the University of Madras and a postgraduate diploma in business management from the Xavier Labour Relations Institute. Previously, he worked at Citibank N.A. and has also served as the managing director and chief executive officer of VBHC Value Home Private Limited and the Bank of Baroda.

Dr. Kshama Fernandes is the Managing Director and CEO of our Company and oversees the overall management of our Company. She was appointed to the Board with effect from August 1, 2012 and was most recently re-appointed as Managing Director for a period of three years with effect from April 1, 2020. She holds a bachelor's degree in science from Goa University, and a master's degree as a well as a PhD in management studies from Goa University. She has over 25 years of experience spanning across management, risk advisory and academia. Dr. Fernandes is a financial risk manager certified by the Global Association of Risk Professionals (GARP). Prior to joining us, she was a professor at the Goa Institute of Management. She has also served as our chief risk officer from 2009 to 2012.

Michael Jude Fernandes is a Non-Executive Nominee Director of our Company and was appointed to the Board on March 28, 2014. He holds a bachelor's degree in science from the University of Calcutta and a post-graduate diploma from the Indian Institute of Management Calcutta. He co-leads the LeapFrog group's investments in South and Southeast Asia, with approximately 20 years of experience in consulting and investing. He was formerly an executive director at Khazanah India Advisors Private Limited, an entity under the Khazanah Nasional group, the sovereign fund of Malaysia and served on the boards of IDFC Limited and Apollo Hospitals Enterprise Limited in India. He has been an executive director at Piramal Enterprises Limited. Previously, Mr. Fernandes was a partner with McKinsey & Co, focusing on healthcare and consumer sectors across South and Southeast Asia.

Samir Amrit Shah is a Non-Executive Nominee Director of our Company and was appointed to the Board on January 19, 2018. He holds a master's degree in business administration from the University of Poona and is a graduate of the Wharton Advanced Management Program. He is the executive vice-chair of the Dvara Trust. He was earlier the managing director and chief executive officer of the National Commodity & Derivatives Exchange Limited and previously the chief business officer of the Dubai Gold & Commodities Exchange. He has over 20 years of experience and has also previously served as the global head business planning and operations at Thomson Reuters Asia Pte. Ltd.

Vijay Nallan Chakravarthi is a Non-Executive Nominee Director of our Company and was appointed to the Board on January 19, 2018. He holds a master of business administration degree from the J. L. Kellogg School of Management, Northwestern University, a master's degree in science from the Ohio State University and bachelor of engineering degree from the University of Madras. He is currently a managing director at Affirma Capital India and formerly was an executive director, private equity at Standard Chartered Bank. He is involved with Affirma's investments in certain portfolio companies.

Amit Mehta is a Non-Executive Nominee Director of our Company and was appointed to the Board on March 25, 2019. He holds a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad and a bachelor of technology degree in chemical engineering from Nagpur University. He joined IIFL Asset Management Limited in 2016 and currently is a senior executive vice president at IIFL Asset Management Limited.

Anuradha Rao is a Non-Executive Independent Director of our Company and was appointed to the Board on October 31, 2019. She holds a bachelor's degree in science from Osmania University and master of science degree in physics from the University of Hyderabad. She has approximately 36 years of experience in banking and finance and has worked at the State Bank of India, where she contributed significantly towards the bank's progress and growth. She also served as the managing director and chief executive officer of SBI Funds Management Private Limited.

Ashutosh Arvind Pednekar is a Non-Executive Independent Director of our Company and was appointed to the Board on September 14, 2020. He holds a bachelor's degree in commerce from H.R. College of Commerce and Economics, University of Bombay. He has been a practising chartered accountant for over 30 years.

Terms of Appointment of the Executive Director

Pursuant to a resolution dated June 26, 2020 passed by our Board of Directors and a resolution dated August 26, 2020 passed by the Shareholders, Dr. Kshama Fernandes was most recently re-appointed as the Managing Director with effect from April 1, 2020, for a period of three years.

The present principal terms of remuneration of our Managing Director and CEO, as set out in the resolution mentioned above and the compensation letter dated December 29, 2020 (addendum to the appointment letter dated July 23, 2012) are disclosed below.

S. No.	Particulars	Remuneration per month (₹)
1.	Basic salary	623,422.00
2.	House rent allowance	311,711.00
3.	Leave travel allowance	51,952.00
4.	Other reimbursement	39,167.00
5.	Special allowance	145,780.00
6.	Gross salary	1,172,032.00
7.	Employer's contribution to provident fund	74,811.00
	Total cost to Company per month	1,246,843.00

Further, she is entitled to receive stock options under the ESOP Plan 2016 and has as on date received options in our Company. For further details, please see "*Capital Structure – Employee Stock Option Schemes*" on page 94.

Accordingly, the remuneration payable, per annum, to our Managing Director and CEO is ₹14.96 million. Additionally, our Managing Director and CEO is also entitled to a bonus that is linked to both her individual performance as well as the Company's performance. In the Financial Year 2021 the total remuneration paid to our Managing Director and CEO (which includes value of perquisites including stock options) was ₹30.46 million.

Payment or Benefit to Directors

Details of the remuneration paid to the Directors by our Company for Financial Year 2021 are disclosed below.

1. *Compensation to the Executive Director*

   The remuneration paid by our Company to our Managing Director and CEO, Dr. Kshama Fernandes, during Financial Year 2021 was (including the value of perquisites including stock options) ₹30.46 million.

2. *Compensation to Non-Executive Independent Directors*

   Pursuant to a Board resolution dated May 11, 2018, each Non-Executive Independent Director is entitled to receive sitting fees of ₹100,000 for attending each meeting of our Board, and pursuant to a resolution dated February 5, 2019, each Non-Executive Independent Director is entitled to receive sitting fees of ₹50,000 for attending each meeting of any duly constituted committee of our Board.

   The details of the sitting fees and total remuneration paid to the Non-Executive Independent Directors during Financial Year 2021 are as disclosed below:

S. No.	Name of Non-Executive Independent Director	Total Payment (₹)
1.	Dr. Susan Thomas (Resigned with effect from October 10, 2020)	550,000
2.	Rajiv Chellappa Lochan (Resigned with effect from October 31, 2020)	650,000
3.	Leo Puri (Resigned with effect from October 31, 2020)	1,450,000
4.	Anuradha Rao	950,000
5.	P S Jayakumar (Appointed with effect from October 15, 2020)	800,000
6.	Ashutosh Arvind Pednekar (Appointed with effect from September 14, 2020)	650,000

Pursuant to a Board resolution dated March 15, 2019 and a Shareholders' resolution dated August 26, 2020, Leo Puri was also entitled to a commission of ₹3,000,000. Accordingly, in Financial Year 2021, he was paid a commission of ₹2,500,000. Pursuant to a Board resolution dated August 20, 2020 and a Shareholders' resolution dated August 26, 2020, P.S. Jayakumar is also entitled to receive commission of ₹3,000,000 per anum. In the Financial Year 2021 he was paid a commission of ₹1,375,000.

Further, our Directors namely, Dr. Kshama Fernandes, Samir Amrit Shah and Vijay Nallan Chakravarthi, who are also currently on the board of directors of certain of our Subsidiaries, have not been paid any remuneration in Financial Year 2021 by the respective Subsidiaries.

There is no deferred or contingent compensation payable to any of our Directors.

Shareholding of our Directors in our Company

None of our Directors hold or are required to hold any qualification shares. For details of the shareholding of our Directors in our Company, see "*Capital Structure – Details of the Shareholding of our Directors and Key Managerial Personnel"* on page 93.

For details of employee stock options held by our Director, see "*Capital Structure – Employee Stock Option Schemes*" on page 94.

Arrangement or Understanding with Major Shareholders, Customers, Suppliers or Others

Except Samir Amrit Shah, Michael Jude Fernandes, Vijay Nallan Chakravarthi, and Amit Mehta, who are Non-Executive Nominee Directors and have been appointed pursuant to the 2019 SHA, none of our Directors have been appointed pursuant to any arrangement or understanding with major Shareholders, customers, suppliers or others. For details of the 2019 SHA, see "*History and Certain Corporate Matters*" beginning on page 224.

There are no contracts appointing or fixing the remuneration of the Directors of our Company entered into within, or prior to the two years immediately preceding the date of this Draft Red Herring Prospectus other than as disclosed in "*Our Management - Terms of Appointment of the Executive Director*" on page 236.

Interest of Directors

1. All Directors may be deemed to be interested to the extent of (i) sitting fees, if any, payable to them for attending meetings of our Board and Committees and other remuneration or commission, if any, payable or reimbursement of expenses to them, (ii) Equity Shares and stock options, if any, already held by them or their relatives or any firms, companies and trusts in which our Directors are interested as a director, member, partner or trustee, in our Company, or that may be Allotted to them in the Offer in terms of the Red Herring Prospectus and any dividend payable to them and other benefits arising out of such shareholding, (iii) transactions entered into in the ordinary course of business with companies in which our Directors hold directorship, and (iv) their directorship on the board of directors of, and/or their shareholding in our Company, Subsidiaries and our Group Companies, as applicable.

2. Our Directors may be interested to the extent of normal remuneration/ sitting fees payable to them and our Managing Director and CEO may be interested to the extent of Equity Shares held by her and dividend that may be payable to her in her capacity as a Shareholder of our Company.

3. Other than statutory benefits upon termination of employment of the Managing Director and CEO in our Company and privilege pay allowing for encashment of upto 45 days of unutilized paid leave accumulated, over the course of her employment, our Company has not entered into any service contracts with our Directors providing for benefits upon termination of their employment.

4. None of our Non-Executive Directors are a party to any bonus or profit-sharing plan by our Company. However, our Managing Director and CEO, being our chief executive officer, is entitled to a bonus that is linked to both her individual performance as well as the Company's performance, in accordance with the bonus framework of our Company.

5. None of our Directors have any interest in the promotion or formation of our Company.

6. Our Directors have no interest in any property acquired by our Company preceding the date of this Draft Red Herring Prospectus or proposed to be acquired by our Company or of our Company, as of the date of this Draft Red Herring Prospectus.

7. Our Directors are not interested as a member of a firm or company, and no sum has been paid or agreed to be paid to our Directors or to such firm or company in cash or shares or otherwise by any person either to induce him to become, or to help him qualify as a Director, or otherwise for services rendered by him or by the firm or company in which he is interested, in connection with the promotion or formation of our Company.

8. None of our Directors have any interest in our business other than as disclosed in this section and in "*Our Principal Shareholders*", "*Our Group Companies*", *"Capital Structure"* and "*Financial Statements*", beginning on pages 250, 252 and 82, respectively.

   None of our Directors have any interest in any property acquired in the three years immediately preceding the date of this Draft Red Herring Prospectus or proposed to be acquired by our Company or in any transaction by our Company for acquisition of land, construction of building or supply of machinery.

Confirmations

None of our Directors is or was a director of any listed company during the five years immediately preceding the date of this Draft Red Herring Prospectus, whose shares have been, or were suspended from being traded on any of the stock exchanges during the term of their directorship in such company.

None of our Directors is or was a director of any listed company which has been, or was delisted from any stock exchange during the term of their directorship in such company.

Changes in the Board during the Last Three Years

S. No.	Name	Effective Date of Appointment/Change in designation/Cessation/Regularisation	Reason
1.	Rajesh Kumar Dugar	June 3, 2021	Cessation as Non-Executive Nominee Director
2.	Ashutosh Arvind Pednekar	January 18, 2021	Regularisation of appointment as Non-Executive Independent Director by Shareholders
3.	Leo Puri	October 31, 2020	Cessation as Non-Executive Independent Director
4.	Rajiv Chellappa Lochan	October 31, 2020	Cessation as Non-Executive Independent Director
5.	P.S. Jayakumar	October 15, 2020	Appointment as Non-Executive Independent Director (appointed as Chairman with effect from November 1, 2020)
6.	Susan Thomas	October 10, 2020	Cessation as Non-Executive Independent Director
7.	Ashutosh Arvind Pednekar	September 14, 2020	Appointment as Additional Director (Non-Executive Independent)
8.	Dr. Kshama Fernandes	April 1, 2020	Reappointment as Managing Director
9.	John Henry Fischer	February 5, 2020	Cessation as Nominee Director
10.	Anuradha Rao	December 4, 2019	Regularisation of appointment as Non-Executive Independent Director by Shareholders
11.	Anuradha Rao	October 31, 2019	Appointment as Additional Director (Non-Executive and Independent)

S. No.	Name	Effective Date of Appointment/Change in designation/Cessation/Regularisation	Reason
12.	Leo Puri	September 27, 2019	Regularisation of appointment as Non-Executive Independent Director by Shareholders
13.	Vedika Sandeep Bhandarkar	July 30, 2019	Cessation as Non-Executive Independent Director
14.	Amit Mehta	March 25, 2019	Appointment as Non-Executive Nominee Director
15.	Samir Amrit Shah	March 19, 2019	Re-designation as Non-Executive Nominee Director
16.	Leo Puri	March 15, 2019	Appointment as Additional Director (Non-Executive and Independent)
17.	Salim Gangadharan	January 3, 2019	Cessation as Non-Executive Independent Director

Borrowing Powers of our Board

In accordance with our Articles of Association and pursuant to a resolution of the Shareholders dated August 26, 2020, the Board of Directors has been authorized to raise or borrow any sums of money from time to time, which money, together with the money already borrowed by the Company, may exceed aggregate of its paid-up capital and free reserves, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, provided however, the total amount so borrowed shall not exceed ₹120 billion.

Corporate Governance

Our Company is in compliance with the requirements of the applicable regulations, including the SEBI Listing Regulations (as applicable to equity listed company), the Companies Act and the SEBI ICDR Regulations, as well as the applicable requirements prescribed by the RBI, in respect of corporate governance, including in relation to the constitution of our Board and committees thereof.

Our Board has been constituted in compliance with the Companies Act and the SEBI Listing Regulations, as well as the applicable requirements prescribed by the RBI. Our corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of committees of our Board, as required under applicable law. Our Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Our Company's executive management provides our Board with detailed reports on its performance periodically.

As of the date of this Draft Red Herring Prospectus, our Board comprises of eight Directors, of which three are Non-Executive Independent Directors (including one Non-Executive Independent woman Director, Anuradha Rao and our Non-Executive Independent Chairman, P.S. Jayakumar), one is our Managing Director and four are Non-Executive Nominee Directors.

Committees of the Board

In addition to the committees of our Board described below, our Board may constitute committees for various functions from time to time.

Audit Committee

The members of our Audit Committee are:

1. Ashutosh Arvind Pednekar (*Chairperson*);
2. P.S. Jayakumar;
3. Anuradha Rao; and
4. Vijay Nallan Chakravarthi

Our Audit Committee was constituted by our Board pursuant to a resolution dated March 23, 2010 and was last reconstituted by our Board pursuant to a resolution dated July 7, 2021. The terms of reference of the Audit Committee were last revised by our Board pursuant to a resolution dated July 7, 2021.

The scope and functions of the Audit Committee are in accordance with Section 177 of the Companies Act and Regulation 18 of the SEBI Listing Regulations, as well as the applicable requirements prescribed by the RBI, and its terms of reference are as disclosed below:

- overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;

- recommending to the Board, the appointment, re-appointment, and replacement, remuneration and terms of appointment of the auditors of the Company;

- reviewing and monitor the statutory auditors' independence and performance and the effectiveness of audit process;

- approval of payments to the statutory auditors for any other services rendered by statutory auditors;

- reviewing with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
  - matters required to be stated in the Directors' responsibility statement to be included in the Board's report in terms of Section 134(3)(c) of the Companies Act, as amended;
  - changes, if any, in accounting policies and practices and reasons for the same;
  - major accounting entries involving estimates based on the exercise of judgment by management;
  - significant adjustments made in the financial statements arising out of audit findings;
  - compliance with listing and other legal requirements relating to financial statements;
  - disclosure of any related party transactions; and
  - qualifications and modified opinions in the draft audit report.

- reviewing with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;

- scrutiny of inter-corporate loans and investments;

- valuation of undertakings or assets of the Company, wherever it is necessary;

- evaluation of internal financial controls and risk management systems;

- approval or any subsequent modification of transactions of the Company with related parties;

- reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

- approving or subsequently modifying transactions of the Company with related parties;

- establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;

- reviewing, with the management, the performance of statutory and internal auditors and adequacy of the internal control systems;

- reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

- discussion with internal auditors on any significant findings and follow up thereon;

- reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

- discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

- looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

- approval of appointment of the chief financial officer, or any other person heading the finance function or discharging that function, after assessing the qualifications, experience and background, etc. of the candidate;

- reviewing the functioning of the whistle blower mechanism;

- ensuring that an information system audit of the internal systems and process is conducted at least once in two years to assess operational risks faced by the Company;

- reviewing the utilization of loan and/or advances from investment by the holding company in the subsidiaries exceeding ₹1000 million or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments;

- considering and commenting on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc. on the Company and its Shareholders; and

- performing such other functions as may be delegated by the Board and/or prescribed under the SEBI Listing Regulations, the Companies Act, the Master Directions or other applicable law

The Audit Committee is required to meet at least four times in a year with a maximum interval of 120 days between two meetings in accordance with the SEBI Listing Regulations. The Audit Committee has the authority to investigate into any matter in relation to the items specified under the terms of reference or such other matter as may be referred to it by the Board for such purpose.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are:

1. Anuradha Rao (*Chairperson*);
2. P.S. Jayakumar;
3. Samir Amrit Shah; and
4. Michael Jude Fernandes

The Nomination and Remuneration Committee was constituted by our Board pursuant to a resolution dated January 17, 2011 as the Nomination Committee and was last reconstituted by our Board pursuant to a resolution dated October 28, 2020. The terms of reference of the Nomination and Remuneration Committee were last revised by our Board pursuant to a resolution dated July 7, 2021.

The scope and functions of the Nomination and Remuneration Committee are in accordance with Section 178 of the Companies Act, Regulation 19 of the SEBI Listing Regulations and Regulation 5 of the SEBI SBEB Regulations as well as the applicable requirements prescribed by the RBI, and its terms of reference are as disclosed below:

- formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to Board a policy relating to the remuneration of the directors, key managerial personnel and other employees;

- formulation of criteria for evaluation of the performance of independent directors and the Board;

- devising a policy on diversity of the Board;

- identifying persons, who are qualified to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommending to the Board their appointment and removal and carrying out evaluation of every director's performance;

- determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;

- recommend remuneration of executive directors and any increase therein from time to time within the limit approved by the members of the Company;

- recommending remuneration to non-executive directors in the form of sitting fees for attending meetings of the Board and its committees, remuneration for other services, commission on profits;

- recommend to the Board, all remuneration, in whatever form, payable to senior management;

- performing such functions as are required to be performed by the compensation committee under the SEBI SBEB Regulations;

- engaging the services of any consultant/professional or other agency for the purpose of recommending compensation structure/policy;

- ensuring 'fit and proper' status of proposed and existing directors in terms of the Master Directions;

- analysing, monitoring and reviewing various human resource and compensation matters;

- reviewing and approving compensation strategy from time to time in the context of the then current Indian market in accordance with applicable laws;

- framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including:
  - The SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended; or
  - The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended; and

- performing such other functions as may be delegated by the Board and/or prescribed under the SEBI Listing Regulations, the Master Directions, Companies Act, each as amended or other applicable law.

The Nomination and Remuneration Committee is required to meet at least once every year in accordance with the SEBI Listing Regulations.

Stakeholders' Relationship Committee

The members of the Stakeholders' Relationship Committee are:
1. Anuradha Rao (*Chairperson*)
2. Michael Jude Fernandes; and
3. Dr. Kshama Fernandes

The Stakeholders' Relationship Committee was constituted by our Board pursuant to a resolution dated July 7, 2021. The terms of reference of the Stakeholders' Relationship Committee were last revised by our Board pursuant to a resolution dated July 7, 2021.

The scope and functions of the Stakeholders' Relationship Committee are in accordance with Section 178 of the Companies Act and Regulation 20 of the SEBI Listing Regulations, as well as the applicable requirements prescribed by the RBI, and its terms of reference are as disclosed below:

- redressal of grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints;

- review measures taken for effective exercise of voting rights by shareholders;

- review adherence to the service standards adopted by the Company in respect of various services being rendered by the registrar and share transfer agent;

- review the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company; and

- formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time;

- to approve, register, refuse to register transfer or transmission of shares and other securities;

- to sub-divide, consolidate and or replace any share or other securities certificate(s) of the Company;

- to issue duplicate share or other security(ies) certificate(s) in lieu of the original share/security(ies) certificate(s) of the Company; and

- performing such other functions as may be delegated by the Board and/or prescribed under the SEBI Listing Regulations and the Companies Act or other applicable law.

The Stakeholders’ Relationship Committee is required to meet at least once in a year in accordance with the SEBI Listing Regulations.

Risk Management Committee

The members of the Risk Management Committee are:
1. Anuradha Rao
2. Dr. Kshama Fernandes;
3. Vijay Nallan Chakravarthi;
4. Michael Jude Fernandes; and
5. Amit Mehta;

The Risk Management Committee was constituted by our Board pursuant to a resolution dated October 18, 2010 and was last reconstituted by our Board pursuant to a resolution dated October 28, 2020. The terms of reference of the Risk Management Committee were last revised by our Board pursuant to a resolution dated July 7, 2021.

The scope and functions of the Risk Management Committee are in accordance with Regulation 21 of the SEBI Listing Regulations, as well as the applicable requirements prescribed by the RBI, and its terms of reference are as disclosed below:

- formulation of a detailed risk management policy which shall include:

  - a framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Risk Management Committee;
  - measures for risk mitigation including systems and processes for internal control of identified risks;
  - business continuity plan.

- ensuring that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

- monitoring and overseeing the implementation of the risk management policy, including evaluation of the adequacy of risk management systems;

- periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

- keeping the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

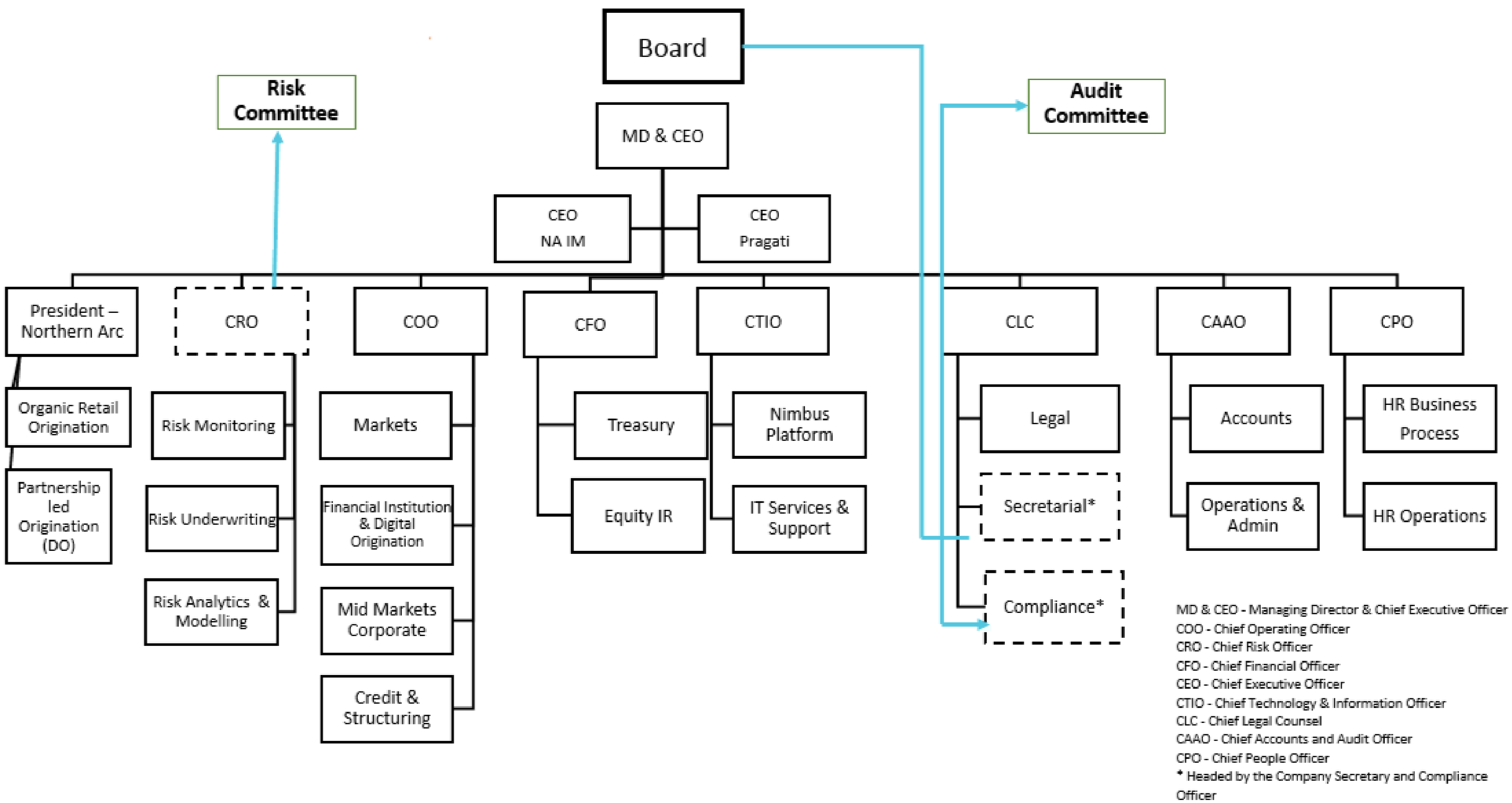
- the appointment, removal and terms of remuneration of the chief risk officer shall be subject to review by the Risk Management Committee; and

- to carry out any other function as may be required / mandated by the Board from time to time and/ or mandated as per the provisions of the Listing Regulations, the Master Directions, the listing agreements to be entered into between the Company and the respective stock exchanges on which the Equity Shares of the Company are proposed to be listed and/or any other applicable laws.

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, in accordance with the framework set out by the Board.

In addition to the above, our Company has also constituted committees such as the Asset Liability Committee as required under the Master Directions, a Corporate Social Responsibility Committee, an IT Strategy Committee, a Credit Committee, a Compensation Committee, a Finance Committee and an IPO Committee.

Management Organisation Structure



Key Managerial Personnel of our Company

The Key Managerial Personnel(as defined under the SEBI ICDR Regulations) of our Company as of the date of this Draft Red Herring Prospectus are as disclosed below.

Dr. Kshama Fernandes is the Managing Director and Chief Executive Officer of our Company. For details of her profile, see "*Our Management - Brief Biographies of our Directors*" on page 235.

Bama Balakrishnan is the chief operating officer of our Company and oversees the day-to-day operations of our Company. She has also served previously as our chief financial officer and chief risk officer. In her role as chief financial officer, she played a key role in deepening access to liabilities and completing a significant capital raise for our Company. She joined our Company on August 13, 2012 as a senior risk officer in our Company. In this role, she led the strengthening of the risk management approach as the Company scaled up across multiple new sectors. Prior to joining our Company, she worked with ICICI Bank for 10 years. She is a director on the board of Dvara Research Foundation, an organization engaged in research and policy advocacy. She holds a bachelor's degree in commerce from the University of Madras, a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad and a professional diploma in software technology and systems management from the National Institute of Information Technology. She is also a member of the Institute of Cost and Works Accountants of India and a chartered financial analyst. During Financial Year 2021, she was paid a compensation of ₹25.47 million by our Company (which includes value of perquisites including stock options).

Atul Tibrewal is the chief financial officer of our Company and joined our Company on May 18, 2021. He oversees the financial activities and performance of our Company. He holds a bachelor's degree in commerce from the University of Calcutta. He is also an associate member of the Institute of Chartered Accountants of India. He has worked as an officer (marketing accounts) at Durgapur Cement Works, a unit of Birla Corporation Limited, and as an assistant manager at Magma Leasing Limited. Prior to joining our Company, he was a senior vice president and head-treasury at Magma Fincorp Limited. He has over 14 years of experience in financial roles. Since he joined the Company in Financial Year 2022, no compensation was paid to him in Financial Year 2021.

Pardhasaradhi Rallabandi is the chief risk officer of our Company and oversees risk management and risk mitigation in relation to our Company's operations. He joined our Company on July 2, 2018. He holds a bachelor of technology degree in mechanical engineering from Nagarjuna University and has obtained a post-graduate diploma in management from the Indian Institute of Management, Calcutta. He has been a banker for 21 years, with over 13 years at Standard Chartered Bank. He has also worked at Allahabad Bank, Globsyn Technologies Limited, Global Trust Bank Limited and IDBI Bank. Prior to joining our Company, he was engaged as a senior credit officer at Standard Chartered Bank. During Financial Year 2021, he was paid a compensation of ₹10.79 million by our Company.

Ashish Mehrotra is our Company's President. He is responsible for our Company's overall strategy, retail business and technology. He joined our Company on July 1, 2021. He holds a master's degree in business administration from the Institute of Management Studies, Devi Ahilya Vishwavidyalaya, Indore. Prior to joining our Company, he was the managing director and chief executive officer of Max Bupa Health Insurance Company Limited. Since he joined the Company in Financial Year 2022, no compensation was paid to him in Financial Year 2021.

Jagadish Babu Ramadugu is the managing director & chief executive officer of Pragati. He joined our Company on December 1, 2020. His role involves the building of a rural focused and technology enabled retail financial services business. He holds a bachelor's degree in technology (electronics and communications) from Nagarjuna University and a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad. Prior to joining our Company, he was the managing director and chief executive officer of Vaya Finserv Private Limited from 2015 to August 2020. He has also worked in management and executive roles with Satyam Infoway Limited, Hindustan Coca-Cola Beverages Private Limited, Spencer's Retail Limited and Asian Paints (India) Limited. Mr. Ramadugu has over 20 years of professional experience. Previously, Mr. Ramadugu was elected as a member on the board of the Microfinance Institutions Network (MFIN), an industry body where he also served as the chair of the credit bureau task force and was member of its self-regulatory organisation committee and the fintech committee. During the Financial Year 2021, he was paid a total compensation of ₹3.44 million by our Company.

Saurabh Jaywant is the chief legal counsel of our Company and oversees the legal affairs of our Company. He joined our Company on August 13, 2012. Prior to joining us, he worked at ICICI Bank. He has over 15 years of experience in companies in the financial services sector. He holds a bachelor's degree in arts and law from the National Law School of India University. During Financial Year 2021, he was paid a compensation of ₹7.22 million by our Company.

Srividhya Ramaswamy is the Company Secretary and Compliance Officer of our Company. She oversees statutory compliance by our Company. She has served in such capacity since December 5, 2011. She has 11 years of experience in secretarial matters. She has completed her bachelor's in commerce from Stella Maris College, Chennai and is an associate of the Institute of Company Secretaries of India. Before joining our Company, she was a whole-time company secretary of Easyaccess Financial Services Limited, an NBFC that was a wholly-owned subsidiary of Redington (India) Limited. During Financial Year 2021, she was paid a compensation of ₹3.41 million by our Company.

Kalyanasundaram Chandran is the chief accounts & audit officer of our Company. He has over 18 years of experience. He joined our Company on October 1, 2009. Prior to joining us, he worked with Bharani Engineering Industries (P) Ltd., Cholamandalam Investment and Finance Company Limited, Standard Chartered Scope International Private Limited, and IFMR Trust. Within the Company, he oversees financial reporting, functional consulting related to data warehousing, material accounting and cost structure development. He has completed the chartered accountant (intermediate) examination and has a bachelor's degree in law from the Vivekananda College of Law, Bangalore University and bachelor's degree in commerce from the University of Madras. During Financial Year 2021, he was paid a compensation of ₹12.01 million by our Company (which includes value of perquisites including stock options).

Salil G Nair is the chief technology and information officer of our Company and joined our Company on November 22, 2017. In his current role, he is driving technology transformation and spearheading the digital initiatives for our Company. Prior to this, he spent 11 years between FIS Payment Solutions and Services Private Limited and FIS Global Business Solutions Private Limited. He has also worked as a senior system executive with eFunds International India Private Limited. He has a bachelor of technology degree in computer science and engineering from the University of Kerala and has a master of science degree in software systems from the Birla Institute of Technology & Science. He has also received a certificate from MIT Sloan School of Management and Emeritus Institute of Management for a course on 'Digital Transformation: Platform Strategies for Success'. During Financial Year 2021, he was paid a compensation of ₹8.07 million by our Company (which includes value of perquisites including stock options).

Umasree Parvathy Pratap is the chief people officer of our Company and joined our Company on September 27, 2016. She has over 20 years of experience in human resources and oversees all human resource functions at our Company. She has a bachelor's degree in commerce and a master of arts degree in personnel management & industrial relations from Mahatma Gandhi University. Previously, she has worked with Hindustan Motors Limited, Caterpillar India Private Limited, Food World Supermarkets Limited, RPG Guardian Private Limited, Great Wholesale Club Limited, Spencer's Retail Limited, Invensys India Private Limited and Matrimony.com Limited. She was awarded the 100 HR Super Achievers (India) by Times Ascent and World HRD Congress in 2018. During Financial Year 2021, she was paid a compensation of ₹5.31 million by our Company.

Ravi Vukkadala is the chief executive officer of NAIM and joined NAIM on November 22, 2016. He has over 12 years of experience in credit research, risk and fund management. Prior to joining Northern Arc, he was a senior vice president and senior credit research analyst at Invesco Asset Management India Private Limited. He has also worked at Bharti AXA Investment Managers Private Limited, JM Financial Limited, and Merrill Lynch (India) Technology Services Private Limited. Mr. Vukkadala is a Chartered Financial Analyst (CFA Institute) and a Financial Risk Manager certified by the Global Association of Risk Professionals and holds a post graduate diploma in financial management from Narsee Monjee Institute of Management and Higher Studies, masters of information systems degree from the Virginia Polytechnic Institute and State University and a bachelor's degree in engineering in chemical engineering from the University of Mumbai. During Financial Year 2021, he was paid a compensation of ₹9.73 million by NAIM.

Except for Ravi Vukkadala who is a permanent employee of our Subsidiary, NAIM, all Key Managerial Personnel are permanent employees of our Company.

Relationship between our Key Managerial Personnel and Directors

None of our Key Managerial Personnel are related to each other or to the Directors of our Company.

Shareholding of Key Managerial Personnel

For details of the shareholding of our Key Managerial Personnel, see "*Capital Structure – Details of the Shareholding of our Directors and Key Managerial Personnel"* on page 93.

For details of employee stock options held by our Key Managerial Personnel, see "*Capital Structure – Employee Stock Option Schemes*" on page 94.

Bonus or Profit-Sharing Plan of our Key Managerial Personnel

None of our Key Managerial Personnel is a party to any profit-sharing plan by our Company. However, our KMPs may be entitled to bonuses that are linked to both their individual performance as well as the Company's performance, in accordance with the bonus framework of our Company.

Arrangement or Understanding with Major Shareholders, Customers, Suppliers or Others

There are no arrangements or understanding with major shareholders, customers, suppliers or others, pursuant to which any of our Key Managerial Personnel were selected as members of our management.

Interest of Key Managerial Personnel

Our Key Managerial Personnel do not have any interests in our Company, other than to the extent of (i) the remuneration or benefits to which they are entitled in accordance with the terms of their appointment or reimbursement of expenses incurred by them during the ordinary course of business by our Company and our Subsidiaries, and (ii) the Equity Shares and employee stock options held by them, if any, and any dividend payable to them and other benefits arising out of such shareholding.

None of our Key Managerial Personnel have been paid any consideration of any nature by our Company other than remuneration in the ordinary course of their employment. There is no deferred or contingent compensation payable to any of our Key Managerial Personnel.

Changes in the Key Managerial Personnel during the Last Three Years

Name	Date of Change	Reason for Change
Ashish Mehrotra	July 1, 2021	Appointment as President
Atul Tibrewal	May 18, 2021	Appointment as Chief Financial Officer
Nandita Ganapathy	January 27, 2021	Resignation as Chief Financial Officer
Jagadish Ramadugu	December 1, 2020	Appointment as chief executive officer of our Company's microfinance plus business
Bama Balakrishnan	July 6, 2020	Re-designation as Chief Operating Officer
Nandita Ganapathy	July 6, 2020	Appointment as Chief Financial Officer

Payment or Benefit to Key Managerial Personnel

No amount or benefit has been paid or given within two years preceding the date of this Draft Red Herring Prospectus or is intended to be paid or given to any officers of our Company, including our Key Managerial Personnel, other than normal remuneration, any employee stock options, for services rendered as officers of our Company, dividend that may be payable in their capacity as Shareholders, and as disclosed in "*Financial Statements*", beginning on page 256.

Other than statutory benefits upon termination of their employment in our Company, and privilege pay allowing for encashment of upto 45 days of unutilized paid leave accumulated by the Key Managerial Personnel over the course of their respective employment, subject to completion of one year of service, none of our Key Managerial Personnel has entered into a service contract with our Company pursuant to which they are entitled to any benefits upon termination of employment.

Employee Stock Option/Purchase Schemes

For details on the ESOP Schemes, see "*Capital Structure – Employee Stock Option Schemes"* on page 94.

OUR PRINCIPAL SHAREHOLDERS

Our Company is a professionally managed company and does not have an identifiable promoter in terms of SEBI ICDR Regulations and the Companies Act, 2013. Consequently, there are no members forming part of the 'promoter group' in terms of the SEBI ICDR Regulations.

Principal Shareholders

1. *Shareholders who control 15% or more of the voting rights in our Company*

Except for LeapFrog and Augusta that hold 22.75%, and 17.91% of the paid up share capital of our Company, respectively, and the IIFL Funds that collectively hold 25.83% of the paid up share capital of our Company, in each case on a fully-diluted basis, as of the date of this Draft Red Herring Prospectus, no shareholder controls 15% or more of the voting rights in our Company. For further details, see "*Capital Structure*" and "*History and Certain Corporate Matters*" on pages 82 and 224, respectively.

2. *Persons who have the right to appoint director(s) on our Board of Directors*

In terms of the 2019 SHA each Shareholder of our Company is permitted to nominate Director(s) to the Board in accordance with the thresholds set out below:

Shareholding threshold* for acquiring a Board Seat	Shareholding threshold* for losing an existing Board Seat
more than 14% but less than or equal to 28% - acquires 1 (one) board seat	less than 9.9% - last board seat drops
more than 28% but less than or equal to 42% - acquires 2 (two) board seats	less than 20% - 1 (one) board seat drops
more than 42% but less than or equal to 56% - acquires 3 (three) board seats	less than 30% - 1 (one) board seat drops
more than 56% - acquires 4 (four) board seats	less than 40% - 1 (one) board seat drops

**Shareholding in the share capital of our Company on a fully diluted basis excluding securities issued pursuant to the ESOP Plan 2016 or any other securities issued to key management personnel of our Company or its Subsidiaries or any investee companies of the Company other than such issuances to key management personnel specifically agreed to be included for this purpose in terms of the 2019 SHA*

Notwithstanding the above, and subject to certain conditions under the 2019 SHA, the constitution of the Board currently is required to be as follows: (i) one-third of the total Directors on the Board are required to be Non-Executive Independent Directors, (ii) two Directors are required to be executive Directors recommended by the Nomination and Remuneration Committee of our Company and shall not be nominated by Shareholders, (iii) one Director each nominated by Dvara, Eight Roads, Augusta and IIFL Funds, and (iv) two directors nominated by LeapFrog.

Further, in terms of Part I of our Articles of Association, which will continue to be in force upon listing of our Company's Equity Shares on the Stock Exchanges:

- each Shareholder of our Company is permitted to nominate Director(s) to the Board in accordance with the thresholds set out below:

Shareholding* threshold for acquiring a Board Seat	Shareholding* threshold for losing an existing Board Seat
more than 14% but less than or equal to 28% - acquires 1 (one) board seat	less than 9.9% - last board seat drops
more than 28% but less than or equal to 42% - acquires 2 (two) board seats	less than 20% - 1 (one) board seat drops
more than 42% but less than or equal to 56% - acquires 3 (three) board seats	less than 30% - 1 (one) board seat drops
more than 56% - acquires 4 (four) board seats	less than 40% - 1 (one) board seat drops

**Shareholding in the share capital of the Company held together with its affiliates on a fully diluted basis excluding any unvested and vested employee stock options which have not been exercised*

- each of LeapFrog, Dvara, Eight Roads, Augusta, IIFL Funds, SMBC and Accion shall be entitled to nominate at at least one Director until such time that such Shareholder holds 9.9% or more of the share capital of the Company (on a fully diluted basis excluding any unvested and vested employee stock options which have not been exercised).

The above special right shall be subject to such right being approved by the Shareholders at the first general meeting of our Company held after listing of Equity Shares on the Stock Exchanges in accordance with the provisions of the Companies Act and the SEBI Listing Regulations.

For details, see "*History and Certain Corporate Matters – Shareholders' Agreements and Other Agreements*", *and "Description of Equity Shares and Terms of Articles of Association*" on pages 230 and 442, respectively.

OUR GROUP COMPANIES

In terms of the SEBI ICDR Regulations and pursuant to the resolution passed by our Board at its meeting held on July 7, 2021, group companies of our Company include companies (other than our Subsidiaries) with which there were related party transactions as per the Restated Consolidated Financial Information included in this Draft Red Herring Prospectus and such other companies as considered material by the Board. The Group Companies ceased to be related parties with effect from 26th February, 2019 pursuant to the Scheme.

Based on the above, the following companies have been identified as our Group Companies:

1. Dvara Kshetriya Gramin Financial Services Private Limited; and
2. Dvara Research Foundation

A. Details of our Group Companies

1. Dvara Kshetriya Gramin Financial Services Private Limited ("DKGFS")

Corporate Information

DKGFS was incorporated on March 4, 1993 as a private limited company, under the Companies Act, 1956. The CIN of DKGFS is U65991TN1993PTC024547. DKGFS is authorized to engage *inter alia* in the business of: (a) providing loans, advances, cash credits, overdraft facilities to rural residents or under promissory notes, bills of exchange, hundies and other negotiable or transferable instruments, and securities of all kinds; (b) agency, financial and otherwise, including agency for spot, future and commodity trading, mutual fund instruments, remittance facilities, insurance, funds, shares, and debentures; (c) buying, selling and dealing in gold bullion and commodities; and (d) providing advisory services for financial management to individuals in the rural India, for savings, investments and cost analysis, and investment options. DKGFS is currently engaged in the business of providing financial services to remote and rural areas through a unique branch-based business model. DKGFS has obtained a certificate of registration (numbered B-07.00627) dated March 28, 2019 as an NBFC (not accepting public deposits) from the RBI.

Financial Information

The following table sets forth certain details in relation to the audited financial results of DKGFS on a standalone basis for the three preceding Financial Years:

(₹ in million except share data)

Particulars	Financial Year 2020	Financial Year 2019	Financial Year 2018
Equity Capital	1,086.57	726.60	727.98
Reserves (Excluding Revaluation Reserve) and Surplus	1,850.21	854.28	113.47
Sales	2,085.41	1,599.78	1,125.21
Profit/(Loss) after Tax	38.07	332.19	91.68
Basic Earnings per Share (Face Value of ₹100) (₹)	3.92	45.72	12.59
Diluted Earnings per Share (Face Value of ₹100) (₹)	3.91	45.72	12.59
NAV	2,936.78	1,580.89	841.45

There are no significant notes of the auditors of DKGFS in relation to the aforementioned financial statements.

The equity shares of DKGFS are not listed on any stock exchange. Non-convertible debentures issued by DKGFS are listed on the wholesale debt segment of the BSE as disclosed below:

ISIN	Maturity Date	Issue Amount (₹)	Scrip code
INE179P08017	June 29, 2022	18,00,00,000	954342
INE179P08025	July 28, 2022	12,00,00,000	954548
INE179P08033	May 30, 2024	20,00,00,000	958825
INE179P07134	February 25, 2022	25,00,00,000	959919
INE179P07142	March 21, 2022	20,00,00,000	960089

2. Dvara Research Foundation (“DRF”)

Corporate Information

DRF was incorporated on August 4, 2008 as a company under Section 25 of the Companies Act, 1956. The CIN of DRF is U67190TN2008NPL068733. DRF is authorized to engage in the business of research for the welfare of the society and is currently engaged in the business of research and policy advocacy.

Financial Information

The following table sets forth certain details in relation to the audited financial results of DRF on a standalone basis for the three preceding Financial Years:

(₹ million except share data)

Particulars	Financial Year 2020	Financial Year 2019	Financial Year 2018
Equity Capital	0.1	0.1	0.1
Reserves (Excluding Revaluation Reserve)	36.12	42.99	(15.31)
Sales	56.08	94.72	16.25
Profit/(Loss) after Tax	(6.87)	58.30	(31.68)
Basic Earnings per Share (Face Value of ₹10) (₹)	(686.58)	5,830.18	(3,168.40)
Diluted Earnings per Share (Face Value of ₹10) (₹)	(686.58)	5,830.18	(3,168.40)
NAV	36.22	43.09	(15.21)

There are no significant notes of the auditors of DRF in relation to the aforementioned financial statements.

The equity shares of DRF are not listed on any stock exchange.

B. Loss Making Group Companies

Details of the losses made by our Group Companies in the preceding three Financial Years are as set out in the table below:

(₹ in million, unless otherwise stated)

Name of the Group Company	Profit/(Loss) after tax / Surplus/(Deficit) after tax		
	Financial Year 2020	Financial Year 2019	Financial Year 2018
Dvara Research Foundation	(6.87)	58.30	(31.68)

C. Defunct Group Companies

None of our Group Companies are defunct and no applications have been made to the concerned registrar of companies for striking off the name of any of our Group Companies in the five years immediately preceding the date of filing of this Draft Red Herring Prospectus.

D. Sick industrial Group Companies or under winding up/ insolvency proceedings

None of our Group Companies are sick companies under the erstwhile Sick Industries Companies (Special Provisions) Act, 1985 nor has any winding up or insolvency proceeding been initiated against any of our Group Companies.

Nature and extent of interest of Group Companies

In the promotion of our Company

None of our Group Companies have any interest in the promotion of our Company. None of our Group Companies hold any Equity Shares of our Company.

In the properties acquired by our Company in the three years preceding the date of filing of this Draft Red Herring Prospectus or proposed to be acquired by our Company

None of our Group Companies are interested in the properties (i) acquired by our Company in the three years preceding the date of filing of this Draft Red Herring Prospectus or (ii) proposed to be acquired by us as on the date of this Draft Red Herring Prospectus.

In the transactions for acquisition of land, construction of building and supply of machinery, etc.

None of our Group Companies are interested in the transactions for acquisition of land, construction of building and supply of machinery, etc. entered into by our Company.

Related business transactions within our Group Companies and significance on the financial performance of our Company

There are no business transactions within or with our Group Companies, which impact the financial performance of our Company, except as otherwise disclosed in "*Offer Document Summary – Summary of Related Party Transactions" and "Financial Statements*", beginning on pages 15 and 256 respectively.

Common pursuits

There are no common pursuits between our Company and our Group Companies.

Business and other interests

None of our Group Companies have any business or other interest in our Company except as otherwise disclosed below and in the "*Financial Statements*", beginning on page 256.

Services Agreement dated December 9, 2020 with DKGFS

Pursuant to a services agreement dated December 9, 2020 between our Company and DKGFS, DKGFS has been appointed as a service provider to provide the following services to our Company: (i) originator services for sourcing borrowers in respect of joint liability group loans; (ii) assisting in execution of loan documents; (iii) disbursement of loans to borrowers; (iv) performing the role of a facility and collection agent; (iv) communicating with borrowers; (v) maintenance of documents; (vi) information access and reporting; and (vii) furnishing information to our Company for filing of charges. In consideration for such services our Company is required to pay DKGFS: (a) a specified percentage of the aggregate interest paid by borrowers to our Company; and (b) a share in the processing fee.

CSR Initiatives

As a part of its CSR activities, our Company has collaborated with DRF and commissioned an in-depth financial inclusion survey and the development of a financial inclusion index/metric.

Litigation

Our Group Companies are not a party to any pending litigation which may have a material impact on our Company.

Certain other confirmations

The equity shares of our Group Companies are not listed and accordingly, none of our Group Companies have made any public or rights issue in the three immediately preceding years.

DIVIDEND POLICY

The declaration and payment of dividends on the Equity Shares will be recommended by our Board and approved by our Shareholders at their discretion, subject to the provisions of our Articles of Association and the Companies Act.

The declaration of dividends, if any, in the future will depend on a number of factors that our Board deems relevant, including but not limited to our Company's profits, capital requirements, rate of dividend distribution tax, contractual obligations, applicable legal restrictions, overall financial condition and restrictive covenants under loan or financing arrangements of our Company. See "*Financial Indebtedness*" beginning on page 327.

A dividend distribution policy was adopted by our Company pursuant to a resolution of the Board dated July 7, 2021 (the "**Dividend Policy**"). In terms of the Dividend Policy, the declaration of dividend, if any, will depend on a number of internal and external factors which, *inter alia*, include (i) availability of profit during the financial year for distribution as dividend, (ii) capital expenditure requirements, (iii) industry outlook, (iv) government policies, and (v) statutory requirements. Further, our Company is also required to comply with regulations prescribed by the RBI prior to declaring any dividend, including minimum prudential norms, maximum permissible dividend and other factors prescribed by the RBI through its circular dated June 24, 2021 titled 'Declaration of Dividend by NBFCs'. For further details, see "*Key Regulations and Policies*" beginning on page 206.

Our Company has not declared or paid any dividend on Equity Shares during the three immediately preceding Financial Years or from the period ended March 31, 2021 until the date of filing of this Draft Red Herring Prospectus.

Dividends on CNCCRPS

Our Company has declared the following dividend on CNCCRPS in the last three financial years and until the date of filing of this Draft Red Herring Prospectus:

Particulars	Period			
	April 1, 2021 to July 15, 2021	Financial year ended March 31, 2021	Financial year ended March 31, 2020	Financial year ended March 31, 2019
No. of CNCCRPS bearing face value of ₹ 10*	-	-	11,600,000	11,600,000
Interim Dividend**	Nil	Nil	Nil	Nil
Final Dividend**	Nil	Nil	10.44	Nil#
Total Dividend**	Nil	Nil	10.44	Nil#
Dividend per CNCCRPS*	Not Applicable	Not Applicable	0.90	Nil#
Dividend Rate (%)	Not Applicable	Not Applicable	9%	9%
Mode of payment of dividend	Not Applicable	Not Applicable	Bank transfer	Not Applicable
Dividend Distribution Tax**	Not Applicable	Not Applicable	2.15	Not Applicable

**in ₹ per share.*
*** in ₹ million.*
 # Dividend for the period September 2018-March 2019 was provided for in the books of accounts for the financial year 2019.

The amounts paid as dividends in the past are not necessarily indicative of our Company's dividend policy or dividend amounts, if any, in the future. See "*Risk Factors – Our ability to pay dividends in the future will depend on our compliance with certain conditions prescribed by the RBI, earnings, financial condition, cash flows, capital requirements, capital expenditures and restrictive covenants of our financing arrangements*" on page 56.

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Independent Auditors' Examination Report On Restated Consolidated Financial Information

The Board of Directors
Northern Arc Capital Limited
No. 1, Kanagam Village,
10th Floor, IITM Research Park,
Taramani, Chennai - 600113

Dear Sirs,

1. We have examined the attached Restated Consolidated Financial Information of Northern Arc Capital Limited (the "Company" or the "Issuer") and its subsidiaries (the Company and its subsidiaries together referred to as the "Group"), comprising the Restated Consolidated Statement of Assets and Liabilities as at March 31, 2021, March 31, 2020 and March 31, 2019, the Restated Consolidated Statement of Profit and Loss (including other comprehensive income), the Restated Consolidated Statement of Changes in Equity, the Restated Consolidated Statement of Cash Flow for the years ended March 31, 2021, March 31, 2020 and March 31, 2019, the Summary Statement of Significant Accounting Policies and other explanatory information (collectively, the "Restated Consolidated Financial Information"), as approved by the Board of Directors of the Company at their meeting held on July 7, 2021 for the purpose of inclusion in the Draft Red Herring Prospectus ("DRHP") prepared by the Company in connection with its proposed Initial Public Offer of equity shares ("IPO") prepared in terms of the requirements of:

   a) Section 26 of Part I of Chapter III of the Companies Act, 2013 (the "Act").

   b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("ICDR Regulations"); and

   c) The Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI"), as amended from time to time (the "Guidance Note").

2. The Company's Board of Directors is responsible for the preparation of the Restated Consolidated Financial Information for the purpose of inclusion in the DRHP to be filed with Securities and Exchange Board of India ("SEBI"), the stock exchanges where the equity shares of the Company are proposed to be listed ("Stock exchanges"), in connection with the proposed IPO. The Restated Consolidated Financial Information have been prepared by the management of the Company on the basis of preparation stated in note 2.1 to the Restated Consolidated Financial Information.

   The respective Board of Directors of the companies included in the Group are responsible for designing, implementing and maintaining adequate internal control relevant to the preparation and presentation of the Restated Consolidated Financial Information. The respective Board of Directors of the companies are also responsible for identifying and ensuring that the Group complies with the Act, ICDR Regulations and the Guidance Note.

3. We have examined such Restated Consolidated Financial Information taking into consideration:

   a) The terms of reference and terms of our engagement agreed upon with you in accordance with our engagement letter dated May 7, 2021 in connection with the proposed IPO of equity shares of the Company;

   b) The Guidance Note, which also requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI;

   c) Concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Consolidated Financial Information; and

d) The requirements of Section 26 of the Act and the ICDR Regulations.

Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act, the ICDR Regulations and the Guidance Note in connection with the proposed IPO of the equity shares of the Company.

4. These Restated Consolidated Financial Information have been compiled by the management from audited Consolidated Financial Statements of the Group as at and for the years ended March 31, 2021, March 31, 2020 and March 31, 2019, prepared in accordance with the Indian Accounting Standards (referred to as "Ind AS") as prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India, which have been approved by the Board of Directors at their meetings held on May 6, 2021, June 26, 2020 and May 21, 2019 respectively.

5. For the purpose of our examination, we have relied on Auditors' reports issued by us dated May 6, 2021, June 26, 2020 and May 21, 2019 on the consolidated financial statements of the Group as at and for the year ended March 31, 2021, March 31, 2020 and March 31, 2019 respectively as referred in Paragraph 4 above.

6. The audit reports on the consolidated financial statements as at and for the year ended March 31, 2021 and March 31, 2020 issued by us, as referred in Paragraph 5 above, contained the following Emphasis of Matter paragraphs (also refer note 49 and 53 to the Restated Consolidated Financial Information):

As at and for the year ended March 31, 2021

The auditors' report has drawn attention to the Impact of COVID note in the consolidated financial statements which describes the extent of the ongoing COVID-19 pandemic will have impact on the Group's financial performance including the Group's estimates of impairment and fair valuation of financial instruments are dependent on the future developments, the severity and duration of the pandemic, that are highly uncertain. The Group has considered the aforesaid context of the pandemic to develop the estimates and assumptions in determining the impairment of financial instruments. The impact assessment of COVID-19 is a continuing process. The Group will continue to monitor any material changes to the future economic conditions.

Our opinion is not modified in respect of this matter.

As at and for the year ended March 31, 2020

The auditors' report has drawn attention to the Impact of COVID note in the consolidated financial statements which describes that in respect of accounts overdue but standard as at February 29, 2020 where moratorium benefits have been granted, the staging of those accounts as at March 31, 2020 is based on the days past due status as on February 29, 2020, in accordance with Reserve bank of India COVID-19 Regulatory Package. Further, the extent to which the COVID - 19 pandemic will impact the Group's financial position and performance including the Group's estimates of impairment of loans and fair valuation of investments, are dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

7. Based on our examination and according to the information and explanations given to us, we report that the Restated Consolidated Financial Information:

a) have been prepared after incorporating adjustments for the changes in accounting policies and regrouping / reclassifications retrospectively in the financial years ended March 31, 2020 and March 31, 2019 to reflect the same accounting treatment as per the accounting policies and grouping / classifications followed as at and for the year ended March 31, 2021;

b) does not contain any qualifications requiring adjustments. However, items relating to emphasis of matter (refer paragraph 6 above) and those qualifications in the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub section (11) of section 143 of the Act, which do not require any corrective adjustments in the Restated Consolidated Financial Information have been disclosed in note 53 to the Restated Consolidated Financial Information; and

c) have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.

8. The Restated Consolidated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the reports on audited consolidated financial statements mentioned in paragraph 4 above.

9. This report should not in any way be construed as a reissuance or re-dating of any of the previous audit reports issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

11. Our report is intended solely for use of the Board of Directors for inclusion in the DRHP to be filed with SEBI and relevant Stock Exchanges in connection with the proposed IPO of equity shares of the Company. Our report should not be used, referred to, or distributed for any other purpose except with our prior consent in writing. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm's Registration Number: 101248W/W-100022

S Sethuraman
Partner
Membership Number: 203491
ICAI UDIN: 21203491AAAADR8867

Place: Chennai
Date: July 7, 2021

Northern Arc Capital Limited

Restated Consolidated Statement of Assets and Liabilities as at March 31, 2021, March 31, 2020 and March 31, 2019

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

Particulars	Note	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
ASSETS				
Financial assets				
Cash and cash equivalents	4	3,981.03	3,332.17	1,907.94
Bank balances other than cash and cash equivalents	5	683.80	772.02	523.39
Trade receivables	6	183.54	83.01	167.97
Loans	7	37,407.67	29,246.78	27,768.45
Investments	8	13,825.68	11,714.89	11,929.75
Other financial assets	9	47.39	74.87	87.64
		56,129.11	**45,223.74**	**42,385.14**
Non-financial assets				
Current tax assets (net)		357.92	411.90	152.38
Deferred tax assets (net)	32	207.18	31.91	63.06
Property, plant and equipment	10.1	10.49	17.84	6.84
Right of use asset	10.2	98.54	132.42	26.12
Intangible assets under development	10.3	5.40	9.49	34.27
Goodwill		17.46	17.46	17.46
Other Intangible assets	10.4	97.28	83.16	29.10
Other non- financial assets	11	48.27	46.97	65.58
		842.54	**751.15**	**394.81**
Total assets		**56,971.65**	**45,974.89**	**42,779.95**
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities				
Derivative financial instruments	12	89.85	-	1.07
Trade payables	13			
Total outstanding dues of micro enterprises and small enterprises		-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		156.19	83.09	97.14
Debt securities	14	16,395.68	8,602.08	12,438.61
Borrowings (Other than debt securities)	15	22,924.71	20,612.84	16,690.48
Subordinated liabilities	16	-	-	121.34
Other financial liabilities	17	423.04	519.16	345.06
		39,989.47	**29,817.17**	**29,693.70**
Non-financial liabilities				
Current tax liabilities (net)		-	-	4.36
Provisions	18	176.35	140.27	122.25
Deferred tax liabilities (net)	32	9.77	-	-
Other non-financial liabilities	19	66.89	40.34	59.42
		253.01	**180.61**	**186.03**
EQUITY				
Equity share capital	20	879.22	874.78	783.66
Other equity	21	14,943.93	14,189.49	10,891.54
Equity attributable to the owners of the Company		**15,823.15**	**15,064.27**	**11,675.20**
Non-controlling interest	22	906.02	912.84	1,225.02
Total equity		**16,729.17**	**15,977.11**	**12,900.22**
Total liabilities and equity		**56,971.65**	**45,974.89**	**42,779.95**

Significant accounting policies 2 and 3

The notes referred to above form an integral part of Restated Consolidated Financial Information

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration no.: 101248W/W-100022

for and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

S Sethuraman
Partner
Membership No. 203491

P.S.Jayakumar
Chairman
DIN : 01173236

Kshama Fernandes
Chief Executive Officer
and Managing director
DIN: 02539429

Atul Tibrewal
Chief Financial Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : July 7, 2021

Place : Chennai
Date : July 7, 2021

Northern Arc Capital Limited
Restated Consolidated Statement of Profit and Loss for the year ended March 31, 2021, March 31, 2020 and March 31, 2019
(All amounts are in Indian Rupees in millions, except share data and unless otherwise stated)

Particulars	Note	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Revenue from operations				
Interest income	23	5,798.64	5,564.54	5,107.20
Fees and commission income	24	643.35	653.08	603.67
Net gain on fair value changes	25	369.72	61.64	304.21
Net gain on derecognition of financial instruments		-	48.94	0.47
Total revenue from operations		**6,811.71**	**6,328.20**	**6,015.55**
Other income	26	41.16	16.33	155.98
Total income		**6,852.87**	**6,344.53**	**6,171.53**
Expenses				
Finance costs	27	3,229.68	3,092.07	3,021.11
Fees and commission expense		285.22	228.91	115.46
Impairment on financial instruments	28	1,354.09	354.88	148.66
Employee benefits expenses	29	622.44	682.97	720.84
Depreciation and amortisation	30	67.42	67.29	46.92
Other expenses	31	294.09	473.50	370.50
Total expenses		**5,852.94**	**4,899.62**	**4,423.49**
Profit before tax		**999.93**	**1,444.91**	**1,748.04**
Tax expense	32			
Current tax		421.75	335.08	534.76
Less: MAT Credit entitlement		-	-	(0.74)
Deferred tax (benefit) / charge		(187.74)	80.50	59.86
Total Tax expense		**234.01**	**415.58**	**593.88**
Profit for the year	**(A)**	**765.92**	**1,029.33**	**1,154.16**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of the defined benefit asset/ (liability)		4.85	0.76	2.90
Income tax relating to items that will not be reclassified to profit or loss		(1.23)	(0.16)	(0.93)
		3.62	**0.60**	**1.97**
Items that will be reclassified to profit or loss				
Fair valuation of financial instruments (net)		49.01	(27.74)	(172.06)
Income tax relating to items that will be reclassified to profit or loss		(20.61)	50.63	62.82
		28.40	**22.89**	**(109.24)**
Other comprehensive income for the year	**(B)**	**32.02**	**23.49**	**(107.27)**
Total comprehensive income for the year	**(A+B)**	**797.94**	**1,052.82**	**1,046.89**
Profit for the year attributable to				
Owners of the Company		675.14	928.36	991.72
Non-controlling Interest	22	90.78	100.97	162.44
Other comprehensive income for the year, net of tax				
Owners of the Company		46.03	25.73	(111.23)
Non-controlling Interest	22	(14.01)	(2.24)	3.96
Total comprehensive income for the year, net of tax				
Owners of the Company		721.17	954.09	880.49
Non-controlling Interest	22	76.77	98.73	166.40
Earnings per equity share (Face Value - INR 10 each)	33			
Basic (in rupees)		7.71	11.05	12.66
Diluted (in rupees)		5.35	7.92	10.91

Significant accounting policies 2 and 3

The notes referred to above form an integral part of Restated Consolidated Financial Information

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration no.: 101248W/W-100022

for and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

S Sethuraman
Partner
Membership No. 203491

P.S.Jayakumar
Chairman
DIN : 01173236

Kshama Fernandes
Chief Executive Officer
and Managing director
DIN: 02539429

Atul Tibrewal
Chief Financial Officer
Place : Chennai
Date : July 7, 2021

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : July 7, 2021

Northern Arc Capital Limited
Restated Consolidated Statement of Cash Flows for the year ended March 31, 2021, March 31, 2020 and March 31, 2019
(All amounts are in Indian Rupees in millions, except share data and unless otherwise stated)

	Particulars	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
A	**Cash flow from operating activities**			
	Profit after tax	765.92	1,029.33	1,154.16
	Adjustments for:			
	Depreciation and amortisation	67.42	67.29	46.92
	Write off of intangible assets under development	-	5.58	6.33
	Tax expense (including deferred tax)	255.85	415.58	593.87
	Mark-to-market loss on derivative contracts	89.85	-	1.47
	Unrealised gain on alternative investment funds designated at fair value through profit or loss	(80.51)	(16.83)	(10.58)
	Interest income on loans, fixed deposits and investments	(5,798.63)	(5,564.54)	(5,107.18)
	Gain on mutual funds investments designated at fair value through profit or loss	(36.85)	(43.53)	(22.47)
	Profit on sale of investments	(10.71)	(1.28)	(57.69)
	Impairment on financial instruments (net)	1,354.10	354.87	(6.48)
	Employee share based payment expenses	24.57	77.23	104.70
	Gain on account of lease rental concession received	(3.52)	-	-
	Gain on account of leases foreclosed	(0.34)	-	-
	Amortisation of discount on commercial papers	18.77	72.20	305.72
	Amortisation of ancillary costs relating to borrowings	150.94	109.98	59.97
	Finance costs	3,059.97	2,909.88	2,655.41
	Operating profit before working capital changes	**(143.17)**	**(584.24)**	**(275.85)**
	Changes in working capital and other changes:			
	Decrease in other financial assets	19.21	13.50	(22.21)
	(Increase)/Decrease in trade receivables	(96.10)	93.10	68.58
	Increase in loans	(9,291.64)	(1,790.64)	(4,588.30)
	(Increase) / Decrease in other non-financial assets	(1.31)	18.40	(43.18)
	Decrease / (Increase) in other bank balances	120.50	(237.68)	(374.98)
	(Decrease) / Increase in trade payables, other liabilities and provisions	38.97	126.99	(17.98)
	Cash used in operations	**(9,353.54)**	**(2,360.57)**	**(5,253.92)**
	Interest income received on loans, fixed deposits and investments	5,626.11	5,399.87	5,112.55
	Finance cost paid	(3,000.04)	(2,983.31)	(2,589.12)
	Income tax paid (net)	(367.77)	(598.10)	(627.91)
	Net cash used in operating activities	**(7,095.24)**	**(542.11)**	**(3,358.40)**
B	**Cash flows from investing activities**			
	Purchase of property, plant and equipment	(38.08)	(108.05)	(69.94)
	Purchase of mutual fund investments	(6,026.18)	(7,720.30)	(5,720.80)
	Proceeds from sale of investments in mutual fund	6,030.05	7,763.81	5,743.25
	Purchase of other investments	(9,240.87)	(5,713.81)	(5,778.12)
	Proceeds from sale of other investments	7,266.08	5,938.76	6,396.40
	Change in the ownership interest in funds	-	(422.85)	(927.65)
	Net cash used in investing activities	**(2,009.00)**	**(262.44)**	**(356.86)**
C	**Cash flow from financing activities**			
	Proceeds from issue of debt securities	14,760.81	4,428.37	12,058.71
	Repayment of debt securities	(6,985.98)	(8,337.11)	(5,955.82)
	Proceeds from borrowings	11,865.66	20,546.16	17,590.08
	Repayment of borrowings	(9,790.45)	(16,660.35)	(24,172.49)
	Payment of lease liabilities	(34.76)	(29.13)	(19.15)
	Repayments of non convertible preference shares	-	(121.34)	121.34
	Premium/Dividend payment on preference shares including Dividend Distribution Tax	-	-	-
	Utilisation of the securities premium	-	(43.70)	(109.34)
	Proceeds from issue of convertible preference share capital including securities premium	-	1,850.00	4,000.00
	Proceeds from issue of equity share capital including securities premium	21.41	699.36	-
	Capital Contributions	-	-	331.17
	Distributions made to investors including dividend distribution tax	(83.59)	(103.48)	(93.53)
	Net cash generated from financing activities	**9,753.10**	**2,228.78**	**3,750.97**
	Net increase in cash and cash equivalents	648.86	1,424.23	35.70
	Cash and cash equivalents at the beginning of the year	3,332.17	1,907.94	1,872.24
	Cash and cash equivalents at the end of the year	**3,981.03**	**3,332.17**	**1,907.94**

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

1 Components of cash and cash equivalents:			
Balances with banks			
- in current accounts	3,317.56	2,931.90	1,607.83
- in deposit accounts free of lien	663.47	400.27	300.11
	3,981.03	**3,332.17**	**1,907.94**

2 The above cashflow statement has been prepared under the "indirect method" as set out in the Ind AS-7 on statement of cashflows specified under section 133 of the Companies Act, 2013.

Significant accounting policies 2 and 3
The notes referred to above form an integral part of Restated Consolidated Financial Information.
As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration no.: 101248W/W-100022

for and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

S Sethuraman
Partner
Membership No. 203491

P.S.Jayakumar
Chairman
DIN : 01173236

Kshama Fernandes
Chief Executive Officer
and Managing director
DIN: 02539429

Atul Tibrewal
Chief Financial Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : July 7, 2021

Place : Chennai
Date : July 7, 2021

Northern Arc Capital Limited
Restated Consolidated Statement of Changes in Equity for the year ended March 31, 2021, March 31, 2020 and March 31, 2019
(All amounts are in Indian Rupees in millions, except share data and unless otherwise stated)

A. Equity Share Capital

Equity Share capital of INR 10 each Issued, Subscribed and Fully paid	
Balance as at April 1, 2018	**783.66**
Changes in equity share capital during the year	-
Balance as at March 31, 2019	**783.66**
Changes in equity share capital during the year	91.12
Balance as at March 31, 2020	**874.78**
Changes in equity share capital during the year	4.44
Balance as at March 31, 2021	**879.22**

B. Other Equity

	Compulsorily Convertible Preference Shares (CCPS)	Other equity									Total attributable to Owners of the Company	Total Non-Controlling Interest (NCI)	Total
		Reserves and surplus						Other Comprehensive Income (OCI)					
		Statutory Reserve	Capital Redemption Reserve	Capital Reserve	Securities Premium	Employee Stock Options Outstanding Account	Retained Earnings	Financial Instruments through OCI	Cash Flow Hedge Reserve	Remeasurements of Defined Benefit Obligations			
Balance as at April 1, 2018	**349.64**	**519.03**	**150.90**	**0.36**	**2,564.22**	**73.32**	**1,837.95**	**543.82**	**-**	**-**	**6,039.24**	**1,725.07**	**7,764.31**
Change in equity for the year ended March 31, 2019													
Change in the ownership interest in subsidiaries/ funds resulting in change of control	-	-	-	-	-	-	59.02	(82.56)	-	-	(23.54)	(904.09)	**(927.63)**
Shares issued during the year	406.05	-	-	-	-	-	-	-	-	-	406.05	-	**406.05**
Premium received on shares issued during the year	-	-	-	-	3,593.95	-	-	-	-	-	3,593.95	-	**3,593.95**
Contribution by NCI	-	-	-	-	-	-	-	-	-	-	-	331.17	**331.17**
Distribution to the NCI including Dividend Distribution Tax	-	-	-	-	-	-	-	-	-	-	-	(93.53)	**(93.53)**
Utilisation of the share premium	-	-	-	-	(109.34)	-	-	-	-	-	(109.34)	-	**(109.34)**
Profit for the year	-	-	-	-	-	-	991.72	-	-	-	991.72	162.44	**1,154.16**
Transfer to statutory reserve	-	178.71	-	-	-	-	(178.71)	-	-	-	-	-	**-**
Transfer to Capital Redemption reserve	-	-	7.60	-	-	-	(7.60)	-	-	-	-	-	**-**
Employee stock compensation expense	-	-	-	-	-	104.69	-	-	-	-	104.69	-	**104.69**
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	-	1.97	1.97	-	**1.97**
Reclassification of remeasurement of net defined liability	-	-	-	-	-	-	1.97	-	-	(1.97)	-	-	**-**
Fair valuation of financial instruments (net)	-	-	-	-	-	-	-	(113.20)	-	-	(113.20)	3.96	**(109.24)**
Balance as at March 31, 2019	**755.69**	**697.74**	**158.50**	**0.36**	**6,048.83**	**178.01**	**2,704.35**	**348.06**	**-**	**-**	**10,891.54**	**1,225.02**	**12,116.56**
Transition to Ind AS 116 (refer note 53(C))	**-**	**-**	**-**	**-**	**-**	**-**	**0.13**	**-**	**-**	**-**	**0.13**	**-**	**0.13**
Balance as at April 1, 2019	**755.69**	**697.74**	**158.50**	**0.36**	**6,048.83**	**178.01**	**2,704.48**	**348.06**	**-**	**-**	**10,891.67**	**1,225.02**	**12,116.69**
Change in equity for the year ended March 31, 2020													
Change in the ownership interest in subsidiaries/ funds resulting in change of control	-	-	-	-	-	-	(86.45)	-	-	-	(86.45)	(307.43)	**(393.88)**
Shares issued during the year	187.80	-	-	-	-	-	-	-	-	-	187.80	-	**187.80**
CCPS converted into equity	(117.02)	-	-	-	-	-	-	-	-	-	(117.02)	-	**(117.02)**
Premium received on shares issued during the year	-	-	-	-	2,328.95	-	-	-	-	-	2,328.95	-	**2,328.95**
Distribution to the NCI including Dividend Distribution Tax	-	-	-	-	-	-	-	-	-	-	-	(103.48)	**(103.48)**
Utilisation of the share premium	-	-	-	-	(43.70)	-	-	-	-	-	(43.70)	-	**(43.70)**
Profit for the year	-	-	-	-	-	-	928.36	-	-	-	928.36	100.97	**1,029.33**
Transfer to statutory reserve	-	179.24	-	-	-	-	(179.24)	-	-	-	-	-	**-**
Transfer to Capital Redemption reserve	-	-	188.20	-	-	-	(188.20)	-	-	-	-	-	**-**
Employee stock compensation expense	-	-	-	-	-	74.15	-	-	-	-	74.15	-	**74.15**
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	-	0.60	0.60	-	**0.60**
Reclassification of remeasurement of net defined liability	-	-	-	-	-	-	0.60	-	-	(0.60)	-	-	**-**
Fair valuation of financial instruments (net)	-	-	-	-	-	-	-	25.13	-	-	25.13	(2.24)	**22.89**
Balance as at March 31, 2020	**826.47**	**876.98**	**346.70**	**0.36**	**8,334.08**	**252.16**	**3,179.55**	**373.19**	**-**	**-**	**14,189.49**	**912.84**	**15,102.33**

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

	Compulsorily Convertible Preference Shares (CCPS)	Other equity									Total attributable to Owners of the Company	Total Non-Controlling Interest (NCI)	Total
		Reserves and surplus						Other Comprehensive Income (OCI)					
		Statutory Reserve	Capital Redemption Reserve	Capital Reserve	Securities Premium	Employee Stock Options Outstanding Account	Retained Earnings	Financial Instruments through OCI	Cash Flow Hedge Reserve	Remeasurements of Defined Benefit Obligations			
Balance as at April 1, 2020	**826.47**	**876.98**	**346.70**	**0.36**	**8,334.08**	**252.16**	**3,179.55**	**373.19**	**-**	**-**	**14,189.49**	**912.84**	**15,102.33**
Change in equity for the year ended March 31, 2021													
Premium received on shares issued during the year	-	-	-	-	55.66	(38.69)	-	-	-	-	16.97	-	**16.97**
Distribution to the NCI including Dividend Distribution Tax	-	-	-	-	-	-	-	-	-	-	-	**(83.59)**	**(83.59)**
Profit for the year	-	-	-	-	-	-	675.14	-	-	-	675.14	90.78	**765.92**
Transfer to statutory reserve	-	112.10	-	-	-	-	(112.10)	-	-	-	-	-	**-**
Employee stock compensation expense	-	-	-	-	-	16.30	-	-	-	-	16.30	-	**16.30**
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	-	3.62	3.62	-	**3.62**
Reclassification of remeasurement of net defined liability	-	-	-	-	-	-	3.62	-	-	(3.62)	-	-	-
Fair valuation of financial instruments (net)	-	-	-	-	-	-	-	80.63	(38.22)	-	42.41	(14.01)	**28.40**
Balance as at March 31, 2021	**826.47**	**989.08**	**346.70**	**0.36**	**8,389.74**	**229.77**	**3,746.21**	**453.82**	**(38.22)**	**-**	**14,943.93**	**906.02**	**15,849.95**

Significant accounting policies (Refer note 2 and 3)
The notes form an integral part of Restated Consolidated Financial Information.
As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration no.: 101248W/W-100022

for and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

S Sethuraman
Partner
Membership No. 203491

P.S.Jayakumar
Chairman
DIN : 01173236

Kshama Fernandes
Chief Executive Officer
and Managing director
DIN: 02539429

Atul Tibrewal
Chief Financial Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : July 7, 2021

Place : Chennai
Date : July 7, 2021

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

1 Reporting entity

Northern Arc Capital Limited ("the Holding Company" or "the Company"), was incorporated on March 9, 1989 and is registered as a non-deposit taking Non-Banking Finance Company (NBFC). The Company has received the Certificate of Registration dated August 8, 2013 in lieu of Certificate of Registration dated June 24, 1999 from the Reserve Bank of India ("RBI") to carry on the business of Non Banking Financial Institution without accepting public deposits ("NBFC-ND"). The Company's registered address is No. 1, Kanagam Village, 10th Floor IITM Research Park, Taramani Chennai TN 600113. The Company was formerly known as IFMR Capital Finance Limited. The Company has obtained a revised Certificate of Registration from the RBI dated March 8, 2018 for the name change.

The Company's objective is to provide liquidity and develop access to debt-capital markets for institutions that impact financially excluded households and enterprises.

The Company has 2 wholly owned subsidiaries:
a) Northern Arc Investment Adviser Services Private Limited which is in the business of facilitating investments and act as advisors to provide financial/ investment advice to both Indian and foreign investors and
b) Northern Arc Investment Managers Private Limited which is carrying on the business of investment company and also to provide portfolio management services to offshore funds and all kinds of Investment Funds.

The Group structure is as follows:

			% of Shareholding		
Entity	**Country of Incorporation**	**Nature of Interest**	**As at March 31, 2021**	**As at March 31, 2020**	**As at March 31, 2019**
Northern Arc Capital Limited (NACL) ("Holding Company")	India	Parent Company	Not applicable	Not applicable	Not applicable
Northern Arc Investment Managers Private Limited (NAIM)	India	Wholly owned subsidiary	100%	100%	100%
Northern Arc Investment Adviser Services Private Limited (NAIA)	India	Wholly owned subsidiary	100%	100%	100%

The Holding Company also has a wholly owned subsidiary company, Northern Arc Foundation incorporated under the provisions of Section 8 of the Companies Act, 2013 for undertaking the CSR activities of the Group. Northern Arc Foundation doesn't meet the definition of control as defined under Ind AS 110 - Consolidated Financial Statements and hence not consolidated in these Restated Consolidated Financial Information.

Northern Arc Capital Limited ('NACL') has floated Alternative Investment Funds ('AIF'), wherein Northern Arc Investment Managers Private Limited ('IM') and NACL have also invested. NACL evaluated the existence of control on these AIFs in accordance with Ind AS 110 (Consolidated Financial Statements) and consolidated the following AIFs in accordance with Ind AS 110.

Name of the AIF	**Years of consolidation**		
IFMR FImpact Long Term Credit Fund	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Northern Arc Money Market Alpha Trust Fund	Not applicable	Until August 8, 2019#	Year ended March 31, 2019
IFMR FImpact Medium Term Opportunities Fund	Not applicable	Not applicable	Until December 6, 2018#

Northern Arc Capital Limited, Northern Arc Investment Adviser Services Private Limited, Northern Arc Investment Managers Private Limited and the above mentioned AIFs to the extent consolidated as above are together referred to as "Group".

#The Group lost control over the Fund and it derecognized the assets and liabilities and related Non controlling interest. The investment retained in the Fund has been measured at fair value.

2 Basis of preparation

2.1 Statement of compliance

The Restated Consolidated Statement of Assets and Liabilities of the Group as at March 31, 2021, March 31, 2020 and March 31, 2019 and the Restated Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Restated Consolidated Statement of Changes in Equity and the Restated Consolidated Statement of Cash flows for the years ended March 31, 2021, March 31, 2020 and March 31, 2019, and the Summary of Significant Accounting Policies and other explanatory notes and notes to Restated Consolidated Financial Information (together referred to as 'Restated Consolidated Financial Information') have been prepared under Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act, 2013. (the 'Act') and other relevant provisions of the Act as amended from time to time.

These Restated Consolidated Financial Information have been approved by the Board of Directors on July 7, 2021

These Restated Consolidated Financial Information have been prepared by the management of the Company for the purpose of inclusion in the draft red herring prospectus (the "DRHP" or the "Offer Documents") prepared by the Company in connection with its proposed Initial Public Offer ("IPO") in terms of the requirements of:

(i) Section 26 of Chapter III of the Act;
(ii) relevant provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, issued by the Securities and Exchange Board of India ('SEBI'), as amended ("ICDR Regulations"); and
(iii) Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI")(the "Guidance Note").

These Restated Consolidated Financial Information has been prepared by the Management from the Audited Consolidated Financial Statements for respective years and

(a) there were no changes in accounting policies during the years of these financial statements except for Ind AS 116 'Leases' Refer note 3.14 and Note 53
(b) there were no material amounts which have been adjusted for in arriving at profit/ loss of the respective years; and
(c) there were no material adjustments for reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the groupings as per the Audited Consolidated Financial Statements of the Group and the requirements of the SEBI Regulations

In the month of October 2019, Guidance note on Division III - Schedule III to the Companies Act, 2013 was issued by the ICAI which was applicable to the Company for preparation and presentation of its financial statements for the year ended March 31, 2020. The adoption of the said guidance note does not impact recognition and measurement principles followed for preparation of the financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. It may be noted that in preparing and presenting the audited consolidated financial statements for the year ended March 31, 2020, the Company had reclassified the comparative figures for the financial year ended March 31, 2019 in accordance with the requirements of the Guidance note.

2.2 Presentation of financial statements

The Restated Consolidated Statement of Assets and Liabilities, the Restated Consolidated Statement of Profit and Loss, the Restated Consolidated Statement of Changes in Equity, are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non Banking Financial Companies ('NBFC') that are required to comply with Ind AS. The Restated Consolidated Statement of Cash Flows has been presented as per the requirements of Ind AS 7 - Statement of Cash Flows. The Group presents its Restated Consolidated Statement of Assets and Liabilities in order of liquidity.

Financial assets and financial liabilities are generally reported on a gross basis in the Restated Consolidated Statement of Assets and Liabilities. 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.

2.3 Functional and presentation currency

These Restated Consolidated Financial Information are presented in Indian Rupees (INR), which is also the Group's functional currency. All amounts have been rounded-off to the nearest millions (two decimals), unless otherwise indicated.

2.4 Basis of measurement

The Restated Consolidated Financial Information have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial assets and liabilities (including derivatives instruments)	Fair value
Liabilities for equity-settled share-based payment arrangements	Fair value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations

2.5 Use of estimates and judgements

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

Estimation of uncertainties relating to the global health pandemic from novel coronavirus 2019 ("COVID-19"):

The Group has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of loans and investments. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Group, as at the date of approval of these financial statements has used internal and external sources of information including credit reports and related information, economic forecasts. The impact of COVID-19 on the Group's Restated Consolidated Financial Information may differ from that estimated as at the date of approval of these Restated Consolidated Financial Information.

Information about judgements, estimates and assumptions made in applying accounting policies that have the most significant effects on the amounts recognised in the Restated Consolidated Financial Information is included in the following notes:

i) Business model assessment

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

ii) Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

iii) Effective Interest Rate ('EIR') method

The Group’s EIR methodology recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

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

iv) Impairment of financial assets

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

The 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 :

a) 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 life time expected credit loss ('LTECL') basis.
b) Development of ECL models, including the various formulas and the choice of inputs.
c) Determination of associations between macroeconomic scenarios and economic inputs, such as consumer spending, lending interest rates and collateral values, and the effect on probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD').
d) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.

2.5 Use of estimates and judgements (continued)

v) Provisions and other contingent liabilities

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

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

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

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

vi) Other assumptions and estimation uncertainties

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

a) Measurement of defined benefit obligations: key actuarial assumptions;
b) Estimated useful life of property, plant and equipment and intangible assets;
c) Recognition of deferred taxes;
d) Upfront recognition of Excess Interest Spread (EIS) in relation to assignment transactions.

2.6 Basis of Consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Holding Company. Holding Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Restated Consolidated Financial Information from the date on which control commences until the date on which control ceases.

ii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition. Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in profit or loss.

iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3 Significant accounting policies

3.1 Revenue Recognition

Revenue (other than for those items to which Ind AS 109 - Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115 - Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found within other Ind ASs.

The Group recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115 :

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

3.1 Revenue Recognition (continued)

A. Effective Interest Rate ('EIR') Method

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

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

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Restated Consolidated Statement of Assets and Liabilities with an increase or reduction in interest income. The adjustment is subsequently amortised through interest income in the Restated Consolidated Statement of Profit and Loss.

The Group calculates interest income by applying EIR to the gross carrying amount of financial assets other than credit impaired assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'stage 3', the Group calculates interest income on the net basis. If the financial asset cures and is no longer credit impaired, the Group reverts to calculating interest income on a gross basis.

B. Interest income on deposits

Interest income on deposits is recognised on a time proportionate basis.

C. Fees and commission income

Fees and commission income such as guarantee commission, professional fee, service income etc. are recognised on point in time or over the period basis, as applicable.

D. Dividend income

Dividend income (including from FVOCI investments) is recognised 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 Group and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend.

E. Other income

All items of other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection.

3.2 Financial instruments - initial recognition

A. Date of recognition

Debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

B. Initial measurement of financial instruments

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

C. Measurement categories of financial assets and liabilities

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

i) Amortised cost
ii) Fair value through other comprehensive income (‘FVOCI’)
iii) Fair value through profit and loss (‘FVTPL’)

3.3 Financial assets and liabilities

A. Financial assets

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

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

Solely Payments of Principal and Interest (SPPI) test

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet SPPI test. 'Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the period for which the interest rate is set.

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

Accordingly, financial assets are measured as follows:

3.3 Financial assets and liabilities (continued)

i) Financial assets carried at amortised cost (AC)
A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Financial assets at fair value through other comprehensive income (FVOCI)
A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Since the loans and advances are held for sale and collect contractual cash flows, they are measured at FVOCI.

iii) Financial assets at fair value through profit or loss (FVTPL)
A financial asset which is not classified in any of the above categories are measured at FVTPL. Subsequent changes in fair value are recognised in the statement of profit and loss. The Group records investments in alternative investment funds, mutual funds and treasury bills at FVTPL.

iv) Investment in subsidiaries
The Group has accounted for its investments in subsidiaries at cost.

B. Financial liabilities

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

ii) Subsequent measurement
Financial liabilities are carried at amortized cost using the Effective Interest Rate Method.

3.4 Reclassification of financial assets and liabilities
The Group does not 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.

3.5 Derecognition of financial assets and liabilities

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

The Group derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

B. Derecognition of financial instruments other than due to substantial modification

i) Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the Restated Consolidated Statement of Profit and Loss.

Accordingly, gain on sale or derecognition of assigned portfolio are recorded upfront in the Restated Consolidated Statement of Profit and Loss as per Ind AS 109. Also, the Group recognises servicing income as a percentage of interest spread over tenure of loan in cases where it retains the obligation to service the transferred financial asset.

ii) Financial Liability

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

3.6 Impairment of financial assets

A. Overview of Expected Credit Loss ('ECL') principles

In accordance with Ind AS 109, the Group uses ECL model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL). When estimating LTECLs for undrawn 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.

Expected credit losses are measured through a loss allowance at an amount equal to:
i.) The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

ii.) Lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

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

Based on the above, the Group categorises its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1:
When financial assets are first recognised, the Group recognises an allowance based on 12-months ECL. Stage 1 financial assets includes those financial assets where there is no significant increase in credit risk observed and also includes facilities where credit risk has been improved and the financial asset has been reclassified from stage 2 or stage 3.

Stage 2:
When a financial asset has shown a significant increase in credit risk since initial recognition, the Group records an allowance for the life time ECL. Stage 2 financial assets also includes facilities where the credit risk has improved and the loan has been reclassified from stage 3.

Stage 3:
Financial assets are considered credit impaired if they are past due for more than 90 days. The Group records an allowance for life time ECL.

3.6 Impairment of financial assets (continued)

B. Calculation of ECLs

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

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

EAD:
Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.

LGD:
Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Group has calculated PD, EAD and LGD to determine impairment loss on the portfolio of financial assets and discounted at an EIR. At every reporting date, the above calculated PDs, EAD and LGDs are reviewed and changes in the forward looking estimates are analysed.

The mechanics of the ECL method are summarised below:

Stage 1:
The 12 months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-months default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by the original EIR.

Stage 2:
When a financial asset 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. The expected cash shortfalls are discounted by the original EIR.

Stage 3:
For financial assets considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

C. Financial assets measured at FVOCI

The ECLs for financial assets measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of assets and liabilities, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

D. Forward looking information

In its ECL models, the Group relies on forward looking macro parameters such as consumer spending and interest rates to estimate the impact on probability of the default at a given point of time.

3.7 Write-offs

The gross carrying amount of a financial asset is written-off when there is no reasonable expectation of recovering the asset. 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 impairment on financial instruments in the Restated Consolidated Statement of Profit and Loss.

3.8 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group has taken into account the characteristics of the asset or liability as if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 financial instruments: Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date;

Level 2 financial instruments: Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads; and

Level 3 financial instruments: Those that include one or more unobservable input that is significant to the measurement as whole.

3.9 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Group, at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognized in profit or loss.

3.10 Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the Restated Consolidated Statement of Profit and Loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

iii. Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the written down value method, and is generally recognised in the Restated Consolidated Statement of Profit and Loss.

The Group follows estimated useful lives which are given under Part C of the Schedule II of the Companies Act, 2013. The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Asset category	Estimated Useful life
Plant and machinery	15 years
Furniture and fittings	10 years
Office equipment's	5 years
Computers and accessories	3 years
Servers	6 years

Leasehold improvements are depreciated over the remaining period of lease or estimated useful life of the assets, whichever is lower.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (up to) the date on which asset is ready for use (disposed of).

3.11 Intangible assets

i. Recognition and measurement

Intangible assets including those acquired by the Group are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight line method, and is included in depreciation and amortisation in statement of profit and loss.

Asset category	Estimated Useful life
Computer softwares	5 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

3.12 Employee benefits

i. Post-employment benefits

Defined contribution plan

The Group's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made and when the services are rendered by the employees.

Defined benefit plans

Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan (‘the asset ceiling’). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service (‘past service cost’ or ‘past service gain’) or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.12 Employee benefits (continued)

ii. Other long-term employee benefits

Compensated absences

The employees can carry forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Group records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

iii. Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
(b) in case of non-accumulating compensated absences, when the absences occur.

iv. Stock based compensation

The grant date fair value of equity settled share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

3.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

3.14 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:
- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:
- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in the Restated Consolidated Statement of Profit and Loss.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

3.15 Income tax

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

3.15 Income tax (Continued)

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for:
- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Group recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax assets include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.16 Borrowing cost

Borrowing costs are interest and other costs incurred in connection with the borrowings of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of the asset. Other borrowings costs are recognized as an expense in the restated consolidated statement of profit and loss account on an accrual basis using the Effective Interest Rate Method.

3.17 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

3.18 Segment reporting- Identification of segments:

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the CODM evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

3.19 Earnings per share

The Group reports basic and diluted earnings per equity share in accordance with Ind AS 33, Earnings Per Share. Basic earnings per equity share is computed by dividing net profit / loss after tax attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed and disclosed by dividing the net profit/ loss after tax attributable to the equity share holders for the year after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

3.20 Cash flow statement

The Cash flows are reported using the indirect method, whereby profit after tax is adjusted for the effects of transactions of a non–cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Group are segregated. Cash flows in foreign currencies are accounted at the actual rates of exchange prevailing at the dates of the transactions.

3.21 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps and cross currency interest rate swaps.

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in the Restated Consolidated Statement of Profit and Loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the Restated Consolidated Statement of Profit and Loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting policy

The Group makes use of derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Group applies hedge accounting for transactions that meet specific criteria. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Group's risk management objective and strategy for undertaking hedge, the hedging / economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Group would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

3.21 Derivative financial instruments (continued)

Cash Flow Hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit and loss. For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in Finance Cost in the Restated Consolidated Statement of Profit and Loss. When the hedged cash flow affects the Restated Consolidated Statement of Profit and Loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the Restated Consolidated Statement of Profit and Loss. When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the Restated Consolidated Statement of Profit and Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the Restated Consolidated Statement of Profit and Loss.

The Group's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind-AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationships exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

3.22 Recent pronouncements

On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. These are primarily disclosure related amendments and the Company is in the process of evaluating the potential implications, if any, upon adoption.

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

4	**Cash and cash equivalents**	**As at March 31, 2021**	**As at March 31, 2020**	**As at March 31, 2019**
	Balance with banks in current accounts	3,317.56	2,931.90	1,607.83
	Bank deposit with maturity of less than 3 months	663.47	400.27	300.11
	Total	**3,981.03**	**3,332.17**	**1,907.94**

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

5	**Bank balances other than cash and cash equivalents**	**As at March 31, 2021**	**As at March 31, 2020**	**As at March 31, 2019**
	Fixed deposits with bank	441.86	546.86	122.12
	Fixed deposits with bank to the extent held as margin money	241.94	225.16	401.27
	Total	**683.80**	**772.02**	**523.39**

Note:

5.1 Fixed deposit with bank includes deposits amounting to INR 114.89 million (March 31, 2020 : INR 140.86 million and March 31, 2019 : INR 122.12 million) representing amount received from customers as cash collateral for the loans provided by the Group.

5.2 Fixed deposits amounting to INR 241.94 million (March 31, 2020 : INR 225.16 million and March 31, 2019 : INR 401.27 million) have been provided as credit enhancement for securitisation transactions.

6	**Trade receivables**	**As at March 31, 2021**	**As at March 31, 2020**	**As at March 31, 2019**
	Unsecured			
	Low Risk	185.30	71.77	168.11
	Significant increase in credit risk	0.08	8.42	-
	Credit impaired	0.90	9.99	10.09
		186.28	90.18	178.20
	Less: Impairment loss allowance	(2.74)	(7.17)	(10.23)
	Total	**183.54**	**83.01**	**167.97**

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

7 Loans

	As at March 31, 2021			As at March 31, 2020			As at March 31, 2019		
	At Amortised cost	**At Fair Value through Other Comprehensive Income**	**Total**	**At Amortised cost**	**At Fair Value through Other Comprehensive Income**	**Total**	**At Amortised cost**	**At Fair Value through Other Comprehensive Income**	**Total**
A. Based on nature									
Term loans	27,922.62	10,227.53	38,150.15	22,413.76	7,316.01	29,729.77	24,051.35	3,986.50	28,037.85
Less : Impairment loss allowance	(742.48)	-	(742.48)	(482.99)	-	(482.99)	(269.40)	-	(269.40)
Total	**27,180.14**	**10,227.53**	**37,407.67**	**21,930.77**	**7,316.01**	**29,246.78**	**23,781.95**	**3,986.50**	**27,768.45**
B. Based on Security									
(i) Secured by tangible assets *	24,597.54	6,734.69	31,332.23	18,693.13	6,714.21	25,407.34	20,973.54	3,871.10	24,844.64
(ii) Unsecured	3,325.08	3,492.84	6,817.92	3,720.63	601.80	4,322.43	3,077.81	115.40	3,193.21
Total Gross Loans	**27,922.62**	**10,227.53**	**38,150.15**	**22,413.76**	**7,316.01**	**29,729.77**	**24,051.35**	**3,986.50**	**28,037.85**
Less: Impairment loss allowance	(742.48)	-	(742.48)	(482.99)	-	(482.99)	(269.40)	-	(269.40)
Total Net Loans	**27,180.14**	**10,227.53**	**37,407.67**	**21,930.77**	**7,316.01**	**29,246.78**	**23,781.95**	**3,986.50**	**27,768.45**
C. Based on region									
(I) Loans in India									
(i) Public Sector	-	-	-	-	-	-	-	-	-
(ii) Private Sector	27,922.62	10,227.53	38,150.15	22,413.76	7,316.01	29,729.77	24,051.35	3,986.50	28,037.85
Total Gross loans	**27,922.62**	**10,227.53**	**38,150.15**	**22,413.76**	**7,316.01**	**29,729.77**	**24,051.35**	**3,986.50**	**28,037.85**
Less: Impairment loss allowance	(742.48)	-	(742.48)	(482.99)	-	(482.99)	(269.40)	-	(269.40)
Total (I)-Net loans	**27,180.14**	**10,227.53**	**37,407.67**	**21,930.77**	**7,316.01**	**29,246.78**	**23,781.95**	**3,986.50**	**27,768.45**
(II) Loans outside India									
Loans outside India	-	-	-	-	-	-	-	-	-
Total (I) and (II)	**27,180.14**	**10,227.53**	**37,407.67**	**21,930.77**	**7,316.01**	**29,246.78**	**23,781.95**	**3,986.50**	**27,768.45**

* Term loans are secured by way of hypothecation of underlying loan receivables.

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

8 Investments

Particulars	As at March 31, 2021					As at March 31, 2020					As at March 31, 2019				
	At Amortised cost	At FVOCI	At FVTPL	At Cost	Total	At Amortised cost	At FVOCI	At FVTPL	At Cost	Total	At Amortised cost	At FVOCI	At FVTPL	At Cost	Total
Investment in debentures (quoted)															
Non-convertible redeemable debentures	-	8,908.64	-	-	8,908.64	-	7,451.34	-	-	7,451.34	-	6,797.50	-	-	6,797.50
Investment in commercial papers (quoted)															
Commercial papers	-	-	-	-	-	-	-	-	-	-	-	596.12	-	-	596.12
Investment in pass-through certificates (unquoted)															
Investment in pass-through certificates	-	1,589.70	-	-	1,589.70	-	2,248.14	-	-	2,248.14	-	2,573.16	-	-	2,573.16
Investment in other approved securities															
Alternative investment Funds (unquoted)	-	-	2,249.45	-	2,249.45	-	-	2,040.63	-	2,040.63	-	-	2,047.63	-	2,047.63
Investment in government securities	-	-	1,491.10	-	1,491.10	-	-	-	-	-	-	-	-	-	-
Investment in mutual Funds (quoted)	-	-	74.03	-	74.03	-	-	41.05	-	41.05	-	-	22.96	-	22.96
Investments in subsidiaries, at cost (unquoted)															
Equity shares of subsidiaries															
Northern arc foundation	-	-	-	0.10	0.10	-	-	-	0.10	0.10	-	-	-	-	-
Other investments (unquoted)															
Share warrants	-	-	0.16	-	0.16	-	-	0.16	-	0.16	-	-	0.11	-	0.11
Sub total	**-**	**10,498.34**	**3,814.74**	**0.10**	**14,313.18**	**-**	**9,699.48**	**2,081.84**	**0.10**	**11,781.42**	**-**	**9,966.78**	**2,070.70**	**-**	**12,037.48**
Less: Impairment loss allowance for Investments in India	-	(487.50)	-	-	(487.50)	-	(66.53)	-	-	(66.53)	-	(107.73)	-	-	(107.73)
Total Investments	**-**	**10,010.84**	**3,814.74**	**0.10**	**13,825.68**	**-**	**9,632.95**	**2,081.84**	**0.10**	**11,714.89**	**-**	**9,859.05**	**2,070.70**	**-**	**11,929.75**
(i) Investments outside India	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Investments in India	-	10,010.84	3,814.74	0.10	13,825.68	-	9,632.95	2,081.84	0.10	11,714.89	-	9,859.05	2,070.70	-	11,929.75
Total Investments	**-**	**10,010.84**	**3,814.74**	**0.10**	**13,825.68**	**-**	**9,632.95**	**2,081.84**	**0.10**	**11,714.89**	**-**	**9,859.05**	**2,070.70**	**-**	**11,929.75**

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

	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
9 Other financial assets			
Unsecured, considered good			
Security deposits	25.55	26.46	21.17
Advances to employees	9.88	1.09	2.61
Other receivables	9.26	24.74	54.42
Unbilled revenue	-	1.76	8.06
Excess Interest spread on derecognition of financial instruments	3.14	21.26	1.46
Less: Impairment loss allowance	(0.44)	(0.44)	(0.08)
	47.39	**74.87**	**87.64**

10.1 Property, plant and equipment

	Plant and machinery	Furniture and fittings	Computers and accessories	Office equipments	Servers	Leasehold improvements	Total
Cost							
As at April 1, 2018	**0.03**	**0.21**	**5.45**	**2.27**	**0.02**	**0.47**	**8.45**
Additions	-	0.04	10.76	1.85	-	-	**12.65**
Disposals/Discarded	-	-	0.27	-	-	-	**0.27**
As at March 31, 2019	**0.03**	**0.25**	**15.94**	**4.12**	**0.02**	**0.47**	**20.83**
Additions	-	-	3.74	10.02	-	12.25	**26.01**
Disposals/Discarded	-	-	0.25	-	-	-	**0.25**
As at March 31, 2020	**0.03**	**0.25**	**19.43**	**14.14**	**0.02**	**12.72**	**46.59**
Additions	-	-	5.21	-	-	-	**5.21**
Disposals/Discarded	-	-	-	-	-	-	**-**
As at March 31, 2021	**0.03**	**0.25**	**24.64**	**14.14**	**0.02**	**12.72**	**51.80**
Accumulated depreciation							
As at April 1, 2018	**0.02**	**0.14**	**2.79**	**1.79**	**0.01**	**0.16**	**4.91**
Additions	0.01	0.07	7.52	1.56	0.01	0.11	**9.28**
Disposals/Discarded	-	-	0.20	-	-	-	**0.20**
As at March 31, 2019	**0.03**	**0.21**	**10.11**	**3.35**	**0.02**	**0.27**	**13.99**
Additions	-	0.03	8.25	5.02	-	1.63	**14.93**
Disposals/Discarded	-	-	0.17	-	-	-	**0.17**
As at March 31, 2020	**0.03**	**0.24**	**18.19**	**8.37**	**0.02**	**1.90**	**28.75**
Additions	-	0.01	3.39	5.55	-	3.61	**12.56**
Disposals/Discarded	-	-	-	-	-	-	**-**
As at March 31, 2021	**0.03**	**0.25**	**21.58**	**13.92**	**0.02**	**5.51**	**41.31**
Net carrying value							
As at March 31, 2019	**-**	**0.04**	**5.83**	**0.77**	**-**	**0.20**	**6.84**
As at March 31, 2020	**-**	**0.01**	**1.24**	**5.77**	**-**	**10.82**	**17.84**
As at March 31, 2021	**-**	**-**	**3.06**	**0.22**	**-**	**7.21**	**10.49**

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

10.2 Right of use asset

The details of right of use asset held by the Company is as follows:

	Office Premises-	Total
Gross block value		
At April 1, 2018	25.16	**25.16**
Additions	18.42	**18.42**
Disposals	-	-
At March 31, 2019	**43.58**	**43.58**
Transition to Ind AS 116 (refer note 53(C))	**(43.58)**	**(43.58)**
Balance as at April 1, 2019	-	-
Additions	161.23	**161.23**
Disposals	-	-
At March 31, 2020	**161.23**	**161.23**
Additions	-	-
Disposals	4.41	**4.41**
At March 31, 2021	**156.82**	**156.82**
Accumulated depreciation		
At April 1, 2018		
Additions	17.46	**17.46**
Disposals	-	-
At March 31, 2019	**17.46**	**17.46**
Transition to Ind AS 116 (refer note 53(C))	**(17.46)**	**(17.46)**
Balance as at April 1, 2019	-	-
Additions	28.81	**28.81**
Disposals	-	-
At March 31, 2020	**28.81**	**28.81**
Additions	32.01	**32.01**
Disposals	2.54	**2.54**
At March 31, 2021	**58.28**	**58.28**
Net carrying value		
At March 31, 2019	**26.12**	**26.12**
At March 31, 2020	**132.42**	**132.42**
At March 31, 2021	**98.54**	**98.54**

10.3 Intangible assets under development

	Software	Total
As at April 1, 2018	**13.34**	**13.34**
Add: Additions	40.57	**40.57**
Less: Capitalised during the year	(13.31)	**(13.31)**
Less: Written off during the year	(6.33)	**(6.33)**
As at March 31, 2019	**34.27**	**34.27**
Add: Additions	54.80	**54.80**
Less: Capitalised during the year	(74.00)	**(74.00)**
Less: Written off during the year	(5.58)	**(5.58)**
As at March 31, 2020	**9.49**	**9.49**
Add: Additions	32.88	**32.88**
Less: Capitalised during the year	(36.97)	**(36.97)**
As at March 31, 2021	**5.40**	**5.40**

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

10.4 Other Intangible assets

	Software	Total
Cost		
As at April 1, 2018	**47.92**	**47.92**
Additions	13.30	**13.30**
Disposals	-	-
As at March 31, 2019	**61.22**	**61.22**
Additions	77.61	**77.61**
Disposals	-	-
As at March 31, 2020	**138.83**	**138.83**
Additions	36.97	**36.97**
Disposals	-	-
As at March 31, 2021	**175.80**	**175.80**
Accumulated amortisation		
As at April 1, 2018	**11.94**	**11.94**
Amortisation for the year	20.18	**20.18**
On disposals	-	-
As at March 31, 2019	**32.12**	**32.12**
Amortisation for the year	23.55	**23.55**
On disposals	-	-
As at March 31, 2020	**55.67**	**55.67**
Amortisation for the year	22.85	**22.85**
On disposals	-	-
As at March 31, 2021	**78.52**	**78.52**
Net carrying value		
As at March 31, 2019	**29.10**	**29.10**
As at March 31, 2020	**83.16**	**83.16**
As at March 31, 2021	**97.28**	**97.28**

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

		As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
11	**Other non- financial assets**			
	Prepaid expenses	41.79	33.07	29.80
	Balances with government authorities	4.43	6.51	1.25
	Advances to vendors	2.05	7.39	34.53
		48.27	**46.97**	**65.58**
12	**Derivative financial instruments**			
	Cross currency interest rate swaps	89.85	-	-
	Currency swap	-	-	1.07
		89.85	**-**	**1.07**
13	**Trade payables**			
	Total outstanding dues to micro enterprises and small enterprises	-	-	-
	Total outstanding dues to creditors other than micro enterprises and small enterprises	156.19	83.09	97.14
		156.19	**83.09**	**97.14**
14	**Debt securities**			
	Measured at amortised cost: (Also refer note 14A)			
	Secured, redeemable non-convertible debentures	14,644.28	5,711.02	6,461.11
		14,644.28	**5,711.02**	**6,461.11**
	Unsecured, redeemable non-convertible debentures	277.24	2,745.48	5,032.49
		277.24	**2,745.48**	**5,032.49**
	Others			
	Commercial paper	1,474.16	145.58	945.01
	Total debt securities	**16,395.68**	**8,602.08**	**12,438.61**
	Debt securities in India	16,395.68	8,602.08	12,438.61
	Debt securities outside India	-	-	-
	Total debt securities	**16,395.68**	**8,602.08**	**12,438.61**
15	**Borrowings (Other than debt securities)**			
	Measured at amortised cost: (Also refer note 15A)			
	Secured			
	Term Loans			
	- from banks	12,020.54	14,289.01	9,174.30
	- from others	6,629.58	2,587.35	3,191.14
	Loans repayable on demand			
	- working capital loan from banks	2,827.20	2,235.70	1,743.29
	- cash credit from banks	1,048.51	967.57	2,066.73
		22,525.83	**20,079.63**	**16,175.46**
	Unsecured			
	Term Loans			
	- from banks	149.54	149.36	149.20
	- from others	249.34	383.85	365.82
		398.88	**533.21**	**515.02**
	Total borrowings (Other than debt securities)	**22,924.71**	**20,612.84**	**16,690.48**
	Borrowings in India	18,527.71	20,612.84	16,690.48
	Borrowings outside India	4,397.00	-	-
	Total borrowings (Other than debt securities)	**22,924.71**	**20,612.84**	**16,690.48**

Note : The Group has not defaulted in the repayment of principal and interest

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

	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
16 Subordinated liabilities			
Measured at amortised cost:			
Preference shares other than those that qualify as equity:			
Non-convertible preference shares	-	-	121.34
	-	**-**	**121.34**
Subordinated liabilities in India	-	-	121.34
Subordinated liabilities outside India	-	-	-
	-	**-**	**121.34**
17 Other financial liabilities			
Collateral deposits from customers	125.19	117.00	105.60
Employee benefits payable	142.51	123.35	188.13
Lease liabilities	112.74	140.81	26.19
Remittances payable - derecognised assets	32.17	121.09	20.33
Other liabilities	10.16	16.64	4.81
Unpaid dividend on non convertible preference shares	0.27	0.27	-
	423.04	**519.16**	**345.06**
18 Provisions			
Provision for employee benefits:			
- Gratuity (refer note 41)	46.84	45.05	36.29
- Compensated absences	27.59	25.60	19.88
Provision for others:			
- Impairment loss allowance for guarantees	75.97	57.65	40.30
- Impairment loss allowance for undrawn loans	25.95	11.97	25.78
	176.35	**140.27**	**122.25**
19 Other non- financial liabilities			
Statutory dues payable	59.15	32.47	46.70
Management fee received in advance	-	1.90	-
Discount to be amortised on CP/CD investment *	-	-	6.62
Deferred interest	7.74	5.97	6.10
	66.89	**40.34**	**59.42**

* CP - Commercial Paper and CD - Corporate Deposits

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

Note 14 A : Details regarding terms of issuance of debt securities

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Secured, redeemable non-convertible debentures:				
750 units (March 31, 2020: Nil units) (March 31 2019: Nil units) of 11.338% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 28, 2024	750.00	Coupon payment frequency: Annual Principal repayment frequency: Entire principal to be repaid in 4 equal instalments at the end of 24 months, 36 Months, 42 months and 48 months Tenure of security: 4 years Redemption date: March 28, 2024	11.34%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1,000 units (March 31, 2020: 1000 units) (March 31 2019: 1000 units) of 9.45% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 11, 2022	1,000.00	Coupon payment frequency: Semi annual Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 3.50 years Redemption date: June 11, 2022	9.45%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1,000 units (March 31, 2020: 1000 units) (March 31, 2019:1000 units) of 9.60% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on December 20, 2023	857.14	Coupon payment frequency: Semi annual Principal repayment frequency: Entire principal to be repaid in 7 equal semi annual instalments after a moratorium of eighteen months Tenure of security: 5 years Redemption date: December 20, 2023	9.60%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
7500 units (March 31, 2020: Nil units) (March 31,2019:Nil units) of 10.2% Redeemable, Market linked non-convertible debentures of INR 10,000 each, maturing on April 29, 2022	75.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 1.75 years Redemption date: April 29, 2022	10.20%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2020: Nil units) (March 31,2019: Nil units) of 9.50% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on January 17, 2022	500.00	Coupon payment frequency: semi annual Principal repayment frequency: on maturity Tenure of security: 1.5 years Redemption date: January 17, 2022	9.50%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2020: Nil units) (March 31, 2019: Nil units) of 11.25% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 26, 2023	500.00	Coupon payment frequency: annually Principal repayment frequency: on maturity Tenure of security: 3 years Redemption date: June 26, 2023	11.25%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2020: Nil units) (March 31,2019: Nil units) of 10.40% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on July 13, 2023	416.67	Coupon payment frequency: quarterly Principal repayment frequency: 12 equal quarterly instalment Tenure of security: 3 years Redemption date: July 13, 2023	10.40%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2020: Nil units) (March 31, 2019: Nil units) of 9.50% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 8, 2022	500.00	Coupon payment frequency: semi annual Principal repayment frequency: Maturity Tenure of security: 1.5 years Redemption date: March 8, 2022	9.50%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1500 units (March 31, 2020: Nil units) (March 31, 2019: Nil units) of 9.50% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 14, 2022	1,500.00	Coupon payment frequency: semi annual Principal repayment frequency: Maturity Tenure of security: 1.5 years Redemption date: March 8, 2022	9.50%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1000 units (March 31, 2020: Nil units) (March 31, 2019: Nil units) of 10.45% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on September 30, 2022	1,000.00	Coupon payment frequency: semi annual Principal repayment frequency: maturity Tenure of security: 2 years Redemption date: September 30, 2022	10.45%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1500 units (March 31, 2020: Nil units) (March 31, 2019: Nil units) of 9.15% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on May 13, 2022	1,500.00	Coupon payment frequency: semi annual Principal repayment frequency: 4 equal quarterly instalments Tenure of security: 1.5 years Redemption date: May 13, 2022	9.15%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables

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

Note 14 A : Details regarding terms of issuance of debt securities (Continued)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Secured, redeemable non-convertible debentures: (Continued)				
2949 units (March 31, 2020: Nil units) (March 31, 2019: Nil units) of 9.966% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on December 18, 2025	2,949.00	Coupon payment frequency: semi annual Principal repayment frequency: 7 equal half-yearly instalments Tenure of security: 5 years Redemption date: December 18, 2025	9.97%	The Debentures shall secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
12,500 units (March 31, 2020: Nil units) (March 31, 2019: Nil units) of 10.00% Redeemable, market linked non-convertible debentures of INR 10,000 each, maturing on March 11, 2022	125.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 1.25 years Redemption date: March 11, 2022	10.00%	The Debentures shall secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
12,500 units (March 31, 2020: Nil units) (March 31, 2019: Nil units) of 10.00% Redeemable, market linked non-convertible debentures of INR 10,000 each, maturing on June 11, 2022	125.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 1.5 years Redemption date: June 11, 2022	10.00%	The Debentures shall secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
23,200 units (March 31, 2020: Nil units) (March 31, 2019: Nil units) of 9.05% Redeemable, market linked non-convertible debentures of INR 10,000 each, maturing on January 21, 2023	232.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 2 years Redemption date: January 20, 2023	9.05%	The Debentures shall secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
696 units (March 31, 2020: Nil units) (March 31, 2019: Nil units) of 8.95% Redeemable, market linked non-convertible debentures of INR 500,000 each, maturing on February 25, 2023	348.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 2 years Redemption date: February 24, 2023	8.95%	The Debentures shall secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
294 units (March 31, 2020: Nil units) (March 31, 2019: Nil units) of 8.90% Redeemable, market linked non-convertible debentures of INR 500,000 each, maturing on February 24, 2023	147.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 2 years Redemption date: February 24, 2023	8.90%	The Debentures shall secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
150 units (March 31, 2020: Nil units) (March 31, 2019: Nil units) of 9.30% Redeemable, market linked non-convertible debentures of INR 1,000,000 each, maturing on September 17, 2023	150.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 18 Months Redemption date: September 16, 2022	9.30%	The Debentures shall secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1800 units (March 31, 2020: Nil units) (March 31, 2019: Nil units) of 9.85% Redeemable, market linked non-convertible debentures of INR 1,000,000 each, maturing on March 23, 2026	1,800.00	Coupon payment frequency: semi annually Principal repayment frequency: on maturity Tenure of security: 5 Years Redemption date: March 23, 2026	9.85%	The Debentures shall secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
Unsecured, redeemable non-convertible debentures:				
28,000,000 units (March 31, 2020 : 30,000,000 units) (March 31, 2019: Nil units) of 11.6% Redeemable non-convertible debentures of INR 10 each, maturing on September 25, 2023	280.00	Coupon payment frequency: Monthly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 4 years Redemption date: September 25, 2023	11.60%	NA

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

Note 14 A : Details regarding terms of issuance of debt securities (Continued)

Unsecured, Commercial Paper:

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
200 units of 7.99% commercial paper of INR 500,000 each, maturing on August 9, 2021	100.00	Tenure of instrument: 181 days Redemption date: August 9, 2021	7.99%	NA
200 units of 7.75% commercial paper of INR 500,000 millions each, maturing on June 9, 2021	100.00	Tenure of instrument: 120 days Redemption date: June 9, 2021	7.75%	NA
400 units of 7.50% commercial paper of INR 500,000 millions each, maturing on May 15, 2021	200.00	Tenure of instrument: 91 days Redemption date: May 15, 2021	7.50%	NA
200 units of 7.50% commercial paper of INR 500,000 millions each, maturing on May 15, 2021	100.00	Tenure of instrument: 73 days Redemption date: May 15, 2021	7.50%	NA
500 units of 7.70% commercial paper of INR 500,000 millions each, maturing on May 31, 2021	250.00	Tenure of instrument: 73 days Redemption date: May 31, 2021	7.70%	NA
500 units of 8.25% commercial paper of INR 500,000 millions each, maturing on September 20, 2021	250.00	Tenure of instrument: 180 days Redemption date: September 20, 2021	8.25%	NA
500 units of 7.7% commercial paper of INR 500,000 millions each, maturing on May 31, 2021	250.00	Tenure of instrument: 62 days Redemption date: May 31, 2021	7.70%	NA
500 units of 7.7% commercial paper of INR 500,000 millions each, maturing on May 31, 2021	250.00	Tenure of instrument: 61 days Redemption date: May 31, 2021	7.70%	NA

Note: The balances are gross of accrued interest and net of unamortised borrowing cost

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

Note 15 A : Details regarding terms of borrowings (from banks)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 1	150.00	Repayments terms: Entire amount repaid on the redemption date Tenor of loan : 66 Months	10.25%	NA
Term Loan 2	500.00	Repayments terms: Repayment in 3 equal instalments at end of 24 months, 30 months and 36 months Tenor of loan : 3 Years Redemption date: January 21, 2022	11.00%	Exclusive charge over book debt/receivables providing security cover of 1.1x.
Term Loan 3	48.00	Repayments terms: Repayment in 36 equal monthly instalments with 12 month moratorium from the date of disbursement. Tenor of loan : 4 Years Redemption date: December 29, 2021	9.05%	Floating and exclusive charge over the assets , sufficient to provide a security cover 1. 10 times on the outstanding facility at all times.
Term Loan 4	62.50	Repayments terms: Equated 36 month instalments with no moratorium Tenor of loan : 3 Years Redemption date: December 31, 2021	9.30%	Exclusive charge on identified unencumbered secured standard receivables/Book debts (eligible for bank finance as per RBI guidelines) with an Asset Cover of at least 1.20 times
Term Loan 5	166.67	Repayments terms:12 Equal quarterly instalments Tenor of loan : 3 Years Redemption date: October 23, 2021	10.55%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 6	83.33	Repayments terms: 12 equal quarterly instalments Tenor of loan : 3 Years Redemption date: January 9,2022	10.40%	Exclusive charge by way of hypothecation of Specific book debts/receivable of the Company with a Minimum assets cover of 1.15 times of Loan outstanding at any point of time during currency of the facility.
Term Loan 7	1,166.67	Repayments terms:30 monthly instalments Tenor of loan : 3 Years Redemption date: May 16, 2022	11.00%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 8	181.82	Repayments terms:11 quarterly instalments Tenor of loan : 3.3 Years Redemption date: March 27, 2022	11.00%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 9	50.00	Repayments terms:24 monthly instalments Tenor of loan : 2 Years Redemption date: September 24, 2021	11.00%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 10	48.00	Repayments terms:10 quarterly instalments Tenor of loan : 3 Years Redemption date: September 21, 2022	11.30%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 11	500.00	Repayments terms:12 quarterly instalments Tenor of loan : 2.3 Years Redemption date: March 31, 2023	10.40%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 12	112.50	Repayments terms:8 quarterly instalments Tenor of loan : 2 Years Redemption date: December 31, 2021	11.00%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 13	175.00	Repayments terms:36 monthly instalments Tenor of loan : 3 Years Redemption date: December 31, 2022	9.20%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 14	175.00	Repayments terms:36 monthly instalments Tenor of loan : 3 Years Redemption date: December 31, 2022	11.00%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 15	636.39	Repayments terms:11 quarterly installments Tenor of Security : 2.84 Years Redemption date: December 31, 2022	10.30%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 16	56.67	Repayments terms:35 monthly instalments Tenor of loan : 3.3 Years Redemption date: January 5, 2023	11.75%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 17	93.75	Repayments terms:8 quarterly instalments Tenor of loan : 2 Years Redemption date: November 30, 2021	11.25%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 18	250.00	Repayments terms:12 quarterly instalments Tenor of loan : 3 Years Redemption date: December 31, 2022	10.20%	First and Exclusive charge on the standard receivables with a security cover of 133%.
Term Loan 19	100.00	Repayments terms:24 monthly instalments Tenor of loan : 2 Years Redemption date: March 31, 2022	11.50%	First and Exclusive charge on the standard receivables with a security cover of 115%.

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

Note 15 A : Details regarding terms of borrowings (from banks) (Continued)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 20	166.67	Repayments terms:6 quarterly installments Tenor of Security : 1.5 Years Redemption date: August 28, 2021	10.60%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 21	374.90	Repayments terms:12 quarterly instalments Tenor of loan : 3 Years Redemption date: April 5, 2023	10.75%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 22	291.67	Repayments terms:48 monthly instalments Tenor of loan : 4 Years Redemption date: March 31, 2024	10.80%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 23	290.70	Repayments terms:48 monthly instalments Tenor of loan : 4 Years Redemption date: March 31, 2024	10.50%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 24	199.27	Repayments terms:10 quarterly instalments Tenor of loan : 3 Years Redemption date: February 2, 2023	11.25%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 25	50.00	Repayments terms:24 monthly instalments Tenor of loan : 2 Years Redemption date: March 6, 2022	11.25%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 26	636.39	Repayments terms:11 quarterly installments Tenor of Security : 2.84 Years Redemption date: December 31, 2022	10.30%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 27	291.67	Repayments terms:12 Monthly instalments Tenor of loan : 1 Years Redemption date: October 3, 2021	9.30%	First and Exclusive charge over the loan receivables with a security cover of 115%.
Term Loan 28	50.00	Repayments terms:4 Monthly instalments Tenor of loan : 5 months Redemption date: April 10, 2021	6.32%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 29	500.00	Repayments terms:9 Monthly instalments Tenor of loan : 1 Years Redemption date: December 31, 2021	9.20%	First and Exclusive charge over the loan receivables with a security cover of 125%.
Term Loan 30	350.00	Repayments terms:12 Quarterly instalments Tenor of loan : 3.25 Years Redemption date: April 30, 2024	9.00%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 31	2,000.00	Repayments terms:11 Quarterly instalments Tenor of loan : 2.8 Years Redemption date: December 31, 2023	8.70%	First and Exclusive charge over the loan receivables with a security cover of 125%.
Term Loan 32	143.70	Repayments terms: 24 monthly instalments Tenor of loan : 2 Years Redemption date: February 28, 2023	9.10%	First and Exclusive charge over the loan receivables with a security cover of 115%.
Term Loan 33	1,000.00	Repayments terms: 6 quarterly instalments Tenor of loan : 1.5 Years Redemption date: September 29, 2022	8.80%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 34	200.00	Repayments terms: 2 Half Yearly instalments Tenor of loan : 1 Years Redemption date: March 31, 2022	9.00%	First and Exclusive charge over the loan receivables with a security cover of 115%.
Term Loan 35	500.00	Repayments terms: 18 Monthly instalments Tenor of loan : 2 Years Redemption date: February 28, 2023	8.95%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 36	300.00	Repayments terms: 10 quarterly instalments Tenor of loan : 33 months Redemption date: October 9, 2023	9.00%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 37	400.00	Repayments terms: 36 monthly instalments Tenor of loan : 3 years Redemption date: March 31, 2024	8.60%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 38	150.00	Repayments terms: Repayment on Maturity Tenor of loan : 30 days Redemption date: May 3, 2021	10.00%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 39	500.00	Repayments terms: Repayment on Maturity Tenor of loan : 180 days Redemption date: May 21, 2021 & June 9,2021	9.70%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 40	300.00	Repayments terms: Repayment on Maturity Tenor of loan : 1 year Redemption date: March 26, 2022	9.90%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 41	249.00	Repayments terms: Repayment on Maturity Tenor of loan : 1 year Redemption date: December 28, 2021	9.00%	First and Exclusive charge over the loan receivables with a security cover of 110%.

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

Note 15 A : Details regarding terms of borrowings (from banks) (Continued)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 42	400.00	Repayments terms: Repayment on Maturity Tenor of loan : 90 days Redemption date: June 21, 2021	8.80%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 43	500.00	Repayments terms: Repayment on Maturity Tenor of loan : 6 months Redemption date: September 25, 2021	9.25%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 44	330.00	Repayments terms: Repayment on Maturity Tenor of loan : 1 year Redemption date: December 4, 2021	6.30%	Exclusive charge over book debt/receivables providing security cover of 1.33x.
Term Loan 45	150.00	Repayments terms: Repayment on Maturity Tenor of loan : 3 months Redemption date: June 25, 2021	8.30%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 46	150.00	Repayments terms: Repayment on Maturity Tenor of loan : 3 months Redemption date: June 29, 2021	9.10%	First and Exclusive charge over the loan receivables with a security cover of 120%.

Note 15 B : Details regarding terms of borrowings (from others)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 1	250.00	Repayment Terms: Entire amount is repaid on maturity Tenor: 5.50 Years Redemption Date: June 27, 2023	10.25%	NA
Term Loan 2	100.00	Repayment Terms: 36 equal monthly instalments Tenor: 3 Years Redemption Date: December 31, 2021	10.50%	Exclusive first charge on the loan receivables, present and future, of the Borrower by way of hypothecation on the loan receivables created from the proceeds of the Facility with a minimum asset cover of 1.20x
Term Loan 3	28.28	Repayment Terms: Repayable in 36 equal monthly instalments, commencing 1 month from the date of disbursement. Tenor: 3 Years Redemption Date: September 25, 2021	10.21%	Exclusive first charge (floating) on portfolio of receivables, as acceptable to the lender, from time to time covering 1.l0 x of the principal at any point of time during the currency of the facility.
Term Loan 4	8.28	Repayment Terms: 36 Monthly instalments Tenor:3 Years Redemption Date: April 22, 2021	9.30%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.18 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 5	116.65	Repayment Terms: 36 Monthly installments Tenor: 3 Years Redemption Date: May 17,2022	12.00%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.18 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 6	208.33	Repayment Terms: Repayment in 12 equal quarterly instalments Tenor: 3 Years Redemption Date: July 1, 2022	11.75%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.2 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 7	18.35	Repayment Terms: Repayment in 24 monthly instalments Tenor: 2 Years Redemption Date: July 1, 2021	11.85%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 8	115.65	Repayment Terms: Repayment in 11 equal quarterly installments Tenor: 2.8 Years Redemption Date: November 30,2022	11.75%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 9	32.56	Repayment Terms: Repayment in 24 monthly instalments Tenor: 2 Years Redemption Date: September 27, 2021	11.25%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 10	181.82	Repayment Terms: Repayment in 36 monthly installments Tenor: 3 Years Redemption Date: February 22,2023	12.25%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.18 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 11	44.54	Repayment Terms: Repayment in 24 equal monthly instalments Tenor: 2 Years Redemption Date: January 1, 2022	11.85%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 12	55.56	Repayment Terms: Repayment in 18 equal monthly instalments Tenor: 1.5 Years Redemption Date: July 15, 2021	10.75%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.15 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 13	150.00	Repayment Terms: Repayment in 12 equal quarterly installments Tenor: 3 Years Redemption Date: June 1, 2023	11.40%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.

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

Note 15 B : Details regarding terms of borrowings (from others)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 14	59.99	Repayment Terms: Repayment in 11 equal quarterly installments Tenor: 3 Years Redemption Date: May 31, 2023	11.25%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 15	333.33	Repayment Terms: Repayment in 36 equal monthly instalments Tenor: 3 Years Redemption Date: September 21, 2023	9.25%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.2 times of the outstanding principal and interest at any point of time during currency of the facility.
Term Loan 16	382.79	Repayment Terms: Repayment in 24 equal monthly instalments Tenor: 2 Years Redemption Date: September 22, 2022	9.35%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.18 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 17 (Borrowings outside India)	1,845.27	Repayment Terms: Repayment in 6 equal half-yearly instalments Tenor: 5 Years Redemption Date: November 17, 2025	9.35%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.25 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 18 (Borrowings outside India)	1,810.88	Repayment Terms: Repayment in 6 equal half-yearly instalments Tenor: 4.8 Years Redemption Date: November 15, 2025	9.50%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.25 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 19 (Borrowings outside India)	730.30	Repayment Terms: Repayment in 6 equal half yearly instalments Tenor: 5 Years Redemption Date: March 4, 2026	9.78%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.2 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 20	400.00	Repayment Terms: Repayment in 36 equal monthly instalments Tenor: 3 Years Redemption Date: March 30, 2024	9.25%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.10 times of the outstanding principal at any point of time during currency of the facility.

Note: The balances are gross of accrued interest and net of unamortised borrowing costs

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

	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
20 Share capital			
Authorised			
125,000,000 (March 31, 2020 and March 31, 2019: 125,000,000) equity shares of INR 10 each	1,250.00	1,250.00	1,250.00
60,100,000 (March 31, 2020 and March 31, 2019: 60,100,000) 0.0001% Compulsorily convertible preference shares of INR 20 each	1,202.00	1,202.00	1,202.00
19,800,000 (March 31, 2020 and March 31, 2019: 19,800,000) 9.85% Cumulative non convertible compulsorily redeemable preference shares of INR 10 each	198.00	198.00	198.00
	2,650.00	**2,650.00**	**2,650.00**
Issued, subscribed and paid up			
Equity Share capital			
87,921,550 (March 31, 2020 - 87,477,903, March 31, 2019: 78,365,776) equity shares of INR 10 each	879.22	874.78	783.66
	879.22	**874.78**	**783.66**
Compulsorily convertible preference shares			
41,323,204 (March 31, 2020 : 41,323,204, March 31,2019 : 37,784,296) preference share of INR 20 each	826.47	826.47	755.69
	826.47	**826.47**	**755.69**

a) Reconciliation of the shares outstanding at the beginning and at the end of March 31, 2021, March 31, 2020 and March 31, 2019:

Particulars	As at March 31, 2021		As at March 31, 2020		As at March 31, 2019	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Equity shares						
At the commencement of the year	8,74,77,903	874.78	7,83,65,776	783.66	7,83,65,673	783.66
Add: Shares issued during the year	4,43,647	4.44	32,61,127	32.61	103	-
Add: Shares Converted into equity	-	-	58,51,000	58.51	-	-
At the end of the year	**8,79,21,550**	**879.22**	**8,74,77,903**	**874.78**	**7,83,65,776**	**783.66**
0.0001% Compulsorily convertible preference shares						
At the commencement of the year	4,13,23,204	826.47	3,77,84,296	755.69	1,74,81,889	349.64
Add: Shares issued during the year	-	-	93,89,908	187.80	2,03,02,407	406.05
Less: Shares Converted into equity	-	-	(58,51,000)	(117.02)	-	-
At the end of the year	**4,13,23,204**	**826.47**	**4,13,23,204**	**826.47**	**3,77,84,296**	**755.69**
Redeemable preference shares						
At the commencement of the year	-	-	11,60,000	116.00	-	-
Add: Shares issued during the year	-	-	-	-	11,60,000	116.00
Less: Shares Redeemed during the year	-	-	(11,60,000)	(116.00)	-	-
At the end of the year	-	-	-	-	**11,60,000**	**116.00**

During the year ended 31 March 2019, the Company has increased its authorised share capital and has done reclassification of the authorised share capital limits with equity shares and 0.0001% Compulsorily Convertible Preference Shares. The Company has complied with relevant secretarial requirements in this regard.

1. Pursuant to the amended share subscription and shareholders agreement, the Company has issued Nil 0.0001% Compulsorily convertible preference shares (March 31, 2020: 6,133,793 and March 31, 2019: 20,302,407) of INR 20 each to IIFL Special opportunities fund, IIFL Special opportunities fund Series 2 to 7; Nil 0.0001% Compulsorily convertible preference shares (March 31, 2020: 2,230,797 and March 31, 2019: Nil) shares of INR 20 each to Standard Chartered Bank (Singapore Branch); Nil 0.0001% Compulsorily convertible preference shares (March 31, 2020: 1,025,318 and March 31, 2019: Nil) shares of INR 20 each to Augusta Investments II Pte. Ltd and Nil equity shares (March 31, 2020 : 3,197,644 and March 31, 2019: Nil) of INR 10 each to Sumitomo Mitsui Banking Corporation.

2. During the year ended March 31,2021 - Nil (March 31, 2020: 5,851,0000 , March 31, 2019 - Nil) 0001% compulsorily convertible preference shares were converted into equity share capital.

3. During the year ended March 31,2021, the Company has issued 443,647 (March 31, 2020 : 63,483 and March 31, 2019: Nil) equity shares which were allotted to employees who exercised their options under ESOP scheme.

4. During the year, the Company has issued Nil (March 31, 2020 - Nil, March 31, 2019: 3) equity shares of INR 10 each to Kshama Fernandes, Managing Director, Bama Balakrishnan, Chief Financial Officer (until June 30, 2020) and C Kalyanasundaram, Senior Director and Head, Finance and Operations.

b) Rights, preferences and restrictions attached to each class of shares

i) Equity shares

The Company has a single class of equity shares. Accordingly all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. Dividends are paid in Indian Rupees. Dividend proposed by the board of directors, if any, is subject to the approval of the shareholders at the General Meeting, except in the case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

ii) 0.0001% Compulsorily convertible preference shares:

0.0001% Compulsory Convertible Preference Shares ('CCPS') having a par value of INR 20 is convertible in the ratio of 1:1 and are treated pari passu with equity shares on all voting rights. The conversion shall happen at the option of the preference shareholders. The CCPS if not converted by the preference shareholders shall be compulsorily converted into equity shares upon any of the following events:

a. In connection with an IPO, immediately prior to the filing of red herring prospectus (or equivalent document, by whatever name called) with the competent authority or such later date as may be permitted under applicable law at the relevant time; and
b. The date which is 19 (nineteen) years from the date of allotment of CCPS.

Till conversion, the holders of CCPS shall be entitled to a dividend of 0.0001%, if any, declared upon profits of the Company and a proportionate dividend, if any declared on equity shares on 'as converted' basis.

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

20 Share Capital (Continued)

c) Details of shareholders holding more than 5% shares in the Company

Particulars	As at March 31, 2021		As at March 31, 2020		As at March 31, 2019	
	No. of shares	% held	No. of shares	% held	No. of shares	% held
Equity shares:						
Leapfrog Financial Inclusion India (II) Ltd	2,99,52,665	34.07%	2,99,52,665	34.24%	3,74,69,937	47.81%
Dvara Trust	1,28,78,682	14.65%	1,28,78,682	14.72%	1,66,85,402	21.29%
Accion Africa Asia Investment Company	76,99,529	8.76%	76,99,529	8.80%	1,44,30,553	18.41%
Augusta Investments Pte II Ltd	2,03,28,820	23.12%	2,03,28,820	23.24%	-	-
Sumitomo Mitsui Banking Corporation	70,04,364	7.97%	70,04,364	8.01%	-	-
0.0001% Compulsorily convertible preference shares:						
Eight Roads Investments Mauritius (II) Limited	1,16,30,889	28.15%	1,16,30,889	28.15%	1,16,30,889	30.78%
Standard Chartered Bank (Singapore Branch)	-	-	-	-	58,51,000	15.49%
Augusta Investments II Pte. Ltd.	32,56,115	7.88%	32,56,115	7.88%	-	-
IIFL Special Opportunities Fund	41,61,142	10.07%	41,61,142	10.07%	40,06,813	10.60%
IIFL Special Opportunities Fund – Series 2	43,71,781	10.58%	43,71,781	10.58%	29,72,534	7.87%
IIFL Special Opportunities Fund – Series 4	66,09,362	15.99%	66,09,362	15.99%	44,93,946	11.89%
IIFL Special Opportunities Fund – Series 5	54,23,128	13.12%	54,23,128	13.12%	36,87,384	9.76%
IIFL Special Opportunities Fund – Series 7	36,93,947	8.94%	36,93,947	8.94%	36,51,601	9.66%
Redeemable preference shares						
RamKumaar Bharat Singh	-	-	-	-	60,210	5.19%

		As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
21	**Other equity**			
a)	**Securities premium**			
	At the commencement of the year	8,334.08	6,048.83	2,564.22
	Add: Premium received on shares issued	55.66	2,328.95	3,593.95
	Less: Utilised during the year for writing off share issue expenses	-	(43.70)	(109.34)
	At the end of the year	**8,389.74**	**8,334.08**	**6,048.83**
b)	**Statutory reserve**			
	At the commencement of the year	876.98	697.74	519.03
	Add : Transfer from retained earnings	112.10	179.24	178.71
	At the end of the year	**989.08**	**876.98**	**697.74**
c)	**Employee stock options outstanding account**			
	At the commencement of the year	252.16	178.01	73.32
	Add: Employee compensation expense during the year	16.30	74.15	104.69
	Less: Transfer to securities premium on allotment of shares	(38.69)	-	-
	At the end of the year	**229.77**	**252.16**	**178.01**
d)	**Retained earnings**			
	At the commencement of the year	3,179.55	2,704.35	1,837.95
	Add: Transition to Ind AS116 (Refer note 53(c))	-	0.13	-
	Add: Profit for the year	675.14	928.36	991.72
	Add: Transfer from other comprehensive income	3.62	0.60	1.97
	Less: Transfer to statutory reserve	(112.10)	(179.24)	(178.71)
	Less: Transfer to capital redemption reserve	-	(188.20)	(7.60)
	Change in the ownership interest in subsidiaries/ funds resulting in change of control	-	(86.45)	59.02
	At the end of the year	**3,746.21**	**3,179.55**	**2,704.35**
e)	**Capital redemption reserve**			
	At the commencement of the year	346.70	158.50	150.90
	Add: Addition during the year	-	188.20	7.60
	At the end of the year	**346.70**	**346.70**	**158.50**
f)	**Capital reserve**			
	At the commencement of the year	0.36	0.36	0.36
	At the end of the year	**0.36**	**0.36**	**0.36**
g)	**Other comprehensive income**			
	At the commencement of the year	373.19	348.06	543.82
	Remeasurements of net defined benefit asset/ (liability) (refer note (vii) (b) below)	(3.62)	(0.60)	(1.97)
	Add: Transfer to retained earnings	3.62	0.60	1.97
	Less: Change in the ownership interest in subsidiaries/ funds resulting in change of control	-	-	(82.56)
	Add : Fair valuation of financial instruments (refer note (vii) (a) below)	80.63	25.13	(113.20)
	Less : Cash flow hedge reserve (refer note (vii) (c) below)	(38.22)	-	-
	At the end of the year	**415.60**	**373.19**	**348.06**
	Total (a+b+c+d+e+f+g)	**14,117.46**	**13,363.02**	**10,135.85**

21 Other equity (continued)

Nature and purpose of reserve

(i) Securities premium

Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes in accordance with the provisions of section 52 of the Companies Act 2013.

(ii) Employee stock option outstanding

The Holding Company has established various equity settled share based payment plans for certain categories of employees of the Group.

(iii) Statutory reserve

Reserve u/s. 45-IA of RBI Act, 1934 is created in accordance with section 45 IC(1) of the RBI Act, 1934. As per Section 45 IC(2) of the RBI Act, 1934, no appropriation of any sum from this reserve fund shall be made by the non-banking financial company except for the purpose as may be specified by RBI.

(iv) Retained earnings

Surplus in the statement of profit and loss is the accumulated available profit of the Group carried forward from earlier years. These reserve are free reserves which can be utilised for any purpose as may be required.

(v) Capital reserve

Pursuant to Scheme of arrangement, the Group has created a capital reserve in accordance with the applicable accounting standards.

(vi) Capital redemption reserve

The capital redemption reserve was created on account of the redemption of the cumulative non convertible compulsorily redeemable preference shares. Also refer Note 52

(vii) Other comprehensive income (OCI)

a) The Group has elected to recognise changes in the fair value of loans , financial instruments and investments in other comprehensive income. These changes are accumulated within other equity - Financial Instruments through OCI.
b) Remeasurement of the net defined benefit liabilities comprise actuarial gain or loss, return on plan assets excluding interest and the effect of asset ceiling, if any.
c)The Group has applied hedge accounting for designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity as cash flow hedge reserve.

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

22 Additional information as required under Schedule III to the Companies Act 2013, of entities consolidated as subsidiaries/ associates/ joint ventures

Particulars	Net assets (total assets minus total liabilities)		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % consolidated of total comprehensive income	Amount
As at March 31, 2021								
Parent								
Northern Arc Capital Limited	93.18%	15,588.60	73.18%	560.47	194.28%	62.21	78.05%	622.68
Domestic Subsidiaries - (parent's share)								
Northern Arc Investment Adviser Services Private Limited	0.21%	34.80	0.56%	4.27	3.19%	1.02	0.66%	5.29
Northern Arc Investment Managers Private Limited	1.76%	294.82	11.41%	87.37	5.22%	1.67	11.16%	89.04
IFMR Fimpact Long Term Credit Fund	6.64%	1,110.63	19.62%	150.26	-58.93%	(18.87)	16.46%	131.39
Non-controlling interests in all subsidiaries	5.42%	906.02	11.84%	90.78	-43.76%	(14.01)	9.61%	76.77
Eliminations	-7.21%	(1,205.70)	-16.61%	(127.23)	0.00%	-	-15.94%	(127.23)
As at March 31, 2021	**100.00%**	**16,729.17**	**100.00%**	**765.92**	**100.00%**	**32.02**	**100.00%**	**797.94**
As at March 31, 2020								
Parent								
Northern Arc Capital Limited	93.43%	14,928.21	87.07%	896.20	137.12%	32.21	88.18%	928.41
Domestic Subsidiaries - (parent's share)								
Northern Arc Investment Adviser Services Private Limited	0.18%	29.51	0.76%	7.81	-3.53%	(0.83)	0.66%	6.98
Northern Arc Investment Managers Private Limited	1.25%	199.28	0.69%	7.15	-11.24%	(2.64)	0.43%	4.51
IFMR Fimpact Long Term Credit Fund	7.05%	1,124.18	13.94%	143.52	-12.81%	(3.01)	13.35%	140.51
Northern Arc Money Market Alpha Fund	0.00%	-	0.81%	8.30	-	-	0.79%	8.30
Non-controlling interests in all subsidiaries	5.71%	912.84	9.81%	100.97	-9.54%	(2.24)	9.38%	98.73
Eliminations	-7.62%	(1,216.91)	-13.08%	(134.62)	0.00%	-	-12.79%	(134.62)
As at March 31, 2020	**100.00%**	**15,977.11**	**100.00%**	**1,029.33**	**100.00%**	**23.49**	**100.00%**	**1,052.82**

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

22 Additional information as required under Schedule III to the Companies Act 2013, of entities consolidated as subsidiaries/ associates/ joint ventures (continued)

Particulars	Net assets (total assets minus total liabilities)		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % consolidated of total comprehensive income	Amount
As at March 31, 2019								
Parent								
Northern Arc Capital Limited	88.93%	11,471.86	77.41%	893.44	108.17%	(116.03)	74.26%	777.41
Domestic Subsidiaries - (parent's share)								
Northern Arc Investment Adviser Services Private Limited	0.17%	22.53	0.69%	7.94	-0.03%	0.03	0.76%	7.97
Northern Arc Investment Managers Private Limited	1.62%	209.27	4.32%	49.88	-0.96%	1.03	4.86%	50.91
IFMR Fimpact Long Term Credit Fund	8.81%	1,136.49	9.18%	106.01	-0.85%	0.91	10.22%	106.92
IFMR Fimpact Medium Term opportunities Fund	0.00%	-	4.11%	47.40	0.00%	-	4.53%	47.40
Northern Arc Money Market Alpha Fund	2.17%	279.37	0.21%	2.37	-2.64%	2.83	0.50%	5.20
Non-controlling interests in all subsidiaries	9.50%	1,225.02	14.06%	162.44	-3.69%	3.96	15.89%	166.40
Eliminations	-11.20%	(1,444.32)	-9.98%	(115.32)	0.00%	-	-11.02%	(115.32)
As at March 31, 2019	**100.00%**	**12,900.22**	**100.00%**	**1,154.16**	**100.00%**	**(107.27)**	**100.00%**	**1,046.89**

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

23 Interest income

	Year ended March 31, 2021			
	On financial assets measured at			Total
	FVOCI	Amortised cost	FVTPL	
Interest on loans	1,054.76	3,572.69	-	4,627.45
Interest from investments:				
- Pass through certificates	276.98	-	-	276.98
- Non-convertible debentures	814.27	-	-	814.27
Interest on deposits with banks	-	79.94	-	79.94
	2,146.01	**3,652.63**	**-**	**5,798.64**

	Year ended March 31, 2020			
	On financial assets measured at			Total
	FVOCI	Amortised cost	FVTPL	
Interest on loans	464.36	3,860.75	-	4,325.11
Interest from investments:				
- Pass through certificates	295.16	-	-	295.16
- Commercial paper	-	15.87	-	15.87
- Non-convertible debentures	874.73	-	-	874.73
Interest on deposits with banks	-	53.67	-	53.67
	1,634.25	**3,930.29**	**-**	**5,564.54**

	Year ended March 31, 2019			
	On financial assets measured at			Total
	FVOCI	Amortised cost	FVTPL	
Interest on loans	464.36	3,402.15	-	3,866.51
Interest from investments:				
- Pass through certificates	330.08	-	-	330.08
- Commercial paper	-	8.04	-	8.04
- Non-convertible debentures	877.74	-	-	877.74
Interest on deposits with banks	-	24.83	-	24.83
	1,672.18	**3,435.02**	**-**	**5,107.20**

24 Fees and commission income	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Income from guarantee facility	77.10	93.26	78.36
Income from other financial services			
- Professional fee	376.50	391.43	407.85
- Management fee	140.98	134.72	101.08
- Arranger fee for guarantee facility	43.83	33.12	13.05
Others	4.94	0.55	3.33
	643.35	**653.08**	**603.67**

25 Net gain on fair value changes

Net gain on financial instruments at fair value through profit or loss			
On Alternative investment funds	322.16	16.83	224.05
On Mutual fund investments	36.85	43.53	22.47
Profit on sale of investments in non-convertible debentures and pass-through certificates	10.71	1.28	57.69
	369.72	**61.64**	**304.21**
Fair value changes:			
-Realised	289.21	44.81	293.63
-Unrealised	80.51	16.83	10.58
	369.72	**61.64**	**304.21**

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

	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
26 Other income			
Income from other than financing activities	24.12	16.25	0.81
Interest income from income tax refund	8.17	-	0.02
Provision no longer required written back	8.87	-	0.01
Impairment reversal on financial instruments	-	0.08	155.14
	41.16	**16.33**	**155.98**
27 Finance costs			
Finance costs on financial liabilities measured at amortised cost			
Interest on deposits	5.28	8.98	2.63
Interest on borrowings			
- Term loans from banks and others	1,790.15	1,743.87	1,458.31
- Cash credits and overdraft	33.78	88.29	85.97
- Securitised portfolio	4.14	81.27	184.02
Interest on debt securities	1,214.21	967.59	916.45
Interest on sub-ordinated liabilities	-	7.25	5.34
Interest on lease liability	12.41	12.64	2.70
Amortisation of discount on commercial papers	18.77	72.20	305.72
Other borrowing costs	150.94	109.98	59.97
	3,229.68	**3,092.07**	**3,021.11**

Note: Other than financial liabilities measured at amortized cost, there are no other financial liabilities measured at FVTPL.

	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
28 Impairment on financial instruments			
Write off on financial instruments			
Loans	591.00	104.45	7.93
Investments	60.05	117.47	140.73
Less: Recovery	(22.84)	(13.73)	-
Impairment loss allowance on financial instruments (refer note 49)			
Loans	313.42	233.08	-
Investments	384.58	(87.66)	-
Others	27.88	1.27	-
	1,354.09	**354.88**	**148.66**
29 Employee benefits expense			
Salaries, wages and bonus	540.85	534.61	551.71
Contribution to provident fund	29.05	29.20	22.57
Employee share based payment expenses	24.57	77.23	104.70
Expenses related to post-employment defined benefit plans (refer note 41)	12.92	11.53	11.01
Staff welfare expenses	15.05	30.40	30.85
	622.44	**682.97**	**720.84**
30 Depreciation and amortisation expense			
Depreciation of property, plant and equipment (refer note 10.1)	12.56	14.93	9.28
Depreciation of Right of Use asset (refer note 10.2 and 34)	32.01	28.81	17.46
Amortisation of intangible assets(refer note 10.4)	22.85	23.55	20.18
	67.42	**67.29**	**46.92**

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

		Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
31	**Other expenses**			
	Rent	32.31	59.11	35.00
	Rates and taxes	0.76	0.96	16.43
	Travelling and conveyance	4.45	70.04	73.46
	Legal and professional charges	139.93	134.34	141.29
	Distribution fee expense	8.33	15.66	18.86
	Set up cost	0.23	5.21	-
	Loss on sale of investment	-	0.40	-
	Auditors' remuneration (refer note 31.1 below)	9.52	7.46	7.11
	Directors' sitting fees	11.59	7.35	2.97
	Net loss on fair value changes	0.82	65.09	-
	Repairs and maintenance	25.81	28.80	22.59
	Communication expenses	8.58	9.38	9.64
	Printing and stationery	0.72	2.44	1.75
	Subscription charges	10.17	10.65	8.82
	Advertisement and business promotion	4.78	6.30	4.43
	Corporate social responsibility expenditure (refer note 31.2 below)	25.88	34.74	8.23
	Bank charges	8.65	3.29	4.39
	Miscellaneous expenses	1.56	12.28	15.53
		294.09	**473.50**	**370.50**

31.1 Payments to auditor (excluding goods and services tax)

Statutory audit	6.35	5.70	5.32
Tax audit	0.30	0.35	0.35
Other services	2.60	1.25	1.25
Reimbursement of expenses	0.27	0.16	0.19
	9.52	**7.46**	**7.11**

31.2 Corporate social responsibility ("CSR") expenditure

(a) Gross amount required to be spent by the Company during the year	25.88	23.40	14.14
(b) Amount approved by the Board to be spent during the year	25.88	23.40	14.14
(c) Amount spent during the year (in cash) :			
(i) Construction/ acquisition of any asset	-	-	-
(ii) On purposes other than (i) above	30.16	36.17	8.23
(d) Contributions to Northern Arc Foundation (wholly owned subsidiary of the Company incorporated under section 8 of Companies Act, 2013) (Also refer note 43C)	30.16	19.77	-
(e) Carry forward balances of CSR pre-spent			
Opening balance of pre-spent / (shortfalls)	-	(11.73)	(5.82)
Amount required to be spent during the year	(25.88)	(23.40)	(14.14)
Amount spent during the year	30.16	36.17	8.23
Closing balance of pre-spent / (shortfalls)	4.28	1.03	(11.73)

32 Income tax

A. The components of income tax expense for the years ended March 31, 2021, March 31, 2020 and March 31, 2019 are:

Particulars	**Year ended March 31, 2021**	**Year ended March 31, 2020**	**Year ended March 31, 2019**
Current tax	421.75	335.08	534.76
Less: MAT Credit entitlement	-	-	(0.74)
Deferred tax charge/ (Credit)	(187.74)	80.50	59.86
Tax expense	**234.01**	**415.58**	**593.88**

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

32 Income tax (continued)

B. Reconciliation of the total tax charge

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the years ended March 31, 2021, March 31, 2020 and March 31, 2019 is, as follows:-

Particulars	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Profit before tax	999.93	1,444.91	1,748.04
Less: Exempted profit	(90.78)	(100.97)	(202.81)
Profit before tax attributable to equity holders	909.15	1,343.94	1,545.23
Applicable tax rate	25.168%	25.168%	34.944%
Computed expected tax expense	**228.81**	**338.24**	**539.97**
Effect of difference in tax expenditure due to differential tax rates applicable for subsidiaries *	(0.50)	(3.95)	(5.22)
Change in tax rate	-	64.71	-
Permanent differences	5.70	16.58	59.13
Tax expenses recognised in the statement of profit and loss	**234.01**	**415.58**	**593.88**
Effective tax rate	25.74%	30.92%	38.43%

Note: The Company and one of its subsidiary (Northern Arc Investment Managers Private Limited) has elected to exercise the option permitted under section 115BAA of the Income tax Act, 1961, as introduced by the Taxation laws (Amendment) Act, 2019. Accordingly, the Company has recognised provision for income tax and remeasured its net deferred tax asset at concessional rate for the year ended March 31, 2021 and March 31, 2020 .

* Tax rates applicable for subsidiaries are as follows

	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Northern Arc Investment Managers Private Limited	25.17%	25.17%	29.12%
Northern Arc Investment Adviser Services Private Limited	26.00%	27.82%	27.82%

C. Deferred tax

The following table shows deferred tax recorded in the balance sheet and changes recorded in the Income tax expense

Particulars	As at April 1, 2020	Statement of profit and loss	Other comprehensive income	MAT utilization	As at March 31, 2021
Deferred tax asset / (liability) in relation to:					
Property plant and equipment	(0.76)	(0.94)	-	-	(1.70)
Impact of fair value of assets	(135.18)	(3.87)	95.47	-	(43.58)
Impairment on financial assets	158.35	150.36	(116.08)	-	192.63
Provision for employee benefits	17.81	2.15	(1.23)	-	18.73
Unamortised component of processing fee	(4.88)	35.65	-	-	30.77
Minimum alternative tax	1.77	-	-	(0.40)	1.37
Others	(5.20)	4.39	-	-	(0.81)
Total	**31.91**	**187.74**	**(21.84)**	**(0.40)**	**197.41**

Particulars	As at April 1, 2019	Statement of profit and loss	Other comprehensive income	MAT utilization	As at March 31, 2020
Deferred tax asset / (liability) in relation to:					
Property plant and equipment	(4.13)	3.37	-	-	(0.76)
Impact of fair value of assets	3.04	(163.96)	25.74	-	(135.18)
Impairment on financial assets	54.20	79.26	24.89	-	158.35
Provision for employee benefits	(3.42)	21.39	(0.16)	-	17.81
Unamortised component of processing fee	7.69	(12.57)	-	-	(4.88)
Premium accrued on preference shares	2.21	(2.21)	-	-	-
Minimum alternative tax	2.82	-	-	(1.05)	1.77
Others*	0.58	(5.78)	-	-	(5.20)
Total	**62.99**	**(80.50)**	**50.47**	**(1.05)**	**31.91**

*Opening balance is after reversing the effect of restatement adjustment on deferred tax upto March 31, 2019 amounting to Rs. 0.07 Million which has not been carried as opening balance as at April 1, 2019 (Refer Note 53 (C))

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

C. Deferred tax (continued)

Particulars	**As at April 1, 2018**	**Statement of profit and loss**	**Other comprehensive income**	**MAT utilization**	**As at March 31, 2019**
Deferred tax asset / (liability) in relation to:					
Property plant and equipment	(6.73)	2.60	-	-	(4.13)
Impact of fair value of assets	(241.81)	244.85	-	-	3.04
Impairment on financial assets	246.67	(255.29)	62.82	-	54.20
Provision for employee benefits	29.92	(32.41)	(0.93)	-	(3.42)
Unamortised component of processing fee	39.73	(32.04)	-	-	7.69
Premium accrued on preference shares	(4.69)	6.90	-	-	2.21
Others	(4.88)	5.53	-	-	0.65
Sub-Total	**58.21**	**(59.86)**	**61.89**	**-**	**60.24**
Minimum alternative tax	2.84	0.74	-	(0.76)	2.82
Grand Total	**61.05**	**(59.12)**	**61.89**	**(0.76)**	**63.06**

33 Earnings per share ('EPS')

	Year ended March 31, 2021	**Year ended March 31, 2020**	**Year ended March 31, 2019**
Earnings			
Net profit attributable to equity shareholders for calculation of basic EPS	675.14	928.36	991.72
Net profit attributable to equity shareholders for calculation of diluted EPS	699.71	1,005.59	1,069.84
Shares			
Equity shares at the beginning of the period	8,74,77,903	7,83,65,776	7,83,65,673
Shares issued during the period	4,43,647	91,12,127	103
Total number of equity shares outstanding at the end of the period	8,79,21,550	8,74,77,903	7,83,65,776
Weighted average number of equity shares outstanding during the year for calculation of basic EPS	8,76,19,183	8,39,77,665	7,83,65,776
Options granted	17,79,135	20,47,493	18,40,923
Compulsory convertible preference shares	4,13,23,204	4,08,68,385	1,78,71,250
Weighted average number of equity shares outstanding during the year for calculation of diluted EPS	13,07,21,522	12,68,93,543	9,80,77,949
Face value per share	10.00	10.00	10.00
Earnings per share			
Basic	7.71	11.05	12.66
Diluted	5.35	7.92	10.91

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

34 Leases

The disclosures as required under Ind AS 116 are as follows:-

(i) Measurement of Lease Liabilities

Particulars	**As at March 31, 2021**	**As at March 31, 2020**	**As at March 31, 2019 ***
Lease liability recognised	112.74	140.81	26.19

The Group has considered weighted average rate of borrowings for discounting.

The Group has entered into leasing arrangements for premises. Right of Use (ROU) asset has been included after the line 'Property, Plant and Equipment' and Lease liability has been included under 'Other Financial Liabilities' in the Balance Sheet.

(ii) Amounts recognised in the Balance sheet

Particulars	**As at March 31, 2021**	**As at March 31, 2020**	**As at March 31, 2019 ***
a) Right-of-use assets (net)	98.54	132.42	26.12
b) Lease liabilities			
Current	36.52	39.56	7.94
Non-current	76.22	101.25	18.25
Total Lease liabilities	**112.74**	**140.81**	**26.19**
c) Additions to the Right-of-use assets	-	161.23	18.42

(iii) Amounts recognised in the Statement of Profit and Loss

Particulars	**As at March 31, 2021**	**As at March 31, 2020**	**As at March 31, 2019 ***
a) Depreciation charge for right-of-use assets	32.01	28.81	17.46
b) Interest expense (included in finance cost)	12.41	12.64	2.70
c) Expense relating to short-term leases	32.31	59.11	35.00

Note : July 24, 2020, the MCA issued a notification as the Companies (Ind AS) Amendment Rules, 2020, which has come into force as on the data of publication. These amendments provide relief for lessees in the accounting for rent concessions granted as direct consequences of COVID-19. The Group have received the rent concession for 2 leases during the period June 2020 to September 2020 amounting to INR 3.52 millions (disclosed under "other income").

(iv) Cash Flows

Particulars	**As at March 31, 2021**	**As at March 31, 2020**	**As at March 31, 2019 ***
The total cash outflow of leases	38.28	31.94	19.15

(v) Maturity analysis of undiscounted lease liabilities

Particulars	**As at March 31, 2021**	**As at March 31, 2020**	**As at March 31, 2019 ***
Not later than one year	36.52	39.56	33.21
Later than one year and not later than five years	93.34	127.19	159.98
Later than five years	5.23	8.93	19.35

* also refer note 53

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

35 Maturity Analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Derivatives have been classified to mature and/ or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the company uses the same basis of expected repayment behaviour as used for estimating the EIR.

Particulars	As at March 31, 2021			As at March 31, 2020			As at March 31, 2019		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Assets									
Cash and cash equivalents	3,981.03	-	3,981.03	3,332.17	-	3,332.17	1,907.94	-	1,907.94
Bank balances other than cash and cash equivalents	683.80	-	683.80	772.02	-	772.02	523.39	-	523.39
Trade receivables	183.54	-	183.54	83.01	-	83.01	167.97	-	167.97
Loans	24,649.50	12,758.17	37,407.67	11,343.01	17,903.77	29,246.78	13,937.88	13,830.57	27,768.45
Investments	3,747.00	10,078.68	13,825.68	2,671.26	9,043.63	11,714.89	2,909.78	9,019.97	11,929.75
Other financial assets	47.39	-	47.39	74.77	0.10	74.87	87.64	-	87.64
Current tax assets (net)	-	357.92	357.92	-	411.90	411.90	-	152.38	152.38
Deferred tax assets (net)	-	207.18	207.18	-	31.91	31.91	-	63.06	63.06
Property, plant and equipment	-	10.49	10.49	-	17.84	17.84	-	6.84	6.84
Intangible assets under development	-	5.40	5.40	-	9.49	9.49	-	34.27	34.27
Intangible assets	-	97.28	97.28	-	83.16	83.16	-	29.10	29.10
ROU Asset	-	98.54	98.54	-	132.42	132.42	-	26.12	26.12
Goodwill	-	17.46	17.46	-	17.46	17.46	-	17.46	17.46
Other non- financial assets	48.27	-	48.27	46.96	0.01	46.97	65.58	-	65.58
Total Assets	**33,340.53**	**23,631.12**	**56,971.65**	**18,323.20**	**27,651.69**	**45,974.89**	**19,600.18**	**23,179.77**	**42,779.95**
Liabilities									
Derivative financial instruments	89.85	-	89.85	-	-	-	1.07	-	1.07
Trade payables									
`Total outstanding dues of micro and small enterprises	-	-	-	-	-	-	-	-	-
`Total outstanding dues of creditors other than micro and small enterprises	156.19	-	156.19	83.09	-	83.09	97.14	-	97.14
Debt securities	6,249.88	10,145.80	16,395.68	2,742.86	5,859.22	8,602.08	7,956.30	4,482.31	12,438.61
Borrowings (Other than debt securities)	12,628.94	10,295.77	22,924.71	10,417.66	10,195.18	20,612.84	10,389.13	6,301.35	16,690.48
Subordinated liabilities	-	-	-	-	-	-	121.34	-	121.34
Other financial liabilities	337.05	85.99	423.04	406.25	112.91	519.16	345.06	-	345.06
Provisions	11.22	165.13	176.35	9.75	130.52	140.27	8.13	114.12	122.25
Current tax liabilities (net)	-	-	-	-	-	-	-	4.36	4.36
Deferred tax liabilities (net)	-	9.77	9.77	-	-	-	-	-	-
Other non-financial liabilities	66.89	-	66.89	40.34	-	40.34	59.42	-	59.42
Total Liabilities	**19,540.02**	**20,702.46**	**40,242.48**	**13,699.95**	**16,297.83**	**29,997.78**	**18,977.59**	**10,902.14**	**29,879.73**
Total equity			**16,729.17**			**15,977.11**			**12,900.22**

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

35 Maturity Analysis of assets and liabilities (continued)

Change in Liabilities arising from financing activities

Particulars	As at April 1, 2020	Cash flows (net)	Exchange difference	Others*	New Leases	As at March 31, 2021
Debt Securities	8,602.08	7,774.83	-	18.77	-	16,395.68
Borrowings (other than debt securities)	20,612.84	2,075.21	0.68	235.98	-	22,924.71
Lease Liabilities	140.81	(34.76)	-	6.69	-	112.74

Particulars	As at April 1, 2019	Cash flows (net)	Exchange difference	Others*	New Leases	As at March 31, 2020
Debt Securities	12,438.61	(3,908.74)	-	72.21	-	8,602.08
Borrowings (other than debt securities)	16,690.48	3,885.81	-	36.55	-	20,612.84
Subordinated liabilities	121.34	(121.34)	-	-	-	-
Lease Liabilities	26.19	(29.13)	-	-	143.75	140.81

Particulars	As at April 1, 2018	Cash flows (net)	Exchange difference	Others*	New Leases	As at March 31, 2019
Debt Securities	6,030.00	6,102.89	-	305.72	-	12,438.61
Borrowings (other than debt securities)	23,146.65	(6,582.42)	-	126.24	-	16,690.48
Subordinated liabilities	-	121.34	-	-	-	121.34
Lease Liabilities	-	(19.15)	-	-	45.34	26.19

* Others includes the effect of accrued but not paid interest on borrowing, amortisation of processing fees, decrease in lease liability on account of termination.

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

36 Financial instrument

A Fair value measurement

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., exit price. This is regardless of whether that price is directly observable or estimated using a valuation technique.

Financial instruments by category

The carrying value and fair value of financial instruments measured at fair value as of March 31, 2021 were as follows (Also refer note 49)

	Carrying amount		Fair value			
Particulars	**FVTPL**	**FVOCI**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:						
Loans	-	10,227.53	-	-	10,227.53	10,227.53
Investments						
- Pass through certificates	-	1,589.70	-	-	1,589.70	1,589.70
- Non convertible debentures	-	8,908.64	-	-	8,908.64	8,908.64
- Alternative Investment Funds	2,249.45	-	-	-	2,249.45	2,249.45
- Investment in Government securities	1,491.10		1,491.10	-	-	1,491.10
- Share warrants	0.16	-	-	-	0.16	0.16
- Mutual funds	74.03	-	74.03	-	-	74.03
Financial liabilities						
Derivative financial instruments	-	89.85	-	-	89.85	89.85

The carrying value and fair value of financial instruments measured at fair value as of March 31, 2020 were as follows (Also refer note 49)

	Carrying amount		Fair value			
Particulars	**FVTPL**	**FVOCI**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:						
Loans	-	7,316.01	-	-	7,316.01	7,316.01
Investments						
- Pass through certificates	-	2,248.14	-	-	2,248.14	2,248.14
- Non convertible debentures	-	7,451.34	-	-	7,451.34	7,451.34
- Alternative Investment Funds	2,040.63	-	-	-	2,040.63	2,040.63
- Share warrants	0.16	-	-	-	0.16	0.16
- Mutual funds	41.05	-	41.05	-	-	41.05

The carrying value and fair value of financial instruments measured at fair value as of March 31, 2019 were as follows:

	Carrying amount		Fair value			
Particulars	**FVTPL**	**FVOCI**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:						
Loans	-	3,986.50	-	-	3,986.50	3,986.50
Investments						
- Commercial papers	-	596.12	-	-	596.12	596.12
- Pass through certificates	-	2,573.16	-	-	2,573.16	2,573.16
- Non convertible debentures	-	6,797.50	-	-	6,797.50	6,797.50
- Alternative Investment Funds	2,047.63	-	-	-	2,047.63	2,047.63
- Share warrants	0.11	-	-	-	0.11	0.11
- Mutual funds	22.96	-	22.96	-	-	22.96
Financial liabilities						
Derivative financial instruments	-	1.07	-	-	1.07	1.07

Reconciliation of level 3 fair value measurement is as follows

Particulars	**Year ended**		
	March 31, 2021	**March 31, 2020**	**March 31, 2019**
Financial assets measured at FVOCI			
Balance at the beginning of the year	439.81	470.11	646.36
Total gains measured through OCI for additions made during the year	55.18	(30.30)	(176.25)
Balance at the end of the year	**494.99**	**439.81**	**470.11**
Financial assets measured at FVTPL			
Fair value adjustment	80.51	16.83	10.58

Sensitivity analysis - Increase/ decrease of 100 basis points

Particulars	**As at March 31, 2021**		**As at March 31, 2020**		**As at March 31, 2019**	
	Increase	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
Financial assets:						
Loans	102.28	(102.28)	73.16	(73.16)	39.87	(39.87)
Investments						
- Pass through securities	15.90	(15.90)	22.48	(22.48)	25.73	(25.73)
- Non convertible debentures	89.09	(89.09)	98.77	(98.77)	92.24	(92.24)
- Alternative Investment Funds	22.49	(22.49)	20.41	(20.41)	20.48	(20.48)
- Investment in Government securities	14.91	(14.91)				
- Mutual funds	0.74	(0.74)	0.16	(0.16)	0.13	(0.13)
Financial liabilities:						
Derivative financial instruments	(0.90)	0.90	-	-	(0.01)	0.01

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

36 Financial instrument (continued)

A Fair value measurement (continued)

The carrying value and fair value of other financial instruments by categories as of March 31, 2021 were as follows:

Particulars	Carrying Value Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value:					
Cash and cash equivalents	3,981.03				-
Bank balances other than cash and cash equivalents	683.80				-
Trade receivables	183.54				-
Loans	27,922.62				-
Investments in subsidiaries	0.10				
Other financial assets	47.39				-
Financial liabilities not measured at fair value:					
					-
Trade payables					
-total outstanding dues of micro and small enterprises	-				-
-total outstanding dues of creditors other than micro and small enterprises	156.19				-
Debt securities	16,395.68				-
Borrowings (Other than debt securities)	22,924.71				-
Other financial liabilities	423.04				-

The carrying value and fair value of other financial instruments by categories as of March 31, 2020 were as follows:

Particulars	Carrying Value Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value:					
Cash and cash equivalents	3,332.17				-
Bank balances other than cash and cash equivalents	772.02				-
Trade receivables	83.01				-
Loans	22,413.76				-
Investments in subsidiaries	0.10				
Other financial assets	74.87				-
Financial liabilities not measured at fair value:					
Trade payables					
-total outstanding dues of micro and small enterprises	-				-
-total outstanding dues of creditors other than micro and small enterprises	83.09				-
Debt securities	8,602.08				-
Borrowings (Other than debt securities)	20,612.84				-
Other financial liabilities	519.16				-

The carrying value and fair value of financial instruments by categories as of March 31, 2019 were as follows:

Particulars	Carrying Value Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value:					
Cash and cash equivalents	1,907.94				-
Bank balances other than cash and cash equivalents	523.39				-
Trade receivables	167.97				-
Loans	24,051.35				-
Other financial assets	87.64				-
Financial liabilities not measured at fair value:					
Trade payables					
-total outstanding dues of micro and small enterprises	-				-
-total outstanding dues of creditors other than micro and small enterprises	97.14				-
Debt securities	12,438.61				-
Borrowings (Other than debt securities)	16,690.48				-
Subordinated liabilities	121.34				
Other financial liabilities	345.06				-

Note:
For all of the financial assets and liabilities which are not carried at fair value, disclosure of fair value is not required as the carrying amounts approximates the fair values.

B *Measurement of fair values*

Valuation methodologies of financial instruments not measured at fair value

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the financial statements. These fair values were calculated for disclosure purposes only.

Short-term financial assets and liabilities
For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include: cash and cash equivalents, bank balances other than cash and cash equivalents, trade receivables, other financial assets, trade payables and other financial liabilities without a specific maturity.

Borrowings
The debt securities, borrowings and subordinated liabilities are primarily variable rate instruments. Accordingly, the fair value has been assumed to be equal to the carrying amount.

Loans
The Loans are primarily variable rate instruments. Accordingly, the fair value has been assumed to be equal to the carrying amount.

Transfers between levels I and II
There has been no transfer in between level I and level II.

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

36 Financial instrument (continued)

C Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to equity shareholders.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

The Group's adjusted net debt to equity ratio is as follows:

	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
Total financial liabilities	39,989.47	29,817.17	29,879.73
Less: cash and cash equivalents	(3,981.03)	(3,332.17)	(1,907.94)
Adjusted net debt	**36,008.44**	**26,485.00**	**27,971.79**
Total equity	16,729.17	15,977.11	12,900.22
Adjusted net debt to equity ratio	2.15	1.66	2.17

The Holding Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the local banking supervisor, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

The Holding Company has complied in full with all its externally imposed capital requirements over the reported period. Equity share capital and other equity are considered for the purpose of Company's capital management.

Regulatory capital of the Holding Company

Particulars	Carrying amount		
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
Tier I Capital	14,675.73	14,134.10	11,042.75
Tier II Capital	674.99	588.46	504.84
Total Capital	**15,350.72**	**14,722.56**	**11,547.59**
Risk weighted assets	53,127.47	44,403.69	42,694.16
Tier I Capital Ratio (%)	27.62%	31.83%	25.87%
Tier II Capital Ratio (%)	1.27%	1.33%	1.18%

Tier I capital consists of shareholders' equity excluding unrealised gain on fair valuation. Tier II Capital consists of general provision and loss reserve against standard assets and subordinated debt (subject to prescribed discount rates and not exceeding 50% of Tier I). Tier I and Tier II has been reported on the basis of Ind AS financial information.

37 Financial risk management objectives and policies

The Group's principal financial liabilities comprise borrowings from banks and issue of debentures. The main purpose of these financial liabilities is to finance the Group's operations and to support its operations. The Group's financial assets include loan and advances, investments and cash and cash equivalents that derive directly from its operations.

The Group is exposed to credit risk, liquidity risk and market risk. The Group's board of directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee and asset liability committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(I) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans and investments (Also refer note 49).

The carrying amounts of financial assets represent the maximum credit risk exposure.

Loans
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry.

The Group's exposure to credit risk for loans by type of counterparty is as follows. All these exposures are with in India.

Particulars	Carrying Amount		
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
Term loans	38,150.15	29,729.77	28,037.85
Less : Impairment loss allowance	(742.48)	(482.99)	(269.40)
	37,407.67	**29,246.78**	**27,768.45**

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the loan receivables are categorised into groups based on days past due and the type of risk exposures. Each group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - Financial Instruments.

Staging:
As per the provision of Ind AS 109 all financial instruments are allocated to stage 1 on initial recognition. However, if a significant increase in credit risk is identified at the reporting date compared with the initial recognition, then an instrument is transferred to stage 2. If there is objective evidence of impairment, then the asset is credit impaired and transferred to stage 3.

The Group considers a financial instrument defaulted and therefore stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

For financial assets in stage 1, the impairment calculated based on defaults that are possible in next twelve months, whereas for financial instrument in stage 2 and stage 3 the ECL calculation considers default event for the lifetime of the instrument.

As per Ind AS 109, Group assesses whether there is a significant increase in credit risk at the reporting date from the initial recognition. Group has staged the assets based on the days past dues criteria and other market factors which significantly impacts the portfolio.

Days past dues	Stage	Provisions
Current	Stage 1	12 Months Provision
1-30 Days	Stage 1	12 Months Provision
31-90 Days	Stage 2	Lifetime Provision
90+ Days	Stage 3	Lifetime Provision

Also refer note 49

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

37 Financial risk management objectives and policies (continued)

(I) Credit risk (continued)

Grouping
As per Ind AS 109, the Group is required to group the portfolio based on the shared risk characteristics. The Group has assessed the risk and its impact on the various portfolios and has divided the portfolio into following groups:
- Loans
- Guarantees to pooled issuances
- Other guarantees
- Undrawn exposure
- Second loss credit enhancement
- Investments in pass through securities
- Investments in non convertible debentures

Expected credit loss ("ECL"):
ECL on financial assets is an unbiased probability weighted amount based out of possible outcomes after considering risk of credit loss even if probity is low. ECL is calculated based on the following components:
a. Probability of default ("PD")
b. Loss given default ("LGD")
c. Exposure at default ("EAD")
d. Discount factor ("D")

Marginal probability of default:
Probability of default ("PD") is defined as the probability of whether borrowers will default on their obligations in the future. Historical PD is derived from the internal data which is calibrated with forward looking macroeconomic factors.

For computation of PD, Pluto Tasche Model was used to forecast the PD term structure over lifetime of loans. As per given long term PD and current macroeconomic conditions, conditional PD corresponding to current macroeconomic condition is estimated. The Group has computed the PD based on the last four years historical data.

Marginal probability:
The PDs derived from the ARIMA model, are the cumulative PDs, stating that the borrower can default in any of the given years, however to compute the loss for any given year, these cumulative PDs have to be converted to marginal PDs. Marginal PDs is probability that the obligor will default in a given year, conditional on it having survived till the end of the previous year.

Conditional marginal probability:
As per Ind AS 109, expected loss has to be calculated as an unbiased and probability-weighted amount for multiple scenarios.
The probability of default was calculated for 3 scenarios: upside, downside and base. This weightage has been decided on best practices and expert judgement. Marginal conditional probability was calculated for all 3 possible scenarios and one conditional PD was arrived as conditional weighted probability.

LGD
LGD is an estimate of the loss from a transaction given that a default occurs. Under Ind AS 109, lifetime LGD's are defined as a collection of LGD's estimates applicable to different future periods. Various approaches are available to compute the LGD. The Group has considered the workout LGD approach by considering historical losses and recoveries. The following steps are performed to calculate the LGD:

1) Analysis of historical credit impaired accounts at cohort level.
2) The computation consists of five components, which are:
   a) Outstanding balance (POS)
   b) Recovery amount (discounted yearly) by initial contractual rate.
   c) Expected recovery amount (for incomplete recoveries), discounted to reporting date using initial contractual rate.
   d) Collateral (security) amount

The formula for the computation is as below:
% Recovery rate = (discounted recovery amount + security amount + discounted estimated recovery) / (total POS)
% LGD = 1 – recovery rate

In addition, the Group has also considered an LGD of 65% as recommended by the Foundation Internal Ratings Based (FIRB) approach under Basel II guidelines issued by RBI.

EAD:

As per Ind AS 109, EAD is estimation of the extent to which the financial entity may be exposed to counterparty in the event of default and at the time of counterparty's default. The Group has modelled EAD based on the contractual and behavioural cash flows till the lifetime of the loans considering the expected prepayments.

The Group has considered expected cash flows , undrawn exposures and SLCE for all the loans at DPD bucket level for each of the risk segments, which was used for computation of ECL. Moreover, the EAD comprised of principal component, accrued interest and also the future interest for the outstanding exposure. So discounting was done for computation of expected credit loss.

Discounting:
As per Ind AS 109, ECL is computed by estimating the timing of the expected credit shortfalls associated with the defaults and discounting them using effective interest rate.

ECL computation:
Conditional ECL at DPD pool level was computed with the following method:
Conditional ECL for year (yt) = EAD (yt) * conditional PD (yt) * LGD (yt) * discount factor (yt)
The calculation is based on provision matrix which considers actual historical data adjusted appropriately for the future expectations and probabilities. Proportion of expected credit loss provided for across the stage is summarised below:

Particulars	Provisions	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
Stage 1	12 month provision	423.25	321.08	234.50
Stage 2	Life time provision	98.98	94.04	9.90
Stage 3	Life time provision	220.25	67.87	25.00
Amount of expected credit loss provided		**742.48**	**482.99**	**269.40**

The loss rates are based on actual credit loss experience over past years. These loss rates are then adjusted appropriately to reflect differences between current and historical economic conditions and the Group’s view of economic conditions over the expected lives of the loan receivables. Movement in provision of expected credit loss has been provided in below note.

Particulars	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
ECL allowance - opening balance	**482.99**	**269.40**	**220.04**
Addition during the year	850.49	318.04	59.38
Write offs during the year	(591.00)	(104.45)	(7.93)
Transfer to OCI	-	-	(2.09)
Closing provision of ECL	**742.48**	**482.99**	**269.40**

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

37 Financial risk management objectives and policies (continued):

(I) Credit risk (continued)

Analysis of changes in the gross carrying amount of loans as on March 31, 2021

Particulars	As at March 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	**26,567.48**	**3,038.79**	**123.50**	**29,729.77**
New assets originated *	21,581.49	75.77	6.91	**21,664.17**
Asset derecognised or repaid	(12,652.79)	-	-	**(12,652.79)**
Transfer from stage 1	(694.35)	428.94	265.41	-
Transfer from stage 2	783.72	(857.16)	73.44	-
Transfer from stage 3	-	-	-	-
Write offs	(497.87)	(14.56)	(78.57)	**(591.00)**
As at the end of the year	**35,087.68**	**2,671.78**	**390.69**	**38,150.15**

* New assets originated are those assets which have originated during the year.

Analysis of changes in the gross carrying amount of loans as on March 31, 2020

Particulars	As at March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	**27,895.45**	**47.45**	**94.95**	**28,037.85**
New assets originated *	19,776.38	1,381.14	-	**21,157.52**
Asset derecognised or repaid	(19,360.20)	-	(0.95)	**(19,361.15)**
Transfer from stage 1	(1,744.15)	1,610.20	133.95	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Write offs	-	-	(104.45)	**(104.45)**
As at the end of the year	**26,567.48**	**3,038.79**	**123.50**	**29,729.77**

* New assets originated are those assets which have originated during the year.

Analysis of changes in the gross carrying amount of loans as on March 31, 2019

Particulars	As at March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	**23,277.76**	**34.95**	**71.45**	**23,384.16**
New assets originated *	16,753.87	-	25.00	**16,778.87**
Asset derecognised or repaid	(12,117.25)	-	-	**(12,117.25)**
Transfer from stage 1	(18.93)	12.50	6.43	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Write offs	-	-	(7.93)	**(7.93)**
As at the end of the year	**27,895.45**	**47.45**	**94.95**	**28,037.85**

* New assets originated are those assets which have originated during the year.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are, vehicles, loan portfolios and mortgaged properties based on the nature of loans. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure is the total of the carrying amount of the aforesaid balances.

B. *Investments*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The exposure to credit risk for investments is to other non-banking finance companies and financial institutions.

The risk committee has established a credit policy under which each new investee pool is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information etc. For investments the collateral is the underlying loan pool purchased from the financial institutions.

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the investments are categorised into groups based on days past due. Each group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - financial instruments. Further, the risk management committee periodically assesses the credit rating information.

Analysis of changes in the gross carrying amount of investments an on March 31, 2021:

Particulars	As at March 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	**10,488.55**	**1,226.31**	**66.56**	**11,781.42**
New assets originated *	3,824.93	-	-	3,824.93
Asset derecognised or repaid	(394.46)	(836.01)	(2.65)	(1,233.12)
Transfer from stage 1	(760.43)	10.43	750.00	-
Transfer from stage 2	310.92	(335.82)	24.90	-
Transfer from stage 3	-	-	-	-
Write offs	-	-	(60.05)	(60.05)
As at the end of the year	**13,469.51**	**64.91**	**778.76**	**14,313.18**

Analysis of changes in the gross carrying amount of investments an on March 31, 2020 :

Particulars	As at March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	**11,804.37**	**-**	**233.11**	**12,037.48**
New assets originated *	5,713.81	236.01	-	5,949.82
Asset derecognised or repaid	(6,039.33)	-	(49.08)	(6,088.41)
Transfer from stage 1	(990.30)	990.30	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Write offs	-	-	(117.47)	(117.47)
As at the end of the year	**10,488.55**	**1,226.31**	**66.56**	**11,781.42**

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

37 Financial risk management objectives and policies (continued)

Analysis of changes in the gross carrying amount of investments as on March 31, 2019 :

Particulars	As at March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	**12,144.66**	**429.86**	**332.07**	**12,906.59**
New assets originated *	4,317.75	-	-	4,317.75
Asset derecognised or repaid	(4,658.04)	(287.51)	(104.77)	(5,050.32)
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	(142.35)	142.35	-
Transfer from stage 3	-	-	-	-
Write offs	-	-	(136.54)	(136.54)
As at the end of the year	**11,804.37**	**-**	**233.11**	**12,037.48**

C. ***Cash and cash equivalent and Bank deposits***

Credit risk on cash and cash equivalent and bank deposits is limited as the Group generally invests in term deposits with banks.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities. The Group approach in managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due.

The Group is monitoring its liquidity risk by estimating the future inflows and outflows during the start of the year and planned accordingly the funding requirement. The Group manages its liquidity by unutilised cash credit facility, term loans and direct assignment.

The composition of the Group liability mix ensures healthy asset liability maturity pattern and well diverse resource mix.

The table below summarises the maturity profile of the Group's non derivative financial liabilities based on contractual undiscounted payments along with its carrying value as at the balance sheet date.

Particulars	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
As at March 31, 2021								
Borrowings	1,605.08	931.38	2,082.41	3,058.75	4,951.33	7,370.92	2,953.38	-
Debt securities	41.67	1,050.00	242.86	766.67	4,148.69	7,239.79	2,765.14	-
As at March 31, 2020								
Borrowings	1,240.52	218.00	1,985.63	2,102.27	4,871.25	9,444.81	704.64	-
Debt securities	757.50	642.50	-	150.00	1,192.86	4,896.43	960.71	-
As at March 31, 2019								
Borrowings	2,981.25	223.80	1,877.30	2,304.25	3,030.07	4,896.58	400.00	-
Debt securities	350.00	1,000.00	750.00	750.00	5,000.00	2,928.57	1,571.43	-
Subordinated liabilities	-	-	-	-	121.34	-	-	-

Note:
- The balances are gross of accrued interest and unamortised borrowing costs.
- Estimated expected cashflows considering the moratorium availed from lenders.

(iii) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk and foreign currency risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investment in bank deposits and variable interest rate lending. Whenever there is a change in borrowing interest rate for the Group, necessary change is reflected in the lending interest rates over the timeline in order to mitigate the risk of change in interest rates of borrowings.

Sensitivity analysis - Increase/ decrease of 100 basis points

Particulars	As at March 31, 2021		As at March 31, 2020		As at March 31, 2019	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Bank deposits	13.47	(13.47)	11.72	(11.72)	4.80	(4.80)
Loans	285.21	(285.21)	234.69	(234.69)	121.48	(121.48)
Borrowings and Debt Securities	(129.46)	129.46	(177.87)	177.87	(166.23)	166.23

(iv) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk for the Group arises majorly on account of foreign currency borrowings. The Group manages this foreign currency risk by entering into cross currency interest rate swaps. When a derivative is entered into for the purpose of being as hedge, the Group negotiates the terms of those derivatives to match with the terms of the hedge exposure. The Group's policy is to fully hedge its foreign currency borrowings at the time of drawdown and remain so till repayment.

The Group holds derivative financial instruments such as cross currency interest rate swap to mitigate risk of changes in exchange rate in foreign currency and floating interest rate. The counterparty for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in market place.

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

		As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
38	**Commitments**			
	Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	52.05	43.80	42.00
	Undrawn committed sanctions to borrowers	2,494.85	1,102.01	4,320.85
39	**Contingent liabilities**			
	Claims against the Company not acknowledged as debt			
	- Income tax related matters	44.06	42.85	25.35
	Guarantees outstanding	2,714.17	2,592.83	2,352.57
40	**Derivatives**			
	i. Outstanding derivatives:			
	- for hedging (currency & interest rate derivatives)	89.85	-	1.07
	ii. Marked to market positions	-	-	280.19

41 Employee benefits

Defined contribution plans

The Group makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Group's contribution is recognized as an expenses in the statement of profit and loss during the period in which the employee renders the related service. The amount recognised as an expense towards contribution to provident fund for the year March 31, 2021 aggregated to INR 29.05 millions (March 31, 2020: INR 29.20 millions , March 31, 2019: INR 22.57 millions).

Defined benefit plans

The Group's gratuity benefit scheme is a defined plan. The Group's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past services and the fair value of any plan assets are deducted. The Calculation of the Group's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method.

Details of actuarial valuation of gratuity pursuant to the Ind AS 19

A. Change in present value of obligations	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
Present value of obligations at the beginning of the year	45.05	36.29	28.56
Current service cost	10.28	9.03	8.87
Interest cost	2.64	2.49	2.14
Past service cost	-	-	-
Benefits settled	(6.27)	(2.00)	(0.38)
Actuarial loss	(4.85)	(0.76)	(2.90)
Present value of obligations at the end of the year	**46.85**	**45.05**	**36.29**
B. Change in plan assets			
Fair value of plan assets at the beginning of the year	-	-	-
Expected return on plan assets	-	-	-
Actuarial gains/ (loss)	-	-	-
Employer contributions	6.27	1.51	0.38
Benefits settled	6.27	(1.51)	(0.38)
Fair value of plan assets at the end of the year	**12.54**	**-**	**-**
C. Reconciliation of present value of the obligation and the fair value of the plan assets			
Change in projected benefit obligation			
Present value of obligations at the end of the year	46.84	45.05	36.29
Fair value of plan assets	-	-	-
Net liability recognised in balance sheet	**46.84**	**45.05**	**36.29**
E. Expense recognised in statement of profit and loss and other comprehensive income			
Current service cost	10.28	9.04	8.87
Interest on obligation	2.64	2.49	2.14
Past service cost	-	-	-
Expected return on plan assets	-	-	-
Net actuarial loss recognised in the year	(4.85)	(0.76)	(2.90)
Total included in 'employee benefits expense'	**8.07**	**10.77**	**8.11**

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

41 Employee benefits (continued)

	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
F. Assumptions at balance sheet date			
Discount rate	4.62% to 6.21%	5.48% to 6.68%	6.82% to 7.70%
Salary escalation	8.00%	8.00%	10% to 12%
Mortality rate	Indian Assured Lives (2012 -14)	Indian Assured Lives (2012 -14)	Indian Assured Lives (2012 -14)
Attrition rate	16% to 50%	1% to 33%	1% to 30%

Notes:

a) The estimates in future salary increases, considered in actuarial valuation, takes account of inflation, seniority promotion and other relevant factors, such as supply and demand in the employee market.

b) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the balance sheet date for the estimated term of the obligation.

G. Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Particulars	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Discount rate			
- 1% increase	44.37	42.01	34.25
- 1% decrease	49.59	48.55	38.56
Future salary growth			
- 1% increase	49.72	48.64	38.60
- 1% decrease	44.2	41.86	34.18

H. Five year Information

	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Present Value of obligations	46.84	45.05	36.29	28.64	15.93
Fair value of plan assets	-	-	-	-	-
(Surplus)/ deficit in the plan	-	-	-	-	-
Experience adjustments arising on plan liabilities - (gain)/ loss	(4.85)	(0.76)	(2.90)	3.76	2.79
Experience adjustments arising on plan assets - (gain)/ loss	-	-	-	-	-

42 Employee stock option plan (ESOP)

Employee Stock Option Plan 2016 (ESOP) has been approved by the Board at its meeting held on October 7, 2016 and by the members in the Extra Ordinary General Meeting held on October 7, 2016.

42.1 Northern Arc Capital Employee Stock Option Plan 2016 – (“Scheme 1”) formerly IFMR Capital Employee Stock Option Plan 2016 – (“Scheme 1”)

The Northern Arc Capital Employee Stock Option Plan 2016 is applicable to all employees including employees of subsidiaries.
The options were issued on March 1, 2017, and will be exercised at INR 10. The options are vested over a period of 4 years in 40:20:20:20 proportion.

Northern Arc Capital Employee Stock Option Plan 2016 – (“Scheme 2”) formerly IFMR Capital Employee Stock Option Plan 2016 – ("Plan" or "ESOP") (“Scheme 2”)
The Northern Arc Capital Employee Stock Option Plan 2016 is applicable to all employees including employees of subsidiaries.

The options were issued in six batches. The first and second batch will be exercised at INR 110, third, fourth and fifth batch will be exercised at INR 121 and sixth batch will be exercised at INR 188. The options are vested equally over a period of 5 years.

Northern Arc Capital Employee Stock Option Scheme 2018 – “Scheme– III” (“Scheme 3”)
The Northern Arc Capital Employee Stock Option Scheme 2018 is applicable to all employees including employees of subsidiaries.

The options were issued in two batches. The first batch will be exercised at INR 181 and second batch will be exercised at INR 188. The options are vested over a period of 3 years in 30:30:40 proportion

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

42.2 Options outstanding under Scheme 1, Scheme 2 and Scheme 3

Particulars	**As at March 31, 2021**		
Plan	**Scheme 1**	**Scheme 2**	**Scheme 3**
Grant date	**Various**	**Various**	**Various**
Number of options	3,97,371	34,89,500	11,47,783
Exercise price in INR	10	110 to 188	181 to 188
Vesting period	1 to 4 years	1 to 5 years	1 to 3 years
Option Price	113.65	31.85 to 117.74	65.57 to 73.55
Weighted average exercise price in INR	10.00	122.05	184.00
Weighted average remaining contractual life (in years)	-	1.71	0.71
Vesting condition		Time based vesting	

Particulars	**As at March 31, 2020**		
Plan	**Scheme 1**	**Scheme 2**	**Scheme 3**
Grant date	**Various**	**Various**	**Various**
Number of options	4,11,371	40,27,500	14,49,712
Exercise price in INR	10	110 to 188	181 to 188
Vesting period	1 to 4 years	1 to 5 years	1 to 3 years
Option Price	113.65	31.85 to 117.74	65.57 to 73.55
Weighted average exercise price in INR	10.00	120.50	184.00
Weighted average remaining contractual life (in years)	1.00	2.56	1.71
Vesting condition		Time based vesting	

Particulars	**As at March 31, 2019**		
Plan	**Scheme 1**	**Scheme 2**	**Scheme 3**
Grant date	**Various**	**Various**	**Various**
Number of options	4,11,371	45,02,500	8,43,122
Exercise price in INR	10	110 to 121	181
Vesting period	1 to 4 years	1 to 5 years	1 to 3 years
Option Price	113.65	31.85 to 117.74	73.55
Weighted average exercise price in INR	10.00	114.19	181.00
Weighted average remaining contractual life (in years)	1.93	2.88	3.69
Vesting condition		Time based vesting	

42.3 Reconciliation of outstanding options

The details of options granted under the above schemes are as follows.

Particulars	**Number of options**		
	As at March 31, 2021	**As at March 31, 2020**	**As at March 31, 2019**
Outstanding at beginning of year	58,88,583	57,56,993	46,18,871
Add: Granted during the year	1,25,000	12,04,825	12,59,429
Less: Forfeited during the year	(5,35,282)	(10,73,235)	(1,13,307)
Less: Exercised during the year	(4,43,647)	-	(8,000)
Outstanding as at end of year	**50,34,654**	**58,88,583**	**57,56,993**
Vested and exercisable as at end of year	**20,23,486**	**20,26,651**	**10,01,165**

43 Related party disclosures

I. Disclosure post elimination of intra-group transactions:

Related party relationships and transactions:

(i) Holding company	IFMR Holdings Private Limited (upto February 26, 2019)
(ii) Entity with significant influence	Dvara Trust (upto March 31, 2019)
(iii) Fellow subsidiaries	Dvara Kshetriya Gramin Financial Services Private Limited (formerly Pudhuaaru Financial Services Private Limited) (upto February 26, 2019) Dvara Research Foundation (upto February 26, 2019) IFMR Rural Channels and Services Private Limited (upto February 26, 2019)
(iv) Key Managerial Personnel (KMP)	Ms. Kshama Fernandes, Chief Executive Officer & Managing Director Ms. Bama Balakrishnan, Chief financial Officer (Until June 20, 2020) Mr. Ravi Vukkadala - Chief Executive Officer Northern Arc Investment Managers Private Limited Mr. Kalyanasundaram C, Chief Financial Officer Northern Arc Investment Managers Private Limited (from March 31, 2019) Ms. Nandita Ganapathy, Chief Financial Officer (from July 1, 2020 to January 25, 2021) Mr. Chaitanya Pande, Director of Northern Arc Investment Managers Private Limited Mr. Leo Puri, Chairman of Northern Arc Capital Limited till Oct 2020 Mr. P S Jayakumar, Chairman of Northern Arc Capital Limited from Oct 2020

Also refer note 44 and 52

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

43 Related party disclosures (continued)

A. Transactions during the Year :

	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Dvara Trust			
Reimbursement of expenses	-	-	36.21
IFMR Holdings Private Limited			
Purchase of ERP	-	-	5.23
Dvara Kshetriya Gramin Financial Services Private Limited			
Interest income	-	-	33.51
Fee received	-	-	20.56
Loan given	-	-	600.00
Loan repaid	-	-	280.11
Guarantees	-	-	150.00
Dvara Research Foundation			
Corporate social responsibility expenditure	-	-	5.00
Ms. Kshama Fernandes			
Remuneration and other benefits *	15.57	24.08	24.87
Employee stock option (millions units)	-	0.05	0.10
Ms. Bama Balakrishnan			
Remuneration and other benefits *	3.93	18.92	19.06
Employee stock option (millions units)	-	0.04	0.05
Ms. Nandita Ganapathy			
Remuneration and other benefits including post employment benefits	8.27	-	-
Mr Chaitanya Pande			
Professional Fee	-	-	1.80
Mr Leo Puri			
Professional Fee	3.25	1.50	-
Mr P S Javakumar			
Professional Fee	1.38	-	-
Mr. Ravi Vukkadala			
Remuneration and other benefits *	9.73	14.05	13.49
Employee stock option (million units)	-	0.03	0.04
Mr. Kalyanasundaram C			
Remuneration and other benefits *	8.65	10.14	-
Employee stock option (million units)	-	0.02	-

* Amount attributable to post employment benefits have not been disclosed as the same cannot be identified distinctly in the actuarial valuation.

B. Balances as at year end:

	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
Dvara Trust			
Trade payable	-	-	4.07
Ms. Kshama Fernandes			
Security Deposit	-	-	0.20
Employee stock option (millions units)	0.81	0.81	0.76
Ms. Bama Balakrishnan			
Employee stock option (millions units)	0.59	0.59	0.55
Mr. Ravi Vukkadala			
Employee stock option (millions units)	0.21	0.21	0.19
Mr. Kalyanasundaram C			
Employee stock option (millions units)	0.16	0.16	0.14

Note:

C The Holding Company also has a wholly owned subsidiary company, Northern Arc Foundation incorporated under the provisions of Section 8 of the Companies Act, 2013 for undertaking the CSR activities. Northern Arc Foundation doesn't meet the definition of control as defined under Ind AS 110 - Consolidated Financial Statements and hence not consolidated in these financial statements. During the year, the Holding Company has invested INR Nil (March 31, 2020 - INR 0.1 million, March 31, 2019 - INR Nil) in its equity share capital and contributed INR 30.16 million (March 31, 2020 - INR 19.77 million, March 31, 2019 - Nil) towards CSR activities during the year.

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

43 Related party disclosures (continued)

II. Disclosure prior to elimination of intra-group transactions (as per Schedule VI (Para 11(I)(A)(i)(g)) of ICDR Regulations):

Related party relationships and transactions:

(i) Holding company	IFMR Holdings Private Limited (upto February 26, 2019)
(ii) Entity with significant influence	Dvara Trust (upto March 31, 2019)
(iii) Wholly owned subsidiaries	Northern Arc Investment Adviser Services Private Limited Northern Arc Investment Managers Private Limited
(iv) Fellow subsidiaries	Dvara Kshetriya Gramin Financial Services Private Limited (formerly Pudhuaaru Financial Services Private Limited) (upto February 26, 2019) Dvara Research Foundation (upto February 26, 2019) IFMR Rural Channels and Services Private Limited (upto February 26, 2019)
(v) Key Managerial Personnel (KMP)	Ms. Kshama Fernandes, Managing Director Ms. Bama Balakrishnan, Chief financial Officer (Until June 30, 2020) Mr. Ravi Vukkadala - Chief Executive Officer Northern Arc Investment Managers Private Limited Mr. Kalyanasundaram C, Chief Financial Officer Northern Arc Investment Managers Private Limited (from March 31, 2019) Ms. Nandita Ganapathy, Chief Financial Officer (from July 1, 2020 to January 25, 2021) Mr. Chaitanya Pande, Director of Northern Arc Investment Managers Private Limited Mr. Leo Puri, Independent Director (upto October 30, 2020) Mr. P S Jayakumar, Independent Director (from October 15, 2020)

Also refer note 44 and 52

A. Transactions during the Year :

	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Northern Arc Investment Adviser Services Private Limited			
Fee income	-	3.22	4.42
Reimbursement of income	-	0.10	-
Sale of fixed assets	-	0.07	0.06
ESOP Issued	-	8.97	-
Redemption of preference share capital	-	-	7.60
Premium on preference shares received	-	-	2.23
Transfer of Security Deposit	0.10	-	-
Northern Arc Investment Managers Private Limited			
Reimbursement of expenses	13.87	15.48	3.03
Reimbursement of income	14.15	6.51	11.39
Fee income	-	8.67	4.92
Interest income	29.49	23.26	1.50
Loans given	60.43	193.35	45.00
Loans repaid	63.60	90.40	33.50
Redemption of preference share capital	-	72.20	-
Premium on preference shares received	-	23.10	-
Premium on preference shares Income	-	2.87	5.78
ESOP Issued	-	15.13	-
Sale of fixed assets	0.01	-	0.02
Transfer of security deposit	0.20	-	-
Dvara Trust			
Reimbursement of expenses	-	-	36.21
IFMR Holdings Private Limited			
Purchase of ERP	-	-	5.23

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

A. Transactions during the Year (continued):

	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Dvara Kshetriya Gramin Financial Services Private Limited			
Interest income	-	-	33.51
Fee received	-	-	20.56
Loan given	-	-	600.00
Loan repaid	-	-	280.11
Guarantees	-	-	150.00
Dvara Research Foundation			
Corporate social responsibility expenditure	-	-	5.00
Ms. Kshama Fernandes			
Remuneration and other benefits *	15.57	24.08	24.87
Employee stock option (millions units)	-	0.05	0.10
Ms. Bama Balakrishnan			
Remuneration and other benefits *	3.93	18.90	19.06
Employee stock option (millions units)	-	0.04	0.05
Ms. Nandita Ganapathy			
Remuneration and other benefits including post employment benefits	8.27	-	-
Mr Chaitanya Pande			
Professional Fee	-	-	1.80
Mr Leo Puri			
Professional Fee	3.25	1.50	-
Mr P S Jayakumar			
Professional Fee	1.38	-	-
Mr. Ravi Vukkadala			
Remuneration and other benefits *	9.73	14.05	13.49
Employee stock option (millions units)	-	0.03	0.04
Mr. Kalyanasundaram C			
Remuneration and other benefits *	8.65	10.14	-
Employee stock option (millions units)	-	0.02	-

* Amount attributable to post employment benefits have not been disclosed as the same cannot be identified distinctly in the actuarial valuation.

B. Balances as at year end:

	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
Northern Arc Investment Adviser Services Private Limited			
Equity share capital	12.78	12.78	12.78
Preference share capital	-	-	-
ESOP Receivable	2.44	8.97	-
Advances	3.14	8.70	5.50
Northern Arc Investment Managers Private Limited			
Equity share capital	36.10	36.10	36.10
Preference share capital	-	-	92.44
Loans	213.84	217.01	114.00
Advances	23.84	14.02	14.75
ESOP Receivable	13.40	15.13	-
Dvara Trust			
Trade payable	-	-	4.07
Ms. Kshama Fernandes			
Security Deposit	-	-	0.20
Employee stock option (millions units)	0.81	0.81	0.76
Ms. Bama Balakrishnan			
Employee stock option (millions units)	0.59	0.59	0.55
Mr. Ravi Vukkadala			
Employee stock option (millions units)	0.21	0.21	0.19
Mr. Kalyanasundaram C			
Employee stock option (millions units)	0.16	0.16	0.14

Note:

C The Holding Company also has a wholly owned subsidiary company, Northern Arc Foundation incorporated under the provisions of Section 8 of the Companies Act, 2013 for undertaking the CSR activities. Northern Arc Foundation doesn't meet the definition of control as defined under Ind AS 110 - Consolidated Financial Statements and hence not consolidated in these financial statements. During the year, the Holding Company has invested INR Nil (March 31, 2020 - INR 0.1 million, March 31, 2019 - INR Nil) in its equity share capital and contributed INR 30.16 million (March 31, 2020 - INR 19.77 million, March 31, 2019 - Nil) towards CSR activities during the year.

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44 The details of the investments held by the group in the Alternative Investment Funds managed by the Company's wholly owned subsidiary, Northern Arc Investment Managers Private Limited, as disclosed in the respective standalone financial statements (aggregate amounts) are as follows:

Fund	For the year ended March 31, 2021	
	Purchases	Redemption
IFMR Fimpact Investment Fund	-	192.95
Northern Arc Money Market Alpha Trust Fund	373.19	140.00
Northern Arc India Impact Fund	10.00	-
Northern Arc Income Builder (Series II) Fund	58.10	-

Fund	For the year ended March 31, 2020	
	Purchases	Redemption
IFMR Fimpact Medium Term Microfinance Fund	-	180.88
IFMR Fimpact Long Term Multi Asset Fund	103.40	-
IFMR Fimpact Medium Term Opportunities Fund	-	63.15
IFMR Fimpact Income Builder Fund	107.90	70.00
Northern Arc Money Market Alpha Trust Fund	83.31	40.00
Northern Arc Income Builder (Series II) Fund	73.79	20.40

Fund	For the year ended March 31, 2019	
	Purchases	Redemption
IFMR Fimpact Medium Term Microfinance Fund	-	10.53
IFMR Fimpact Long Term Credit Fund	336.17	-
IFMR Fimpact Medium Term Opportunities Fund	199.88	76.45
IFMR Fimpact Income Builder Fund	63.13	-
Northern Arc Money Market Alpha Trust Fund	286.66	10.00

Fund	Income Earned		
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
IFMR Fimpact Investment Fund	31.36	33.64	34.05
IFMR Fimpact Medium Term Microfinance Fund	-	14.98	26.62
IFMR Fimpact Long Term Multi Asset Fund	82.30	(175.54)	82.87
IFMR Fimpact Long Term Credit Fund #	139.12	140.26	96.00
IFMR Fimpact Medium Term Opportunities Fund	80.75	30.31	81.15
IFMR Fimpact Income Builder Fund	7.01	5.45	7.75
Northern Arc Money Market Alpha Trust Fund	35.66	26.62	4.10
Northern Arc India Impact Fund	0.14	-	-
Northern Arc Income Builder (Series II) Fund	2.99	(0.43)	-

#IFMR Fimpact Long Term Credit Fund has been considered for consolidation in these financial statements. Also refer note 1.

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

45 Segment reporting

The Group's operations predominantly relate to arranging or facilitating or providing finance either in the form of loans or investments or guarantees, providing portfolio management, investment advisory and investment management services. The information relating to this operating segment is reviewed regularly by the Company's Board of Directors (Chief Operating Decision Maker (CODM)) to make decisions about resources to be allocated and to assess their performance.

The Group has four reportable segments Viz., Financing activity, Investment advisory services, Investment management services, Portfolio Management services. For each of the business, CODM reviews internal management reports on periodic basis.

Particulars	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Segment Revenue			
Financing activity	6,512.86	5,902.82	5,614.19
Investment advisory services	3.18	31.40	16.39
Investment management services	237.12	166.84	191.26
Portfolio Management Services	271.10	292.42	375.63
Total	**7,024.26**	**6,393.48**	**6,197.47**
Less : Inter segment revenue	(212.55)	(65.28)	(181.92)
Revenue from operations	**6,811.71**	**6,328.20**	**6,015.55**
Segment Results (Profit before other income)			
Financing activity	734.13	1,287.74	1,295.60
Investment advisory services	(1.35)	10.37	10.02
Investment management services	112.19	9.44	91.74
Portfolio management services	113.77	118.17	188.36
Total	**958.74**	**1,425.72**	**1,585.72**
Add : Other income	41.19	19.19	162.32
Profit before tax	**999.93**	**1,444.91**	**1,748.04**
Segment Assets			
Financing activity	54,225.45	43,309.72	39,559.78
Investment advisory services	41.84	52.64	32.97
Investment management services	578.96	475.16	447.89
Portfolio management Services	2,107.94	2,119.91	2,721.85
Unallocated (Goodwill)	17.46	17.46	17.46
Total	**56,971.65**	**45,974.89**	**42,779.95**
Segment Liabilities			
Financing activity	39,896.70	29,644.18	29,626.79
Investment advisory services	7.04	23.10	10.45
Investment management services	284.14	275.88	238.62
Portfolio management Services	54.60	54.62	3.87
Total	**40,242.48**	**29,997.78**	**29,879.73**
Capital Employed (Segment assets - Segment liabilities)	**16,729.17**	**15,977.11**	**12,900.22**

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

46 Impact of hedging activities

a) Disclosure of effects of hedge accounting on financial position:

As at March 31, 2021								
Type of hedge risks	**Nominal Value**		**Carrying amount of hedging instrument**		**Maturity Date**	**Changes in fair value of hedging instrument**	**Change in the value of hedged item as the basis for recognising hedge effectiveness**	**Line item in Balance Sheet**
Cash flow hedge	**Assets**	**Liabilities**	**Assets**	**Liabilities**				
Cross currency interest rate swaps	-	4,397.00	-	89.85	March 4, 2026; November 15, 2025	89.85	(89.85)	Borrowings (Other than debt securities)

As at March 31, 2020								
Type of hedge risks	**Nominal Value**		**Carrying amount of hedging instrument**		**Maturity Date**	**Changes in fair value of hedging instrument**	**Change in the value of hedged item as the basis for recognising hedge effectiveness**	**Line item in Balance Sheet**
Cash flow hedge	**Assets**	**Liabilities**	**Assets**	**Liabilities**				
Cross currency interest rate swaps	-	-	-	-	-	-	-	-

As at March 31, 2019								
Type of hedge risks	**Nominal Value**		**Carrying amount of hedging instrument**		**Maturity Date**	**Changes in fair value of hedging instrument**	**Change in the value of hedged item as the basis for recognising hedge effectiveness**	**Line item in Balance Sheet**
Cash flow hedge	**Assets**	**Liabilities**	**Assets**	**Liabilities**				
Cross currency interest rate swaps	-	279.12	-	1.07	December 30, 2019	1.07	(1.07)	Borrowings (Other than debt securities)

b) Disclosure of effects of hedge accounting on financial performance:

For the year ended March 31, 2021				
Type of hedge	**Change in value of the hedging instrument recognised in other comprehensive income**	**Hedge ineffectiveness recognised in statement of profit and loss**	**Amount reclassified from cash flow hedge reserve to statement of profit and loss**	**Line item affected in statement of profit and loss because of the reclassification**
Cash flow hedge				
Cross currency interest rate swaps	89.85	-	38.22	Finance costs

For the year ended March 31, 2020				
Type of hedge	**Change in value of the hedging instrument recognised in other comprehensive income**	**Hedge ineffectiveness recognised in statement of profit and loss**	**Amount reclassified from cash flow hedge reserve to statement of profit and loss**	**Line item affected in statement of profit and loss because of the reclassification**
Cash flow hedge				
Cross currency interest rate swaps	-	-	-	-

For the year ended March 31, 2019				
Type of hedge	**Change in value of the hedging instrument recognised in other comprehensive income**	**Hedge ineffectiveness recognised in statement of profit and loss**	**Amount reclassified from cash flow hedge reserve to statement of profit and loss**	**Line item affected in statement of profit and loss because of the reclassification**
Cash flow hedge				
Cross currency interest rate swaps	1.07	-	-	Finance costs

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

47 Disclosure under clause 28 of the Listing Agreement for Debt Securities

S.No.	Particulars	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019
a)	Loans and advances in the nature of loans to subsidiaries	-	-	-
b)	Loans and advances in the nature of loans to associates	-	-	-
c)	Loans and advances in the nature of loans where there is -			
	(i) no repayment schedule or repayment beyond seven years	-	-	-
	(ii) no interest or interest below section 186 of Companies Act, 2013	-	-	-
d)	Loans and advances in the nature of loans to firms/companies in which directors are interested	-	-	-

48 Disclosure under clause 16 of the Listing Agreement for Debt Securities

The Debentures are secured by way of an exclusive hypothecation of loans, investment in pass through certificates and investment in debentures.

49 Impact of COVID-19

<u>As at and for the year ended March 31, 2020</u>

The outbreak of COVID -19 pandemic and consequent lockdown has severely impacted various activities across the country. The impact of COVID -19 on the economy is uncertain and would also be dependent upon future developments including various measures taken by the Government, Regulator, responses of businesses, consumers etc. Hence, the extent to which COVID-19 pandemic will impact the Group's business, cash flows and financial results, is dependent on such future developments, which are highly uncertain.

In accordance with the Board of Directors approved moratorium policy read with the Reserve Bank of India (RBI) guidelines dated March 27, 2020 and April 17, 2020 relating to 'COVID-19 – Regulatory Package', the Holding Company has granted moratorium up to three months on the payment of instalments falling due between March 01, 2020 and May 31, 2020 on a case to case basis to eligible borrowers in accordance with the Holding Company's policy approved by its Board. Further pursuant to the RBI notification dated May 23, 2020 the moratorium is being extended for a further period of three months in accordance with the Holding Company's policy approved by its Board. Having regard to the guidance provided by the RBI and the Institute of Chartered Accountants of India, in the assessment of the Holding Company, extension of such moratorium benefit to borrowers as per the COVID-19 Regulatory Package of the RBI by itself is not considered to result in significant increase in credit risk as per Ind AS 109. The Holding Company continues to recognise interest income during the moratorium period and in the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria.

Estimates and associated judgments / assumptions applied in preparation of these financial statements including determining the impairment loss allowance and fair valuation of investments are based on a combination of historical experience and emerging / forward looking indicators resulting from the pandemic. In addition to the early indicators available during the moratorium period, the Holding Company has also used potential stress on probability of default and exposure at default on the expected credit losses and accordingly recognized an expected credit loss (including write off) of INR 354.88 millions during the year. This includes an additional impairment overlay provision amounting to INR 228.01 millions. Further, the disclosure in these financial statements are made after considering the moratorium benefits and estimated cash inflows and outflows which are based on the current understanding / arrangement with its customers / lenders. The Holding Company believes that it has considered all the possible impact of the currently known events arising out of COVID-19 pandemic in the preparation of financial statements including financial resources, profitability, liquidity position and internal financial controls. However, since the impact assessment of COVID-19 is a continuing process given its uncertainty in nature and duration, this may have corresponding impact in the financial position in future. The Holding Company will continue to monitor any material changes to the future economic conditions.

<u>As at and for the year ended March 31, 2021</u>

The impact of COVID-19 on the economy continues to be uncertain and the extent to which the ongoing COVID-19 pandemic will impact the Group's financial performance including the Group's estimates of impairment and fair valuation of financial instruments, are dependent on such future developments, the severity and duration of the pandemic, that are highly uncertain.

In accordance with the Board approved moratorium policy read with the Reserve Bank of India (RBI) guidelines dated March 27, 2020, April 17, 2020 and May 23, 2020 relating to 'COVID-19 –Regulatory Package', the Holding Company has granted moratorium on payment of instalments falling due between 1 March 2020 and 31 August 2020 on a case to case basis to eligible borrowers. Having regard to the guidance provided by the RBI and the Institute of Chartered Accountants of India, in the assessment of the Holding Company, extension of such moratorium benefit to borrowers as per the COVID-19 Regulatory Package of the RBI by itself is not considered to result in significant increase in credit risk as per Ind AS 109 - Financial Instruments. In the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria. Accordingly, in respect of accounts where moratorium benefit have been granted, the staging of those accounts as at March 31, 2021 is based on the days past due status considering the benefit of moratorium period in accordance with the Reserve Bank of India Covid-19 Regulatory Package.

The Group has used estimation of potential stress on probability of default and exposure at default in the aforesaid context of the pandemic to develop the estimates and assumptions to assess the impairment of financial instruments. During the year, the Group has recognized impairment of financial instruments aggregating to INR 1,354.09 millions (including write offs). The impact assessment of COVID-19 is a continuing process. Given its uncertainty in nature and duration, this may have corresponding impact in the financial position and performance of the Group. The Group will continue to monitor any material changes to the future economic conditions.

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

50 The· Government of India, Ministry of Finance. vide its notification dated October 23, 2020, had announced COVID-19 Relief Scheme for grant of ex--gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts ("the Scheme"), as per the eligibility criteria and other aspects specified therein and irrespective of whether RBI moratorium was availed or not. The Holding Company had implemented the Scheme and credited to the accounts of or remitted amounts to the eligible borrowers as per the Scheme.

51 RBI circular dated April 7, 2021 advised all lending institutions to immediately put in place a Board-approved policy to refund/ adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020. Further, the circular stated that the methodology for calculation of the amount to be refunded/adjusted for different facilities shall be finalised by the Indian Banks Association (IBA) in consultation with other industry participants/bodies, which shall be adopted by all lending institutions and also advised all lending institutions to disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ended March 31, 2021. Based on the guidance provided by IBA vide letter dated April 19, 2021 and the Holding Company has made an assessment on the impact of the said circular and reversed interest income amounting to INR 16.50 millions in the financial statements of the Company.

52 Scheme of arrangement

During the year ended March 31, 2018 , the Holding Company vide its board meeting dated December 18, 2017 had approved the Scheme of Arrangement (Demerger) & Amalgamation between the Company, IFMR Holdings Private Limited ('IFMR Holdings'), Dvara Investments Private Limited and their respective shareholders and creditors under sections 230 to 232 of the Companies Act, 2013.

Pursuant to the approval of the scheme by Hon'ble National Company Law Tribunal on February 26, 2019 (with appointed date of March 31, 2017)
• The aggregator business of IFMR Holdings Private Limited and the entire investments relating to the Company held by of IFMR Holdings Private Limited to be transferred to Dvara Investments Private Limited
• Amalgamation of Dvara Investments Private Limited into the Company

The salient features of the Scheme of merger were as follows:
1. The Company shall account for all the assets and liabilities taken over at carrying value.
2. The excess of the amount of the consideration over the value of the net assets (tangible and intangible) of the Transferor Company acquired by the Transferee Company should be recognised in the Transferee Company's financial statements as an adjustment to the reserves. If the amount of the consideration is lower than the value of the net assets acquired, the difference should be treated as capital reserve.

Accordingly, the accounting treatment for this scheme of merger has been given effect to as below in the Restated Consolidated Financial Information.

Particulars	**Amount (INR Millions)**
Net assets taken over pursuant to the Scheme	685.66
Less: Investment Cancellation	(685.30)
Adjustment in reserves pursuant to the Scheme	**0.36**
Break up of adjustment in reserves:	
Capital Reserve	0.36

Pursuant to the scheme, the Holding Company had allotted 45,887,686 equity shares of INR 10 each to the shareholders of IFMR Holdings in lieu of the investment.

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

53 Statement of adjustments to audited consolidated financial statements

A Reconciliation of total equity as per audited consolidated financial statements with total equity as per Restated Consolidated Financial

Summarised below are the restatement adjustments made to the total equity as per the audited consolidated financial statements of the Group for the years ended March 31, 2021, March 31, 2020 and March 31, 2019 and their consequential impact on the equity of the Group:

Particulars	**For the year ended March 31, 2021**	**For the year ended March 31, 2020**	**For the year ended March 31, 2019**
Total equity (as per audited consolidated financial statements)	16,729.17	15,977.11	12,900.35
Adjustments due to prior period items / other adjustments			
Adjustments on account of adoption of Ind AS 116	-	-	(0.20)
Tax impact on the above	-	-	0.07
Total equity (as per Restated Consolidated Financial Information)	**16,729.17**	**15,977.11**	**12,900.22**

B Reconciliation of total comprehensive income as per audited consolidated financial statements with total comprehensive income as per Restated Consolidated Financial Information

Summarised below are the restatement adjustments made to total comprehensive income as per the audited consolidated financial statements of the Group for the years ended March 31, 2021, March 31, 2020 and March 31, 2019.

Particulars	**For the year ended March 31, 2021**	**For the year ended March 31, 2020**	**For the year ended March 31, 2019**
A. Total comprehensive income as per audited consolidated financial statements	797.94	1,052.82	1,047.02
B. Adjustments:			
Material restatement adjustments:			
(i) Audit qualifications	-	-	-
Total	-	-	-
(ii) Adjustments due to prior period items / other adjustments			
Adjustments on account of adoption of Ind AS 116			
Rent expenses	-	-	19.15
Depreciation on ROU asset	-	-	(17.46)
Interest on lease liability	-	-	(2.70)
Interest on security deposit	-	-	0.81
Total	**-**	**-**	**(0.20)**
(iii) Deferred tax impact on adjustments in (i) and (ii), as applicable			
Deferred tax impact on restatement adjustments	-	-	0.07
Total	**-**	**-**	**0.07**
C. Total impact of adjustments (i+ii+iii)	**-**	**-**	**(0.13)**
D. Total comprehensive income as per Restated Consolidated Financial Information (A+C)	**797.94**	**1,052.82**	**1,046.89**

53 Statement of adjustments to audited consolidated financial statements (Continued)

C Reconciliation of other equity as at March 31, 2019 as per Restated Consolidated Financial Information with opening equity balance as at April 1, 2019 (date of transition to Ind AS 116)

Particulars	For the year ended March 31, 2020
Other equity	
Balance as at March 31, 2019 as per Restated Consolidated Financial Information	10,891.54
Add: Adjustment on account of transition to Ind AS 116 (Refer explanation below)	0.20
Less: Deferred tax on above (Refer explanation below)	(0.07)
Balance as on April 1, 2019 as per audited financial statements for year ended March 31, 2020	10,891.67

Explanation: Cumulative effect of restatement adjustment on total equity upto March 31, 2019 relating to Ind AS 116 has not been carried forward to total equity balance as at April 1, 2019 (date of transition to Ind AS 116) as per the Guidance Note.

D Notes on adjustments to audited consolidated financial statements

I. Adjustments for audit qualification: None

II. Other adjustments:

Adjustments on account of adoption of Ind AS 116 : Leases

a. Recognition of lease liability

Effective April 1, 2019, the Group adopted Ind AS 116 - "Leases", which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees. Consequently, the Group recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the right of use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application. The Group adopted Ind AS 116 following modified retrospective method in accordance with the policy mentioned in Note 3.14 to the Restated Consolidated Financial Information.

For the purpose of preparation of restated consolidated financial statements, management has evaluated the impact of change in accounting policies due to adoption of Ind AS 116 as at April 1, 2018 and for the year ended March 31, 2019 following modified retrospective method. Impact of adoption of Ind AS 116 has been adjusted for the purpose of these Restated Consolidated Financial Information.

b. Tax impact of the adjustments

Tax impact (including deferred tax related) on adjustments relating to retrospective application of Ind AS 116 - "Leases" have been adjusted in the respective years

III. Material regroupings

In the month of October 2019, Guidance note on Division III - Schedule III to the Companies Act, 2013 was issued by the ICAI of which was applicable to the Company for preparation and presentation of its financial statements for the year ended March 31, 2020. The adoption the said guidance note does not impact recognition and measurement principles followed for preparation of the financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. It may be noted that in preparing and presenting the audited consolidated financial statements for the year ended March 31, 2020, the Company had reclassified the comparative figures for the financial year ended March 31, 2019 in accordance with the requirements of the aforesaid Guidance note.

IV. Emphasis of matter in the Auditors' report on the consolidated financial statements and other remarks / comments in the Companies (Auditor's Report) Order 2016 ('CARO') on the standalone financial statements, which do not require any corrective adjustments in the Restated Consolidated Financial Information, are as follows:

<u>As at and for the year ended March 31, 2019</u>

Clause vii (b) CARO:

According to the information and explanations given to us, there are no dues of income-tax, service tax and goods and services tax which have not been deposited with the appropriate authorities on account of any dispute except the following:

Name of the statute	Amount - INR in millions	Period to which amount relates	Forum where the dispute is pending
Income-Tax Act, 1961	0.54	AY 2013-14	Commissioner of Income Tax (Appeals)
Income-Tax Act, 1961	24.81	AY 2014-15	Income tax Appellate Tribunal
Finance Act, 1994 - Service tax	1.24	AY 2010 - 2013	Customs, Excise and Service Tax Appellate Tribunal

53 Statement of adjustments to audited consolidated financial statements (Continued)

As at and for the year ended March 31, 2020

Emphasis of matter paragraph in the Auditors' report
The auditors' report has drawn attention to the Impact of Covid note in the financial statements which describes that in respect of accounts overdue but standard as at February 29, 2020 where moratorium benefits have been granted, the staging of those accounts as at March 31, 2020 is based on the days past due status as on February 29, 2020, in accordance with Reserve bank of India COVID-19 Regulatory Package.

Further, the extent to which the COVID - 19 pandemic will impact the Company's financial position and performance including the Company's estimates of impairment of loans and fair valuation of investments, are dependent on future developments, which are highly uncertain.

The opinion is not modified in respect of this matter.

Clause vii (b) CARO:
According to the information and explanations given to us, there are no dues of income-tax, service tax and goods and services tax which have not been deposited with the appropriate authorities on account of any dispute except the following:

Name of the statute	Amount - INR in millions	Period to which amount relates	Forum where the dispute is pending
Income-Tax Act, 1961	25.60	AY 2014-15	Income tax Appellate Tribunal
Income-Tax Act, 1961	17.25	AY 2017-18	Commissioner of Income Tax (Appeals)

Emphasis of matter paragraph in the Auditors' report on the internal financial controls with reference to the financial statements
Auditors' report on the internal financial controls with reference to the financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 has drawn attention to the Emphasis of Matter paragraph in the auditors' report on the financial statements which describes that the extent to which the COVID-19 pandemic will have impact on the Company's internal financial controls with reference to the financial statements is dependent on future developments, which are highly uncertain.

'The opinion is not modified in respect of the above matter.

As at and for the year ended March 31, 2021

Emphasis of matter paragraph in the Auditors' report
Auditors' report has drawn attention to the note on Impact of Covid 19 in the financial statements which describes the extent to which the ongoing COVID-19 pandemic will have impact on the Company's financial performance including the Company's estimates of impairment and fair valuation of financial instruments are dependent on the future developments, the severity and duration of the pandemic, that are highly uncertain. The Company has considered the aforesaid context of the pandemic to develop the estimates and assumptions in determining the impairment of financial instruments. The impact assessment of COVID-19 is a continuing process. The Company will continue to monitor any material changes to the future economic conditions.

The opinion is not modified in respect of this matter.

Clause vii (b) CARO:
According to the information and explanations given to us, there are no dues of income-tax, service tax and goods and services tax which have not been deposited with the appropriate authorities on account of any dispute except the following:

Name of the statute	Amount - INR in millions	Period to which amount relates	Forum where the dispute is pending
Income-Tax Act, 1961	25.60	AY 2014-15	Income tax Appellate Tribunal
Income-Tax Act, 1961	17.25	AY 2017-18	Commissioner of Income Tax (Appeals)

Emphasis of matter paragraph in the Auditors' report on the internal financial controls with reference to the financial statements
Auditors' report on the internal financial controls with reference to the financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 has drawn attention to the impact of Covid note which describes that the extent to which the COVID-19 pandemic will have impact on the Company's internal financial controls with reference to the financial statements is dependent on future developments, which are highly uncertain.

The opinion is not modified in respect of the above matter.

54 Previous period's figures have been regrouped / reclassified wherever necessary, to conform with the current period's presentation.

As per our report of even date attached
for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration no.: 101248W/W-100022

for and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

S Sethuraman
Partner
Membership No. 203491

P.S.Jayakumar
Chairman
DIN : 01173236

Kshama Fernandes
Chief Executive Officer
and Managing director
DIN: 02539429

Atul Tibrewal
Chief Financial Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : July 7, 2021

Place : Chennai
Date : July 7, 2021

OTHER FINANCIAL INFORMATION

The accounting ratios required under Clause 11 of Part A of Schedule VI of the SEBI ICDR Regulations are given below:

Particulars	As at and for the year ended March 31, 2021	As at and for the year ended March 31, 2020	As at and for the year ended March 31, 2019
Basic earnings per share (in ₹)	7.71	11.05	12.66
Diluted earnings per share (in ₹)	5.35	7.92	10.91
Return on net worth (%)	4.27%	6.16%	8.49%
Net asset value per share (in ₹)	179.97*	172.21	148.98
EBITDA	4,297.03	4,604.27	4,816.07

**41,323,204 CCPS outstanding as at March 31, 2021 shall be converted into 41,323,204 Equity Shares prior to filing of the Red Herring Prospectus with the RoC in accordance with Regulation 5(2) of the SEBI ICDR Regulations. After giving effect to the conversion of the CCPS, the NAV per share as at March 31, 2021 amounts to ₹122.43.*

Notes: *The ratios have been computed as under:*

1. *Basic and diluted EPS:*
   Basic Earnings per Share and Diluted Earnings per Share calculations are done in accordance with the notified Indian Accounting Standard (Ind AS) 33 "Earnings Per Share" prescribed by the Companies (Indian Accounting Standard) Rules, 2015 as per Restated Consolidated Financial Information, as follows:

   $$\text{Basic Earnings per Share} = \frac{\text{Net Profit After Tax, as restated, attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}}$$

   $$\text{Diluted Earnings per Share} = \frac{\text{Net Profit After Tax, as restated, attributable to equity shareholders}}{\text{Weighted average number of diluted equity shares outstanding during the year/period}}$$

   **Basic and Diluted Earnings per Share for the six months ended September 30, 2020 are not annualised.*

2. *Return on net worth %:*
   Return on Net Worth (%) is calculated as Profit after tax for the relevant year/period as a percentage of Net Worth as of the last day of the relevant year/period

3. *Net worth:*
   Net Worth as of the last day of the relevant year/period represents net worth which includes paid up share capital and all reserves and surplus and securities premium account including ESOP reserve as per the Restated Consolidated Financial Information.

4. *Net assets value per share (in ₹):*
   Net Asset Value per Share represents Net Asset Value per Equity Share as per Restated Consolidated Financial Information. It is calculated as Net Worth as of the end of relevant year/period divided by the number of Equity Shares outstanding at the end of such year/period.

5. *EBIDTA:*
   EBITDA represents Profit before tax after adding back finance costs and depreciation and amortization of the relevant year/period as per Restated Consolidated Financial information

6. *Accounting and other ratios are derived from the Restated Consolidated Financial Information.*

Reconciliation of Net Profit for the year to EBITDA

(₹ in million)

Particulars	As at and for the year ended March 31, 2021	As at and for the year ended March 31, 2020	As at and for the year ended March 31, 2019
Profit for the period/ year (I)	765.92	1,029.33	1,154.16
Total tax expense (II)	234.01	415.58	593.88
Finance Cost (III)	3,229.68	3,092.07	3,021.11
Depreciation and amortisation (IV)	67.42	67.29	46.92
EBITDA* (I+II+III+IV)	4,297.03	4,604.27	4,816.07

***** *EBITDA represents Profit before tax after adding back finance costs and depreciation and amortization of the relevant year/period as per Restated Consolidated Financial information*

In accordance with the SEBI ICDR Regulations the audited financial statements of our Company as at and for the Financial Years ended March 31, 2021, March 31, 2020 and March 31, 2019, and the audited financial statements of NAIM as at and for the Financial Years ended March 31, 2021, March 31, 2020 and March 31, 2019, (collectively, the "**Audited Financial Statements**") are available on our website at https://www.northernarc.com/investor.

Our Company is providing a link to this website solely to comply with the requirements specified in the SEBI ICDR Regulations. The Audited Financial Statements do not constitute, (i) a part of this Draft Red Herring Prospectus; or (ii) a prospectus, a statement in lieu of a prospectus, an offering circular, an offering memorandum, an advertisement, an offer or a solicitation of any offer or an offer document or recommendation or solicitation to purchase or sell any securities under the Companies Act, the SEBI ICDR Regulations, or any other applicable law in India or elsewhere. The Audited Financial Statements should not be considered as part of information that any investor should consider subscribing for or purchase any securities of our Company and should not be relied upon or used as a basis for any investment decision.

None of our Company or any of its advisors, nor BRLMs or the Selling Shareholders, nor any of their respective employees, directors, affiliates, agents or representatives accept any liability whatsoever for any loss, direct or indirect, arising from any information presented or contained in the Audited Financial Statements, or the opinions expressed therein.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, as per the requirements under applicable Accounting Standards i.e. Ind AS 24 'Related Party Disclosures' as at and for the Financial Years ended March 31, 2021, March 31, 2020 and March 31, 2019, and as reported in the Restated Consolidated Financial Information, see "*Financial Statements – Related party disclosures*" beginning on page 311.

CAPITALIZATION STATEMENT

The following table sets forth our Company's capitalization as at March 31, 2021, derived from Restated Consolidated Financial Information, and as adjusted for the Offer. This table should be read in conjunction with the sections titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Risk Factors*" on pages 330 and 25, respectively.

(₹ *in million*)

Particulars	Pre-Offer as at March 31, 2021	As adjusted for the proposed Offer*
Borrowings, debt securities and subordinated liabilities		
- Current Borrowings, debt securities and subordinated liabilities	18,878.82	**[●]**
- Non-current borrowings, debt securities and subordinated liabilities (including current maturity) **(A)**	20,441.57	**[●]**
Total borrowings, debt securities and subordinated liabilities (B)	**39,320.39**	**[●]**
Equity		
- Equity share capital	879.22	**[●]**
- Other Equity	14,943.93	**[●]**
Equity attributable to the owners of the Company (C)	**15,823.15**	**[●]**
Ratio: Total borrowings/ Equity attributable to the owners of the Company (B/C)	**2.48**	**[●]**
Ratio: Non-current borrowings/ Equity attributable to the owners of the Company (A/C)	**1.29**	**[●]**

**These amounts (as adjusted for the Offer) are not determinable at this stage pending the completion of the book building process and hence have not been furnished.*

Notes:

1) *The amounts disclosed above are based on the Restated Consolidated Financial Information*
2) *The above Statement should be read with the notes 2 and 3 to the Restated Consolidated Financial Information at "Financial Statements - Summary of significant accounting policies and other explanatory information" on page* 265.

FINANCIAL INDEBTEDNESS

Our Company has availed of loans in the ordinary course of business, typically for the purposes of on-lending and for working capital and general corporate purposes. For the purposes of the Offer, except as disclosed in "*Risk Factors – An inability to comply with repayment and other covenants in our financing agreements could adversely affect our business, financial condition, cash flows and credit rating. Further, we are subject to certain conditions and restrictions in terms of our financing arrangements, which restrict our ability to conduct our business and operations in the manner we desire. Further, in the past, we have not been in compliance with certain covenants under certain of our financing agreements.*" on page 42 our Company has obtained the necessary consents required under the relevant documentation for its borrowings in relation to the Offer, including for undertaking activities such as change in its capital structure, change in its shareholding pattern or change or amendment to the constitutional documents of our Company.

A brief summary of the financial indebtedness of our Company as of March 31, 2021 is disclosed below:

(₹ in Million)

Nature of Borrowing	Amount Sanctioned	Amount Outstanding*
Secured Borrowings		
Term loans (including external commercial borrowings)	27,816	18,773.85
Cash credit, working capital and overdraft facilities (including overdraft facilities against fixed deposits limits)	4,269	3,779.37
Non-convertible debentures	14,701	14,474.81
Unsecured Borrowings		
Term loans	400	400
Non-convertible debentures	300	280
Commercial papers	1,500	1,500
Total	48,986	39,208.05

** Represents gross borrowing outstanding excluding Ind AS related adjustments pertaining to interest accrued and unamortised processing fee*

Principal terms of the borrowings availed by our Company are disclosed below:

1. *Interest:* The interest rate applicable to our borrowing facilities is typically tied to the respective lender's lending rate prevailing at the time (linked to the marginal cost of funds based lending rate / 364-day treasury bill rate / long term lending reference rate amongst other benchmarks) and may vary for each facility. The spread applicable to our borrowings, excluding non-convertible debentures, ranges from 8.50% p.a below to 6.23% p.a above the relevant lender's lending rate payable at such intervals as may be stipulated by the lender. However, in certain cases, the interest rates applicable to our borrowings, excluding non-convertible debentures, is fixed by the lender and ranges from 8.60% p.a. to 12.25% p.a. payable at such intervals as may be stipulated by the lender. With respect to our outstanding non-convertible debentures with fixed coupon rates, the coupon rate ranges from 9.15% p.a. to 11.60% p.a. payable at such intervals as may be stipulated. Further, our Company has also issued market linked non-convertible debentures where the interest depends on a reference index, such as the S&P BSE SENSEX or the ten-year government security. In such cases, where the movement in the index exceeds specified thresholds, a fixed interest rate is applicable which ranges from 8.90% p.a. to 10.20% p.a. Commercial papers issued by us carry a discount rate ranging from 7.50% p.a. to 8.25% p.a.

2. *Tenor:* The tenor of the term loan facilities availed by us typically ranges from 5 months to 66 months. Our Company has also availed certain working capital facilities that may be repayable on demand. The working capital facilities availed by us generally have a tenor of 12 months and may be rolled over by us within the period specified in the facility documents. Further, the redemption period of the non-convertible debentures and non-convertible market linked debentures issued by our Company ranges from 15 to 60 months. Our Company has also issued commercial papers with tenors typically ranging from 61 days to 181 days.

3. *Security:* Our borrowings are typically secured by a first exclusive charge by way of hypothecation on book debts both present & future. The nature of the securities described is indicative and there may be additional requirements for creation of security under various borrowing arrangements entered into by our Company.

4. *Pre-payment and premature redemption:* Facilities availed by us typically have pre-payment provisions which allow for pre-payment of the outstanding loan amount, by serving a notice to the relevant lender or on receiving prior approval from the relevant lender, subject to such pre-payment penalties as may be decided by the lender at the time of such prepayment, or as set out in the facility agreements or the debenture trust deeds, as the case may be.

   Among the facilities which specify a pre-payment penalty, the penalty typically ranges from 1.00% to 5.00% of the amount proposed to be pre-paid in the case of our borrowing facilities and 1.00% to 2.00% of the amount proposed to be redeemed prematurely in the case of non-convertible debentures issued by our Company.

5. *Events of Default:* The financing arrangements entered into by us contain standard events of default including, among others:

   (i) non-payment or default of any amounts due on the facility or any part thereof;
   (ii) breach of or default in the performance of or observance of any of the terms, covenants, obligations or undertakings stipulated in the relevant documents;
   (iii) failure to create and perfect security;
   (iv) non-payment of moneys due to any person or lender as and when they fall due or when demanded;
   (v) any notice or action in relation to actual or threatened proceedings relating to bankruptcy, liquidation or insolvency being initiated against us; and
   (vi) our Company ceasing or threatening to cease to carry on its business.

   The details above are indicative and there may be additional terms that may amount to an event of default under the various financing arrangements entered into by us, such as any change in control without the prior consent of the lenders or the occurrence of any event that has material adverse effect (as defined in the loan documentation).

6. *Penalty:* Facilities availed by us contain provisions prescribing penalties for delayed payment or delay in submission of documents required under such facility documents, non-creation of security and default in our repayment obligations, which typically ranges from 1.00% to 5.00% p.a of the amounts due and payable but may even be as high as 36% per annum in certain cases with respect to certain facilities.

7. *Restrictive Covenants:* Certain borrowing arrangements entered into by us contain restrictive covenants, including covenants restricting certain actions except with the prior approval of the lender. An indicative list of such restrictive covenants is disclosed below.

   (i) lender's right to recall the whole advance or balance thereof outstanding with the prior permission of the RBI;
   (ii) restriction on assignment of our Company's obligations under the facility documents;
   (iii) restriction on undertaking certain corporate actions except with the prior approval of the lender, including:
      - effecting any change in our ownership, control or management;
      - effecting any material change of our Company's capital structure or shareholding pattern;
      - amendments to constitutional documents of our Company;
      - enter into any scheme of amalgamation or reconstruction;
      - change in the management set up of our Company, including key managerial personnel;
      - carrying out any change in the general nature of business;
      - making any pre-payment of principal amounts due under the facilities.
      - buy back, cancel, reduce or otherwise acquire our share capital;
      - declaring and paying dividends if payment of any installment towards the principal or interest is due and payable and except out of the profits of our Company for that year; and
      - creating charge, lien or encumbrance over the assets secured under the facility documents, if any, in favour of persons other than the lender.

The details provided above are indicative and there may be additional terms, conditions and requirements under the specific borrowing arrangements entered into by us. The details on interest rates, tenors, pre-payment penalties, penalties set out above are in relation to the borrowings availed by our Company are as of March 31, 2021.

Inter-corporate Loans

Our Company has granted loans to our Subsidiary, NAIM. For details, see "*Financial Statements*" beginning on page 256. As of March 31, 2021, the aggregate outstanding amount due on inter-corporate loans disbursed by our Company to our Subsidiary is ₹ 213.84 million.

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

You should read the following discussion of our financial condition and results of operations together with our Restated Consolidated Financial Information, which is included in this Draft Red Herring Prospectus. The following discussion and analysis of our financial condition and results of operations are based on our Restated Consolidated Financial Information, including the related notes and reports, which are prepared under Ind AS, in accordance with requirements of the Companies Act, and restated in accordance with the SEBI ICDR Regulations, which differ in certain material respects from IFRS, U.S. GAAP and GAAP in other countries, and our assessment of the factors that may affect our prospects and performance in future periods. Our Restated Consolidated Financial Information has been derived from our audited financial statements. Accordingly, the degree to which our Restated Consolidated Financial Information will provide meaningful information to a prospective investor in countries other than India is entirely dependent on the reader's level of familiarity with Ind AS.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those described under "Risk Factors" and "Forward Looking Statements" on pages 25 and 23, respectively.

Our Fiscal ends on March 31 of each year. Accordingly, all references to a particular Fiscal are to the 12 months ended March 31 of that year.

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Industry Report on various asset classes" dated July, 2021 (the "**CRISIL Report**") prepared and released by CRISIL. We have commissioned the report for the purposes of confirming our understanding of the industry in connection with the Offer and the report has been paid for by our Company for an agreed amount. Neither we, nor the BRLMs, nor any other person connected with the Offer has independently verified this information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant calendar year.*

Overview

We are a platform in the financial services sector set up primarily with the mission of catering to the diverse credit requirements of under-served households and businesses by providing efficient and reliable access to debt finance. Registered with the RBI as a systemically important NBFC, we have been operating in the financial inclusion space for over a decade. We are a leading player amongst India's diversified NBFCs, with a business model diversified across offerings, sectors, products, geographies and borrower segments. We provide access to credit to under-served households and businesses directly and indirectly through our Originator Partners. We operate with a risk management framework that uses a combination of proprietary quantitative data analytics based on over 22 million unique data points and qualitative field-level insights that aid credit assessment and monitoring. Our proprietary integrated technology system called 'Nimbus by Northern Arc™' ("**Nimbus**") enables us to do this efficiently at scale. Our digital initiatives earned us the 'Best Digital NBFC of the Year' award at the Economic Times BFSI Excellence Awards in Fiscal 2020 and "Excellence in Digital Execution for Process Innovation" at the MINT | TechCircle Business Transformation Awards 2021.

According to the World Bank's Global Findex Database 2017, only 8% of the Indian population borrowed from formal sources. Under-served households and businesses represent a significant proportion of India's population that faces challenges in obtaining credit due to reasons such as a lack of credit history and the ability to provide collateral. NBFCs have generally been able to address this opportunity on account of their strong origination skills, extensive reach, better customer service, faster processing, fewer documentation requirements, digitization of customer on-boarding process, customized product offerings, local knowledge, and differentiated credit appraisal methodology. (*Source: CRISIL Report*). Over the past 12 years, we have focussed on this challenge through our platform approach. We focus on addressing a wide spectrum of the credit requirements of under-served households and businesses through our sectoral approach. We operate in focussed sectors including microfinance, MSME finance, vehicle finance (includes commercial vehicle and two-wheeler finance), consumer finance, affordable housing finance and agricultural supply chain finance. Of these sectors, four of them, being microfinance, MSME finance, vehicle finance and consumer finance, have grown at rates of approximately 9% to 31% during the period from Fiscal 2018 to Fiscal 2021. (*Source: CRISIL Report*). Set out below is a sector-wise break-down of our overall business volumes and AUM (excluding our investment in AIFs) based on our financing activities in each of the above sectors that we lend to as of the dates indicated.

Sector-wise break-down of volumes

	Fiscal 2021	Fiscal 2020	Fiscal 2019
Volume by sector			
Microfinance	41.55%	36.45%	53.25%
MSME finance	27.99%	28.56%	19.17%
Vehicle finance (including commercial vehicle and two-wheeler finance)	11.44%	22.97%	19.14%
Consumer finance	5.26%	6.14%	4.08%
Affordable housing finance	4.94%	1.81%	2.46%
Agricultural supply chain finance	1.87%	0.68%	1.10%
Other retail finance sectors	6.95%	3.39%	0.80%
Total	**100.00%**	**100.00%**	**100.00%**
Total volume* (in ₹ million)	**130,536.93**	**146,925.63**	**143,653.49**

**Total volume represents the aggregate value of financing enabled by us from our own balance sheet as well as from other lenders or investors during the relevant Fiscal Year.*
Note: This table does not include our volume attributable to our rural finance business through our subsidiary, Pragati, as it has not commenced operations.

Sector-wise break-down of AUM

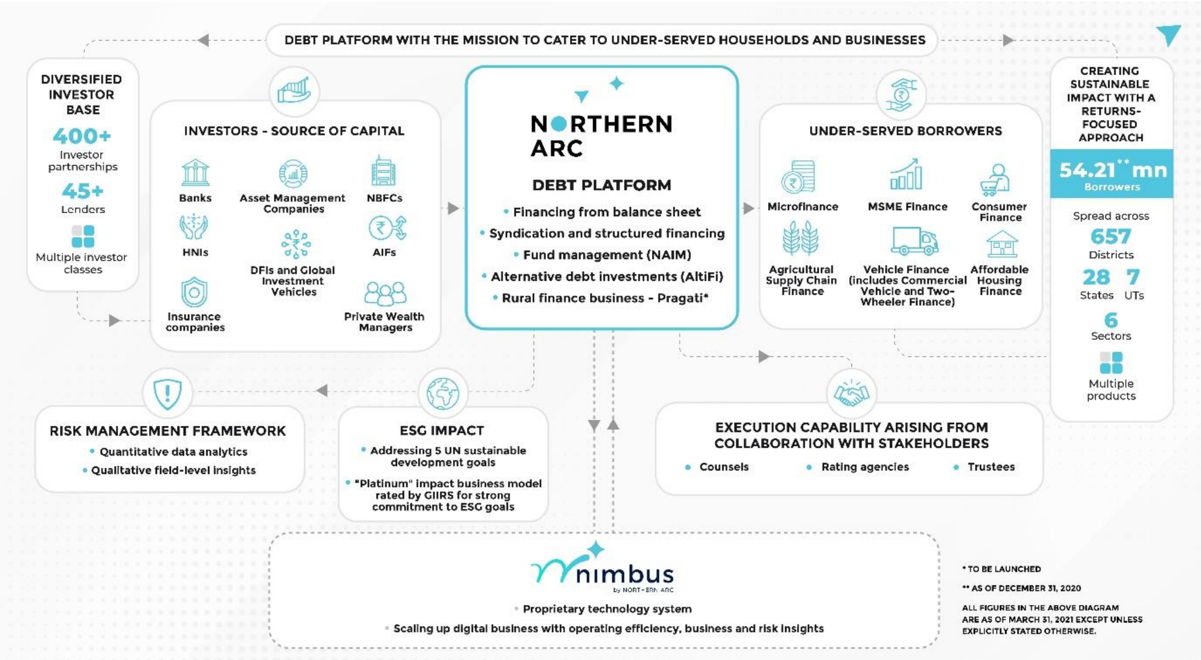
(in ₹ million)

AUM by sector	March 31, 2021	March 31, 2020	March 31, 2019
Microfinance	34.78%	26.34%	33.80%
MSME finance	30.84%	34.19%	30.40%
Vehicle finance (including commercial vehicle and two-wheeler finance)	17.85%	21.27%	19.11%
Consumer finance	8.14%	8.49%	5.43%
Affordable housing finance	4.41%	5.52%	6.51%
Agricultural supply chain finance	2.06%	2.58%	3.24%
Other retail finance sectors	1.92%	1.61%	1.51%
Total	**100.00%**	**100.00%**	**100.00%**
Total AUM (excluding our investment in AIFs)	**48,950.30**	**40,346.52**	**37,454.16**

Note: This table does not include our AUM attributable to our rural finance business through our subsidiary, Pragati, as it has not commenced operations.

Our diversified platform taps into a large network of financial institution partners, technology platforms (such as Fintechs) and other entities that act as business correspondents to originate financial exposure (collectively, "**Originator Partners**") as well as small businesses and individuals. While we lend to such Originator Partners which are in the nature of financial institutions for the purpose of on-lending by them, we also engage with certain Originator Partners who enable us to lend directly to retail borrowers ("**Retail Lending Partners**"). We also have an equally large network of investors across different investor classes who use our platform to access opportunities to invest in under-served sectors in India ("**Investor Partners**"). Since the inception of our platform, we have cumulatively raised over Rs. 950.00 billion in funds for our clients, which included funding from our balance sheet as well as from Investor Partners, most of whom are repeat users of our platform.

Set out below is a schematic representation of our business and operations.



Our platform provides three primary offerings:

- ***Financing*** – from our balance sheet, we (i) lend to and guarantee the borrowings of Originator Partners for retail on-lending by them, and invest in and/or credit enhance the portfolios sold down by them; (ii) lend to under-served households and businesses through our retail business; and (iii) lend to mid-market companies operating in preferred sectors. As part of our financing offering, we also plan to launch a dedicated rural finance business through our subsidiary, Pragati.

- ***Syndication and structuring*** – we work with our Investor Partners to structure and syndicate financing through a variety of debt, credit-enhanced debt and portfolio financing products for our Originator Partners and mid-market companies. We also demonstrate skin-in-the-game in our syndication and structuring offerings, which provides comfort to our Investor Partners and which differentiates us from other debt arrangers in the market which do not assume skin-in-the-game.

- ***Fund management*** – based on contributions received from Investor Partners, our subsidiary, Northern Arc Investment Managers Private Limited ("**NAIM**"), manages debt funds that invest in mid-market companies and our Originator Partners. As part of our skin-in-the-game approach, we make capital contributions to our funds, including contribution as sponsor of the funds.

Since 2009, when we entered the financial inclusion space, we have enabled financing for Originator Partners who have impacted over 54.21 million lives across India, of which more than 42 million were women. Our AUM from three primary offerings increased at a CAGR of 56.12% over the last 10 years, and as of March 31, 2021, we had an AUM (including our investment in AIFs) of Rs. 52.21 billion. As of March 31, 2021, through our Originator Partners, we had credit exposure, directly or indirectly, spread across 657 districts in 28 states and seven UTs. Since the inception of our platform, we have cumulatively raised over Rs. 950.00 billion in funds for our clients, executed over 900 structured finance transactions, obtained over Rs. 28.00 billion in investor commitments across nine high performing funds, and gathered over 22 million data points on customer repayment behaviour.

We have built partnerships with 228 Originator Partners, with whom we engage across multiple products through their life cycles to meet their funding requirements. We also partner with select Originator Partners to lend to retail borrowers. As part of our syndication and structuring and fund management offerings, we have built partnerships with over 400 Investor Partners across different investor classes who access opportunities to invest in the under-served households and businesses in India through our platform.

The growth in the number of Originator Partners and Investor Partners also attracts new borrowers and lenders which creates positive network effects and a diversified platform. Originator Partners on the platform engage in repeat transactions because of access to deep pools of liquidity, wider classes of investors and the ability of the platform to meet their unique requirements. For our Company, this generates an annuity effect providing us with a combination of fee income and interest income.

Using our customized credit-underwriting approach and tailored product suite that aids in the deployment of capital, we continue to build a diversified business with multiple offerings that help us grow. Our diversified approach towards assets, liabilities and products allows us to operate at a structurally lower risk as compared to monoline companies. Our assets are diversified across multiple sectors, borrower segments and geographies. Such diversification also provides us with multiple levers to steer through periods of cyclicality thereby, resulting in lower volatility of risk, return and growth.

We commenced our fund management business, which we operate through our subsidiary NAIM, in Fiscal 2014. Our Company also co-invests in funds managed by NAIM. We are one of India's most experienced private debt fund managers with over Rs. 28.00 billion in investor commitments raised across nine AIFs since 2014, out of which we have facilitated successful exits for Investor Partners in two AIFs. (*Source: CRISIL Report*) Further, we had more than Rs. 14.00 billion of Fund Management AUM across 43 portfolio companies as of March 31, 2021. We have a deep understanding of the sectors in which our portfolio companies operate and leverage upon the long-term relationships cultivated with them by our Company. Our fund management business accounted for 1.64%, 2.12% and 2.06% of our Total income, and 3.52%, 4.23%, and 4.33% of our Adjusted net total income for each of Fiscals 2019, 2020 and 2021, respectively. Our Fund Management AUM increased at a CAGR of 8.01% between Fiscal 2019 and Fiscal 2021.

A deep understanding of economics of businesses and sectors at the grassroot level combined with robust credit and risk underwriting has enabled our Company to diversify across sectors, geographies, borrower segments and products. Our quantitative analysis is based on our data lake of 22 million granular loans and pools evaluated and invested in by us over a decade. Our technology system, Nimbus connects with many Originator Partners over API and processes data and workflows. Our Originator Partners and Investor Partners can log on to Nimbus and access documents, access fundraising and investment opportunities, and execute transactions online. Nimbus provides the ability for end-to-end processing of debt transactions, from loan application, credit evaluation, generation of legal documentation to transaction execution and closure. As of March 31, 2021, our Originator Partners have raised more than Rs. 200,846.00 million in funding through 796 financing and syndication and structuring transactions executed through Nimbus. As of March 31, 2021, Nimbus has enabled disbursements of over 2.50 million retail loan accounts involving an aggregate sum of over Rs.17,500 million, in partnership with our Retail Lending Partners. We have an established track record in customizing products that help match the requirements of Originator Partners and Investor Partners catering to the under-served households and businesses. For further details in relation to our products, please see "- *Our Products*" on page 194.

We aim to create a consistently profitable business with a strong focus on ESG aspects. Over the years, we have demonstrated a strong commitment to ESG goals and impact-creation with a special focus on enabling access to credit to women.

We have an experienced leadership team whose members have committed significant part of their careers towards building our Company and our brand. Our Company's objective is to create an impact on the lives of the under-served in India while running a consistently profitable business that keeps the team motivated. We have benefited and expect to continue to benefit from the strong capital sponsorship and professional expertise, especially in the area of corporate governance and risk management, of our shareholders, which include funds and a global systemically important bank. As of the date of this Draft Red Herring Prospectus, our shareholders include IIFL Funds, LeapFrog, Augusta, Eight Roads, Dvara Trust, Accion and SMBC.

For details of certain key financial and operational information for our Company, see "*Selected Statistical Information*" on page 367.

Significant Factors Affecting our Results of Operations

Our results of operations are primarily influenced by the factors described below, which affect the quality and value of our loan portfolio, the amount of credit we disburse and therefore our overall growth prospects and our ability to implement our strategies:

Performance of the Indian economy and the impact on various asset classes

Our financial condition and results of operations are influenced by the general economic conditions prevailing in India. Various factors beyond our control, such as the impact of the COVID-19 pandemic, a rise in unemployment, prolonged recessionary conditions, a rise in interest rates, movements in exchange rates, increased competition and changes in Indian laws, regulations and policies could have an adverse impact on the Indian economy and the quality of our loan portfolio. Any trends or events which have a significant impact on the economic situation in India could also have an adverse impact on our business.

The COVID-19 pandemic and growing restrictions on travel and lockdowns in affected countries has led to demand, supply and liquidity shocks all over the world, including in India. Beginning in March 2021, a major second wave of infections took hold in India, which significantly increased governmental and regulatory measures and phased lockdowns in certain states. While the full macroeconomic impact of the second wave remains to be seen, the growth forecast will continue to be subdued due to the second wave. The RBI in its annual report published in May 2021 noted that while the economy has not moderated to the extent it had during the first wave, enveloping uncertainties can be a challenge in the short-term. CRISIL Research forecasts India's GDP to grow at 6.0-7.0% per annum between Fiscal 2023 and 2025. (*Source: CRISIL Report*)

CRISIL Research notes that the COVID-19 pandemic sharply slowed the Indian economy in the first quarter of Fiscal 2021, but the immense economic costs that it extracted forced the economy to open in the second quarter of Fiscal 2021, which is likely to result in a decline in real GDP by 7.3% during Fiscal 2021. (*Source: CRISIL Report*) Our target borrower segment was also impacted due to the economic downturn caused by the disruption resulting from the second wave of COVID-19 such as closure of non-essential services. Following the lockdown and other restrictions imposed by various states, business operations for several clients have been adversely impacted, including reduction in collection efficiency.

To mitigate the economic impact of the second wave of COVID-19, the RBI announced the Resolution Framework 2.0 in May 2021 for (i) individuals and small businesses; and (ii) MSMEs. Pursuant to the Resolution Framework targeting individuals and small businesses, lending institutions were permitted to restructure loans that did not avail benefit of restructuring in Fiscal 2021 and those where the moratorium allowed in the first restructuring was less than 24 months. We believe that progress on vaccinations and easing of travels in the medium term, coupled by the lagged effects of the government's fiscal stimulus and relief measures will encourage a rapid comeback in consumer activities and businesses. CRISIL Research states that budgetary support and vaccines are expected to boost economic growth resulting in a base case GDP growth of 9.5% during Fiscal 2022 and GDP CAGR of 7.0% between Fiscal 2021 to Fiscal 2025. CRISIL Research estimates that NBFCs operating in various sectors experienced growth recently, and are likely to grow in the near future as provided below:

Sector	**Loans outstanding CAGR (Fiscals 2018-2021)**	**Loans outstanding CAGR (Fiscals 2021-2024)**
Consumer loans*	28%	25%
Small business loans	19%	16%
Low and middle income segment housing loans	10%	10%
Agriculture loans	13%	10%
Two wheeler loans	19%	23%
Commercial vehicle loans	9%	12%
Microfinance	31%	20%
Mid corporate loans	15%	17%
Gold loans	19%	15%

**Includes personal loans and consumer durable loans*

Further, CRISIL Research estimates that overall, small and medium NBFCs are likely to grow their loan portfolios at a CAGR of 16% during Fiscal 2021-2024 as compared to a likely growth in loan portfolio for large NBFCs at a CAGR of 12% during the same period. We believe this expected growth in the NBFC sector, particularly for the small and medium NBFCs, indicates significant growth potential for our business in the next three Fiscals.

Availability of cost-effective sources of funding

We have a well-diversified funding profile supported by our strong liquidity management system, our credit ratings and our brand equity. Our financing requirements historically have been met by several sources, including banks, mutual funds, development finance institutions, NBFCs, family offices, small finance banks and wealth management platforms. As of March 31, 2021, our total borrowings were ₹39,320.39 million and our average cost of borrowings was 10.23% (on an annualized basis). The incremental cost of funds for Fiscal 2021 was 9.84% on an annualized basis. We currently have a long-term rating of A+ (Stable) from India Ratings for certain of our long-term bank loans and non-convertible debentures, A+ (Negative) for certain of our long-term term loan/fund-based limits and non-convertible debentures from ICRA and A1+ from ICRA and CARE for our commercial papers. We maintain diversified sources of capital which we believe ensures that we are not overly dependent on any one type of source for financing. As of March 31, 2021, we had borrowing relationships with 48 lenders. We maintain long-term relationships with our lenders. This enables us to optimize our cost of borrowings, funding and liquidity requirements, capital management and asset liability management. For further information on our borrowings, lender relationships and credit ratings, please refer to *"Selected Statistical Information"* starting from page 367.

The availability for financing as well as the overall cost of funds depends on many external factors, including developments in the Indian economy and its credit markets and, in particular, movements in interest rate and the existence of adequate liquidity in the debt markets. Internal factors that affect our cost of funds include our credit ratings and available credit limits.

Our ability to continue to grow our earning assets depends primarily on our ability to raise funds by issuing equity and debt securities and to borrow from various external sources at suitable interest rates and competitive terms in a timely manner.

The table below sets out certain key financial indicators as of the year specified in connection with our borrowings.

(₹ in million)

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2019
Borrowings (other than debt securities)	22,924.71	20,612.84	16,690.48
Debt securities	16,395.68	8,602.08	12,438.61
Subordinated Liabilities	-	-	121.34
Total Borrowings	**39,320.39**	**29,214.92**	**29,250.43**

Ability to maintain our net interest income and net interest margin

Our results of operations depend substantially on the level of our net interest income, which represents our interest income reduced by our finance cost and our fees and commission expense. The ratio of our net interest income to our total assets is our net interest margin. The interest rates that we charge or realize on our interest-earning assets and the interest rates that we pay on our borrowings, and the volume of such assets and borrowings determine our net interest income and, consequently, our net interest margin. Based on the Restated Financial Information, our net interest income for Fiscals 2019, 2020 and 2021 was ₹2,275.31 million, ₹2,354.14 million and ₹2,653.46 million, respectively, and our net interest margin was 6.02%, 5.84% and 5.76%, respectively.

Of the loans we have advanced as of March 31, 2021, 88.18% earn interest at floating rates that are linked to our Floating Benchmark Lending Rate ("**FBLR**"). We compute the FBLR based on the interest rates we pay on our borrowings and other factors. The asset-liability committee ("**ALCO**") of our Board of Directors reviews the FBLR on a monthly basis. We pay interest on 31.60% of our borrowings based on floating rates that are usually linked to the respective lenders' benchmark rates. The FBLR mechanism allows us to pass on any increases in our cost of borrowings to our borrowers and thereby enables us to protect our net interest income.

Our asset/liability management strategy is to maximize net interest and similar income by matching the mix and maturities of our assets and our funding liabilities in order to maximize returns across our loan portfolio. Our strategies must accommodate the nature of our portfolio and customer demands for particular types of loan product while maintaining control over interest rate risk. We aim to ensure that while we optimize our net interest income, we do not have any cumulative asset/liability mismatches in the near term. A key element of our asset/liability plan is to protect net interest and similar income from changes in interest rates by managing the maturity or repricing mismatch between our interest-earning assets and rate-sensitive liabilities. As of March 31, 2021, we had a cumulatively positive asset-liability position in each maturity bucket. Under the guidance of our ALCO, we monitor various critical parameters such as the duration of our assets and liabilities, with the objective of limiting the impact of interest rate movements on our net worth.

The table below sets out certain key financial indicators for the years specified in connection with this factor.

(₹ in million)

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2019
Revenue from operations	6,811.71	6,328.20	6,015.55
Interest income	5,798.64	5,564.54	5,107.20
Finance costs	3,229.68	3,092.07	3,021.11
Fees and commission expense	285.22	228.91	115.46
Net interest income*	2,653.46	2,354.14	2,275.31
Net interest margin (%) *non-GAAP measure	5.76%	5.84%	6.02%

Ability to manage our operating expenses

Controlling our operating expenses is critical in maintaining our profitability. As part of our growth strategy, we intend to expand our customer base and grow our Earning Assets. Our results of operations will be affected by our ability to manage operating expenses as we expand. For Fiscals 2019, 2020 and 2021, our employee benefits expenses were ₹720.84 million, ₹682.97 million and ₹622.44 million, respectively, while our other expenses were₹370.50 million, ₹473.50 million and ₹294.09 million, respectively. Our employee benefits expenses were 11.68%, 10.76%, and 9.08%, respectively, while our other expenses were 6.00%, 7.46% and 4.29% of our total income, respectively, for Fiscals 2019, 2020 and 2021.

As our operations expand, we also expect to generate benefits from economies of scale and efficiency derived from our extensive use of technology, which we believe will assist us in optimizing our operating expenses. In our financing as well as our structuring and syndication businesses, as we increase the volume of business per client with our Originator Partners and mid-market companies, we will enjoy scale benefits as the cost of origination, relationship management, and risk monitoring will not increase at the same rate. Similarly, as our volumes of business with each Investor Partner increase, we will achieve efficiency in our cost of originating and managing them. Our retail customers are primarily serviced by our technology, which enables us to serve a larger number of customers without a proportionate increase in costs. As part of our strategy for the funds management business, we intend to attract offshore investors and this may initially entail higher costs for their first investment in the funds. However, subsequent investments by the same investors will be possible at low incremental costs. Some of the newer businesses we intend to commence, such as a dedicated microfinance business through our subsidiary Pragati and initiatives such as developing a digitized supply chain financing platform in the MSME finance sector, will require us to incur establishment costs initially.

We continue to identify and implement measures that we believe will enable us to improve the ratio of our operating expenses to our total revenue. For example, we continue to invest in our technology platform 'Nimbus by Northern Arc' and digitization to improve operational and management efficiencies.

Credit quality and provisioning

The performance of our loan portfolio depends on our ability to collect each expected installment payment on a timely basis, which in turn depends, in part, on the strength of our origination and credit approval processes. We have developed and improved our underwriting standards and credit review system and have built an infrastructure to support the implementation of our credit review process for our loan products. Our profits and financial condition are affected by our ability to manage the credit quality of our loans, which we measure in part through non-performing assets ("**NPAs**").

We perform an impairment analysis at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, we categorize the loan receivables into groups based on days past due and the type of risk exposures. We follow a "three stage" model for impairment based on changes in credit quality since initial recognition. At stage 1 when financial assets are first recognized, we recognize an allowance based on the 12-month expected credit loss ("**ECL**"). Stage 1 financial assets includes those financial assets where there is no significant increase in credit risk observed and also includes facilities where credit risk has been improved and the financial asset has been reclassified from stage 2 or stage 3. At stage 2, when a financial asset shows a significant increase in credit risk since initial recognition, we record an allowance for the lifetime ECL based on Ind AS 109 - Financial Instruments. This allowance is based on the credit losses expected to arise over the life of the asset (also referred to as the "lifetime ECL"), unless there has been no significant increase in credit risk since origination, in which case, allowance is based on the 12 months' ECL. Stage 2 assets also includes assets where the credit risk has improved and the loan has been reclassified from stage 3. Stage 3 assets are considered impaired if they are past due for more than 90 days. We record the stage 3 assets for the lifetime ECL. The following table presents the provisioning we follow based on the number of days past due.

Days past due	Stage	Provisions
Current	Stage 1	12 months provision
1-30 Days	Stage 1	12 months provision
31-90 Days	Stage 2	Lifetime provision
90+ Days	Stage 3	Lifetime provision

For further details, see "—*Significant Accounting Policies - Impairment of financial assets – Calculation of ECLs*" on page 343.

The following table illustrates our asset quality as of the dates indicated:

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2019
Stage 3 loans and investments at gross carrying value (₹ in million)	1,169.45	190.06	328.06
Gross Stage 3 loans and investments / Total loans and investments (%)	2.23%	0.46%	0.82%
Stage 3 loans and investments (net of impairment allowance) (₹ in million)	461.70	55.66	195.33
Net Stage 3 loans and investments/ Total loans and investments (%)	0.88%	0.13%	0.49%

Write-offs in Fiscal 2021 include one significant exposure in an amount of ₹496.76 million that resulted from an alleged fraud in the underlying portfolio by the employees and key management of one of our borrowers against whom our Company has initiated recovery proceedings including filing of a first information report. For more details, see "*Selected Statistical Information*" and "*Outstanding Litigation and Material Developments*" on pages 367 and 383, respectively.

The RBI has by its various notifications permitted lenders to restructure borrower accounts without such accounts being classified as NPAs subject to certain conditions. See below *"- Significant Factors Affecting our Results of Operations - Government Policy and Regulation*" on page 337. We have restructured 1,053 borrower accounts under this dispensation representing a total principal outstanding of ₹209.82 million as of March 31, 2021 and these accounts continue to have the same stage classification on our books as before the restructuring. Given the unique nature and the scale of the economic impact caused by the ongoing COVID-19 pandemic and the unavailability of reliable data regarding the impact of various regulatory packages, our current estimate of credit loss is based on various highly uncertain and unobservable factors and the actual credit losses for the next 12 months could be significantly different than the expected credit loss estimates prepared by us. For details of the impact of the COVID-19 pandemic on our provisioning and asset classification, see "*Financial Statements*" beginning on page 256.

Government Policy and Regulation

As an NBFC, we will continue to be affected by a number of regulations promulgated by the RBI that regulate, among other things, capital adequacy norms, pricing guidelines and other lending stipulations and other operational restrictions. For details, see "*Key Regulations and Policies*" beginning on page 206. Any change in the regulatory framework affecting NBFCs, and in particular those requiring to maintain certain financial ratios, accessing funds or lending to NBFCs by banks, among others, including priority-sector lending norms, would adversely affect our results of operations and growth.

The RBI, pursuant to its circulars dated March 27, 2020, April 17, 2020, and May 23, 2020, announced certain regulatory measures, including to mitigate the burden of debt servicing brought about by disruptions on account of the COVID-19 pandemic and to ensure the continuity of viable businesses. In furtherance of these circulars, lending institutions were permitted to (i) grant a moratorium of three months in respect of instalments payable on all term loans (i.e., from March 1, 2020 until May 31, 2020), which was subsequently extended for a further period of three months (i.e., until August 31, 2020); and (ii) defer the recovery of interest during the period mentioned in (i) above as regards working capital facilities sanctioned in the form of cash credit/overdraft. In accordance with the policy framed by the Board, we evaluated and approved requests for principal and / or interest moratorium from our Originator Partners and mid-market borrowers on a case-by-case basis whereas in case of retail borrowers, the policy for moratorium was aligned with that of our partners. Approximately 51%, 57% and 33% of our loans to Originator Partners and mid-market corporate clients were under moratorium in April 2020, May 2020 and June 2020, respectively. However, this number significantly dropped to around 4% in August 2020. Further, approximately 34.00%, 47.00% and 27.00% of our loans to our retail clients were under moratorium in April 2020, May 2020 and June 2020, respectively, and this number was around 28% in August 2020. For details of the impact of the COVID-19 pandemic, including our provisioning and asset classification in relation to the moratorium period, see "*Financial Statements*" beginning on page 256. Pursuant to this and to avoid asset-liability mismatches, we obtained moratoria from some of our own lenders until August 2020.

The Government of India, through the Ministry of Finance, Department of Financial Services introduced the emergency credit line guarantee scheme ("**ECLGS**"). Pursuant to the ECLGS Scheme, the National Credit Guarantee Trustee Company, a wholly-owned trustee company of the Government of India, provided a 100% credit guarantee in the form of working capital facilities in the form additional term loans for NBFCs.

Further, the Government of India approved the Partial Credit Guarantee Scheme ("**PCGS Scheme**") to improve the liquidity position of NBFCs through a special purpose vehicle to avoid potential systemic risks to the financial sector. In order to avail the scheme, NBFCs are required to, *inter alia*: (a) have made a net profit in one of the two preceding financial years; and (b) be rated investment grade by a SEBI registered rating agency. In accordance with the circular, the scheme is managed by a special purpose vehicle set up by a subsidiary of the State Bank of India.

The PCGS Scheme was introduced on December 11, 2019 to offer a sovereign guarantee for "first loss" to public sector banks for the purchase of assets, subject to certain conditions, from NBFCs. Pursuant to a press release dated May 20, 2020, the PCGS Scheme was amended to increase the coverage offered by the scheme and the window under the PCGS Scheme was extended up to March 31, 2021.

The Supreme Court of India, by its order dated September 3, 2020, directed that borrower accounts which were not declared NPAs before August 31, 2020 shall not be declared as NPAs until further order. In compliance with the order, we have not declared any such account as NPA even though the recovery proceedings are pending but continued to maintain provisions in respect of borrower accounts according to how the accounts would have been classified under Ind AS in the absence of said order. Subsequently, the Supreme Court lifted this asset classification standstill requirement in its judgment dated March 23, 2021 in the matter of Small Scale Manufactures Association (Regd.) v. Union of India and others.

RBI, by its Master Directions on Priority Sector Lending ("**PSL**"), has directed banks to advance a certain proportion of their advances to certain sectors and borrower categories. As part of our structuring and syndication business, we assist certain of our Originator Partners, such as NBFC-MFIs, to obtain loans that qualify as PSL for the banks making such loans, and we receive fees for such transactions from our Originator Partners. Further, we structure transactions such as direct assignment of our Originator Partners' PSL-qualifying loan receivables in favour of banks that participate in these transactions for the purpose of meeting their PSL obligations, and we receive fees for such transactions. One of the reasons that the banks enter into such transactions is to fulfill their PSL obligations and a relaxation or withdrawal of RBI's policy may adversely affect our business. Further, RBI has permitted banks to categorize as PSL – certain advances made to NBFCs for on-lending to certain categories of borrowers which would qualify as PSL – and this dispensation is currently in force until September 30, 2021. We have obtained such advances from banks that are categorized as PSL and if RBI does not extend this arrangement further, we will not be able to obtain such loans in future.

Pursuant to the decision of the Supreme Court of India in Small Scale Industrial Manufacturers Association v. Union of India, dated March 23, 2021, the RBI has issued a circular dated April 7, 2021. The circular 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 above judgement. For further details see "*Key Regulations and Policies - Covid-19 Regulatory Framework*" beginning on page 216.

Competition

The financial services market in India is highly competitive and each of our businesses competes against distinct sets of market players. Our financing offerings, especially to larger, better rated clients, face competition from various types of lenders including private and public sector banks, certain NBFCs, development financial institutions, debt funds (including venture debt funds). A variety of players operates in the structuring and syndication space and compete with our business, including the syndication desks of various private sector banks and merchant bankers, certain NBFCs and other entities that act as arrangers and/or structurers. Our fund management business faces competition from private debt funds and venture debt funds, as also the credit risk schemes of various mutual funds. Some of the businesses we operate have limited entry barriers, and this may lead competition to further intensify.

We extend financing to various Originator Partners and also facilitate raising funds for them from various banks, institutions and from the capital markets, enabling the Originator Partners to scale up their businesses. At a higher scale, banks, institutions and capital markets players may be willing to lend larger sums to the Originator Partner at lower interest rates than we can offer, which may affect their willingness to borrow from us. Further, on a larger scale, Originator Partners may find it feasible to maintain in-house teams to work on raising funds for themselves which may affect the extent to which they need to obtain structuring and syndication services from us.

Significant Accounting Policies

Our significant accounting policies are those that we believe are the most important to the portrayal of our financial condition and results of operations, and that require our management's most difficult, subjective or complex judgements. In many cases, the accounting treatment of a particular transaction is specifically dictated by applicable accounting policies with no need for the application of our judgement. In certain circumstances, however, the preparation of financial statements in conformity with applicable accounting policies requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the end of the reporting period. Actual results could differ from those estimates. We base our estimates on historical experience and on various other assumptions that our management believes is reasonable under the circumstances. However, significant accounting estimates are reflective of significant judgements and uncertainties and are sufficiently sensitive to result in materially different results under different assumptions and conditions. We believe that our significant accounting estimates are those described below.

Revenue Recognition

Revenue (other than for those items to which Ind AS 109 - Financial Instruments, are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115 - Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found within other Ind AS.

We recognize revenue from contracts with customers based on a five-step model as set out in Ind AS 115:

- Step 1: Identify contract(s) with a customer - A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

- Step 2: Identify performance obligations in the contract - A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

- Step 3: Determine the transaction price - The transaction price is the amount of consideration to which we expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

- Step 4: Allocate the transaction price to the performance obligations in the contract - For a contract that has more than one performance obligation, we allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which we expect to be entitled in exchange for satisfying each performance obligation.

- Step 5: Recognize revenue when (or as) we satisfy a performance obligation.

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

Under Ind AS 109, interest income is recorded using the EIR method for all financial instruments measured at amortized cost and financial instruments measured at fair value through other comprehensive income ("**FVOCI**").

The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. We recognize interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial instrument.

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

We calculate interest income by applying EIR to the gross carrying amount of financial assets other than credit impaired assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'Stage 3' (as defined under *Impairment of financial assets* below), we calculate interest income on the net basis. If the financial asset cures and is no longer credit impaired, we revert to calculating interest income on a gross basis.

B. *Interest income on deposits*

Interest income on deposits is recognized on a time proportionate basis.

C. *Fees and commission income*

Fees and commission income such as guarantee commission, professional fee, service income, etc., are recognized on point in time or on an over-the-period basis, as applicable.

D. *Dividend income*

Dividend income (including from FVOCI investments) is recognized when our right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend.

E. *Other interest income*

Other interest income is recognized on an accrual basis, when there is no uncertainty in the ultimate realization / collection.

Financial instruments - initial recognition

A. *Date of recognition*

Debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when we become a party to the contractual provisions of the instrument.

B. *Initial measurement of financial instruments*

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

C. *Measurement categories of financial assets and liabilities*

We classify all of our financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either amortized cost, FVOCI or FVTPL.

Financial assets and liabilities financial assets

A. *Business model assessment*

We determine our business model at the level that best reflects how we manage groups of financial assets to achieve our business objective.

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

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to our 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 those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the expected frequency, value and timing of sales, which are also important aspects of our assessment

B. *Sole Payments of Principal and Interest ("**SPPI**") test*

As a second step of its classification process, we assess the contractual terms of financial assets to identify whether they meet the SPPI test. The 'principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of financial asset (for example, if there are repayments of principal or amortization of the premium/ discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, we apply careful judgement and considers relevant factors such as the period for which the interest rate is set.

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

Accordingly, financial assets are measured as follows:

i. Financial assets carried at amortized cost: A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows, and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. Financial assets at FVOCI: A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Since the loans and advances are held for sale and collection of contractual cash flows, they are measured at FVOCI.

iii. Financial assets at FVTPL: A financial asset which is not classified in any of the above categories is measured at FVTPL. Subsequent changes in fair value are recognized in the statement of profit and loss. We record investments in alternative investment funds, mutual funds and treasury bills at FVTPL.

iv. Investment in subsidiaries: We have accounted for our investments in subsidiaries at cost.

C. Financial liabilities

i. Initial recognition and measurement

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

ii. Subsequent measurement

Financial liabilities are carried at amortized cost using the EIR method.

Reclassification of financial assets and liabilities

We do not reclassify our financial assets subsequent to their initial recognition, except in exceptional circumstances in which we acquire, dispose of, or terminate a business line. Financial liabilities are never reclassified.

Derecognition of financial assets and liabilities

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

We derecognize a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly-recognized loans are classified as stage 1 for ECL measurement purposes.

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

(a) Financial Assets

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

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

Accordingly, gains on sale or derecognition of assigned portfolio are recorded upfront in the statement of profit and loss as per Ind AS 109. Also, we recognize servicing income as a percentage of interest spread over the tenure of a loan in cases where it retains the obligation to service the transferred financial asset.

(b) Financial Liability

A financial liability is derecognized 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 recognized in the statement of profit and loss.

Impairment of financial assets

A. *Overview of Expected Credit Loss principles*

In accordance with Ind AS 109, we use the ECL model to evaluate impairment of financial assets other than those measured at FVTPL. When estimating lifetime expected credit losses for undrawn loan commitments, we estimate the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down.

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

(a) the 12-month ECL (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

(b) lifetime ECL (expected credit losses that result from all possible default events over the life of the financial instrument).

Both lifetime expected credit losses and 12-month ECLs are calculated on a collective basis.

B. *Calculation of ECLs*

The mechanics and key elements of ECL calculations are as follows:

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

- Exposure at Default ("**EAD**") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.

- Loss Given Default ("**LGD**") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

We calculate PD, EAD and LGD to determine impairment loss on the portfolio of financial assets and discounted at an EIR. At every reporting date, the above calculated PDs, EAD and LGDs are reviewed and changes in the forward looking estimates are analyzed.

C. *Financial assets measured at FVOCI*

The ECLs for financial assets measured at FVOCI do not reduce the carrying amount of these financial assets in the balance sheet, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

D. *Forward looking information*

In our ECL models, we rely on forward looking macro parameters such as consumer spending and interest rates to estimate the impact on probability of the default at a given point of time.

Write-offs

The gross carrying amount of a financial asset is written off when there is no reasonable expectation of recovering the asset. 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 impairment on financial instruments in the statement of profit and loss.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, we take into account the characteristics of the asset or liability as if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 financial instruments: Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that we have access to at the measurement date. We consider markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date;

- Level 2 financial instruments: Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads; and

- Level 3 financial instruments: Those that include one or more unobservable inputs that are significant to the measurement as whole.

Foreign currency transactions

Transactions in foreign currencies are translated into our functional currency, at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognized in profit or loss.

Income tax

Income tax comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination or to an item recognized directly in equity or in other comprehensive income.

A. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognized amounts, and it is intended to realize the asset and settle the liability on a net basis or their tax assets and liabilities will be realized simultaneously.

B. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognized in respect of carried forward tax losses and tax credits. Deferred tax is not recognized for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that we are able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in the case of a history of recent losses, we recognize a deferred tax asset only to the extent that it has sufficient taxable temporary differences or that there is convincing additional evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized. Deferred tax assets, unrecognized or recognized, are reviewed at each reporting date and are recognized or reduced to the extent that it is probable or no longer probable that the related tax benefit will be realized.

Deferred tax assets include Minimum Alternate Tax paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set-off against future income tax liability.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which we expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Borrowing cost

Borrowing costs are interest and other costs incurred in connection with the borrowings of funds. Borrowing costs directly attributable to the acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of the asset. Other borrowings costs are recognized as an expense in the statement of profit and loss on an accrual basis using the EIR method.

Standard Issued But Not Yet Effective

The Ministry of Corporate Affairs notifies new standards or amendments to the existing standards. There has been no such notification which is applicable from April 1, 2021.

Basis of Consolidation

Subsidiaries

A holding company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of our Subsidiaries are included in the Restated Consolidated Financial Information from the date on which control commences until the date on which control ceases.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition. Changes in our Company's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When our Company loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in profit or loss.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of our Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Principal Components of our Profit and Loss Statement

Revenue

Our revenue comprises revenue from operations and other income.

Revenue from operations

Our revenue from operations comprises: (i) Interest income, (ii) Fees and commission income, (iii) Net gain on fair value changes; and (iv) Net gain on derecognition of financial instruments. Interest income further includes interest on loans amounting to ₹ 4,627.45 million, ₹4,325.11 million and ₹3,866.51 million for Fiscal 2021, Fiscal 2020 and Fiscal 2019, respectively, interest on investments amounting to ₹1,091.25 million, ₹1,185.76 million and ₹1,215.86 million for Fiscal 2021, Fiscal 2020, and Fiscal 2019, respectively, and interest on deposit with banks amounting to ₹79.94 million, ₹53.67 million and ₹24.83 million for Fiscal 2021, Fiscal 2020 and Fiscal 2019, respectively. The following table sets forth a breakdown of our revenue from operations for the year indicated:

	Fiscal 2021		**Fiscal 2020**		**Fiscal 2019**	
	(₹ in million)	**(%)**	**(₹ in million)**	**(%)**	**(₹ in million)**	**(%)**
Interest income	5,798.64	85.13%	5,564.54	87.93%	5,107.20	84.90%
Fees and commission income	643.35	9.44%	653.08	10.32%	603.67	10.03%
Net gain on fair value changes	369.72	5.43%	61.64	0.98%	304.21	5.06%
Net gain on derecognition of financial instruments	-	0.00%	48.94	0.77%	0.47	0.01%
Total revenue from operations	**6,811.71**	**100.00%**	**6,328.20**	**100.00%**	**6,015.55**	**100.00%**

Other income

Our other income primarily consists of: (i) income from other financing activities, (ii) interest income from income tax refund; (iii) provision no longer required written back; and (iv) impairment reversal on financial instruments.

Expenses

Our expenses comprise: (i) finance costs, (ii) fee and commission expenses, (iii) impairment on financial instruments, (iv) employee benefit expenses, (v) depreciation and amortization, (vi) other expenses.

Employee benefits expense

Our employee benefits expense comprises: (i) salaries, wages and bonus, (ii) contribution to provident fund, (iii) share based payment to employees, (iv) expenses related to post-employment defined benefit plans; and (iv) staff welfare expenses.

Finance costs

Our finance costs comprise: (i) interest on deposits, (ii) interest on borrowings which include term loans from banks, cash credits and overdraft and securitized portfolio, (iii) interest on debt securities, (iv) interest on subordinated liabilities, (v) interest on lease liability, (vi) amortization of discount on commercial papers, and (vii) other borrowing costs.

The following table sets forth a breakdown of our finance costs for the year indicated:

	Fiscal 2021		**Fiscal 2020**		**Fiscal 2019**	
	(₹ in million)	**(%)**	**(₹ in million)**	**(%)**	**(₹ in million)**	**(%)**
Interest on deposits	5.28	0.16	8.98	0.29	2.63	0.09
Interest on borrowings						
- term loans from banks and others	1,790.15	55.43	1,743.87	56.40	1,458.31	48.27
- cash credits and overdraft	33.78	1.05	88.29	2.86	85.97	2.85
- securitized portfolio	4.14	0.13	81.27	2.63	184.02	6.09
Interest on debt securities	1,214.21	37.60	967.59	31.29	916.45	30.33
Interest on sub-ordinated liabilities	-	-	7.25	0.23	5.34	0.18
Interest on lease liability	12.41	0.38	12.64	0.41	2.70	0.09
Amortisation of discount on commercial papers	18.77	0.58	72.20	2.33	305.72	10.12
Other borrowing costs	150.94	4.67	109.98	3.56	59.97	1.98
Total finance costs	**3,229.68**	**100.00**	**3,092.07**	**100.00**	**3,021.11**	**100.00**

Impairment on financial instruments

Our impairment on financial instruments consists of (i) write off on financial instruments which include investments and loans, and (ii) impairment loss allowance on financial instruments which include investments, loans, trade receivables and guarantees. Impairment on loans is based on the ECL allowance on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' ECL. Please see "--*Significant Accounting Policies*" above.

Depreciation and amortization expense

Our depreciation and amortization expense comprise depreciation of property, plant and equipment, depreciation on right of use asset and amortization of intangible assets. Tangible assets are depreciated on the written down method over the useful life of the assets. Please see "--*Significant Accounting Policies*" above.

Other expenses

Our other expenses primarily comprise: (i) rent, (ii) subscription charges, (iii) travelling and conveyance, (iv) legal and professional expenses, (v) distribution fee expense, (vi) bank charges, (vi) loss on sale of investment, (vii) auditors' remuneration, (viii) directors' sitting fees, (ix) net loss on fair value changes, (x) repairs and maintenance, (xi) CSR expenditure, etc.

Tax expenses

Our tax expense comprises: (i) current tax, (ii) minimum alternate tax; and (iii) deferred tax charge/credit.

Other comprehensive income

Items of income and expense that are not recognized in profit and loss but are shown in the statement of profit and loss as other comprehensive income include re-measurements of defined benefit plans and fair value gains or (losses) on FVOCI equity instruments and their corresponding income tax effects.

Key Financial Indicators

In evaluating our business, we consider and use certain key financial indicators that are presented below as supplemental measures to review and assess our operating and financial performance. The presentation of these key financial indicators is not intended to be considered in isolation or as a substitute for the Restated Financial Information included in this Draft Red Herring Prospectus. We present these key financial indicators because they are used by our management to evaluate our operating and financial performance. These key financial indicators have limitations as analytical tools. Further, these key performance indicators may differ from the similar information used by other companies, including peer companies, and hence their comparability may be limited. Please refer to "*Selected Statistical Information – Return on Equity Tree*" and "*Selected Statistical Information – Reconciliation of Non-GAAP Measures*" on pages 370 and 379 respectively for further details on the non-GAAP measures referred to below. The following table sets forth certain key performance indicators, based on non-GAAP measures, for the year indicated therein:

(*₹ in million, except for percentages*)

	As of Fiscal 2021	As of Fiscal 2020	As of Fiscal 2019
Gross Financing Volumes(1)	130,536.93	146,925.63	143,653.49
Gross Disbursements(2)	42,136.36	28,704.38	32,938.30
Earning Assets(3)	49,350.54	40,126.12	38,116.87
AUM(4)	52,208.73	43,491.57	40,592.95
Equity attributable to the owners of the Company(5)	15,823.15	15,064.27	11,675.20
Net Interest Income(6)	2,653.46	2,354.14	2,275.31
Net Interest Margin (%)(7)	5.76%	5.84%	6.02%
Operating expenses/ Average AUM (%)(8)	2.06%	2.91%	2.95%
Pre-provisioning operating profit	2,354.02	1,799.79	1,896.70
Profit for the year attributable to the owners of the Company(9)	675.14	928.36	991.72
Impairment on financial instruments / Average Earning Assets (%)(10)	3.03%	0.91%	0.41%
Gross Stage 3 (%)(11)	2.23%	0.46%	0.82%
Net Stage 3 (%)(12)	0.88%	0.13%	0.49%

Notes:

(1) Gross financing volume represents the total financing enabled by us for our customers including sanctions from our balance sheet, syndication from banks and other investors, securitisation and assignment structured by us, guarantees extended by us or enabled by us from other guarantors, and investments made from AIFs managed by us during the relevant Fiscal Year.

(2) Gross Disbursements represent the aggregate of all financing extended through funded products to all our customers for the relevant year.

(3) Earning Assets as of the last day of the relevant year represents the aggregate of all funding provided to customers by way of loans and investments, as of the last day of the relevant year.

(4) AUM as of the last day of the relevant year represents the aggregate of all funding extended to customers by way of loans and investments, assets transferred by way of assignment of receivables, business correspondent receivables and unfunded exposures (guarantees and SLCEs) outstanding as of the last day of the relevant year.

(5) Equity attributable to owners of the company represents Equity attributable to the owners of the company as of the last day of the relevant Fiscal Year as per the Restated Financial Information.

(6) Net Interest Income represents the sum of Interest income, Net gain on fair value changes and Net gain on derecognition of financial instruments in the relevant year as reduced by finance costs, and fees and commission expenses in such year as per the Restated Financial Information.

(7) Net Interest Margin (%) represents Net Interest Income for the relevant year as a percentage of Average Loans and Investments for such year. Average Loans and Investments represents the simple average of the sum of our loans and investments as of the last day of the relevant year and that as of the last day of the previous year.

(8) Operating Expenses/ Average AUM (%) represents the sum of Employee benefit expenses, Depreciation and amortization and Other expenses for the relevant year as a percentage of Average AUM for such year. Average AUM represents the simple average of our AUM as of the last day of the relevant year and that as of the last day of the previous year.

(9) Profit for the year attributable to owners of the company represents the Profit for the year attributable to owners of the company for the relevant Fiscal Year as per the Restated Financial Information.

(10) Impairment on financial instruments/ Average Earning Assets (%) represents impairment on financial instruments for the relevant year as a percentage of Average Earning Assets as at the last day of such year. Average Earning Assets represents the simple average of our Earning Assets as of the last day of the relevant year and that as of the last day of the previous year.

(11) Gross Stage 3 (%) represents Stage 3 Loans and Investments(Gross) as of the last day of the relevant year as a percentage of the aggregate of the gross carrying amount of the Stage 1, Stage 2, Stage 3 Loans and Investments as of the last day of such year.

(12) Net Stage 3 (%) represents Stage 3 Loans and Investments (Net of impairment loss allowance) as of the last day of the relevant year as a percentage of the aggregate of the gross carrying amount of the Stage 1, Stage 2, Stage 3 Loans and Investments as of the last day of such year.

Gross Financing Volumes

Our Gross Financing Volumes increased modestly by 2.28% from ₹143,653.49 million in Fiscal 2019 to ₹146,925.63 million in Fiscal 2020 due to constrained domestic liquidity and reduced risk appetite of domestic lenders to lend to NBFCs, and this was exacerbated by the sudden imposition of the lockdown in the second half of March 2020 following the outbreak of the COVID-19 pandemic. Further, our Gross Financing Volumes decreased by 11.15% in Fiscal 2021 to ₹130,536.93 million from ₹146,925.63 million due to the significantly subdued credit and investment activity in the first half of Fiscal 2021 amidst the extensive lockdowns during the first wave of the COVID-19 pandemic.

Gross Disbursements, Earning Assets and AUM

Our Earning Assets increased by 5.27% from ₹38,116.87 million in Fiscal 2019 to ₹40,126.12 million in Fiscal 2020 and further by 22.99% in Fiscal 2021 to ₹49,350.54 million. Our AUM increased by 7.14% from ₹40,592.95 million in Fiscal 2019 to ₹43,491.57 million in Fiscal 2020 and further by 20.04% in Fiscal 2021 to ₹52,208.73 million. The increase in Earning Assets and AUM during the last two fiscals was a result of broad-based growth across our Originator Partners, mid-market corporate clients as well as retail borrowers. Our disbursements decreased by 12.85% from ₹32,938.30 million in Fiscal 2019 to ₹28,704.38 million in Fiscal 2020 and then increased by 46.79% to ₹42,136.36 million in Fiscal 2021 as we disbursed funds to achieve our targeted AUM and responded to the evolving environment.

Equity attributable to the owners of the Company

Our equity attributable to the owners of the Company increased by 29.03% from ₹11,675.20 million in Fiscal 2019 to ₹15,064.27 million in Fiscal 2020 primarily due to infusion of additional capital during Fiscal 2020, combined with retention of earnings for the year. Further, our equity attributable to the owners of the Company increased by 5.04% in Fiscal 2021 to ₹15,823.15 million from ₹15,064.27 million primarily due to retention of earnings for the year.

Net Interest Income and Net Interest Margin

Our Net Interest Income increased from ₹2,275.31 million in Fiscal 2019 to ₹2,354.14 million in Fiscal 2020 and further to ₹2,653.46 million in Fiscal 2021, due to a progressive increase in the earning asset base during each of Fiscal 2020 and Fiscal 2021, which was partially offset by (a) dilution from holding higher cash balances and liquid investments in light of the uncertainty and volatility in the environment from time to time, and (b) an increase in Stage 3 assets that resulted in interest not being accrued on such assets from the date of stage transition in the respective years.

While our Net Interest Income increased each year from Fiscal 2019 to 2021, our Net Interest Margin declined from 6.02% in Fiscal 2019 to 5.84% and 5.76% in Fiscal 2021 due to a larger asset base funded partly by an increase in borrowings.

Operating Expenses/ Average AUM

Our Operating Expenses/ Average AUM decreased from 2.95% in Fiscal 2019 to 2.91% in Fiscal 2020 and further to 2.06% in Fiscal 2021. These decreases were primarily due to reduced operating expenses given travel restrictions during COVID-19 in the first half of Fiscal 2021, optimization of employee benefit expenses, extensive use of our technology platform and economies of scale.

Pre-provisioning operating profit

Our pre-provisioning operating profit ("**PPOP**") increased from ₹1,799.79 million in Fiscal 2020 to ₹2,354.02 million in Fiscal 2021. The increase in PPOP is a result of higher net interest income, which in Fiscal 2021, was combined with lower operating expenses in absolute terms.

Profit for the year attributable to the owners of the Company

Our profit for the year attributable to the owners of the Company decreased by 6.39% from ₹991.72 million in Fiscal 2019 to ₹928.36 million in Fiscal 2020 due to a combination of slower growth in revenue (including on account of markdowns in the value of AIFs that saw stress in the underlying investments), and higher expenses (including on account of higher impairment on financial instruments and rent on new premises). Further, our profit for the year attributable to the owners of the Company decreased by 27.27% in Fiscal 2021 to ₹675.14 million from ₹928.36 million primarily due to higher impairment on financial instruments.

Impairment on financial instruments

Our impairment on financial instruments/Average Earning Assets increased from 0.41% in Fiscal 2019 to 0.91% in Fiscal 2020. This was primarily a result of an additional provision for impairment of ₹228.01 million for the effects of the COVID-19 pandemic.

Our impairment on financial instruments/Average Earning Assets increased from 0.91% in Fiscal 2020 to 3.03% in Fiscal 2021. A significant portion of the write-off pertains to a large account which experienced alleged fraud in the underlying portfolio by employees and key management of the borrower against whom our Company has initiated recovery proceedings including filing of a first information report. For further details, see "*Outstanding Litigation and Material Developments*" on page 383. Provisions also include accelerated provisions in relation to a certain portfolio of smaller ticket loans to MSME borrowers that has now been defocused. Further, the impairment amount includes an additional provision of ₹96.65 million for the impact of the COVID-19 pandemic.

Gross Stage 3 (%) and Net Stage 3 (%)

Our Gross Stage 3 (%) decreased from 0.82% in Fiscal 2019 to 0.46% in Fiscal 2020 while our Net Stage 3(%) decreased from 0.49% in Fiscal 2019 to 0.13% in Fiscal 2020. The decrease in Gross Stage 3 (%) was primarily due to a reduction in Stage 3 assets while the increase in Net Stage 3 (%) was the result of write-off of assets during Fiscal 2020 that were fully provided for in Fiscal 2019. Further, we created an additional impairment provision of ₹228.01 million for the effects of the COVID-19 pandemic.

Our Gross Stage 3 (%) increased from 0.46% in Fiscal 2020 to 2.23% in Fiscal 2021 and our Net Stage 3 (%) increased from 0.13% in Fiscal 2020 to 0.88% in Fiscal 2021. The increase in Stage 3 (%) was primarily due to classification of one significant exposure as a stressed account and accelerated provisions on a defocused portfolio of smaller ticket loans to MSME borrowers. The Gross Stage 3 classification of retail loans does not take into account the first loss default guarantee extended by our Originator Partners in respect of potential losses on such loans while the same is considered for the provisions made. Our provision coverage ratio on Stage 3 loans and investments as of Fiscal 2021 was 60.52%.

Results of Operations

The following table sets forth our statement of profit and loss for the year indicated:

	Fiscal 2021		**Fiscal 2020**		**Fiscal 2019**	
	(₹ in million)	**(%)***	**(₹ in million)**	**(%)***	**(₹ in million)**	**(%)***
Revenue						
Interest Income	5,798.64	84.62	5,564.54	87.71	5,107.20	82.75
Fees and commission income	643.35	9.38	653.08	10.29	603.67	9.78
Net gain on fair value changes	369.72	5.40	61.64	0.98	304.21	4.93
Net gain on derecognition of financial instruments	-	-	48.94	0.77	0.47	0.01
Total Revenue from operations	**6,811.71**	-	**6,328.20**	-	**6,015.55**	-
Other income	41.16	0.60	16.33	0.26	155.98	2.53
Total Income	**6,852.87**	**100.00**	**6,344.53**	**100.00**	**6,171.53**	**100.00**
Expenses						
Finance costs	3,229.68	55.18	3,092.07	63.11	3,021.11	68.30
Fees and commission expense	285.22	4.87	228.91	4.67	115.46	2.60
Employee benefits expense	622.44	10.63	682.97	13.94	720.84	16.30
Impairment on financial instruments	1,354.09	23.15	354.88	7.24	148.66	3.36

	Fiscal 2021		Fiscal 2020		Fiscal 2019	
	(₹ in million)	**(%)***	**(₹ in million)**	**(%)***	**(₹ in million)**	**(%)***
Depreciation and amortization	67.42	1.15	67.29	1.37	46.92	1.06
Other expenses	294.09	5.02	473.50	9.67	370.50	8.38
Total expenses	**5,852.94**	**100.00**	**4,899.62**	**100.00**	**4,423.49**	**100.00**
Profit before tax	**999.93**	**-**	**1,444.91**	**-**	**1,748.04**	**-**
Total tax expense	**234.01**	**-**	**415.58**	**-**	**593.88**	**-**
Profit for the year	**765.92**		**1,029.33**		**1,154.16**	
Other comprehensive income for the year	32.02	-	23.49	-	(107.27)	-
Total comprehensive income	**797.94**	**-**	**1,052.82**	**-**	**1,046.89**	**-**
Profit for the year attributable to						
Owners of the company	675.14	-	928.36	-	991.72	-
Non-controlling interest	90.78	-	100.97	-	162.44	-
Other comprehensive income attributable to						
Owners of the company	46.03	-	25.73	-	(111.23)	-
Non-controlling interest	(14.01)	-	(2.24)	-	3.96	-
Total comprehensive income attributable to						
Owners of the company	721.17	-	954.09	-	880.49	-
Non-controlling interest	76.77	-	98.73	-	166.40	-

** (%) column represents percentage of total income or total expenses, as applicable.*

Fiscal 2021 compared to Fiscal 2020

Revenue

Our total income increased by 8.01% to ₹6,852.87 million in Fiscal 2021 from ₹6,344.53 million in Fiscal 2020, due to an increase in our: (i) revenue from operations (from ₹6,328.20 million in Fiscal 2020 to ₹6,811.71 million in Fiscal 2021), and (ii) other income (from ₹16.33 million in Fiscal 2020 to ₹41.16 million in Fiscal 2021).

Revenue from operations

Our revenue from operations increased by 7.64% to ₹6,811.71 million in Fiscal 2021 from ₹6,328.20 million in Fiscal 2020, primarily due to an increase in our: (i) interest income (from ₹5,564.54 million in Fiscal 2020 to ₹5,798.64 million in Fiscal 2021), and (ii) net gain on fair value changes (from ₹61.64 million in Fiscal 2020 to ₹369.72 million in Fiscal 2021). This was partially set off by a decrease in our: (i) fees and commission income (from ₹653.08 million in Fiscal 2020 to ₹643.35 million in Fiscal 2021), and (ii) net gain on derecognition of financial instruments (from ₹48.94 million in Fiscal 2020 to nil in Fiscal 2021)

Interest income: Our interest income increased by 4.21% to ₹5,798.64 million in Fiscal 2021 from ₹5,564.54 million in Fiscal 2020. There was a significant increase in Earning Assets from ₹40,126.12 million in Fiscal 2020 to ₹49,350.54 million in Fiscal 2021 on a year-end basis, but the increase in interest was comparatively muted due to a combination of lower yields resulting from lower interest rate levels in the economy, and an accentuation of earning assets growth taking place in the second half of the year as disbursements and AUM growth in the first half of the Fiscal was affected by the COVID-19 pandemic. This is evident from the lower average AUM for Fiscal 2021 compared to the AUM at the end of Fiscal 2021. For further details, see "*Selected Statistical Information – Earning Assets and AUM* " on page 372. Further, no interest income was recognised on assets classified as Stage 3.

Fees and commission income: Our fees and commission income from our business decreased slightly by 1.49% to ₹643.35 million in Fiscal 2021 from ₹653.08 million in Fiscal 2020, which was primarily due to a decrease in our: (i) income from guarantee facility from ₹93.26 million in Fiscal 2020 to ₹77.10 million in Fiscal 2021, and (ii) professional fee income from ₹391.43 million in Fiscal 2020 to ₹376.50 million in Fiscal 2021. The reduction in professional fee income was primarily due to lower volume of debt financing enabled through other Investor Partners for clients, which reduced from ₹118,427.09 million in Fiscal 2020 to ₹78,228.26 million in Fiscal 2021due to the significantly subdued credit and investment activity in the first half of Fiscal 2021 amidst the extensive lockdowns during the first wave of the COVID-19 pandemic. However, there has been an increase in fee realization of volumes. For more details, see "*Selected Financial Information – Platform Metrics*" on page 369.

The fee income for Fiscal 2021 was partially supported by an increase in our: (i) management fee from ₹134.72 million in Fiscal 2020 to ₹140.98 million in Fiscal 2021, and (ii) arranger fee for guarantee facility from ₹0.55 million in Fiscal 2020 to ₹4.94 million in Fiscal 2021.

Net gain on fair value changes: Our net gain on fair value changes increased by 499.81% to ₹369.72 million in Fiscal 2021 from ₹61.64 million in Fiscal 2020 primarily due to a low base in Fiscal 2020. Net gain on financial instruments at fair value through profit and loss on AIFs was ₹16.83 million in Fiscal 2020 as stress in the underlying investments resulted in a mark-down in the NAV of the units, and this was reported at ₹322.16 million in Fiscal 2021. Profit on sale of investments in non-convertible debentures and pass-through certificates increased from ₹1.28 million in Fiscal 2020 to ₹10.71 million in Fiscal 2021.

Net gain on derecognition of financial instruments: Our net gain on derecognition of financial instruments was nil for Fiscal 2021 as against ₹48.94 million in Fiscal 2020, as we did not enter into fresh assignment transactions during Fiscal 2021.

Other income

Our other income increased by 152.05% to ₹41.16 million in Fiscal 2021 from ₹16.33 million in Fiscal 2020, due to an increase in income from other than financing activities (from ₹16.25 million in Fiscal 2020 to ₹24.12 million in Fiscal 2021), income tax refund of ₹8.17 million and provision no longer required written back amounting to ₹8.87 million.

Expenses

Our total expenses increased by 19.46% to ₹5,852.94 million in Fiscal 2021 from ₹4,899.62 million in Fiscal 2020, primarily due to an increase in our: (i) finance costs, (ii) fees and commission expense, and (iii) impairment on financial instruments including on account on the COVID-19 pandemic.

Finance costs

Our finance costs increased by 4.45% to ₹3,229.68 million in Fiscal 2021 from ₹3,092.07 million in Fiscal 2020 due to an increase in our: (i) interest on borrowings of terms loans from banks and others from ₹1,743.87 million in Fiscal 2020 to ₹1,790.15 million in Fiscal 2021, and (ii) interest on debt securities from ₹967.59 million in Fiscal 2020 to ₹1,214.21 million in Fiscal 2021.

Our Company's borrowings increased from ₹27,941.89 million in Fiscal 2019 to ₹39,208.05 in Fiscal 2021 thereby growing at a CAGR of 18.46% during this period. In Fiscal 2021 itself our borrowings grew by 34.42% owing to diversification measures as well as focussed approach on availing borrowings from offshore investors fructifying during the year. The higher quantum of borrowings availed in Fiscal 2021 has led to an increase in finance costs from ₹3,092.07 million in Fiscal 2020 to ₹3,229.68 million in Fiscal 2021. Most of the increase in borrowing were in the second half of the year in line with the growth in business. The average cost of borrowing for Fiscal 2021 stood at 10.23% compared to 10.46% in Fiscal 2020. Further the incremental cost of borrowing has shown a greater falling trend in Fiscal 2021as set out in *"Selected Statistical Information – Borrowings"* on page 374.

The increase in quantum of borrowings, improvement in tenure of borrowings and the reduction in incremental cost of borrowing in Fiscal 2021 was a result of the various measures undertaken and detailed as below. Over the years, our Company has been working on building a sizeable offshore liability franchise by a systematic outreach to international investors including multilateral institutions. The company's focus on financial inclusion aligns closely with the funding mandate of DFIs and impact investors and hence, the segment remains an area of focus for our Company. During Fiscal 2021, our Company has raised funds from USIDFC and FMO, among others. Consequently, the quantum of debt availed from offshore financial institutional increased from 7.16% in Fiscal 2019 to 32.50% in Fiscal 2021. The tenor of offshore borrowings is also typically higher ranging from four to five years with a moratorium period on principal payments for about two years. As a result, the weighted average tenor of the company's borrowings has also increased during this period. The longer tenor of these borrowings has also resulted in significant cumulative positive ALM mismatches over the shorter tenor buckets.

Our Company has taken steps to create a market presence and raise amounts of borrowings from issuance of NCDs and MLDs to domestic HNI retail investors. The company is working on building a presence across domestic wealth houses, private wealth management firms to increasingly tap into this segment of borrowing. Over the past three fiscals, our Company's borrowings from this segment increased to about 4.29% for Fiscal 2021 from nil for Fiscal 2019. These funds are availed at competitive rate thereby lowering the overall borrowing costs.

Domestic banks continue to remain largest source of funding for our Company. Contribution of banks to the overall debt profile of the Company decreased to 53.43% in Fiscal 2021 from 60.77% in Fiscal 2020 as we diversified our lender base and increased offshore borrowings. During this period, our Company added seven banks, spread across public sector, private sector, and small finance banks, as lenders. In Fiscal 2021, our Company has raised ₹5,000.00 million by way of NCD funding from public sector banks via TLTRO and PCG 2.0 funding apart from the regular term loan funding. The same has aided in the growth of debt book.

Fees and commission expense

Our fees and commission expense represents the share in income of Retail Lending Partners and this increased by 24.6% to ₹285.22 million in Fiscal 2021 from ₹228.91 million in Fiscal 2020 as the size of and the income from retail book increased.

Employee benefits expenses

Our employee benefits expenses decreased by 8.86% to ₹622.44 million in Fiscal 2021 from ₹682.97 million in Fiscal 2020, primarily due to decrease in employee share-based payment expenses (from ₹77.23 million in Fiscal 2020 to ₹24.57 million in Fiscal 2021) as a result of lower quantum of ESOP grants and ESOP provisions written back due to lapsing or forfeiture of options and decrease in staff welfare expenses (from ₹30.40 million in Fiscal 2020 to ₹15.05 million in Fiscal 2021) primarily as a result of our offices remaining inoperative and change in focus of employee engagement activities due to the COVID-19 pandemic.

Impairment on financial instruments

Our impairment on financial instruments substantially increased by 281.56% to ₹1,354.09 million (consisting of ₹628.21 million in write-offs and ₹725.88 million in incremental provisions on the portfolio) in Fiscal 2021 from ₹354.88 million in Fiscal 2020. A significant portion of the write-off pertains to a large account which experienced alleged fraud in the underlying portfolio by employees and key management of the borrower, against whom our Company has initiated recovery proceedings including filing of a first information report. For further details, see "*Outstanding Litigation and Material Developments*" on page 383. Provisions also include accelerated provisions in relation to a certain portfolio of smaller ticket loans to MSME borrowers that has now been defocused.

Depreciation and amortization

Our depreciation and amortization decreased by 0.19% to ₹67.42 million in Fiscal 2021 from ₹67.29 million in Fiscal 2020, due to a decrease in: (i) depreciation on property, plant and equipment from ₹14.93 million in Fiscal 2020 to ₹12.56 million in Fiscal 2021, and (ii) amortization of intangible assets from ₹23.55 million in Fiscal 2020 to ₹22.85 million in Fiscal 2021, in line with the balances of fixed assets on the books.

Other expenses

Our other expenses decreased by 37.89% to ₹294.09 million in Fiscal 2021 from ₹473.50 million in Fiscal 2020, primarily due to a decrease in: (i) rent expenses from ₹59.11 million in Fiscal 2020 to ₹32.31 million in Fiscal 2021 as we negotiated a temporary reduction in rent due to the COVID-19 pandemic, (ii) travelling and conveyance expenses from ₹70.04 million in Fiscal 2020 to ₹4.45 million in Fiscal 2021 as the pandemic situation severely curtailed travel, (iii) set up cost from ₹5.21 million in Fiscal 2020 to ₹0.23 million in Fiscal 2021, (iv) net loss on fair value changes from ₹65.09 million in Fiscal 2020 to ₹0.82 million in Fiscal 2021, (v) distribution fee expense from ₹15.66 million in Fiscal 2020 to ₹8.33 million in Fiscal 2021, (vi) CSR expenditure ₹34.74 million in Fiscal 2020 to ₹25.88 million in Fiscal 2021 and (vii) miscellaneous expenses from ₹12.28 million in Fiscal 2020 to ₹01.56 million in Fiscal 2021.

Profit before tax

As a result of the foregoing, our profit before tax decreased by 30.80% to ₹999.93 million in Fiscal 2021 from ₹1,444.91 million in Fiscal 2020. The decline reflects the write off of the account which was impacted for alleged fraud in the underlying portfolio by employees and key management of the borrower, and the higher impairment charges due to the COVID-19 pandemic.

Total tax expense

Our total tax expense decreased by 43.69% to ₹234.01 million in Fiscal 2021 from ₹415.58 million in Fiscal 2020, owing to a combination of a lower effective tax rate and a decrease in the absolute profit before tax. The reduction in the applicable tax rate from 34.94% to 25.17% in Fiscal 2020 was not reflected fully in the effective tax rate for Fiscal 2020 as deferred tax assets being carried on our books were revalued downward; the effective tax rate for Fiscal 2021 fully reflects the lower applicable tax rate.

Profit for the year

Our profit for the year stood at ₹765.92 million in Fiscal 2021 as against ₹1,029.33 million in Fiscal 2020, consequent to the factors explained above.

Other comprehensive income

Our other comprehensive income increased to ₹32.02 million in Fiscal 2021 from ₹23.49 million in Fiscal 2020, primarily due to increase in fair valuation of PTCs and unamortized processing fee on LTO and NCD resulting from EIR adjustment. The other comprehensive income attributable to owners of the company was ₹46.03 million in Fiscal 2021 while a negative amount of ₹(14.01) million was attributable to minority interests.

Total comprehensive income

Due to the factors discussed above, the total comprehensive income attributable to owners of the company decreased by 24.41% to ₹721.17 million in Fiscal 2021 from ₹954.09 million in Fiscal 2020.

Fiscal 2020 compared to Fiscal 2019

Revenue

Our total income increased by 2.80% to ₹6,344.53 million in Fiscal 2020 from ₹6,171.53 million in Fiscal 2019. This increase was primarily due to an increase in our revenue from operations (from ₹6,015.55 million in Fiscal 2019 to ₹6,328.20 million in Fiscal 2020), offset in part by a decrease in other income (from ₹155.98 million in Fiscal 2019 to ₹16.33 million in Fiscal 2020).

Revenue from operations

Our revenue from operations increased by 5.2% to ₹6,328.20 million in Fiscal 2020 from ₹6,015.55 million in Fiscal 2019, primarily due to an increase in our: (i) interest income (from ₹5,107.20 million in Fiscal 2019 to ₹5,564.54 million in Fiscal 2020), (ii) fees and commission income (from ₹603.67 million in Fiscal 2019 to ₹653.08 million in Fiscal 2020), (iii) net gain on recognition of financial instruments (from ₹0.47 million in Fiscal 2019 to ₹48.94 million in Fiscal 2020). This was partially offset by a decrease in net gain on fair value changes (from ₹304.21 million in Fiscal 2019 to ₹61.64 million in Fiscal 2020), as explained below.

Interest income: Our interest income increased by 8.95% to ₹5,564.54 million in Fiscal 2020 from ₹5,107.20 million in Fiscal 2019, which was primarily due to an increase in our interest on loans income from ₹3,866.51 million in Fiscal 2019 to ₹4,325.11 million in Fiscal 2020 on account of the increase in the Earning Assets from ₹38,116.87 million in Fiscal 2019 to ₹40,126.12 million in Fiscal 2020.

Fees and commission income: Our fees and commission income increased by 8.18% to ₹653.08 million in Fiscal 2020 from ₹603.67 million in Fiscal 2019. This increase was primarily due to an increase in our management fee from ₹101.08 million in Fiscal 2019 to ₹134.72 million in Fiscal 2020, an increase in our income from guarantee facility from ₹78.36 million in Fiscal 2019 to ₹93.26 million in Fiscal 2020 and an increase in our arranger fee for guarantee facility from ₹13.05 million in Fiscal 2019 to ₹33.12 million in Fiscal 2020. This was partially offset by a decrease in other fees and commission income from ₹3.33 million in Fiscal 2019 to ₹0.55 million in Fiscal 2020.

Net gain on fair value changes: Our net gain on fair value changes decreased by 79.74% to ₹61.64 million in Fiscal 2020 from ₹304.21 million in Fiscal 2019, which was primarily due to a decrease in net gain on financial instruments at fair value through profit and loss on AIFs from ₹224.05 million in Fiscal 2019 to ₹16.83 million in Fiscal 2020, consequent to the markdown in NAV of certain AIFs that saw stress in the underlying investments.
Net gain on derecognition of financial instruments: Our net gain on derecognition of financial instruments increased to ₹48.94 million in Fiscal 2020 from ₹0.47 million in Fiscal 2019, which was primarily due to upfront income recognised on sell down of assets through direct assignment.

Other income

Our other income decreased by 89.53% to ₹16.33 million in Fiscal 2020 from ₹155.98 million in Fiscal 2019, due to a high-base in Fiscal 2019 from reversal of impairment on financial instruments amounting to ₹155.14 million as the underlying assets were written off.

Expenses

Our total expenses increased by 10.76% to ₹4,899.62 million in Fiscal 2020 from ₹4,423.49 million in Fiscal 2019, primarily due to an increase in our: (i) finance costs, (ii) fees and commission expense, and (iii) impairment on financial instruments.

Finance costs

Our finance costs increased by 2.35% to ₹3,092.07 million in Fiscal 2020 from ₹3,021.11 million in Fiscal 2019 due to an increase in our: (i) interest on deposits (representing deposits received from certain borrowers) from ₹2.63 million in Fiscal 2019 to ₹8.98 million in Fiscal 2020, (ii) interest on borrowings on term loans from banks from ₹1,458.31 million in Fiscal 2019 to ₹1,743.87 million in Fiscal 2020, and (iii) interest on lease liability from ₹2.70 million in Fiscal 2019 to ₹12.64 million in Fiscal 2020. This was partially offset by a decrease in amortization of discount on commercial papers from ₹305.72 million in Fiscal 2019 to ₹72.20 million in Fiscal 2020.

The increase in finance costs was primarily driven by an increase in the cost of borrowings from 10.18% in Fiscal 2019 to 10.46% in Fiscal 2020 while the quantum of borrowing remained similar. The increase in cost of borrowing was mainly driven by constrained domestic liquidity and reduced risk appetite of domestic lenders to lend to NBFCs given a few instances of defaults by highly rated NBFCs and HFCs. We initiated systematic efforts towards widening our borrowing sources to include offshore lenders (including development financial institutions) as well as domestic retail investors. Much of this effort translated into actual borrowing transactions in Fiscal 2021 allowing us to reduce the incremental borrowing cost and increase the quantum of borrowing significantly. For further details, see "*Selected Statistical Information – Borrowings*" on page 374.

Fees and commission expense

Our fees and commission expense, representing the share in income of partners originating retail loans for us, increased by 98.26% to ₹228.91 million in Fiscal 2020 from ₹115.46 million in Fiscal 2019 due to as the size of and the income from retail book increased.

Employee benefits expenses

Our employee benefits expenses decreased by 5.25% to ₹682.97 million in Fiscal 2020 from ₹720.84 million in Fiscal 2019, primarily due to a decrease in our salaries and wages (from ₹551.71 million in Fiscal 2019 to ₹534.61 million in Fiscal 2020) as a result of lower variable payments to employees.

Impairment on financial instruments

Our impairment on financial instruments increased by 138.72% to ₹354.88 million in Fiscal 2020 from ₹148.66 million in Fiscal 2019. This was primarily due to an additional provision for the effect of the COVID-19 pandemic, amounting to ₹228.01 million.

Depreciation and amortization

Our depreciation and amortization increased by 43.41% to ₹67.29 million in Fiscal 2020 from ₹46.92 million in Fiscal 2019, due to an increase in: (i) depreciation on property, plant and equipment from ₹9.28 million in Fiscal 2019 to ₹14.93 million in Fiscal 2020, and (ii) depreciation of right to use assets from ₹17.46 million in Fiscal 2019 to ₹28.81 million in Fiscal 2020.

Other expenses

Our other expenses increased by 27.80% to ₹473.50 million in Fiscal 2020 from ₹370.50 million in Fiscal 2019, primarily due to an increase in: (i) rent expenses from ₹35.00 million in Fiscal 2019 to ₹59.11 million in Fiscal 2020 as we took new premises on rent in Mumbai, (ii) set up cost from nil in Fiscal 2019 to ₹5.21 million in Fiscal 2020, (iii) net loss on fair value changes from nil in Fiscal 2019 to ₹65.09 million in Fiscal 2020, and (iv) CSR expenditure ₹8.23 million in Fiscal 2019 to ₹34.74 million in Fiscal 2021.

Profit before tax

As a result of the foregoing, our profit before tax decreased by 17.34% to ₹1,444.91 million in Fiscal 2020 from ₹1,748.04 million in Fiscal 2019.

Total tax expense

Our total tax expense decreased by 30.02% to ₹415.58 million in Fiscal 2020 from ₹593.88 million in Fiscal 2019. We experienced a reduction in our effective tax rate due to a reduction in the applicable tax rate from 34.94% to 25.17% which was partially offset by a downward revaluation of deferred tax assets we were carrying on our books. The decrease in profit before tax also contributed to the lower absolute amount of tax expense.

Profit for the year

Our profit for the year stood at ₹1,029.33 million in Fiscal 2020 as against ₹1,154.16 million in Fiscal 2019, consequent to the factors explained above.

Other comprehensive income

Our other comprehensive income increased from ₹(107.27) million in Fiscal 2019 to ₹23.49 million in Fiscal 2020, primarily due to lower charge for fair valuation of financial instruments. The share of the owners of the company in other comprehensive income was ₹25.73 million in Fiscal 2020 and a negative amount of ₹(111.23) million in Fiscal 2019.

Total comprehensive income

Due to the factors discussed above, the total comprehensive income attributable to owners of the company increased by 8.36% to ₹954.09 million in Fiscal 2020 from ₹880.49 million in Fiscal 2019.

Financial Position

Our equity attributable to the owners of the Company increased by 5.04% to ₹15,823.15 million for Fiscal 2021 from ₹15,064.27 million for Fiscal 2020. This increase was primarily due to retention of earnings for the year.
Our equity attributable to the owners of the Company increased by 29.03% to ₹15,064.27 million for Fiscal 2020 from ₹11,675.20 million for Fiscal 2019 primarily due to infusion of additional capital during Fiscal 2020, combined with retention of earnings for the year.

Assets

The following table sets forth the principal components of our assets as of the dates indicated:

(₹ in million)

Asssets	As of March 31, 2021	As of March 31, 2020	As of March 31, 2019
Financial Assets			
Cash and cash equivalents	3,981.03	3,332.17	1,907.94
Bank balances other than cash and cash equivalents	683.80	772.02	523.39
Trade receivables	183.54	83.01	167.97
Loans	37,407.67	29,246.78	27,768.45
Investments	13,825.68	11,714.89	11,929.75
Other financial assets	47.39	74.87	87.64
Total financial assets	**56,129.11**	**45,223.74**	**42,385.14**
Non-financial Assets			
Current tax assets (net)	357.92	411.90	152.38
Deferred tax assets (net)	207.18	31.91	63.06
Property, plant and equipment	10.49	17.84	6.84
Right of use asset	98.54	132.42	26.12
Intangible assets under development	5.40	9.49	34.27
Other intangible assets	97.28	83.16	29.10
Goodwill	17.46	17.46	17.46
Other non-financial assets	48.27	46.97	65.58
Total non-financial assets	**842.54**	**751.15**	**394.81**
Total assets	**56,971.65**	**45,974.89**	**42,779.95**

Financial assets

Cash and cash equivalents

Our total cash and cash equivalents were ₹3,981.03 million as of March 31, 2021, ₹3,332.17 million as of March 31, 2020 and ₹1,907.94 million as of March 31, 2019. The increase in cash and cash equivalents over the period was primarily due to higher cash and cash equivalents being maintained in Fiscal 2021 to mitigate liquidity risk during the unprecedented uncertainty prevailing as a result of a countrywide lockdown due to the outbreak of the COVID-19 pandemic.

Bank balances other than cash and cash equivalents

Our bank balances other than cash and cash equivalents were ₹683.80 million as of March 31, 2021, ₹772.02 million as of March 31, 2020 and ₹523.39 million as of March 31, 2019. The variations in other bank balance were largely due to movements in fixed deposits with banks in line with our liquidity management requirements.

Trade Receivables

Our trade receivables were ₹183.54 million as of March 31, 2021, ₹83.01 million as of March 31, 2020 and ₹167.97 million as of March 31, 2019. The variations in receivables are on account of the actual pattern of invoicing, accrual and collections.

Loans

Our loans were ₹37,407.67 million as of March 31, 2021, ₹29,246.78 million as of March 31, 2020 and ₹27,768.45 million as of March 31, 2019. The increase in our loans was on account of a broad-based increase in lending to various categories of borrowers.

Investments

Our investments were ₹13,825.68 million as of March 31, 2021, ₹11,714.89 million as of March 31, 2020 and ₹11,929.75 million as of March 31, 2019. The increase in investments from Fiscal 2020 to Fiscal 2021 was because of higher investments in non-convertible debentures issued by the originator partners and investments in Government of India Treasury Bills to comply with the requirements of the Liquidity Coverage Ratio requirements.

Other financial assets

Our other financial assets were ₹47.39 million as of March 31, 2021, ₹74.87 million as of March 31, 2020 and ₹87.64 million as of March 31, 2019.

Non-financial assets

Current tax assets (net)

Our current tax assets (net) were ₹357.92 million as of March 31, 2021, ₹411.90 million as of March 31, 2020 and ₹152.38 million as of March 31, 2019. These increase in current tax assets (net) from Fiscal 2019 to Fiscal 2020 were primarily due to decrease in Tax rate from 34.94% to 25.17% and the decrease in current tax assets (net) from Fiscal 2020 to Fiscal 2021 were primarily due to refunds received from department from previous assessment years and also reduction in TDS rate by 25%.

Deferred tax assets (net)

Our deferred tax assets (net) were ₹207.18 million as of March 31, 2021, ₹31.91 million as of March 31, 2020 and ₹63.06 million as of March 31, 2019. The decrease in our deferred tax assets (net) from March 31, 2019 to March 31, 2020 was primarily due to increase in impairment loss allowance, decrease in fair value of assets and reduction in tax rate. The increase in our deferred tax assets (net) from March 31, 2020 to March 31, 2021 was primarily due to increase in impairment on financial instruments, decrease in fair value of asset and increase in unamortized processing fee.

Property, plant and equipment

Our total property, plant and equipment were ₹10.49 million as of March 31, 2021, ₹17.84 million as of March 31, 2019 and ₹6.84 million as of March 31, 2019.

Right of use asset

Our right of use asset was ₹98.54 million as of March 31, 2021, ₹132.42 million as of March 31, 2020 and ₹26.12 million as of March 31, 2019. The increase in our right of use assets from March 31, 2019 to March 31, 2020 were primarily on account of new premises taken on lease in Fiscal 2020. The decrease in our right of use assets from March 31, 2020 to March 31, 2021 were primarily on account of depreciation of right of use asset and termination of lease at one location.

Intangible assets under development

Our intangible assets under development were ₹5.40 million as of March 31, 2021, ₹9.49 million as of March 31, 2020 and ₹34.27 million as of March 31, 2019. The decrease in our intangible assets under development from March 31, 2019 to March 31, 2021 was primarily on account of capitalization of intangible assets upon being put to use.

Other intangible assets

Our other intangible assets were ₹97.28 million as of March 31, 2021, ₹83.16 million as of March 31, 2020 and ₹29.10 million as of March 31, 2019. The increase in our intangible assets from March 31, 2019 to March 31, 2021 was primarily on account of capitalization of intangible assets upon being put to use.

Other non-financial assets

Our other non-financial assets were ₹48.27 million as of March 31, 2021, ₹46.97 million as of March 31, 2020 and ₹65.58 million as of March 31, 2019.

Liabilities and Provisions

The following table sets forth the principal components of our liabilities and provisions as of the dates indicated.

(₹ in million)

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2019
Financial liabilities			
Derivative financial instruments	89.85	-	1.07

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2019
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	156.19	83.09	97.14
Debt Securities	16,395.68	8,602.08	12,438.61
Borrowings (Other than debt securities)	22,924.71	20,612.84	16,690.48
Subordinated liabilities	-	-	121.34
Other financial liabilities	423.04	519.16	345.06
Non-financial liabilities			
Provisions	176.35	140.27	122.25
Current tax liabilities (net)	-	-	4.36
Deferred tax liabilities (net)	9.77	-	-
Other non-financial liabilities	66.89	40.34	59.42
Total non-financial liabilities	**253.01**	**180.61**	**186.03**

Financial liabilities

Derivative Financial Instruments

Our derivative financial instruments increased to ₹89.85 million as of March 31, 2021 from nil as of March 31, 2020 and ₹1.07 million as of March 31, 2019, primarily due to hedges on foreign currency borrowings.

Total outstanding dues of micro and small enterprises

Our total outstanding dues of micro and small enterprises remained nil as of March 31, 2019 to March 31, 2021.

Total outstanding dues of creditors other than micro and small enterprises

Our total outstanding dues of creditors other than micro and small enterprises increased to ₹156.19 million as of March 31, 2021 from ₹83.09 million as of March 31, 2020 and ₹97.14 million as of March 31, 2019.

Debt Securities

Our debt securities increased to ₹16,395.68 million as of March 31, 2021 from ₹8,602.08 million as of March 31, 2020 and ₹12,438.61 million as of March 31, 2019, as we issued debt securities to various investors including DFIs, banks (primarily under the targeted long-term repo operation) and family offices, in line with our strategy of diversifying our funding base.

Borrowings (other than debt securities)

Our borrowings (other than debt securities) increased to ₹22,924.71 million as of March 31, 2021 from ₹20,612.84 million as of March 31, 2020 and ₹16,690.48 million as of March 31, 2019, due to additional borrowings availed by the Company primarily from DFIs and banks.

Subordinated Liabilities

Our subordinated liabilities remained at nil as of March 31, 2021 and March 31, 2020 from ₹121.34 million as of March 31, 2019, as the liability was retired during Fiscal 2020.

Other financial liabilities

Our other financial liabilities were ₹423.04 million as of March 31, 2021, primarily due to collateral deposits of customers and employee benefits payable. Our remittances payable decreased to ₹32.17 million as of March 31, 2021 from ₹121.09 million as of March 31, 2020 and increased to ₹ 121.09 million as of March 31, 2020 from ₹ 20.33 million as of March 31, 2019. The decrease in our other financial liabilities from March 31, 2020 to March 31, 2021 was primarily due to reduction in remittances payable towards direct assignment and securitization sell downs done by the company in the earlier years owing to run down of portfolio. The increase in other financial liabilities from March 31, 2019 to March 31, 2020 was primarily on account of new direct assignment sell down initiated in Fiscal 2020.

Non-financial liabilities

Provisions

Our provisions increased to ₹ 176.35 million as of March 31, 2021 from ₹140.27 million as of March 31, 2020 and ₹122.25 million as of March 31, 2019, due to an increase in provision for impairment loss allowance for guarantees and undrawn loans.

Current tax liabilities (net)

We did not record any current tax liabilities (net) as of March 31, 2021 and March 31, 2020. Our current tax liabilities (net) were ₹ 4.36 million as of March 31, 2019.

Deferred tax liabilities (net)

Our deferred tax liabilities (net) were ₹9.77 million as of March 31, 2021 resulting from one of the subsidiaries. We did not record any deferred tax liabilities (net) as of March 31, 2020 and March 31, 2019.

Other non-financial liabilities

Our other non-financial liabilities increased to ₹66.89 million as of March 31, 2021 from ₹40.34 million as of March 31, 2020, due to statutory dues payable and deferred interest.

Liquidity and Capital Resources

Our cash requirements consist mainly of new loans for customers, payments to employees and other operating expenses and debt servicing costs. Our capital expenditure needs have historically been minimal as we do not have substantial fixed assets relative to our total assets. The purpose of the liquidity management function is to ensure that we have funds available to extend loans to our customers across our various financing products, to repay principal and interest on our borrowings, to fund our working capital requirements and to ensure that we comply with RBI's Liquidity Coverage Ratio ("**LCR**") requirements. We endeavor to diversify our sources of capital. We have funded the growth in our operations and loan portfolio through equity issuances, debt securities, loans with various maturities raised from banks and other entities and the assignment/securitization of loans. As of March 31, 2021, we had cash and cash equivalents of ₹3,981.03 million. In addition, our investments included investments in government securities of ₹1,491.10 million which we hold to comply with the LCR requirements. We typically invest our surplus cash reserves in short term bank deposits. Based upon our current level of expenditures, we believe our current working capital, together with cash flows from operating activities and the proceeds from the offerings contemplated herein, will be adequate to meet our anticipated cash requirements for capital expenditures, servicing liabilities and working capital requirements for at least the next 12 months.

We actively manage our liquidity and capital position by raising funds on a continuous basis on terms that, we believe, are favorable to us. We regularly monitor our funding levels to ensure we are able to satisfy the requirements for loan disbursements and maturity of our liabilities. We maintain diverse sources of funding and liquid assets to facilitate flexibility in meeting our liquidity requirements. Liquidity is provided principally by short term and long term borrowings from banks and other entities, issue of equity shares and debentures, retained earnings, repayment from customers and proceeds from assignments/securitization of loans. All our loan agreements and debentures contain a number of covenants including financial covenants. In addition, some loans may contain provisions which allow the lender, at its discretion, to call for repayment of the loan at short notice and/or require us to prepay on a *pari passu* basis. Such covenants, if acted upon, may have an impact on our liquidity.

For more information about our liquidity management, see "*Our Business*" beginning on page 170.

Cash flows

The following table sets out a condensed summary of our cash flows for the year indicated.

(₹ in million)

	Fiscal 2021	Fiscal 2020	Fiscal 2019

Net cash used in operating activities	(7,095.24)	(542.11)	(3,358.40)
Net cash used in investing activities	(2,009.00	(262.44)	(356.86)
Net cash generated from financing activities	9,753.10	2,228.78	3,750.97
Cash and cash equivalents at the beginning of the year	3,332.17	1,907.94	1,872.24
Cash and cash equivalents at the end of the year	3,981.03	3,332.17	1,907.94

Operating activities

Fiscal 2021

We recorded net cash used in operating activities of ₹(7,095.24) million in Fiscal 2021. Our operating profit before working capital changes was ₹(143.17) million in Fiscal 2021. Our changes in working capital in Fiscal 2021 primarily consisted of an increase in loans of ₹(9,291.64) million.

Fiscal 2020

We recorded net cash used in operating activities of ₹(542.11) million in Fiscal 2020. Our operating profit before working capital changes was ₹(584.24) million in Fiscal 2020. Our changes in working capital in Fiscal 2020 primarily consisted of an increase in loans of ₹ (1,790.64) million.

Fiscal 2019

We recorded net cash used in operating activities of ₹(3,358.40) million in Fiscal 2019. Our operating profit before working capital changes was ₹(275.85) million in Fiscal 2019. Our changes in working capital in Fiscal 2019 primarily consisted of an increase in loans of ₹(4,588.30) million.

Investing Activities

Fiscal 2021

We recorded net cash used in investing activities of ₹(2,009.00) million in Fiscal 2021. This was primarily due to purchase of other investments for ₹ (9,240.87) million, and change in the ownership interest in funds to nil.

Fiscal 2020

We recorded net cash used in investing activities of ₹(262.44) million in Fiscal 2020. This was primarily due to purchase of mutual fund investments of ₹(7,720.30) million, purchase of other investments for ₹(5,713.81) million, and change in the ownership interest in funds to ₹(422.86) million.

Fiscal 2019

We recorded net cash used in investing activities of ₹(356.86) million in Fiscal 2019. This was primarily due to purchase of mutual fund investments of ₹(5,720.80) million, purchase of other investments for ₹ (5,778.12) million, and change in the ownership interest in funds to ₹(927.65) million.

Financing activities

Fiscal 2021

We recorded net cash inflow from financing activities of ₹9,753.10 million in Fiscal 2021. This was primarily due to proceeds from borrowings of ₹11,865.66 million and issue of debt securities of ₹14,760.81 million.

Fiscal 2020

We recorded net cash inflow from financing activities of ₹2,228.78 million in Fiscal 2020. This was primarily due to proceeds from issue of convertible preference share capital including securities premium of ₹1,850.00 million and share capital including securities premium of ₹699.36 million, while proceeds from issue of debt securities and from borrowings were broadly offset by repayment of debt securities and borrowings.

Fiscal 2019

We recorded net cash inflow from financing activities of ₹3,750.97 million in Fiscal 2019, broadly corresponding to proceeds from issue of convertible preference share capital including securities premium of ₹4,000.00 million. Proceeds from issue of debt securities of ₹12,058.71 million and proceeds from borrowings of ₹17,590.08 million were broadly offset by repayment of debt securities of ₹5,955.82 million and repayment of borrowings of ₹24,172.49 million.

Indebtedness

As of March 31, 2021, we had a total outstanding indebtedness of ₹39,208.05 million, which consisted of term loans from banks and others, cash credit, working capital and overdraft facilities, commercial papers and debt securities. For further details related to our indebtedness, please see "*Financial Indebtedness*" beginning on page 327.

The following table sets out contractual maturities of debt securities, borrowings other than debt securities and subordinated liabilities as total borrowings as of March 31, 2021:

(₹ in million)

	As of March 31, 2021 - Payment due by Year				
	Total	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Total Borrowings	39,208.05	18,878.82	14,610.71	5,718.52	-

Contractual obligation and commitments

Other than our borrowings, our principal commitments consist of operating lease obligations and capital commitment which is ₹135.09 million and ₹52.05 million, respectively as of March 31, 2021. The following table sets forth certain information relating to future payments due under known contractual obligations and commitments as of March 31, 2021:

(₹ in million)

	Payment due by year			
	Total	**Less than one year**	**Between one and five years**	**Later than five years**
Leases	135.09	36.52	93.34	5.23
Capital commitment (net of advance)	52.05	52.05	-	-

Assignment Arrangements

The following table sets forth information regarding our assignment activities in Fiscals 2019, 2020 and 2021:

	Fiscal 2021	**Fiscal 2020**	**Fiscal 2019**
Total number of loans assigned	-	98.00	-
Book value of loans assigned (₹ in million)	-	1,529.49	-
Sale consideration received for loans assigned (₹ In million)	-	1,529.48	-
Gain/(loss) on account of direct assigned	-	48.94	-
Net gain on derecognition of financial instruments	-	48.94	0.47

Off-balance Sheet Arrangements and Contingent Liabilities

We do not have any off-balance sheet arrangements or other relationships with any entity that has been established for the purposes of facilitating off-balance sheet arrangements other than for structured finance transactions such as securitization, assignment and collateralized loan obligations undertaken in the ordinary course of business.

The following table sets our contingent liabilities not provided for as at March 31, 2021:

	As of March 31, 2021
Claims against the Company not acknowledged as debt Income tax related matters	44.06

Guarantees outstanding	2,714.17
Total	**2,758.23**

Debt/Equity Ratio

Our debt/equity ratio was 2.48 as of March 31, 2021, and 1.94 as of March 31, 2020.

"Total debt" represents the sum of all borrowings of the Company, including debt securities issued.

"Equity" represents share capital and other equity but excludes non-controlling interest.

Capital Expenditures

Our capital expenditures include expenditures on tangible assets, intangible assets and right to use assets. Tangible assets primarily include furniture and fixtures, computers and accessories and office equipment. Intangible assets comprise computer software, intangible assets under development and right of use assets. The following table sets out capital expenditures (addition) for the years indicated:

(₹ in million)

	2021	**2020**	**2019**
Property, plant and equipment	5.21	26.01	12.65
Intangible assets under development	32.88	54.80	40.57
Other intangible assets	36.97	77.61	13.30
Right of use asset	-	161.23	18.42
Total	**75.06**	**319.65**	**84.94**

We expect to meet our funds, capital expenditures and investment requirements for the next 12 months primarily from revenues from operating and financing activities.

Our actual capital expenditures may differ from the amount set out above due to various factors, including our future cash flows, changes in growth strategy, additional investment in technology, operating performance, financial conditions, changes in the local economy in India, changes in the legislative and regulatory environment and other factors that are beyond our control.

Capital to Risk-Weighted Assets Ratios

The RBI monitors capital to risk-weighted assets ratios based on financial information. The following table sets forth our capital to risk-weighted assets ratios as of the dates indicated:

(₹ in million)

	As of March 31, 2021	**As of March 31, 2020**	**As of March 31, 2019**
CRAR (%)	28.89	33.16	27.05
CRAR Tier-I Capital (%)	27.62	31.83	25.87
CRAR Tier-II Capital (%)	1.27	1.33	1.18

For more information, see "*Selected Statistical Information*", "*Key Regulations and Policies*" and "*Our Business*" beginning on pages 367, 206 and 170, respectively.

Credit Ratings

The following table sets forth our credit ratings as of the date of this Draft Red Herring Prospectus:

Instrument	**Rating Agency**	**Rating**	**Amount (₹ in million)**
Long-term term loan/Long-term Fund-based limits/Long term - Unallocated	ICRA	A+/Negative	25,000
Long-term bank loans	India Ratings	A+/Stable	3,000^^
Non-convertible debentures	ICRA	A+/Negative	11,750
Non-convertible debentures	India Ratings	A+/Stable	5,000*
Market linked debentures	ICRA	PP-MLD A+/Negative	200

Market linked debentures	India Ratings	PP-MLD A+ emr/Stable	3,000^
Subordinated debt	ICRA	A+/Negative	400
Commercial paper	ICRA	A1+	3,000
Commercial paper	CARE	A1+	5,000

**Interchangeable with long term bank loans unless rating is already utilized for NCDs*
^Rating fungible between market linked debentures, NCDs and bank loans
^^Rating fungible between NCDs and long term bank loans

Related Party Transactions

For details of related parties transactions that we entered into, please see "*Financial Statements*" on page 256.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various types of market risks during the normal course of business such as interest rate risk, liquidity risk, credit risk, portfolio risk, operational risk, foreign currency risk and inflation risk. For further details, please see "*Our Business – Risk Management*" on page 19.

Credit Risk

Credit risk is the risk of financial loss that may occur to us if a customer or counter-party to a financial instrument fails to meet its contractual obligations and arises principally from our loans and investments. Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. In order to address credit risk, we have stringent credit policies for customer selection. We follow a systematic methodology in the selection of customers. Our customer due diligence procedures encompass multiple levels of checks such as KYC verification, credit bureau check, physical verification and where applicable, in-person discussions, designed to assess the quality of the proposed group and to confirm that they meet our criteria. We have also implemented risk tools and techniques and data analytics, such as static pools, vintage curves, roll rates, geo-risk maps, and risk models, to establish risk thresholds and benchmarks, which are then used for field-level reviews, business expansion plans, and our business strategy.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to the risk of changes in market interest rates relates primarily to our investment in bank deposits and variable interest rate lending. Whenever there is a change in borrowing interest rate for us, necessary change is reflected in the lending interest rates over the timeline in order to mitigate the risk of change in interest rates of borrowings. We assess and manage our interest rate risk by managing our assets and liabilities. Our Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately. For details, see "*Risk Factors*" beginning on page 25.

Liquidity Risk

Liquidity risk arises when we encounter difficulty in meeting our obligations associated with financial liabilities. Our approach in managing our liquidity is to ensure that we will have sufficient funds to meet our liabilities when due. We source funds from multiple sources, including from banks, financial institutions, mutual funds and NBFCs. Our treasury function is responsible for diversifying fundraising sources, managing interest rate risks and maintaining a strong relationship with lenders such as banks, domestic and foreign financial institutions, mutual funds and NBFCs, and with rating agencies. For details, see "*Risk Factors*" and "*Our Business*" beginning on pages 25 and 170, respectively.

Unusual or Infrequent Events or Transactions

Except as described in this Draft Red Herring Prospectus, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

Known Trends or Uncertainties

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in "– *Significant Factors affecting our Results of Operations*" on page 333 and the uncertainties described in "*Risk Factors*" beginning on page 25, including but not limited to changes related to the COVID-19 pandemic. To our knowledge, except as discussed in this Draft Red Herring Prospectus, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income from continuing operations.

Future Relationship between Cost and Revenue

Other than as described in "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 25, 170 and 330, respectively, to our knowledge there are no known factors that may affect the future relationship between cost and revenue.

New Products or Business Segments

Other than as disclosed in "*Our Business*" beginning on page 170, there are no new products or business segments that are currently proposed to be developed or launched.

Dependence on a Few Customers or Suppliers

Given the nature of our business operations, our business is not dependent on any single or a few customers or suppliers.

Seasonality of Business

Generally, the period from October to March is the peak period in India for retail economic activity as a result of several festivals and holiday periods, improved weather conditions and crop harvests. The requirement for credit and financing being directly correlated to the level of economic activity, our financing business generally sees higher borrowings by our customers during the third and fourth quarter of each fiscal. Accordingly, we also typically have higher drawdowns under our facilities in the third and fourth quarter of each fiscal. Similarly, our structuring and syndication business generally experiences higher business volume and correspondingly generates higher fees in the second half of the year. Consequently, our revenues are generally higher during the second half of each fiscal year as compared to first half of the fiscal year.

Significant Developments since March 31, 2021

Due to the ongoing impact of the COVID-19 pandemic, in the short term, our business may be impacted by lower lending opportunities and a decline in collection efficiencies. The specific nature of the impact on our results remains uncertain and dependent on the extent and duration of the spread of COVID-19, steps taken by the Government and RBI to mitigate the economic impact, and the time it takes for economic activities to resume at normal levels. There may be increases in our impairment of financial instruments allowance in the current Fiscal due to losses arising from the COVID-19 pandemic. We believe our capital and liquidity position remains strong and would continue to be a focus area for us. We will continue to monitor any material changes to future economic conditions. Please see "—*Significant Factors Affecting our Results of Operations*" on page 333.

The RBI has issued a circular dated April 7, 2021 which 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. Such relief shall be available 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, in terms of the circulars dated March 27, 2020 and May 23, 2020. For further details, see "*Key Regulations and Policies- Covid-19 Regulatory Framework*" beginning on page 216.

The RBI has also issued 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)', dated April 27, 2021. In terms of the guidelines, statutory audit firms can be appointed for NBFCs such as us for a continuous period of three years subject to the firm satisfying the eligibility norms each year. Further, an audit firm is not eligible for reappointment in the same entity for a period of six years after completion of full or part of one three year term.

For further details see "*Key Regulations and Policies - Key Regulations Applicable to Our Company*" beginning on page 206.

Further, the RBI through its circular, dated May 5, 2021 titled 'Resolution Framework – 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses', has permitted lending institutions to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying such credit exposures as 'standard' upon implementation of the resolution plan, subject to certain conditions specified under the circular. The last date for invocation of resolutions under the window provided is September 30, 2021. For further details, see "*Key Regulations and Policies- Covid-19 Regulatory Framework*" beginning on page 216.

Except as set out in this Draft Red Herring Prospectus, to our knowledge, no circumstances have arisen since March 31, 2021, which have materially or adversely affected or are likely to affect our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in conjunction with our "Financial Statements" on page 256, as well as "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 170 and 330, respectively.

*Certain non-Ind AS financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Draft Red Herring Prospectus. We compute and disclose such non-Ind AS financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-Ind AS financial measures and other statistical and operational information when reporting their financial results. However, we note that these non-Ind AS financial measures and other statistical information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other financial services companies. These non-Ind AS financial measures and other statistical information are also non-GAAP measures, which are not required by, or presented in accordance with U.S. Securities and Exchange Commission ("**SEC**") requirements or the accounting standards of any other jurisdiction. Such measures should not be considered as an alternative to operating profit or loss for the relevant period or any other performance measures derived in accordance with Ind AS. The non-Ind AS financial measures and statistical information are not intended to comply with the applicable accounting requirements of the U.S. Securities Act of 1933 and the related rules and regulations of the SEC which would apply if the Equity Shares were being registered with the SEC.*

For illustrative purposes, we have also adjusted certain statistical and operational information contained in this section on account of specific events. Such information purports to measure historical financial performance, financial performance or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable Ind AS measures. See "Risk Factors—Internal Risks—The COVID-19 pandemic, or any future pandemic or widespread public health emergency or outbreak of disease, could materially and adversely impact our business, financial condition, cash flows and results of operations." on page 26. Such statistical and operational information is not directly comparable to the Restated Financial Information. While we believe that such information provides investors with additional information about our business, financial condition and results of operations, it is not a substitute for Ind AS measures and should not be unduly relied upon in evaluating the historical or future performance of our business.

Financial Ratios

The following table sets forth information relating to the Financial Ratios for our Company for the Fiscal Years indicated. The table below includes AUM, Average AUM and Earning Assets which are non-GAAP measures and have been reconciled to the Restated Financial Information. For details of reconciliation, see *" Reconciliation of non-GAAP Measures"* on page 379.

(in ₹ millions unless indicated otherwise)

Particulars	Fiscal 2021	Fiscal 2020	Fiscal 2019
Gross financing volume(1)	130,536.93	146,925.63	143,653.49
Syndication and placement volume(2)	78,228.26	118,427.09	115,416.50
Fund management deployment volume(3)	11,374.05	8,220.00	3,760.00
Disbursements(4)	42,136.36	28,704.38	32,938.30
Disbursement growth (%)(5)	46.79%	(12.85)%	17.33%
Disbursements / Gross financing volume (%)(6)	32.28%	19.54%	22.93%
AUM(7)	52,208.73	43,491.57	40,592.95
Average AUM(8)	47,850.15	42,042.26	38,619.00
AUM Growth (%)(9)	20.04%	7.14%	10.77%
Equity attributable to the owners of the Company(10)	15,823.15	15,064.27	11,675.20
Revenue from operations(11)	6,811.71	6,328.20	6,015.55
Fees and commission income(12)	643.35	653.08	603.67
Other income(13)	41.16	16.33	155.98
Total income(14)	6,852.87	6,344.53	6,171.53

Particulars	Fiscal 2021	Fiscal 2020	Fiscal 2019
Finance costs[15]	3,229.68	3,092.07	3,021.11
Profit after tax attributable to owners of the company[16]	675.14	928.36	991.72
Stage 3 Loans and Investments (Gross)[18]	1,169.45	190.06	328.06
Gross Stage 3 (%)[19]	2.23%	0.46%	0.82%
Stage 3 Loans and Investments (Net of impairment loss allowance)[20]	461.70	55.66	195.33
Net Stage 3 (%)[21]	0.88%	0.13%	0.49%
Provision coverage ratio – overall (%) [22]	2.85%	1.87%	1.58%
Provision coverage ratio - Stage 3 loans and investments (%) [23]	60.52%	70.71%	40.46%
Capital Adequacy Ratio (%) [24]	28.89%	33.16%	27.05%
Debt/Equity Ratio[25]	2.48	1.94	2.51

Notes:

1. *Gross financing volume represents the total financing enabled by us for our customers including sanctions from our balance sheet, syndication from banks and other investors, securitization and assignment structured by us, guarantees extended or enabled by us from other guarantors, and investments made from AIFs that we manage during the relevant Fiscal Year.*
2. *Syndication and placement volume represents the total financing enabled by us from our Investor Partners during the relevant Fiscal Year.*
3. *Fund management deployment volume represents financing extended by the AIFs that we manage during the relevant Fiscal Year.*
4. *Disbursements represents the aggregate of amounts that we disbursed to our customers by way of loans or subscription to debt instruments for the relevant Fiscal Year.*
5. *Disbursement growth (%) represents the percentage of growth in disbursements for the relevant Fiscal Year over disbursements for the previous Fiscal Year.*
6. *Disbursements / Gross financing volume (%) represents our disbursements expressed as a percentage of gross financing volume.*
7. *AUM represents the aggregate of loans and investments in debentures, securitised assets (including loans assigned to us), units of alternative investment funds, loans assigned by us and guarantees outstanding as of the last day of the relevant Fiscal Year.*
8. *Average AUM represents the average of AUM outstanding as of the last day of each of the four quarters of the relevant Fiscal Year and as of the last day of the preceding Fiscal Year.*
9. *AUM Growth (%) represents the percentage of growth in AUM as of the last day of the relevant Fiscal Year over AUM as of the last day of the previous Fiscal Year.*
10. *Equity attributable to owners of the company represents Equity attributable to the owners of the company as of the last day of the relevant Fiscal Year as per the Restated Financial Information.*
11. *Revenue from operations for the relevant Fiscal Year as per the Restated Financial Information.*
12. *Fees and commission income for the relevant Fiscal Year as per the Restated Financial Information.*
13. *Other income for the relevant Fiscal Year as per the Restated Financial Information.*
14. *Total Income for the relevant Fiscal Year as per the Restated Financial Information.*
15. *Finance costs for the relevant Fiscal Year as per the Restated Financial Information.*
16. *Profit after tax attributable as per the Restated Financial Information.*
17. *Earning Assets represents the aggregate of loans and investments in debentures, securitised assets (including loans assigned to us) and units of alternative investment funds outstanding as of the last day of the relevant Fiscal Year.*
18. *Stage 3 Loans and Investments (Gross) represents the aggregate of the gross carrying amount of Stage 3 Loans and Investments as of the last day of the relevant Fiscal Year as reported in the Restated Financial Information.*
19. *Gross Stage 3 (%) represents Stage 3 Loans and Investments (Gross) as of the last day of the relevant Fiscal Year as a percentage of the aggregate of the gross carrying amount of Stage 1, Stage 2 and Stage 3 Loans and Investments.*
20. *Stage 3 Loans and Investments (Net of impairment loss allowance) represents Stage 3 Loans and Investments (Gross) minus the aggregate of ECL Provision for Stage 3 Loans and Investments as of the last day of the relevant Fiscal Year as reported in the Restated Financial Information.*
21. *Net Stage 3 (%) represents Stage 3 Loans and Investments (Net of impairment loss allowance) as of the last day of the relevant Fiscal Year as a percentage of the aggregate of the gross carrying value of Stage 1, Stage 2 and Stage 3 Loans and Investments.*
22. *Provision coverage ratio - overall represents the aggregate of ECL provision on Loans and Investments as of the last day of the relevant Fiscal Year as reported in the Restated Financial Information as a percentage of the aggregate of gross carrying value of Stage 1, Stage 2 and Stage 3 Loans and Investments.*
23. *Provision coverage ratio - Stage 3 loans and investments represents the aggregate of ECL Provision on Stage 3 Loans and Investments as of the last day of the relevant Fiscal Year as reported in the Restated Financial Information as a percentage of the aggregate of the gross carrying value of Stage 3 Loans and Investments.*
24. *Capital Adequacy Ratio represents the aggregate of Tier-I and Tier II Regulatory Capital as of the last day of the relevant Fiscal Year expressed as a percentage of our Risk Weighted Assets.*
25. *Debt/Equity Ratio represents the aggregate of our borrowings, debt securities and subordinated liabilities as of the last day of the relevant Fiscal Year as a percentage of Equity attributable to owners of the company as of the last day of the relevant Fiscal Year as per the Restated Financial Information.*

Platform Metrics

The following table sets forth certain Originator Partner, Investor Partner and borrower-related metrics of our Company for the Fiscal Years indicated:

Particulars	**Fiscal 2021**	**Fiscal 2020**	**Fiscal 2019**
Number of partners for whom facilities raised / number of borrowers to whom loans advanced during the year			
Originator Partners	130	131	111
Mid-market companies	46	51	56
Originator Partners through whom retail loans advanced	18	18	12
Retail borrowers	179,013	104,253	11,512
Number of partners/borrowers with exposure at the end of the year			
Originator Partners	158	138	130
Mid-market companies	99	93	26
Originator Partners through whom retail loans advanced	27	20	23
Retail Borrowers	163,669	73,604	8,406
Number of Investor Partners from whom facilities raised			
Banks (other than SFBs)	20	25	17
SFBs	6	6	5
DFIs	5	4	4
Offshore Funds(FII & Offshore DFI)	4	2	-
NBFC	23	25	31
Mutual Funds	1	-	4
Insurance companies	1	-	1
Private Wealth	8	2	3
Others	5	7	7
Total	**73**	**71**	**72**
Number of investors in Fund (excluding the Company and NAIM)			
Total number of non-individual investors	70	45	35
Total number of individual investors	113	82	65
Total	**183**	**127**	**100**
Syndication and placement business volume(1)	78,228.26	118,427.09	115,416.50
Adjusted fee income(2)	356.93	424.55	420.90
Fee yield	0.46%	0.36%	0.36%

Notes:

1. *Syndication and placement business volume represents the aggregate value of funded and unfunded facilities enabled for our Originator Partners or Mid-market corporates by us from other lenders or investors during the relevant Fiscal Year*
2. *Adjusted fee income represents the aggregate of Professional fee and Arranger fee for guarantee facility as per the Restated Financial Information, less Fee on retail loans forming part of yield as referred to in Selected Statistical Information – Reconciliation of Non-GAAP Measures*

Particulars	**Total number**
Cumulative number of non-retail financing transactions(1)	4,351
Cumulative number of retail loan transactions executed (millions) (2)	2.59

Notes:

1. *Cumulative number of financing transactions by us (including lending from our balance sheet, syndication and placement) for our Originator Partners and Mid-market companies since inception and until the end of Fiscal 2021the.*
2. *Cumulative number of retail loan transactions financed by us since the the deployment of Nimbus system in Fiscal 2019 until Fiscal 2021.*

Volume Split

The following table sets forth the breakdown of overall business volume of our Company for the Fiscal Years indicated:

	Fiscal 2021	Fiscal 2020	Fiscal 2019
Volume by sector			
Microfinance	41.55%	36.45%	53.25%
MSME finance	27.99%	28.56%	19.17%
Vehicle finance	11.44%	22.97%	19.14%
Consumer finance	5.26%	6.14%	4.08%
Affordable housing finance	4.94%	1.81%	2.46%
Agricultural supply chain finance	1.87%	0.68%	1.10%
Others	6.95%	3.39%	0.80%
Total(1)	**100.00%**	**100.00%**	**100.00%**
Volume by product			
Loans / NCDs	31.36%	13.80%	17.04%
Securitisation	15.14%	34.39%	43.94%
Assignment	10.83%	16.89%	12.52%
Syndication	27.74%	25.77%	21.76%
Guarantees	6.22%	3.56%	2.12%
Fund deployments	8.71%	5.59%	2.62%
Total	**100.00%**	**100.00%**	**100.00%**
Total volume(1) (in ₹ million)	130,536.93	146,925.63	143,653.49

Notes:

1. *Total volume represents the aggregate value of financing enabled by us from our own balance sheet as well as from other lenders or investors during the relevant Fiscal Year.*

Return on Equity Tree

The following table sets forth the Return on Equity Tree, based on non-GAAP measures, for our Company for the Fiscal Years indicated. The key non-GAAP measures used in this table have been reconciled to the Restated Financial Information. For details of reconciliation, see *" - Reconciliation of non-GAAP Measures"* on page 379.

(in ₹ millions unless indicated otherwise)

Particulars	Fiscal 2021	Fiscal 2020	Fiscal 2019
Earning assets(1)	49,350.54	40,126.12	38,116.87
Average earning assets(2)	41,773.78	38,180.30	36,423.99
Borrowings, debt securities and subordinated liabilities(3)	39,320.39	29,214.92	29,250.43
Average borrowings and debt securities(4)	31,396.60	29,029.09	29,318.97
Total assets(5)	56,971.65	45,974.89	42,779.95
Average total assets(6)	48,689.69	43,995.27	38,863.00
Equity attributable to owners of the Company(7)	15,823.15	15,064.27	11,675.20
Average equity attributable to owners of the Company (8)	15,432.12	13,163.27	7,378.33
Adjusted net worth(9)	15,895.47	15,234.89	11,675.20
Adjusted average net worth(10)	15,468.28	13,248.58	7,378.33
Interest, investment and guarantee commission income(11) (A)	5,735.56	5,536.72	5,123.28
Professional and management fee income(12) (B)	497.91	559.27	521.98
Income other than interest and fees(13) (C)	238.12	121.93	214.56
Adjusted total income (D = A+B+C)	6,471.59	6,217.92	5,859.82
Interest on borrowings and debt securities(14) (E)	3,211.99	3,035.61	2,984.60
Adjusted net total income (F = D-E)	3,259.60	3,182.31	2,875.22
Operating expenses(15) (G)	995.54	1,171.31	1,140.96

Particulars	Fiscal 2021	Fiscal 2020	Fiscal 2019
Pre Provisioning Operating Profit attributable to the owners (H = F-G)	2,264.06	2,011.00	1,734.26
Adjusted credit cost(16) (I)	1,354.91	667.06	148.66
Profit before tax attributable to owners of the company (J = H-I)	909.15	1,343.94	1,585.60
Tax expense(17)	234.01	415.58	593.88
Profit for the year attributable to owners of the company (18)	675.14	928.36	991.72
Adjusted profit for the year attributable to owners of the company (19)	747.46	1,098.98	991.72
Interest, investment and guarantee commission income/Average earning assets (Yield on assets)	13.73%	14.50%	14.07%
Interest on borrowings and debt securities/Average borrowings (Cost of borrowings)	10.23%	10.46%	10.18%
Yield on assets minus Cost of borrowings (Spread)	3.50%	4.04%	3.89%
Yield on assets adjusted for income reversal on Stage 3 assets	14.29%	14.56%	14.07%
Net interest income / Average total assets	5.18%	5.68%	5.50%
Professional and management fee income/Average total assets	1.02%	1.27%	1.34%
Income other than interest and fees / Average total assets	0.49%	0.28%	0.55%
Adjusted net total income / Average total assets	6.69%	7.23%	7.40%
Operating expenses / Average total assets	2.04%	2.66%	2.94%
Pre-provisioning operating profit attributable to owners of the company/ Average total assets	4.65%	4.57%	4.46%
Credit cost / Average total assets	2.78%	1.52%	0.38%
Profit before tax attributable to owners of the company / Average total assets	1.87%	3.05%	4.08%
Tax expense / Average total assets	0.48%	0.94%	1.53%
Profit after tax attributable to owners of the company / Average total assets	1.39%	2.11%	2.55%
Average total assets / Average equity attributable to owners of the company (Leverage)	3.16	3.34	5.27
Profit for the year attributable to owners of the company/Average equity attributable to owners of the company	4.37%	7.05%	13.44%
Adjusted profit for the year attributable to owners of the company / Average total assets	1.54%	2.50%	2.55%
Adjusted profit for the year attributable to owners of the company / Average net worth (ROE)	4.84%	8.35%	13.44%
Operating expenses / Adjusted net total income (Cost to income ratio)	30.54%	36.81%	39.68%
Professional fee income / Adjusted net total income	15.28%	17.57%	18.15%
Pro forma interest on stage 3 assets(20)	234.63	20.48	1.42

Notes:

1. *Earning assets represents the aggregate of loans and investments in debentures, securitised assets (including loans assigned to us) and units of alternative investment funds outstanding as of the last day of the relevant Fiscal Year.*
2. *Average earning assets represents the average of earning assets outstanding as of the last day of each of the four quarters of the relevant Fiscal Year and the last day of the preceding Fiscal Year.*
3. *Borrowings, debt securities and subordinated liabilities represents the aggregate of Borrowings including Debt securities, Subordinated liabilities and Borrowings other than debt securities as of the last day of the Fiscal Year as per the Restated Financial Information, as computed below*

	Fiscal 2021	Fiscal 2020	Fiscal 2019
Debt Securities	16,395.68	8,602.08	12,438.61
Borrowings (other than Debt securities)	22,924.71	20,612.84	16,690.48
Subordinated Liabilities	-	-	121.34
Borrowings, debt securities and subordinated liabilities	**39,320.39**	**29,214.92**	**29,250.43**

4. *Average borrowings and debt securities outstanding as of the last day of each of the four quarters of the relevant Fiscal Year and the last day of the preceding Fiscal Year.*
5. *Total assets as of the last day of the relevant Fiscal Year as per the Restated Financial Information.*
6. *Average total assets as of the last day of each of the four quarters of the relevant Fiscal Year and the last day of the preceding Fiscal Year.*

7. *Equity attributable to owners of the company represents the Equity attributable to the owners of the company as of the end of the relevant Fiscal Year as per the Restated Financial Information*
8. *Average equity attributable to owners of the company represents the average of Equity attributable to owners of the company as of the last day of the relevant Fiscal Year and the last day of the preceding Fiscal Year as per the Restated Financial Information, reckoning any equity infused during the year from the date of such infusion*
9. *Adjusted net worth represents the equity attributable to the owners of the company as of the end of the relevant Fiscal Year as per the Restated Financial Information, adjusted for the one-off credit cost as per the reconciliation of income and expenses under "Revenue and Expense Reconciliation" below.*
10. *Adjusted average net worth represents the average of adjusted net worth as of the last day of the relevant Fiscal Year and the last day of the preceding Fiscal Year as per "Revenue and Expense Reconciliation" below, reckoning any equity infused during the year from the date of such infusion.*
11. *Interest, investment and guarantee commission income is as computed under "Revenue and Expense Reconciliation" below.*
12. *Professional and management fee income is as computed under "Revenue and Expense Reconciliation" below.*
13. *Income other than interest and fees is as computed under "Revenue and Expense Reconciliation" below.*
14. *Interest on borrowings and debt securities represents finance cost reduced by interest on lease liability and interest on collateral deposits for the relevant Fiscal Year as per the Restated Financial Information.*
15. *Operating expenses represents the aggregate of employee benefits expense, depreciation and amortisation expense, other expenses and interest on lease liability for the relevant Fiscal Year as per the Restated Financial Information, and in Fiscal 2020, excluding net loss on fair value changes accounted under other expenses.*
16. *Adjusted credit cost represents the aggregate of impairment on financial instruments for the relevant Fiscal Year as per the Restated Financial Information, and in Fiscal 2020, the impact of mark-down of NAV in two AIFs due to stress in the underlying investments. See "Revenue and Expense Reconciliation" below.*
17. *Tax expense for the relevant Fiscal Year as per the Restated Financial Information.*
18. *Profit for the year attributable to owners of the company represents the Profit for the year attributable to owners of the company for the relevant Fiscal Year as per the Restated Financial Information.*
19. *Adjusted profit for the year attributable to owners of the company represents the Profit for the year attributable to owners of the company, as adjusted for one-off credit costs due to COVID-19, net of tax at the applicable rate for the relevant Fiscal Year.*
20. *Pro forma interest on Stage 3 assets represents the amount of interest that would have been recognised on Stage 3 assets had the assets been categorised as Stage 1 or Stage 2.*

Earning Assets and AUM

The following table sets forth the Earning Assets and Assets Under Management of our Company for the Fiscal Years indicated. The key non-GAAP measures used in this table have been reconciled to the Restated Financial Information. For details of reconciliation, see *" - Reconciliation of non-GAAP Measures" on page 379*.

(in ₹ millions unless indicated otherwise)

Particulars	**Fiscal 2021**		**Fiscal 2020**		**Fiscal 2019**	
	Amount	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
Earning Assets and AUM by product						
Adjusted Loans(1)	36,696.75	70.29%	29,685.81	68.26%	28,093.30	69.21%
Adjusted NCDs(2)	6,654.38	12.75%	5,058.47	11.63%	4,437.97	10.93%
Securitisation (PTCs and Direct Assignment)(3)	2,740.98	5.25%	2,236.79	5.14%	2,446.81	6.03%
Earning Assets excluding our investment in AIFs	**46,092.11**	**88.28%**	**36,981.07**	**85.03%**	**34,978.08**	**86.17%**
AIF investments by the Company and NAIM (4)	3,258.43	6.24%	3,145.05	7.23%	3,138.79	7.73%
Earning Assets	**49,350.54**	**94.53%**	**40,126.12**	**92.26%**	**38,116.87**	**93.90%**
Assigned Assets(5)	144.02	0.28%	772.62	1.78%	123.51	0.30%
Guarantees outstanding(6)	2,714.17	5.20%	2,592.83	5.96%	2,352.57	5.80%
AUM	**52,208.73**	**100.00%**	**43,491.57**	**100.00%**	**40,592.95**	**100.00%**
Earning Assets by Sector *(excluding our investment AIFs)*						
Microfinance	15,522.63	33.68%	9,122.97	24.67%	11,415.38	32.64%
MSME finance	14,405.18	31.25%	12,725.85	34.41%	10,860.17	31.05%
Vehicle finance	8,244.82	17.89%	7,942.50	21.48%	6,574.60	18.80%
Consumer finance	3,890.60	8.44%	3,331.04	9.01%	2,025.49	5.79%
Affordable housing finance	2,104.57	4.57%	2,211.16	5.98%	2,394.39	6.85%
Agricultural supply chain finance	989.27	2.15%	998.60	2.70%	1,163.43	3.33%
Others	935.04	2.02%	648.95	1.75%	544.62	1.54%
Total	**46,092.11**	**100.00%**	**36,981.07**	**100.00%**	**34,978.08**	**100.00%**

Particulars	Fiscal 2021		Fiscal 2020		Fiscal 2019	
	Amount	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
AUM by Sector *(excluding our investment in AIFs)*						
Microfinance	17,022.56	34.78%	10,629.13	26.34%	12,658.33	33.80%
MSME finance	15,095.33	30.84%	13,793.22	34.19%	11,386.46	30.40%
Vehicle finance	8,735.78	17.85%	8,583.42	21.27%	7,155.70	19.11%
Consumer finance	3,985.26	8.14%	3,424.04	8.49%	2,033.47	5.43%
Affordable housing finance	2,159.25	4.41%	2,226.83	5.52%	2,438.22	6.51%
Agricultural supply chain finance	1,010.08	2.06%	1,040.94	2.58%	1,212.79	3.24%
Others	942.04	1.92%	648.94	1.61%	569.19	1.51%
Total	**48,950.30**	**100.00%**	**40,346.52**	**100.00%**	**37,454.16**	**100.00%**

Notes:

1. *Adjusted loans represents the aggregate of loans to various categories of borrowers, at the principal value outstanding, excluding unamortised fees and accrued interest and net of loans sold down including by way of assignment as of the last day of the relevant Fiscal Year.*
2. *Adjusted NCDs represents the aggregate of investments in debentures by the Company and NAIM, at the principal value outstanding, excluding unamortised fees and accrued interest, as of the last day of the relevant Fiscal Year.*
3. *Securitisation (PTCs and Direct Assignment) represents the aggregate of investments in securitised assets including pass through certificates and direct assignments at the principal value outstanding, excluding unamortised fees and accrued interest as of the last day of the relevant Fiscal Year.*
4. *AIF Investments by NACL and NAIM represents the aggregate of investments by the Company and NAIM in units of alternative investment funds as of the last day of the relevant Fiscal Year.*
5. *Assigned Assets represents the aggregate of loans assigned by us in favour of other lenders or investors as of the last day of the relevant Fiscal Year.*
6. *Guarantees outstanding represents the aggregate of guarantees provided by us including guarantees on pooled issuances and second loss credit enhancement on securitisation as of the last day of the relevant Fiscal Year.*

Disbursements

The following table sets forth the Disbursements of our Company, a non-GAAP measure, for the Fiscal Years indicated:

(in ₹ millions unless indicated otherwise)

Particulars	Fiscal 2021		Fiscal 2020		Fiscal 2019	
	Amount	**% of Total Disburseme nts**	**Amount**	**% of Total Disburseme nts**	**Amount**	**% of Total Disbursemen ts**
Disbursement by sector						
Microfinance	13,059.55	31.27%	5,319.67	18.73%	8,674.57	27.04%
MSME	17,454.74	41.80%	12,448.51	43.82%	13,626.75	42.48%
Vehicle finance	4,246.42	10.17%	5,308.24	18.69%	6,222.32	19.40%
Consumer finance	4,589.17	10.99%	3,604.32	12.69%	288.13	0.90%
Affordable housing finance	960.00	2.30%	663.55	2.34%	1,678.03	5.23%
Agricultural supply chain finance	900.00	2.16%	570.00	2.01%	1,130.00	3.52%
Others	550.73	1.32%	492.33	1.72%	457.60	1.43%
Total *(excluding AIFs)*	**41,760.61**	**100.00%**	**28,406.62**	**100.00%**	**32,077.40**	**100.00%**
AIF units	375.75		297.76		860.90	
Grand total	**42,136.36**		**28,704.38**		**32,938.30**	

Notes:

1. *Loans represents the aggregate of loans disbursed to various categories of borrowers during the relevant Fiscal Year at the principal value outstanding, excluding unamortised fees and accrued interest.*
2. *NCDs represents the aggregate of investments made in NCDs during the relevant Fiscal Year at the principal value outstanding, excluding unamortised fees and accrued interest.*
3. *Securitisation (PTCs and Direct Assignment) represents the aggregate of investments made in securitised assets including pass through certificates and direct assignments during the relevant Fiscal Year at the principal value outstanding, excluding unamortised fees and accrued interest.*
4. *AIF Investments by the Company and NAIM represents the aggregate value of investments made by our company and NAIM in units of alternative investment funds during the relevant Fiscal Year.*

Yields

The following table sets forth details of yields of our Company, based on non-GAAP measures, for the Fiscal Years indicated:

Particulars	Fiscal 2021	Fiscal 2020	Fiscal 2019
Yield[(1)] by customer type			
Originator Partners	13.48%	14.32%	13.91%
Mid-market companies	15.06%	14.09%	14.58%
Retail borrowers (net of servicer fee)[(2)]	14.87%	14.35%	13.33%

Notes:

1. *Yield is the amount of interest income earned for the respective category during the Fiscal Year divided by the average of the earning assets for that category outstanding as of the last day of each of the four quarters of the relevant Fiscal Year and the last day of the preceding Fiscal Year.*

2. *In case of partnership-based retail loans, interest income is reckoned net of the fees and commission expense paid to the relevant Originator Partner.*

Borrowings

The following table sets forth the borrowings of our Company, based on non-GAAP measures, for the Fiscal Years indicated. The key non-GAAP measures used in this table have been reconciled to the Restated Financial Information. For details of reconciliation, see *" - Reconciliation of non-GAAP Measures" on page 379*.

(₹ in million, except for percentages)

	March 31, 2021		**March 31, 2020**		**March 31, 2019**	
	₹ in million	**% of Total**	**₹ in million**	**% of Total**	**₹ in million**	**% of Total**
By type of lender						
Banks	20,947.33	53.43%	17,724.11	60.77%	13,148.95	47.06%
Domestic Development Financial Institutions	375.65	0.96%	461.80	1.58%	-	0.00%
Offshore Financial Institutions	12,742.58	32.50%	2,750.00	9.43%	2,000.00	7.16%
NBFCs	2,660.49	6.79%	2,381.19	8.16%	2,942.94	10.53%
Domestic Capital Markets	800.00	2.04%	4,500.00	15.43%	9,850.00	35.25%
Domestic Retail / HNI	1,682.00	4.29%	1,350.00	4.63%	-	0.00%
Total	**39,208.05**	**100.00%**	**29,167.10**	**100.00%**	**27,941.89**	**100.00%**
By type of instrument						

	March 31, 2021		March 31, 2020		March 31, 2019	
	₹ in million	**% of Total**	**₹ in million**	**% of Total**	**₹ in million**	**% of Total**
Adjusted Borrowings other than debt securities (including Cash Credit lines and Working Capital Demand Loans)(1)	18,566.80	47.35%	20,567.10	70.51%	15,591.89	55.80%
External Commercial Borrowings	4,386.44	11.19%	-	0.00%	-	0.00%
Adjusted Debt securities(2)	14,754.81	37.63%	8,450.00	28.97%	11,350.00	40.62%
Adjusted Commercial Paper(3)	1,500.00	3.83%	150.00	0.51%	1,000.00	3.58%
Total	**39,208.05**	**100.00%**	**29,167.10**	**100.00%**	**27,941.89**	**100.00%**
By nature of security						
Secured	37,028.05	94.44%	25,817.10	88.51%	21,541.89	77.10%
Unsecured	1,780.00	4.54%	2,950.00	10.11%	6,000.00	21.47%
Unsecured, sub-ordinated (Tier-II)	400.00	1.02%	400.00	1.37%	400.00	1.43%
Total	**39,208.05**	100.00%	**29,167.10**	100.00%	**27,941.89**	100.00%
Average tenure of borrowings (years)(5)	2.90		2.76		2.60	
Number of lenders by type						
Banks	24		23		17	
Domestic DFIs	3		2		0	
Offshore financial institutions	5		2		1	
NBFCs	7		8		5	
Domestic capital markets	4		4		4	
Domestic retail/HNI	5		3		0	
Total	**48**		**43**		**27**	
Incremental borrowings	**30,297.08**		**21,480.00**		**22,910.00**	
Quarterly incremental borrowing						
Q1	1,400.00		5,100.00		6,510.00	
Q2	7,075.00		4,700.00		7,450.00	
Q3	8,092.90		4,600.00		3,900.00	
Q4	13,729.18		7,080.00		5,050.00	
Incremental cost of borrowing(6)	**9.84%**		**12.04%**		**10.49%**	
Quarterly incremental cost of borrowing						
Q1	10.83%		12.37%		9.44%	
Q2	10.10%		12.35%		10.56%	
Q3	9.91%		11.35%		10.79%	
Q4	9.58%		12.04%		11.48%	

Notes:

1. *Adjusted borrowings other than debt securities represents the aggregate of loans (including Cash Credit lines and Working Capital Demand Loans) availed from the relevant category of lender , at the principal value outstanding, excluding unamortised fees and accrued interest as of the last day of the relevant Fiscal Year.*
2. *Adjusted debt securities represents the aggregate of non-convertible debentures issued by the Company, at the principal value outstanding, excluding unamortised fees and accrued interest, as of the last day of the relevant Fiscal Year.*
3. *Adjusted Commercial Paper represents the aggregate of commercial paper issued by the Company, at face value, excluding unamortised discount, as of the last day of the relevant Fiscal Year.*
4. *Average tenure of borrowings (years) represents the weighted average door-to-door tenure for all borrowings outstanding as of the last day of the relevant Fiscal Year.*
5. *Incremental cost of borrowing represents the weighted average cost of facilities raised during the year including roll overs of working capital facilities (for which the interest rate is reckoned at rate at last rate at which such facilities were rolled over).*

Asset Liability Management

The following table sets forth details of the asset and liability maturity pattern of our Company, based on non-GAAP measures, as of the date indicated:

(₹ in million, except for percentages)

As of March 31, 2021	Liabilities	Assets	Cumulative mismatch
Less than 1 month(1)	1,646.74	7,392.97	5,746.23
Over 1 month up to 2 months	1,981.38	2,508.63	6,273.48
Over 2 months up to 3 months	2,325.27	4,232.01	8,180.22
Over 3 months up to 6 months	3,825.42	7,506.55	11,861.35
Over 6 months up to 1 year	9,100.02	11,104.38	13,865.71
Over 1 year up to 3 years	14,610.71	18,909.08	18,164.09
Over 3 years up to 5 years	5,718.52	1,647.25	14,092.82
Over 5 years	-	1,965.25	16,058.07

Notes:

1. *Assets maturing in less than one month includes cash and liquid investments.*

Asset Quality

The following table sets forth the information pertaining to asset quality of our Company for the Fiscal Years indicated:

(₹ in million, except for percentages)

Asset Classification	As of March 31, 2021	As of March 31, 2020	As of March 31, 2019
Stage-wise classification of loans and investments			
Stage 1 and 2	51,293.88	41,321.13	39,747.27
Stage 3	1,169.45	190.06	328.06
Total (A)	**52,463.33**	**41,511.19**	**40,075.33**
Impairment allowance on Stage 1 and 2 loans and investments, excluding COVID overlay (B)	670.28	401.66	306.61
Impairment allowance on Stage 3 loans and investments (C)	707.75	134.40	132.73
Impairment allowance on Stage 1, 2 and 3 loans and investments excluding COVID overlay (D)	1,378.03	536.06	439.34
COVID overlay (E)	96.65	228.01	-
Impairment allowance on Stage 1, 2 and 3 loans and investments including COVID overlay (F)	1,474.68	764.07	439.34
Stage 3 loans and investments at gross carrying value (G)	1,169.45	190.06	328.06
Stage 3 loans and investments (net of impairment allowance) (H)	461.70	55.66	195.33
Gross Stage 3 (%) (G/A)	2.23%	0.46%	0.82%
Net Stage 3 (%) (H/A)	0.88%	0.13%	0.49%
Stage 3 Provision coverage (stage 3 provision / stage 3 assets)	60.52%	70.71%	40.46%
Overall Provision coverage excluding COVID overlay (D/A)	2.63%	1.29%	1.10%
COVID Overlay/Total Loans and Investments (E/A)	0.18%	0.55%	-
Overall Provision coverage including COVID overlay (F/A)	2.81%	1.84%	1.10%

Credit Cost

The following table sets forth details of the credit cost for our Company, based on non-GAAP measures for the Fiscal Years indicated:

(₹ in million, except for percentages)

	For the year ended		
	March 31, 2021	**March 31, 2020**	**March 31, 2019**
Write-off on financial instruments, net of recovery(1)	628.21	208.19	148.66
Impairment loss allowance on financial instruments(2)	725.88	146.69	-
Impairment on financial instruments (Credit cost)	**1,354.09**	**354.88**	**148.66**
Credit cost on AIF units effected through fair value(3)	-	247.09	-
Credit cost on AIF units effected through other expenses(4)	0.82	65.09	-
Adjusted credit cost	**1,354.91**	**667.06**	**148.66**

Notes:

1. *Write-off on financial instruments represents the amount of financial instruments written off during the relevant Fiscal Year.*
2. *Impairment loss allowance on financial instruments, net of recovery represents the Impairment loss allowance on financial instruments for the relevant Fiscal Year, net of recoveries made.*
3. *Credit cost on AIF units effected through fair value represents the impact of mark-down of NAV in two AIFs due to stress in the underlying investments which had the effect of reversal of revenue.*
4. *Credit cost on AIF units effected through other expenses represents the amount charged as Net loss due to fair value changes under Other expenses due to stress in the underlying investments of two AIFs.*

Collection Efficiency

The following table sets forth the details of the Collection Efficiency of our Company from March 2020 to March 2021:

(₹ in million)

Particulars	Total Amount Due	Total Amount Collected	Collection Efficiency
Non-convertible debentures and loans (excluding loans originated through Retail Lending Partners)	23,210.32	22,905.23	98.69%
Loans originated through Retail Lending Partners	3,876.90	3,761.56	97.03%

Notes:

1. *Total Amount Due represents the aggregate of principal and interest due on loans or non-convertible debentures, as applicable, for the period March 1, 2020 to March 31, 2021, adjusted for principal and/or interest moratorium allowed for the months of March 2020 to August 2020 under RBI notifications DOR.No.BP.BC/4/21.04.048/2020-21 and DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020.*
2. *Total Amount Due does not include overdue amounts carried forward from the earlier period.*
3. *Total Amount Collected represents principal and interest collected from borrowers / issuers of the non-convertible debentures during the period March 1, 2020 to March 31, 2021 and includes claims received under FLDG from Retail Lending Partners towards delinquent loans as per the agreement with each Retail Lending Partner to the extent it pertains to Total Amount Due. FLDG is receivable only on loans that are overdue for more than 60 or 90 days i.e., missed at least 3 or 4 monthly instalments, as agreed with each Retail Lending Partner.*
4. *Collection efficiency is arrived at by dividing Total Amount Collected (excluding foreclosures) by Total Amount Due during the above mentioned period.*

CRAR

The following table sets forth the details of the Capital to Risk-adjusted Assets Ratio of our Company for the Fiscal Years indicated:

(₹ in million, except for percentages)

	As of March 31, 2021	As of March 31, 2020	As of March 31, 2019
Tier I Capital	14,675.73	14,134.10	11,042.75
Tier II Capital	674.99	588.46	504.84
Total Capital	**15,350.72**	**14,722.56**	**11,547.59**
Total Risk Weighted Assets	**53,127.47**	**44,403.69**	**42,694.16**
Capital to Risk Asset Ratio			
Tier I Capital (as a Percentage of Total Risk Weighted Assets) (%)	27.62%	31.83%	25.87%
Tier II Capital (as a Percentage of Total Risk Weighted Assets) (%)	1.27%	1.33%	1.18%
Total Capital (as a Percentage of Total Risk Weighted Assets) (%)	28.89%	33.16%	27.05%

Information Technology

The following table sets forth certain Information Technology-related metrics of our Company as of March 31, 2021 and for Fiscal Year 2021, as applicable:

Particulars	Fiscal 2021 / As of March 31, 2021
Number of loan accounts in data lake (in millions)	
- From securitisation pools	19.6
- From retail loan book	2.59
Number of financing transactions executed on Nimbus(1)	435
Percentage of financing transactions executed on Nimbus to the total number of such transactions executed	77.82%

Value of transactions executed on Nimbus[(2)] (in ₹ million)	101,100.5
Percentage of the value of transactions executed on Nimbus to the gross financing volume	87.41%

Notes:

1. *Number of financing transactions executed on Nimbus represents the total number of financing transactions for our Originator Partners and mid-market corporates, whether funded by us or enabled by us and funded by other lenders or investors during the relevant Fiscal Year.*
2. *Value of transactions executed on Nimbus represents the aggregate value of financing enabled by us from our own balance sheet as well as from other lenders or investors by way of transactions that were executed on Nimbus during the relevant Fiscal Year.*

Geographic Dispersion

The following table provides details of geographic dispersion of exposure for our Company as of March 31, 2021:

As of March 31, 2021	
Spread of exposure (direct and indirect)	
- Number of states	28
- Number of union territories	7
- Number of districts	657
As of March 31, 2021	
Exposure in Top-10 States / Union Territories (on the basis of overall exposure)	
Tamil Nadu	13.19%
Maharashtra	12.18%
Karnataka	10.17%
Rajasthan	7.77%
Uttar Pradesh	5.55%
Bihar	5.54%
Gujarat	5.48%
Delhi	4.54%
Telangana	3.89%
Madhya Pradesh	3.76%
Others	27.93%
Total	100.00%
Exposure (in Rs. million)	**52,274.80**
As of March 31, 2021	
Exposure in the top 20 districts that we operate in (on the basis of overall exposure)	
Bangalore Urban	4.55%
Mumbai	3.80%
Delhi	3.03%
Chennai	2.88%
Jaipur	2.59%
Hyderabad	2.38%
Pune	2.35%
Ahmedabad	1.51%
Krishna	1.04%
Lucknow	0.85%
Gurgaon	0.76%
Madurai	0.73%
Surat	0.67%
Thanjavur	0.63%
Visakhapatnam	0.62%
Ajmer	0.60%
Indore	0.54%
Khordha	0.53%
Salem	0.50%
Gautam Buddha Nagar	0.49%
Others	68.96%

Total	100.00%
Exposure (in ₹ Millions)	**52,274.80**

Fund Management

The following table sets forth certain details about our fund management business for the Fiscal Years indicated:

(₹ in million unless indicated otherwise)

Particulars	Fiscal 2021	Fiscal 2020	Fiscal 2019
Number of live funds[(1)]	7	7	7
Total Fund AUM[(2)]	14,943.99	12,516.86	12,806.55
Average Fund AUM[(3)]	13,853.53	12,781.16	11,001.26
Total number of non-individual fund investors[(4)]	70	45	35
Total number of individual fund investors[(5)]	113	82	65
Fund management fee earned[(6)]	140.98	134.72	101.08
Fund Management fee yield[(7)]	1.02%	1.05%	0.92%

Particulars	Fiscal 2021
Total investor commitments (in ₹ billion)	28.40
Returns for investors (after management fee and expenses) [(8)]	
Fund 2 (IFMR Fimpact Long Term Multi Asset Class Fund)	12.46%
Fund 4 (IFMR Fimpact Long Term Credit Fund)	12.37%
Fund 5 (IFMR Fimpact Medium Term Opportunities Fund)	11.75%
Fund 6 (IFMR Fimpact Income Builder Fund)	12.47%
Fund 7 (Northern Arc Money Market Alpha Fund)	9.24%
Fund 8 (Northern Arc India Impact Fund)	11.27%
Fund 9 (Northern Arc Income Builder Fund (Series II))	13.72%

Lifetime returns for investors in matured Funds[(9)]	Fund commencement date	Fund maturity date	Lifetime returns (XIRR)
Fund 1 (IFMR Fimpact Investment Fund)	March 30, 2015	March 30, 2021	15.77%
Fund 3 (IFMR Fimpact Medium Term Micro Finance Fund)	June 10, 2016	December 10, 2019	13.58%

Notes:

1. *Number of live funds represents the number of funds that are in existence and have outstanding investments as of the last day of the relevant Fiscal Year.*
2. *Total Fund AUM represents the aggregate assets under management across all live funds as of the last day of the relevant Fiscal Year.*
3. *Average Fund AUM represents the average of assets under management as of the last day of each of the four quarters of the relevant Fiscal Year and the last day of the preceding Fiscal Year for the relevant Fiscal Year.*
4. *Total number of non-individual fund investors represents the total number of investors other than individuals that have investments outstanding across all live funds as of the last day of the relevant Fiscal Year. Non-individual fund investors do not include investments by the Company and NAIM.*
5. *Total number of individual fund investors represents the total number of individual fund investors that have investments outstanding across all live funds as of the last day of the relevant Fiscal Year.*
6. *Fund management fee earned represents the fund management fee earned by us for the relevant Fiscal Year as per the Restated Financial Information.*
7. *Fund Management fee yield represents the fund management fee earned expressed as a percentage of the average AUM for the relevant Fiscal Year.*
8. *Returns for investors (after management fee and expenses) represents the returns (after deducting all expenses and management fees but without considering income taxes) accruing to external investors holding senior units for the relevant Fiscal Year.*
9. *Lifetime returns for investors in matured funds represents the returns (after deducting all expenses and management fees but without considering income taxes) accruing to external investors holding senior units over the life of the respective funds.*

Reconciliation of non-GAAP Measures

Analysts, investors and other interested parties frequently use various non-GAAP financial measures as performance measures, and our management believes that providing such non-GAAP financial measure allows investors to make additional comparisons between our business performance and those of other companies and to understand our ongoing business. Non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. Accordingly, such non-GAAP financial measures should be carefully evaluated.

The following tables set forth the reconciliation of various non-GAAP measures with the Restated Financial Information for the Fiscal Years 2021, 2020 and 2019.

Earning Assets

(in ₹ millions unless indicated otherwise)

Particulars	Fiscal 2021	Fiscal 2020	Fiscal 2019
Loans			
As per Restated Financial Information	**37,407.67**	**29,246.78**	**27,768.45**
Add/(Less): Accrued Interest	(312.34)	(216.86)	(100.56)
Add/(Less): Fair Value adjustment	(71.88)	(19.25)	(26.44)
Add/(Less): Impairment loss allowance	742.49	482.99	269.39
Add/(Less): EIR adjustment	210.43	193.29	196.83
Add/(Less): Investment in Direct Assignment	(1,279.61)	(1.13)	(14.37)
Adjusted Loans	**36,696.75**	**29,685.81**	**28,093.30**
Non-convertible debentures and Commercial papers			
As per Restated Financial Information	**8,908.64**	**7,451.34**	**7,393.62**
Add/(Less): Accrued interest	(48.45)	(58.18)	(58.03)
Add/(Less): Fair Value adjustment	307.82	(290.08)	(257.35)
Add/(Less): investments relating to AIF	(2,026.13)	(2,044.61)	(2,640.27)
Add/(Less): Impairment loss allowance	(487.50)	-	-
Adjusted Non-convertible debentures and Commercial Papers	**6,654.38**	**5,058.47**	**4,437.97**
AIF			
As per Restated Financial Information	**2,249.45**	**2,040.63**	**2,047.63**
Add/(Less): Accrued interest	114.49	130.66	(169.16)
Add/(Less): Fair Value adjustment	(308.10)	(240.03)	(228.84)
Add/(Less): investment in Consolidated AIF	1,202.59	1,213.79	1,489.16
AIF investments by the Company and NAIM	**3,258.43**	**3,145.05**	**3,138.79**
Pass thorugh certificates and Direct Assignment			
Pass through certificates as per Restated Financial Information	**1,589.70**	**2,248.14**	**2,573.16**
Add/(Less): Investment in Direct Assignment	1,279.61	1.13	14.37
Add/(Less): Accrued interest	(111.52)	(57.03)	(19.36)
Add/(Less): Fair Value adjustment	(16.81)	44.55	(3.84)
Add/(Less): SLCE invoked, considered as Loans	-	-	(117.51)
Securitisation (PTCs and Direct Assignment)	**2,740.98**	**2,236.79**	**2,446.82**

Borrowings

(in ₹ millions unless indicated otherwise)

Particulars	Fiscal 2021	Fiscal 2020	Fiscal 2019
Debt securities			
As per Restated Financial Information	**16,395.68**	**8,602.08**	**12,438.61**
Unamortized discount on Commercial Paper	-	-	54.99
Unamortized borrowing cost	107.21	93.10	17.60
Interest payable	(248.08)	(95.18)	(161.20)
Adjusted debt securities	**16,254.81**	**8,600.00**	**12,350.00**
Borrowings (Other than debt securities)			
As per Restated Financial Information	**22,924.71**	**20,612.84**	**16,690.48**
Securitised portfolio included in term loans as per Ind AS 109	-	(134.75)	(1,114.49)
Unamortized borrowing cost	88.21	114.15	54.81
Interest payable	(59.68)	(25.14)	(38.91)
Adjusted Borrowings (Other than debt securities)	**22,953.24**	**20,567.10**	**15,591.89**

Particulars	Fiscal 2021	Fiscal 2020	Fiscal 2019
Subordinated Liabilities			
As per Restated Financial Information	-	-	**121.34**

Income

(in ₹ millions unless indicated otherwise)

Particulars	Fiscal 2021	Fiscal 2020	Fiscal 2019
Interest income (1)	5,798.64	5,564.54	5,107.20
Add:			
Income from guarantee facility (2)	77.10	93.26	78.36
Net gain on financial instruments at fair value through profit or loss on AIFs (3)	322.16	16.83	224.05
Net gain on derecognition of financial instruments (4)	-	48.94	0.47
Profit on sale of investments in NCDs and PTCs(5)	10.71	1.28	57.69
Credit cost on AIF units effected through fair value (6)	-	247.09	-
Fee on retail loans forming part of yield(7)	63.40		
Less:			
Profit for the year attributable to Non-controlling interest (8)	90.78	100.97	162.44
Fees and commission expense(9)	285.22	228.91	115.46
Interest on deposits with banks (10)	79.94	53.67	24.83
Interest on assigned assets passed on to assignee lenders(11)	-	34.84	31.18
Net gain on fair value changes - unrealised (12)	80.51	16.83	10.58
Interest, investment and guarantee commission income (B)	**5,735.56**	**5,536.72**	**5,123.28**
Fee and commission income (13)	643.35	653.08	603.67
Less: Income from guarantee facility (14)	77.10	93.26	78.36
Less: Fee on retail loans forming part of yield(15)	63.40	-	-
Less: Fees and commission income - others(16)	4.94	0.55	3.33
Professional and management fee income	**497.91**	**559.27**	**521.98**
Interest on deposits with banks(17)	79.94	53.67	24.83
Fees and commission income - Others(18)	4.94	0.55	3.33
Net gain on financial instruments at fair value through profit or loss on Mutual fund investments (19)	36.85	43.53	22.47
Net gain on fair value changes - unrealised (20)	80.51	16.83	10.58
Other income(21)	41.16	16.33	155.98
Less: Interest on deposits(22)	5.28	8.98	2.63
Income other than interest and fees	**238.12**	**121.93**	**214.56**
Adjusted total income (D=A+B+C)	**6,471.59**	**6,217.92**	**5,859.82**
Less: Interest on borrowings and debt securities (E)	3,211.99	3,035.61	2,984.60
Adjusted net total income (F=D-E)	**3,259.60**	**3,182.31**	**2,875.22**

Notes:

1. *Interest income represents our interest income for the relevant Fiscal Year as per the Restated Financial Information.*
2. *Interest from guarantee facility represents our income from guarantee facility income for the relevant Fiscal Year as per the Restated Financial Information*
3. *Net gain on financial instruments at fair value through profit or loss on Alternative investment funds represents our Net gain on financial instruments at fair value through profit or loss on alternative investment funds for the relevant Fiscal Year as per the Restated Financial Information.*
4. *Net gain on derecognition of financial instruments represents our net gain on derecognition of financial instruments during the year for the relevant Fiscal Year as per the Restated Financial Information.*
5. *Profit on sale of investments in NCDs and PTCs represents our Profit on sale of investments in NCDs and PTCs under net gain on financial instruments at fair value through profit or loss for the relevant Fiscal Year as per the Restated Financial Information.*
6. *Credit cost on AIF units effected through fair value represents our impact of mark-down of NAV in two AIFs due to stress in the underlying investments.*
7. *Fee on retail loans forming part of yield represents fees received for extending credit to retail borrowers through certain Originator Partners in accordance with the commercial arrangements entered into with the Originator Partner for the relevant Fiscal Year.*
8. *Profit for the year attributable to non-controlling interest represents the profit for the year attributable to non-controlling interests for the relevant Fiscal Year as per the Restated Financial Information.*
9. *Fees and commission expense represents our fees and commission expense for the relevant Fiscal Year as per the Restated Financial Information*
10. *Interest on deposits with banks represents our interest on deposits with banks for the relevant Fiscal Year as per the Restated Financial Information.*

11. *Interest on assigned assets passed on to assignee lenders represents the interest received on assigned assets and passed on to the assignee lender for the relevant Fiscal Year.*
12. *Net gain on fair value changes - unrealised represents the unrealised portion of net gain on financial instruments at fair value through profit or loss for the relevant Fiscal Year as per the Restated Financial Information.*
13. *Fee and commission income represents our Fee and commission income for the relevant Fiscal Year as per the Restated Financial Information.*
14. *Income from guarantee facility represents our income from guarantee facility for the relevant Fiscal Year as per the Restated Financial Information.*
15. *Fee on retail loans forming part of yield represents fees received for extending credit to retail borrowers through certain Originator Partners in accordance with the commercial arrangements entered into with the Originator Partner for the relevant Fiscal Year.*
16. *Fees and commission income - others for the relevant Fiscal Year as per the Restated Financial Information.*
17. *Interest on deposits with banks for the relevant Fiscal Year as per the Restated Financial Information.*
18. *Fees and commission income - Others for the relevant Fiscal Year as per the Restated Financial Information.*
19. *Net gain on financial instruments at fair value through profit or loss on mutual fund investments represents the net gain on financial instruments at fair value through profit or loss in relation to mutual fund investments for the relevant Fiscal Year as per the Restated Financial Information.*
20. *Net gain on fair value changes - unrealised represents the unrealised portion of net gain on financial instruments at fair value through profit or loss for the relevant Fiscal Year as per the Restated Financial Information.*
21. *Other income represents other income for the relevant Fiscal Year as per the Restated Financial Information*
22. *Interest on deposits represents the interest received for the relevant Fiscal Year on security deposits received from borrowers that are in turn placed with banks, such interest being paid out to the borrowers.*
23. *Adjusted total income represents the aggregate of (a) Interest, investment and guarantee commission income, (b) Professional and management fee income and (c) Income other than interest and fees for the relevant Fiscal Year as computed in "Selected Statistical Information – Reconciliation of non-GAAP Measures – Income" on page 379*
24. *Interest on borrowings and debt securities represents Interest on borrowings and debt securities as computed in the table Expenses under Reconciliation of Non-GAAP Measures*

Expenses

(in ₹ millions unless indicated otherwise)

Particulars	Fiscal 2021	Fiscal 2020	Fiscal 2019
Finance costs (1)	3,229.68	3,092.07	3,021.11
Less:			
Interest on lease liability(2)	12.41	12.64	2.70
Interest on deposits(3)	5.28	8.98	2.63
Interest on assigned assets passed on to assignee lenders(4)	-	34.84	31.18
Interest on borrowings and debt securities	**3,211.99**	**3,035.61**	**2,984.60**
Employee benefits expenses(5)	622.44	682.97	720.84
Depreciation and amortisation(6)	67.42	67.29	46.92
Other expenses(7)	294.09	473.50	370.50
Interest on lease liability(8)	12.41	12.64	2.70
Less: Net loss on fair value changes booked under Other expenses(9)	0.82	65.09	-
Operating expenses	**995.54**	**1,171.31**	**1,140.96**
Impairment on financial instruments as per Restated Financial Information(10)	1,354.09	354.88	148.66
Add: Credit cost on AIF units effected through fair value (11)	-	247.09	-
Add: Credit cost on AIF units included in Other expenses(12)	0.82	65.09	-
Adjusted credit cost	**1,354.91**	**667.06**	**148.66**

Notes:

1. *Finance costs represents our Finance costs for the relevant Fiscal Year as per the Restated Financial Information.*
2. *Interest on lease liability for the relevant Fiscal Year as per the Restated Financial Information.*
3. *Interest on deposits for the relevant Fiscal Year as per the Restated Financial Information.*
4. *Interest on assigned assets passed on to assignee lenders represents the interest received on assigned assets and passed on to the assignee lender for the relevant Fiscal Year.*
5. *Employee benefits expenses for the relevant Fiscal Year as per the Restated Financial Information.*
6. *Depreciation and amortization for the relevant Fiscal Year as per the Restated Financial Information.*
7. *Other expenses for the relevant Fiscal Year as per the Restated Financial Information.*
8. *Interest on lease liability for the relevant Fiscal Year as per the Restated Financial Information.*
9. *Net loss on fair value changes booked under other expenses for the relevant Fiscal Year as per the Restated Financial Information.*
10. *Impairment on financial instruments for the relevant Fiscal Year as per the Restated Financial Information.*
11. *Credit cost on AIF units effected through fair value represents the impact of mark-down of NAV in two AIFs due to stress in the underlying investments.*
12. *Credit cost on AIF units included in other expenses represents the portion of the loss in value in relation to two AIFs due to stress in the underlying investments accounted under net loss in fair value under other expense*

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

*Except as stated below, there are no outstanding (i) criminal proceedings, (ii) actions taken by statutory or regulatory authorities, (iii) claims related to direct or indirect tax matters, and (iv) litigation proceedings that are otherwise material, in each case, involving our Company, our Subsidiaries and our Directors ("**Relevant Parties**"). There are no outstanding litigation proceedings involving any of our Group Companies that have a material impact on our Company.*

For the purpose of identification of material litigation in (iv) above, our Board has considered and adopted the following policy on materiality with regard to outstanding litigation involving the Relevant Parties to be disclosed by our Company in this Draft Red Herring Prospectus pursuant to resolution dated July 7, 2021 of our Board:

All outstanding litigation proceedings, including any litigation involving the Relevant Parties (other than criminal proceedings, actions taken by statutory or regulatory authorities, and direct or indirect tax claims) shall be disclosed:

a. *if the monetary amount of claim by or against the entity or person in any such pending proceeding is individually in excess of 1% of the profit after tax of the Company as per the latest annual restated consolidated financial statements (i.e., 1% of ₹765.92 million which is ₹7.66 million based on the Restated Consolidated Financial Information as at and for the Financial Year ended March 31, 2021 ("**Materiality Amount**")); or*

b. *where the decision in one case is likely to affect the decision in similar cases, even though the amount involved in an individual litigation may not exceed the Materiality Amount; or*

c. *where monetary liability is not quantifiable or any other outstanding litigation, in each case where the outcome of which may have a material bearing on the business, operations, performance, prospects, financial position or reputation of the Company.*

For the above purposes, notices received by the Relevant Parties from third parties (excluding notices from statutory, regulatory or tax authorities or notices threatening criminal action) shall not be evaluated for materiality until the Relevant Parties are impleaded as defendants in proceedings before any judicial forum.

Further, pursuant to a Board resolution dated July 7, 2021, our Board has considered and adopted a policy on materiality for the purpose of disclosure of material creditors in this Draft Red Herring Prospectus according to which all creditors of our Company to whom the amount due from our Company exceeds 1% of the total trade payables of the Company as per the latest restated consolidated financial statements disclosed in this Draft Red Herring Prospectus are material creditors (i.e., 1% of ₹156.19 million which is ₹1.56 million based on the Restated Consolidated Financial Information as at and for the Financial Year ended March 31, 2021).

I. Litigation involving our Company

(a) Criminal proceedings against our Company

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal proceedings initiated against our Company.

(b) Criminal proceedings by our Company

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal proceedings initiated by our Company other than as disclosed below.

1. Our Company has filed five complaints under Section 138 of the Negotiable Instruments Act, 1881 in relation to dishonour of cheques. The aggregate amount involved (as of the date on which each complaint was filed) in these matters is ₹22.28 million. The matters are pending at different stages of adjudication before different courts.

2. Our Company has filed two complaints under the Payment and Settlement Systems Act, 2007 alleging wrongful losses incurred on account of dishonour of ECS/ACH (Electronic Clearing Service/Automated Clearing House) mandates. The aggregate amount involved (as of the date on which each complaint was filed) in these matters is ₹1.78 million. The matters are pending at different stages of adjudication before the Metropolitan Magistrate, Egmore, Chennai.

3. Our Company has registered a first information report dated January 11, 2021 at the CCB-I Police Station, Chennai requesting the police to register complaints for offences of criminal conspiracy, fraud and cheating against Sambandh Finserve Private Limited ("**Sambandh**") and certain of its directors, key managerial personnel and employees. Our Company has alleged that it has suffered a wrongful loss of ₹520.40 million attributable to financial facilities advanced by our Company to Sambandh, based on false representations regarding Sambandh's financial position, and in respect of which Sambandh has defaulted in repayment of principal and interest amounts. The matter is currently pending.

(c) Actions and proceedings initiated by statutory/regulatory authorities involving our Company

As of the date of this Draft Red Herring Prospectus, there are no outstanding actions or proceedings by statutory/regulatory authorities involving our Company.

(d) Material civil litigation against our Company

As of the date of this Draft Red Herring Prospectus, there are no outstanding material civil proceedings initiated against our Company.

(e) Material civil litigation by our Company

As of the date of this Draft Red Herring Prospectus, there are no outstanding material civil proceedings initiated by our Company other than as disclosed below.

1. Our Company sanctioned a loan of ₹25.00 million to Five Core Electronics Limited ("**Five Core**"). Five Core defaulted on repayment and hence, our Company recalled the loan. Thereafter, our Company filed an application under Section 7 of the Insolvency and Bankruptcy Code, as a financial creditor, which was admitted by the National Company Law Tribunal, New Delhi. A claim of ₹34.09 million (including interest), as of February 3, 2020, has been filed by our Company. The committee of creditors has appointed a resolution professional who was confirmed by the National Company Law Tribunal, New Delhi. Subsequently, the committee of creditors at its meeting dated February 25, 2021 have resolved to liquidate Five Core. The matter is currently pending.

2. Our Company sanctioned loans for an aggregate amount of ₹69.00 million to Bhoruka Classic Finance Private Limited ("**Bhoruka**"). Pursuant to a default in repayment, our Company called upon the cash collateral provided by Bhoruka under the facility agreements, after which the outstanding principal amount owed as of March 4, 2020 was ₹15.05 million. Our Company invoked the dispute resolution clause under the facility agreements and initiated arbitration proceedings to recover the outstanding amounts. An interim order was passed by the sole arbitrator restraining Bhoruka from alienating or creating any encumbrance on its properties. Bhoruka filed objections to the unilateral appointment of the arbitrator. Thereafter, our Company filed two petitions before the High Court of Madras to obtain interim relief and to reconstitute the arbitral tribunal, respectively. Accordingly, an order was passed terminating the mandate of the sole arbitrator and reconstituting the tribunal. Our petition for interim relief has been relegated to the arbitrator by the High Court of Madras. The matter is currently pending.

3. Our Company sanctioned term loans to Sambandh, in respect of which, as of November 2, 2020, a total principal amount of ₹ 369.44 million and interest of ₹12.20 million was recoverable. Accordingly, our Company filed a suit for recovery of such amount before the High Court of Madras against Sambandh and its managing director and chief executive officer, and its director and chairman. The matter is currently pending. Our Company has also registered a first information report with the CCB-I Police Station, Chennai in relation to this matter. See

"Outstanding Litigation and Material Developments – Criminal proceedings by our Company" on page 383.

4. SREI Equipment Finance Limited ("**SREI**") has issued debentures for an aggregate amount of ₹750 million to our Company. Under the debenture trust deed executed between Catalyst Trusteeship Limited ("**Catalyst**")(as debenture trustee) and SREI, SREI was required to obtain the prior consent of Catalyst for the acquisition of substantial assets or obligations of another entity. SREI has filed a company application before the National Company Law Tribunal, Kolkata Bench to undertake a scheme of arrangement involving the transfer of assets and liabilities of SREI Infrastructure Finance Limited to SREI without obtaining any consent from Catalyst. Catalyst has filed an intervention application, *inter alia*, seeking the leave of the tribunal to intervene in and oppose the underlying company application. Further, an urgency application has also been filed by Catalyst seeking early hearing of the intervention application. The matter is currently pending.

5. Our Company sanctioned a loan of ₹50.00 million to Sahayog Microfinance Limited ("**Sahayog**"). Pursuant to a default in repayment, our Company initiated arbitration proceedings against Sahayog in accordance with the facility agreement. Our Company claimed an outstanding principal amount of ₹9.60 million, interest of ₹4.77 million (as of May 23, 2019) and additional default interest of 5% p.a. on the total amount due from February 2, 2017 to March 23, 2019, in accordance with the facility agreement. Our Company's claims were accepted, and an award has been passed by the arbitrator, dated September 23, 2019, directing Sahayog to pay our Company: (i) the total outstanding amount, as of May 23, 2019 (including interest), aggregating to ₹14.37 million, (ii) ₹ 0.66 million being the additional default interest payable, as of September 23, 2019, and (iii) ₹ 0.34 million being the costs of arbitration. Further, Sahayog has also been directed to pay simple interest at the rate of 12% from the date of the award until the date of repayment in full for all amounts due under the award. Our Company is yet to seek enforcement of the award. Further, our Company has also filed a criminal complaint against Sahayog under Section 138 of the Negotiable Instruments Act, 1881 in relation to a dishonoured cheque provided as repayment to the above facility. See *"Outstanding Litigation and Material Developments – Criminal proceedings by our Company"* on page 383.

6. Our Company sanctioned a loan of ₹35.00 million to Pioneer Fabricators Private Limited ("**Pioneer**"). Pursuant to a default in repayment, our Company recalled the loan and directed Pioneer to repay an aggregate amount of ₹32.14 million outstanding as of December 8, 2020. Our Company has reserved the right to claim additional default interest in accordance with the facility agreement. Our Company subsequently initiated arbitration proceedings against Pioneer, in accordance with the facility agreement, issued an arbitration notice dated December 12, 2020 to Pioneer, and filed a petition before the High Court of Madras for the appointment of an arbitrator. The matter is currently pending. Further, our Company has also filed criminal complaints against Pioneer under Section 138 of the Negotiable Instruments Act, 1881 in relation to dishonoured cheques provided as repayment to the above facility. See *"Outstanding Litigation and Material Developments – Criminal proceedings by our Company"* on page 383.

7. Our Company sanctioned a loan of ₹50.00 million to Powerful Technologies Limited ("**Powerful**"). Pursuant to a default in repayment, our Company recalled the loan and directed Powerful to repay an outstanding amount of ₹40.74 million as of July 27, 2020. Our Company has issued an arbitration notice dated October 16, 2020 and filed a petition for the appointment of an arbitrator before the High Court of Madras. The matter is currently pending. Further, our Company has also filed a criminal complaint against Powerful under Section 138 of the Negotiable Instruments Act, 1881 in relation to dishonoured cheques provided as repayment to the above facility. See *"Outstanding Litigation and Material Developments – Criminal proceedings by our Company"* on page 383.

8. Our Company sanctioned a loan of ₹15.00 million to Sanyog Healthcare Limited ("**Sanyog**"). Pursuant to a default in repayment, our Company recalled the loan and initiated arbitration proceedings against Sanyog. Our Company filed a petition before the High Court of Madras for the appointment of the arbitrator. An aggregate amount of ₹11.91 million, as of June 15, 2020, has been claimed by our Company. Our Company has reserved its right to claim default interest in accordance with the facility agreement. Pursuant to an order passed by the High Court of

Madras, an arbitrator has been appointed. The matter is currently pending. Further, our Company has also filed a criminal complaint against Sanyog under Section 138 of the Negotiable Instruments Act, 1881 in relation to a dishonoured cheque provided as repayment to the above facility. See *"Outstanding Litigation and Material Developments – Criminal proceedings by our Company"* on page 383.

II. Litigation involving our Subsidiaries

(a) Criminal proceedings against our Subsidiaries

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal proceedings initiated against our Subsidiaries other than as disclosed below.

Nil

(b) Criminal proceedings by our Subsidiaries

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal proceedings initiated by any of our Subsidiaries other than as disclosed below.

Nil

(c) Actions and proceedings initiated by statutory/regulatory authorities involving our Subsidiaries

As of the date of this Draft Red Herring Prospectus, there are no outstanding actions or proceedings initiated by statutory/regulatory authorities involving our Subsidiaries other than as disclosed below.

Nil

(d) Material civil litigation against our Subsidiaries

As of the date of this Draft Red Herring Prospectus, there are no outstanding material civil proceedings initiated against any of our Subsidiaries other than as disclosed below.

Nil

(e) Material civil litigation by our Subsidiaries

As of the date of this Draft Red Herring Prospectus, there are no outstanding material civil proceedings initiated by any of our Subsidiaries other than as disclosed below.

Nil

III. Litigation involving our Directors

(a) Criminal proceedings against our Directors

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal proceedings initiated against our Directors other than as disclosed below.

Nil

(b) Criminal proceedings by our Directors

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal proceedings initiated by any of our Directors other than as disclosed below.

Nil

(c) *Actions by statutory/regulatory authorities involving our Directors*

As of the date of this Draft Red Herring Prospectus, there are no outstanding actions or proceedings initiated by statutory/regulatory authorities involving any of our Directors other than as disclosed below.

Nil

(d) *Material civil litigation against our Directors*

As of the date of this Draft Red Herring Prospectus, there are no outstanding material civil proceedings initiated against any of our Directors other than as disclosed below.

Nil

(e) *Material civil litigation by our Directors*

As of the date of this Draft Red Herring Prospectus, there are no outstanding material civil proceedings initiated by any of our Directors other than as disclosed below.

Nil

IV. Tax Proceedings involving our Company, Subsidiaries and Directors

Details of outstanding tax proceedings involving our Company, Subsidiaries and Directors as of the date of this Draft Red Herring Prospectus are disclosed below:

Nature of Proceedings	Number of Proceedings	Amount involved (in ₹ million)
Direct Tax*		
Company	*3*	*42.71*
Subsidiaries	*1*	*1.24*
Directors	*Nil*	*Nil*
Sub-Total (A)	4	*43.95*
**Such amount excludes any interest or penalty in relation to such direct tax proceedings*		
Indirect Tax		
Company	*Nil*	*Nil*
Subsidiaries	*Nil*	*Nil*
Directors	*Nil*	*Nil*
Sub-Total (B)	*Nil*	*Nil*
**Such amount excludes any interest or penalty in relation to such indirect tax proceedings*		
TOTAL (A+B)	4	43.95

V. Outstanding Dues to Creditors

In accordance with the SEBI ICDR Regulations, our Company, pursuant to a resolution dated July 7, 2021 of our Board, considers all creditors to whom the amount due by our Company exceeds 1% of the total trade payables (i.e., 1% of ₹156.19 million which is ₹1.56 million) of our Company as on March 31, 2021 as provided in the Restated Consolidated Financial Information as material creditors of our Company. Details of outstanding dues owed to material creditors, MSME creditors and other creditors of our Company based on such determination are disclosed below.

Types of Creditors	Number of Creditors	Amount (₹ in million)
Material Creditors	17	116.44
MSME Creditors	Nil	Nil
Other Creditors	26	10.74
Total		127.18

As of March 31, 2021, there are no outstanding overdues to material creditors. For further details, see the website of our Company at https://www.northernarc.com/

Information provided on the website of our Company is not a part of this Draft Red Herring Prospectus. Anyone placing reliance on any other source of information, including our Company's website, https://www.northernarc.com/, would be doing so at their own risk.

VI. Material Developments since the Last Balance Sheet

Other than as disclosed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page 330, in the opinion of our Board, no circumstances have arisen since the date of our last balance sheet as disclosed in this Draft Red Herring Prospectus which materially and adversely affect, or are likely to affect, our operations or profitability, or the value of our assets, or our ability to pay our liabilities within the next 12 months.

GOVERNMENT AND OTHER APPROVALS

Disclosed below is an indicative list of material and necessary approvals, licenses and registrations obtained by our Company and our material subsidiary (in accordance with Paragraph 11(I)(A)(ii) of Schedule VI of the SEBI ICDR Regulations), NAIM, for undertaking their respective businesses. In view of such approvals, licenses and registration, our Company and NAIM can undertake their respective business activities as currently conducted and disclosed in this Draft Red Herring Prospectus. Unless otherwise stated, these approvals, licenses or registrations are valid as of the date of this Draft Red Herring Prospectus. We have further disclosed below material approvals for which we or NAIM have filed an application which is pending as of the date of this Draft Red Herring Prospectus. There are no material approvals for which we or NAIM have not yet filed an application. For details in connection with the regulatory and legal framework within which we operate, see "Key Regulations and Policies" beginning on page 206.

I. Approvals in Relation to the Offer

For details in relation to the approvals and authorizations in relation to the Offer, see "*The Offer*" and "*Other Regulatory and Statutory Disclosures – Authority for the Offer*" on pages 65 and 392.

II. Approvals in Relation to our Company and NAIM

(a) Corporate Approvals

1. Certificate of incorporation dated March 9, 1989 was issued to our Company under its prior name, Highland Leasing & Finance Private Limited, by the RoC.

2. Fresh certificate of incorporation dated June 19, 2009 consequent upon change of name to IFMR Capital Finance Private Limited was issued to our Company by the RoC.

3. Fresh certificate of incorporation dated December 12, 2017 consequent upon conversion into a public limited company was issued to our Company by the RoC.

4. Fresh certificate of incorporation dated February 20, 2018 consequent upon change of name to Northern Arc Capital Limited was issued to our Company by the RoC.

5. Certificate of incorporation dated February 17, 2014 was issued to NAIM under its prior name, IFMR Investment Managers Private Limited, by the RoC.

6. Fresh certificate of incorporation dated February 20, 2018 consequent upon a change of name to Northern Arc Investment Managers Private Limited was issued to NAIM by the RoC.

(b) Regulatory Approvals

1. Certificate of registration as an NBFC (not accepting public deposits) dated June 24, 1999 issued to our Company under its prior name, Highland Leasing & Finance Private Limited, by the RBI.

2. Fresh certificate of registration as an NBFC (not accepting public deposits) dated August 8, 2013 consequent upon change of name to IFMR Capital Finance Private Limited issued to our Company by the RBI.

3. Fresh certificate of registration as an NBFC (not accepting public deposits) dated March 8, 2018 consequent upon change of name to Northern Arc Capital Limited issued to our Company by the RBI.

4. Registration to act as a point of presence under the National Pension Scheme – Lite Swavalamban Scheme with registration code POP39092018 dated February 28, 2020 issued by the PFRDA.

5. Alternative Investment Funds managed by NAIM are registered with SEBI.

(c) Tax Registrations in relation to our Company and NAIM

1. PAN AACCI0979B, issued by the Income Tax Department, Government of India to our Company.

2. Tax deduction account number CHEI06455B, issued by the Income Tax Department, Government of India to our Company.

3. PAN AADCI4807P, issued by the Income Tax Department, Government of India to NAIM.

4. Tax deduction account number CHEI07845F, issued by the Income Tax Department, Government of India to NAIM.

5. Our Company and NAIM have been issued GST registration numbers by the Government of India in various states of our operations, as applicable.

III. Approvals in Relation to our Business

Material Licenses and Approvals obtained by our Company

1. Employees' provident fund code issued by the Employees' Provident Fund Organization under the Employees' Provident Fund Scheme, 1952, as amended.

2. Employees' state insurance code, issued by the Employees' State Insurance Corporation under the Employees' State Insurance Act, 1948, as amended, and as applicable.

3. Our Company has obtained state level professional tax registrations and registrations under shops and establishments legislations and labour welfare fund legislations, as applicable, for all branches of our Company. The term of such registrations and renewal requirements may differ under various state legislations.

Material Licenses and Approvals obtained by NAIM

1. Employees' provident fund code issued by the Employees' Provident Fund Organization under the Employees' Provident Fund Scheme, 1952, as amended.

2. NAIM, our material subsidiary, has obtained state level professional tax registrations and registrations under shops and establishments legislations and labour welfare fund legislations, as applicable, for all branches of NAIM. The term of such registrations and renewal requirements may differ under various state legislations.

IV. Other Material Approvals

1. Certificate of registration as an Investment Adviser dated August 1, 2013 issued by the SEBI to Northern Arc Investment Adviser Services Private under its prior name, IFMR Investment Adviser Services Private Limited.

V. Pending Applications

(a) Application filed by NAIM

NAIM, pursuant to its application dated March 24, 2021, has applied to the SEBI to obtain a registration as a portfolio manager under the SEBI Portfolio Managers Regulations

VI. Intellectual Property

In India

(a) Registrations Obtained by our Company

<u>Trademarks</u>

As of the date of this Draft Red Herring Prospectus, our Company has registered the trademarks disclosed below in India.

S. No.	Description	Class(es)	Trademark Number
1.	COBON	36	4051758
2.	PERSEC	36	4064438
3.	SPiCE BOND	36	3847854
4.	MOSEC	36	2333641
5.	NORTHERN ARC	16, 35, 42, 45	3706165
6.	NORTHERN ARC	9, 16, 35, 36, 41, 42, 45	3731699
7.	NORTHERN ARC CAPITAL LIMITED	16, 35, 42, 45	3706162
8.	NORTHERN ARC INVESTMENT ADVISER SERVICES PRIVATE LIMITED	16, 35, 42, 45	3706163
9.	NORTHERN ARC INVESTMENT MANAGERS PRIVATE LIMITED	16, 35, 42, 45	3706164
10.	Northern Arc Investment Managers Private Limited	9, 36, 41	3699925
11.	Northern Arc	9, 36, 41	3699926
12.	Northern Arc Capital Limited	9, 36, 41	3699923

(b) *Applications Filed by our Company*

Our Company has filed an application for the registration for the following trademark:

S. No.	Description	Class(es)	Application Number
1.	NORTHERN ARC	9, 16, 35, 36, 41, 42, 45	4972062
2.	NIMBUS BY NORTHERN ARC	9, 36, 42	4994247
3.	AltiFI by Northern Arc	9	4997557
4.	AltiFI by Northern Arc	36	4997558
5.	AltiFI by Northern Arc	42	4997559

Our Company has also filed an application for registration of the trademark 'Northern Arc Investment Adviser Services Private Limited' dated December 11, 2017 bearing application number 3699924 which has been objected by the Registrar of Trade Marks.

Overseas

Our Company has registered the trademark 'Northern Arc' in Mauritius and Singapore.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Offer

Our Board has approved the Offer pursuant to resolution dated July 7, 2021 and our Shareholders have approved the Fresh Issue pursuant to resolution dated July 12, 2021.

The Offer for Sale has been authorized by the Selling Shareholders as disclosed in "*The Offer*" beginning on page 65.

The Equity Shares being offered by the Selling Shareholders in the Offer for Sale have been held by them for a period of at least one year prior to the filing of this Draft Red Herring Prospectus with SEBI, calculated in the manner as set out under Regulation 8 of the SEBI ICDR Regulations and are eligible for being offered in the Offer for Sale.

Except as stated below, the Equity Shares proposed to be offered by the Selling Shareholders in the Offer for Sale are free from any lien, encumbrance, transfer restrictions or third-party rights:

In relation to 12,878,682 Equity Shares held by one of the Selling Shareholders, Dvara Trust, 9,540,183 are pledged in favour of Axis Bank Ltd. on behalf of Vistra (ITCL) India Limited (in its capacity as security trustee of Avendus Finance Private Limited) ("**Pledged Shares**") and a non-disposal undertaking has been provided in respect of 3,338,499 Equity Shares ("**NDU Shares**") as of the date of this Draft Red Herring Prospectus. Dvara Trust proposes to offer up to 3,864,160 Equity Shares under the Offer for Sale, out of which 3,338,499 Equity Shares currently form part of the NDU Shares ("**NDU OFS Shares**") and 525,661 Equity Shares form a part of the Pledged Shares ("**Pledged OFS Shares**"). Vistra ITCL (India) Limited has through its letter dated July 13, 2021 consented to: (i) release the NDU OFS Shares and Pledged OFS Shares three days prior to the filing of an updated draft red herring prospectus with the SEBI and (ii) temporarily release the remaining Pledged Shares and NDU Shares three days prior to the filing of the Red Herring Prospectus with the RoC.

Our Board and the IPO Committee have approved this Draft Red Herring Prospectus pursuant to resolutions dated July 10, 2021 and July 15, 2021 respectively.

Our Company has received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively.

Our Company shall apply to the RBI under Regulation 66 of the Master Directions for its prior consent to changes in the shareholding of our Company pursuant to the Offer, and subsequent changes, as applicable, upon listing and commencement of trading of the Equity Shares on the Stock Exchanges.

Prohibition by the SEBI or Other Governmental Authorities

Our Company, the Selling Shareholders and our Directors are not prohibited from accessing the capital market or debarred from buying, selling or dealing in securities under any order or direction passed by the SEBI or any securities market regulator in any other jurisdiction or any other authority/court.

None of the companies with which our Directors are promoters, directors or persons in control have been debarred from accessing capital markets under any order or direction passed by SEBI or any other authorities.

Except for: (a) Dr. Kshama Fernandes who is a director of our Subsidiary, NAIA (SEBI Registration No. INA200000019) and is a director of our Subsidiary, NAIM (an investment manager to SEBI registered AIFs); (b) Anuradha Rao who is a director of NSE (registered with the SEBI pursuant to the Gazette Notification dated 17th April 2008 (F.No.SEBI/LE/122945/08)); and (c) Vijay Nallan Chakravarthi who is a director of Affirma Capital Investment Adviser India Private Limited (SEBI Registration No. INA000013262), none of our Directors are associated with the securities market in any manner and no outstanding action has been initiated against our Directors by SEBI in the five years preceding the date of this Draft Red Herring Prospectus.

None of our Company or our Directors have been identified as a Wilful Defaulter.

Our Directors have not been declared as fugitive economic offenders under Section 12 of the Fugitive Economic Offenders Act, 2018.

Confirmation under Companies (Significant Beneficial Owners) Rules, 2018

Our Company and each of the Selling Shareholders have confirmed that they are in compliance with the Companies (Significant Beneficial Owners) Rules, 2018, to the extent applicable, as of the date of this Draft Red Herring Prospectus.

Eligibility for the Offer

Our Company is eligible for the Offer in accordance with Regulation 6(1) of the SEBI ICDR Regulations, as disclosed below.

- Our Company has net tangible assets of at least ₹30 million, calculated on a restated basis, in each of the preceding three full years (of 12 months each), of which not more than 50% of the net tangible assets are held as monetary assets.
- Our Company has an average operating profit of ₹150 million, calculated on a restated basis, during the preceding three years (of 12 months each), with operating profit in each of these preceding three years.
- Our Company has a net worth of at least ₹10 million in each of the preceding three full years (of 12 months each), calculated on a restated basis.
- Our Company has not changed its name in the last one year.

Our Company's net tangible assets, monetary assets, monetary assets as a percentage of the net tangible assets, operating profit and net worth derived from the Restated Consolidated Financial Information included in this Draft Red Herring Prospectus as at, and for the three immediately preceding Financial Years are disclosed below.

Derived from the Restated Consolidated Financial Information

(*₹ in million*)

Particulars	**Fiscal**		
	2021	**2020**	**2019**
Net tangible assets (A)[1]	16,510.49	15,734.58	12,793.27
Operating profit (B)[2]	958.77	1,428.58	1,592.06
Net worth (C)[3]	15,823.15	15,064.27	11,675.20
Monetary assets (D)[4]	4,664.83	4,104.19	2,431.34
Monetary assets as a percentage of the net tangible assets (D)/(A)[5]	28.25%	26.08%	19.00%

Source: Restated Consolidated Statement of Assets and Liabilities and Restated Consolidated Statement of Profit and Loss of the Company as included in the Draft Red Herring Prospectus under the section "Financial Statements".

1) *Net tangible assets, on a restated and consolidated basis, means the sum of all net assets of the Company excluding intangible assets, and intangible assets under development as defined in Indian Accounting Standard 38, right-of-use assets and goodwill.*
2) *Operating profit of the Company, on a restated and consolidated basis, has been calculated as net profit before tax of the Company excluding other income.*
3) *Net worth of the Company, on a restated and on consolidated basis, has been defined as the aggregate of share capital, other equity (including capital redemption reserve and excluding capital reserve) of the Company.*
4) *Monetary assets, on a restated and consolidated basis, has been defined as aggregate of balance with banks in current accounts, Bank deposit with maturity of less than 3 months, fixed deposits with bank and fixed deposits with bank to the extent held as margin money.*
5) *Monetary assets as restated as a percentage of the net tangible assets means monetary assets as restated divided by net tangible assets, as restated, expressed as a percentage.*

We are currently eligible to undertake the Offer as per Rule 19(2)(b) of the SCRR read with Regulations 6(1) of the SEBI ICDR Regulations.

Further, in accordance with Regulation 49(1) of the SEBI ICDR Regulations, our Company and each of the Selling Shareholders shall ensure that the number of prospective Allottees to whom the Equity Shares will be Allotted shall not be less than 1,000, failing which the entire application monies shall be refunded forthwith. In case of delay, if any, in refund within such timeline as prescribed under applicable laws, our Company shall be liable to pay interest on the application money in accordance with applicable laws. None of the Selling Shareholders shall be liable to reimburse our Company for any interest paid by it on behalf of the Selling Shareholders on account of any delay with respect to Allotment of the respective portion of the respective Equity Shares offered by such Selling Shareholder in the Offer for Sale, or otherwise, unless such delay is solely accountable to such Selling Shareholder.

Our Company is in compliance with conditions specified in Regulations 5 and 7(1) of the SEBI ICDR Regulations to the extent applicable and will ensure compliance with Regulation 7(2) of the SEBI ICDR Regulations.

Disclaimer Clause of SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THIS DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT RED HERRING PROSPECTUS. THE BRLMS, BEING AXIS CAPITAL LIMITED, CREDIT SUISSE SECURITIES (INDIA) PRIVATE LIMITED, IIFL SECURITIES LIMITED AND SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI ICDR REGULATIONS. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DRAFT RED HERRING PROSPECTUS AND THE SELLING SHAREHOLDERS ARE, SEVERALLY AND NOT JOINTLY, RESPONSIBLE ONLY FOR THE STATEMENTS SPECIFICALLY CONFIRMED OR UNDERTAKEN BY THEM IN THE DRAFT RED HERRING PROSPECTUS IN RELATION TO THEMSELVES FOR THE RESPECTIVE PORTION OF THE EQUITY SHARES BEING OFFERED BY THEM IN THE OFFER FOR SALE, THE BRLMS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BRLMS, BEING AXIS CAPITAL LIMITED, CREDIT SUISSE SECURITIES (INDIA) PRIVATE LIMITED, IIFL SECURITIES LIMITED AND SBI CAPITAL MARKETS LIMITED, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JULY 15, 2021 IN THE FORMAT PRESCRIBED UNDER SCHEDULE V(A) OF SEBI ICDR REGULATIONS.

THE FILING OF THIS DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER THE COMPANIES ACT, 2013, OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BRLMS ANY IRREGULARITIES OR LAPSES IN THIS DRAFT RED HERRING PROSPECTUS.

All legal requirements pertaining to the Offer will be complied with at the time of filing of the Red Herring Prospectus with the RoC in terms of Section 32 of the Companies Act, 2013. All legal requirements pertaining to the Offer will be complied with at the time of filing of the Prospectus with the RoC in terms of Sections 26, 32, 33(1) and 33(2) of the Companies Act, 2013.

Caution - Disclaimer from our Company, our Directors and the BRLMs

Our Company, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at our Company's instance. Anyone placing reliance on any other source of information, including our Company's website, www.northernarc.com or any website of any affiliates of our Company would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Offer Agreement and the Underwriting Agreement.

All information, to the extent required in relation to the Offer, shall be made available by our Company, the Selling

Shareholders and the BRLMs to the public and investors at large and no selective or additional information would be made available by our Company, the Selling Shareholders and the BRLMs for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at Bidding Centers or elsewhere.

None of our Company, our Directors, or any member of the Syndicate shall be liable for any failure in (i) uploading the Bids due to faults in any software/hardware system or otherwise; or (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliances by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.

Bidders will be required to confirm and will be deemed to have represented to our Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and will not issue, sell, pledge or transfer the Equity Shares to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares.

The BRLMs and their respective associates and affiliates in their capacity as principals or agents may engage in transactions with, and perform services for, our Company, the Selling Shareholders, and our Group Companies, and their respective directors and officers, affiliates, associates or third parties in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Company, the Selling Shareholders, and our Group Companies, and their respective directors and officers, affiliates, associates or third parties, for which they have received, and may in the future receive, compensation.

Disclaimer from the Selling Shareholders

The Selling Shareholders accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at our Company's instance and anyone placing reliance on any other source of information, including our Company's website https://www.northernarc.com, or the respective websites of any affiliate of our Company or the Selling Shareholders would be doing so at his or her own risk. Each Selling Shareholder, its directors, affiliates, associates, and officers accept no responsibility for any statements made in this Draft Red Herring Prospectus other than those specifically made or confirmed by such Selling Shareholder in relation to itself as a Selling Shareholder or its Offered Shares.

The Selling Shareholders shall not be liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or otherwise; or (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.

Bidders will be required to confirm and will be deemed to have represented to each Selling Shareholder and its respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and will not sell, pledge, or transfer the Equity Shares to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. The Selling Shareholders and its respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares.

Disclaimer in Respect of Jurisdiction

The Offer is being made in India to persons resident in India (including Indian nationals resident in India who are competent to contract under the Indian Contract Act, 1872, as amended, including Indian nationals resident in India, HUFs, companies, other corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with the SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Systemically Important NBFCs registered with the RBI or trusts under applicable trust law and who are authorized under their constitution to hold and invest in equity shares, insurance companies registered with the IRDAI, permitted provident funds and pension funds, National Investment Fund, insurance funds set up and managed by the army, navy and air force of the Union of India, insurance funds set up and managed by the Department of Posts, Government of India and to Eligible FPIs, Eligible NRIs and other eligible foreign investors, public financial institutions as specified in Section 2(72) of the Companies Act, 2013, state industrial development corporations and registered multinational and bilateral development financial institutions.

The Red Herring Prospectus shall not, however, constitute an offer to sell or an invitation to subscribe to or purchase Equity Shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus, the RHP or the Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of the Offer will be subject to the jurisdiction of appropriate court(s) in Chennai, Tamil Nadu, India only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with the SEBI for its observations. Accordingly, the Equity Shares represented thereby may not be issued, directly or indirectly, and the Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any issue hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company, the Selling Shareholders, or our Group Companies since the date of this Draft Red Herring Prospectus or that the information contained herein is correct as at any time subsequent to this date. Invitations to subscribe to or purchase the Equity Shares pursuant to the Offer shall be made only pursuant to the Red Herring Prospectus if the recipient is in India or the preliminary offering memorandum for the Offer, which comprises the Red Herring Prospectus and the preliminary international wrap for the Offer, if the recipient is outside of India.

The Equity Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons as defined in Regulation S under the U.S. Securities Act, except for these purposes, U.S. Persons include Persons who would otherwise have been excluded from such term solely by virtue of Rule 902(k)(1)(viii)(B) or Rule 902(k)(2)(i) ("U.S. Persons") except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Company has not registered and does not intend to register under the U.S. Investment Company Act in reliance upon section 3(c)(7) thereof. Accordingly, the Equity Shares are only being offered and sold (i) within the United States or to U.S. Persons that are "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A") and referred to in the Draft Red Herring Prospectus as "U.S. QIBs", for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in the Draft Red Herring Prospectus as "QIBs") pursuant to the private placement exemption set out in Section 4(a)(2) of the U.S. Securities Act, that are also "qualified purchasers" (as defined under the U.S. Investment Company Act) in reliance upon section 3(c)(7) of the U.S. Investment Company Act and (ii) outside the United States to non-U.S. Persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Important Information for Investors – Eligibility and Transfer Restrictions

Until the expiry of 40 days after the commencement of the Offer, an offer or sale of the Equity Shares within the United States by a dealer (whether or not it is participating in the Offer) may violate the registration requirements of the U.S. Securities Act,unless made pursuant to Rule 144A under the U.S. Securities Act or another available exemption from the registration requirements of the U.S. Securities Act and in accordance with applicable securities laws of any state or other jurisdiction of the United States. The Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Draft Red Herring Prospectus or approved or disapproved the Equity Shares. Any representation to the contrary is a criminal offence in the United States. In making an investment decision investors must rely on their own examination of our Company and the terms of the Offer, including the merits and risks involved.

Our Company is not and will not be registered under the U.S. Investment Company Act, and investors will not be entitled to the benefits afforded to investors under the U.S. Investment Company Act.

Eligible Investors

The Equity Shares are being offered and sold

(i) in the United States or to, or for the account or benefit of, U.S. Persons, in each case that are both U.S. QIBs and QPs, in transactions exempt from or not subject to the registration requirements of the U.S. Securities Act and in reliance on section 3(c)(7) of the U.S. Investment Company Act; and

(ii) outside the United States to investors that are not U.S. Persons, nor persons acquiring for the account or benefit of U.S. Persons, in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur;

and in each case who are deemed to have made the representations set forth immediately below.

Equity Shares Offered and Sold within the United States

Each purchaser that is acquiring the Equity Shares offered pursuant to the Offer within the United States, or for the account or benefit of U.S. Persons, by a declaration included in the Bid cum Application Form and its acceptance of the Red Herring Prospectus and of the Equity Shares, will be deemed to have acknowledged, represented and warranted to and agreed with our Company, the Selling Shareholders and the BRLMs that it has received a copy of the Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to the Offer in compliance with all applicable laws and regulations;

2. the purchaser acknowledges that the Equity Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and accordingly, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;

3. the purchaser (i) is a U.S. QIB and a QP, (ii) is aware that the sale to it is being made in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act, (iii) was not formed or operated for the purpose of investing in the Equity Shares and (iv) is acquiring such Equity Shares for its own account or for the account of one or more persons, each of which is a U.S. QIB and a QP with respect to which it exercises sole investment discretion;

4. the purchaser acknowledges that our Company has not registered, and does not intend to register, as an "investment company" (as such term is defined under the U.S. Investment Company Act) and that our Company has imposed the transfer and offering restrictions with respect to persons in the United States and U.S. Persons described in the Red Herring Prospectus so that our Company will be able to rely on the exception provided by Section 3(c)(7) of the U.S. Investment Company Act and will have no obligation to register as an investment company. The purchaser, and each person for which it is acting, also understands and agrees that our Company and the BRLMs shall have the right to request and receive such additional documents, certifications, representations and undertakings, from time to time, as they may deem necessary in order to comply with applicable legal requirements;

5. the purchaser is not a broker-dealer which owns and invests on a discretionary basis less than US$25 million in securities of issuers unaffiliated with such broker-dealer;

6. the purchaser understands that, subject to certain exceptions, to be a QP, entities must have US$25 million in "investments" (as defined in Rule 2a51-1 of the U.S. Investment Company Act);

7. the purchaser is not an affiliate of our Company or a person acting on behalf of an affiliate;

8. the purchaser is not a participant-directed employee plan, such as a 401(k) plan, or a trust holding the assets of such plan, unless the investment decisions with respect to such plan are made solely by the fiduciary, trustee or sponsor of such plan;

9. the purchaser is not managed as a device for facilitating individual investment decisions of beneficial owners, but rather is managed as a collective investment vehicle;

10. the purchaser, and each account for which it is purchasing or otherwise acquiring Equity Shares, will purchase, hold or transfer Equity Shares amounting to at least US$250,000 or its equivalent in another currency;

11. it, and each person for which it is acting, was not formed, reformed, operated or recapitalized for the purpose of investing in the Equity Shares and/or other securities of our Company;

12. if the purchaser, or any person for which it is acting, is an investment company excepted from the U.S. Investment Company Act pursuant to section 3(c)(l) or section 3(c)(7) thereof (or a foreign investment company under Section 7(d) thereof relying on section 3(c)(l) or 3(c)(7) with respect to its holders that are U.S. persons) and was formed on or before April 30, 1996, it has received the consent of its beneficial owners who acquired their interests on or before April 30, 1996, with respect to its treatment as a QP in the manner required by Section 2(a)(51)(C) of the U.S. Investment Company Act and the rules promulgated thereunder;

13. the purchaser, and each person for which it is acting, is not a partnership, common trust fund, or corporation, special trust, pension fund or retirement plan, or other entity, in which the partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners, as the case may be, may designate the particular investments to be made, or the allocation thereof unless all such partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners are both U.S. QIBs and QPs;

14. the purchaser, and each person for which it is acting, has not invested more than 40.0% of its assets in the Equity Shares (or beneficial interests therein) and/or other securities of our Company after giving effect to the purchase of the Equity Shares (or beneficial interests therein) (unless all of the beneficial owners of such entity's securities are both U.S. QIBs and QPs);

15. if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred, only outside the United States in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person by pre-arrangement or otherwise, by means of a bona fide sale on the floor of any Indian stock exchange. The purchaser agrees not to effect any sale, pledge or other transfer unless the purchaser first executes a letter certifying as such and delivers such letter to our Company prior to the settlement if any, of the sale, pledge or other transfer of the Equity Shares. The purchaser understands that the transfer restrictions will remain in effect until our Company determines, in its sole discretion, to remove them;

16. is not subscribing to, or purchasing, the Equity Shares with a view to, or for the offer or sale in connection with, any distribution thereof (within the meaning of the U.S. Securities Act) that would be in violation of the securities laws of the United States or any state thereof;

17. the Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 under the U.S. Securities Act for resales of any such Equity Shares;

18. the purchaser will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank;

19. the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares or any "general

solicitation" or "general advertising" (as defined in Regulation D under the U.S. Securities Act) in the United States in connection with any offer or sale of the Equity Shares;

20. is not acquiring the Equity Shares as a result of any form of "general solicitation" or "general advertising" (within the meaning of Rule 502(c) under the U.S. Securities Act) or any "directed selling efforts" (as that term is defined in Regulation S under the U.S. Securities Act);

21. the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless our Company determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE COMPANY HAS NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "U.S. INVESTMENT COMPANY ACT").

THIS PURCHASER OF THIS SECURITY AGREES THAT (X) THE ISSUER MAY OFFER OR SELL THIS SECURITY IN MINIMUM DENOMINATIONS OF $250,000, AND ONLY TO A PERSON WHO IS (A) BOTH A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB") IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND A QUALIFIED PURCHASER AS DEFINED UNDER SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT FOR PURPOSES OF SECTION 3(c)(7) OF THE U.S. INVESTMENT COMPANY ACT (A "QP"), (B) NOT A BROKER- DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US $25 MILLION IN SECURITIES OF ISSUERS UNAFFILIATED WITH SUCH BROKER-DEALER, (C) NOT AN AFFILIATE OF THE ISSUER OR A PERSON OR A PERSON ACTING ON BEHALF OF AN AFFILIATE, (D) NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, OR A TRUST HOLD THE ASSETS OF SUCH PLAN, UNLESS THE INVESTMENT DECISIONS WITH RESPECT TO SUCH PLAN ARE MADE SOLELY BY THE FIDUCIARY TRUSTEE OF SUCH PLAN, (E) NOT MANAGED AS A DEVICE FOR FACILITATING INDIVIDUAL INVESTMENT DECISIONS OF BENEFICIAL OWNERS, BUT RATHER AS A MANAGED INVESTMENT VEHICLE, AND (F) WAS NOT FORMED OR OPERATED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHERE EACH BENEFICIAL OWNER OF THE PURCHASER IS A QIB-QP), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION, AND (Y) THE PURCHASER WILL, AND EACH SUBSEQUENT PURCHASER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY OR ANY INTEREST HEREIN FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED BY A TRANSFEROR TO ANOTHER PERSON EXCEPT TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN BY THE TRANSFEROR TO BE A US PERSON BY PRE-ARRANGEMENT OR OTHERWISE IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, AND OTHERWISE IN A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND THE U.S. INVESTMENT COMPANY ACT.

THIS SECURITY IS NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. EACH TRANSFEROR OF THIS SECURITY AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE COMPANY'S OFFER DOCUMENTS TO THE TRANSFEREE AND TO ANY EXECUTING BROKER.

22. the purchaser agrees, upon a proposed transfer of the Equity Shares, to notify any purchaser of such Equity Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Equity Shares being sold and agrees not to act as a swap counterparty or other type of intermediary

whereby any other party will acquire an economic interest or beneficial interest in the Equity Shares acquired or reoffer, resell, pledge or otherwise transfer the Equity Shares or any beneficial interest therein, to any person except to a person that meets all of the requirements above and who agrees not to subsequently transfer the Equity Shares or any beneficial interest therein except in accordance with these transfer restrictions;

23. the purchaser understands and acknowledges that (i) subject to applicable law, our Company will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; (ii) any acquisition of a beneficial interest in the Equity Shares by any U.S. Person or any person within the United States who is required under these restrictions to be a U.S.QIB-QP but is not a U.S.QIB-QP at the time it acquires a beneficial interest in the Equity Shares, shall be null and void ab initio and will not be honored by our Company and in no event will our Company, its directors, officers, employees or agents, including any broker or dealer, have any liability whatsoever to the purchaser by reason of any act or failure to act by any person authorized by our Company in connection with the foregoing;

24. the purchaser understands and acknowledges that our Company may be a "covered fund" as defined in Section 13 of the Bank Holding Company Act of 1956, commonly referred to as the "Volcker Rule" (the "Volcker Rule"). The definition of "covered fund" in the Volcker Rule includes (subject to specified exclusions) any entity that would be an investment company under the U.S. Investment Company Act but for the exception from the definition of "investment company" in Section 3(c)(1) or 3(c)(7) thereof. Our Company intends to qualify under Section 3(c)(7). Our Company may be otherwise excepted from the definition of "investment company", but it makes no assurances in that regard. Thus, our Company may be a "covered fund" for purposes of the Volcker Rule. Accordingly, banking entities that are subject to the Volcker Rule may be prohibited under the Volcker Rule from, among other things, acquiring or retaining our Equity Shares, absent any applicable exclusion or exemption. Each purchaser must make its own determination as to whether it is a banking entity subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to acquire or retain our Equity Shares;

25. the purchaser is knowledgeable, sophisticated and experienced in business and financial matters, fully understands the limitations on ownership and transfer and the restrictions on sales of the Equity Shares and is aware that there are substantial risks incidental to the purchase of the Equity Shares and is able to bear the economic risk of such purchase; and

26. the purchaser acknowledges that our Company, the Selling Shareholders, the BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify our Company and the BRLMs, and if it is acquiring any of such Equity Shares 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 the foregoing acknowledgements, representations and agreements on behalf of such account.

All other Equity Shares Offered and Sold in the Offer

Each purchaser that a non-U.S. Person and is acquiring the Equity Shares offered pursuant to the Offer outside the United States, by a declaration included in the Bid cum Application Form and its acceptance of the Red Herring Prospectus and of the Equity Shares offered pursuant to the Offer, will be deemed to have acknowledged, represented and warranted to and agreed with our Company, the Selling Shareholders and the BRLMs that it has received a copy of the Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to the Offer in compliance with all applicable laws and regulations;

2. the purchaser acknowledges that the Equity Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and accordingly may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (not relying on Rule 902(k)(1)(viii)(B) or Rule 902(k)(2)(i)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S.

Securities Act;

3. the purchaser is purchasing the Equity Shares offered pursuant to the Offer in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act;

4. the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares, is a non-U.S. Person and was located outside the United States at each time (i) the offer was made to it and (ii) when the buy order for such Equity Shares was originated, and continues to be a non-U.S. Person and located outside the United States and has not purchased such Equity Shares for the account or benefit of any U.S. Person or any person in the United Sates or entered into any arrangement for the transfer of such Equity Shares or any economic interest therein to any U.S. Person or any person in the United States;

5. the purchaser is not an affiliate of our Company or a person acting on behalf of an affiliate;

6. if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein may be offered, sold, pledged or otherwise transferred only outside the United States in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act to a person not known by the transferor to be a U.S. Person, by pre-arrangement or otherwise (including, for the avoidance of doubt, by means of a bona fide sale on the floor of any Indian stock exchange). The purchaser understands that the transfer restrictions will remain in effect until our Company determines, in its sole discretion, to remove them, and confirms that the proposed transfer of the Equity Shares is not part of a plan or scheme to evade the registration requirements of the U.S. Securities Act or the U.S. Investment Company Act;

7. the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares;

8. is not acquiring the Equity Shares as a result of any “directed selling efforts” (within the meaning of Rule 902(c) under the U.S. Securities Act);

9. the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless our Company determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

   THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE COMPANY HAS NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "U.S. INVESTMENT COMPANY ACT"). THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN BY THE TRANSFEROR TO BE A US PERSON BY PRE-ARRANGEMENT OR OTHERWISE IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND OTHERWISE IN A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND THE U.S. INVESTMENT COMPANY ACT.

   THIS SECURITY IS NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. EACH TRANSFEROR OF THIS SECURITY AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE COMPANY'S OFFER DOCUMENTS TO THE TRANSFEREE AND TO ANY EXECUTING BROKER.

10. the purchaser agrees, upon a proposed transfer of the Equity Shares, to notify any purchaser of such Equity Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Equity Shares being sold;

11. the purchaser understands and acknowledges that (i) subject to applicable law, our Company will not recognize any offer, sale, pledge or other transfer of such Equity Shares under other than in compliance with the above-stated restrictions; (ii) any acquisition of a beneficial interest in the Equity Shares by any U.S. Person or any person within the United States who is required under these restrictions to be a U.S. QIB-QP but is not a U.S. QIB-QP at the time it acquires a beneficial interest in the Equity Shares, shall be null and void ab initio and will not be honored by our Company and in no event will our Company, its directors, officers, employees or agents, including any broker or dealer, have any liability whatsoever to the purchaser by reason of any act of failure to act by any person authorized by our Company in connection with the foregoing;

12. the purchaser understands and acknowledges that our Company may be a "covered fund" as defined in the Volcker Rule. The definition of "covered fund" in the Volcker Rule includes (subject to specified exclusions) any entity that would be an investment company under the U.S. Investment Company Act but for the exception from the definition of "investment company" in Section 3(c)(1) or 3(c)(7) thereof. Our Company intends to qualify under Section 3(c)(7). Our Company may be otherwise excepted from the definition of "investment company", but it makes no assurances in that regard. Thus, our Company may be a "covered fund" for purposes of the Volcker Rule. Accordingly, banking entities that are subject to the Volcker Rule may be prohibited under the Volcker Rule from, among other things, acquiring or retaining our Equity Shares, absent any applicable exclusion or exemption. Each purchaser must make its own determination as to whether it is a banking entity subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to acquire or retain our Equity Shares; and

13. the purchaser acknowledges that our Company, the Selling Shareholders, the BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of such Equity Shares 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 the foregoing acknowledgements, representations and agreements on behalf of such account.

Disclaimer Clause of the BSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the BSE. The disclaimer clause as intimated by the BSE to our Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing with the RoC.

Disclaimer Clause of the NSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the NSE. The disclaimer clause as intimated by the NSE to our Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing with the RoC.

Disclaimer Clause of the RBI

Our Company holds a valid certificate of registration dated March 8, 2018 issued by the RBI under Section 45-IA of the Reserve Bank of India Act, 1934. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of our Company or for the correctness of any of the statements or representations made or opinions expressed by our Company and for discharge of liabilities by our Company. Neither is there any provision in law to keep, nor does our Company keep any part of the deposits with the RBI and by issuing the certificate of registration to our Company, the RBI neither accepts any responsibility nor guarantee for the payment of the deposit amount to any depositor.

Listing

Applications will be made to the Stock Exchanges for permission to deal in and for an official quotation of the Equity Shares being issued and sold in the Offer. [●] will be the Designated Stock Exchange with which the Basis of Allotment will be finalized.

Consents

Consents in writing of: (a) the Selling Shareholders, our Directors, our Company Secretary and Compliance Officer, the Auditors of our Company, the Domestic Legal Counsel to our Company, the Domestic Legal Counsel to the BRLMs, the International Legal Counsel to the BRLMs, Legal Advisers to Accion, Augusta, Eight Roads, IIFL SS Funds and LeapFrog as to Indian Law, the Bankers to our Company and (b) the BRLMs, the Registrar to the Offer, the Syndicate Members, the Escrow Collection Bank(s), the Refund Bank(s), the Public Offer Account Bank(s), the Sponsor Bank, CRISIL and the Monitoring Agency to act in their respective capacities, have been obtained/will be obtained prior to filing of the Red Herring Prospectus with the RoC and filed (as applicable) along with a copy of the Red Herring Prospectus with the RoC as required under the Companies Act, 2013 and such consents that have been obtained have not been withdrawn as of the date of this Draft Red Herring Prospectus.

Experts

Our Company has not obtained any expert opinions other than as disclosed below.

Our Company has received written consent dated July 15, 2021 from the Statutory Auditors, namely, B S R & Co. LLP, Chartered Accountants, to include its name as required under the Companies Act, 2013 in this Draft Red Herring Prospectus and as an "expert" as defined under Section 2(38) of the Companies Act, 2013 in respect of the examination report of the Statutory Auditors on the Restated Consolidated Financial Information, dated July 7, 2021 and the statement of possible special tax benefits dated July 15, 2021, included in this Draft Red Herring Prospectus and such consent has not been withdrawn until the filing of this Draft Red Herring Prospectus with the SEBI.

Particulars regarding public or rights issues during the last five years

Our Company has not made any public issues or rights issues of Equity Shares during the five years immediately preceding the date of this Draft Red Herring Prospectus.

Capital Issues during the Previous Three Years by our Company and Listed Group Companies, Subsidiaries or associate entities during the last three years

Our Company has not made any public issue of Equity Shares during the three years immediately preceding the date of this Draft Red Herring Prospectus. For details of capital issuances during the previous three years by our Company, see "*Capital Structure*" beginning on page 82. None of the equity shares of our Subsidiaries or Group Companies are listed on any stock exchange. Certain non-convertible debentures issued by DKGFS, one of our Group Companies, are listed on the wholesale debt segment of the BSE, see "*Our Group Companies*" beginning on page 252.

Our Company does not have associate entities.

Commission and Brokerage paid on previous issues of the Equity Shares in the last five years

Since this is the initial public offer of the Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Company's incorporation.

Performance vis-à-vis Objects – Details of Public or Rights Issues by our Company

Our Company has not made any public issue or rights issue of Equity Shares during the five years immediately preceding the date of this Draft Red Herring Prospectus.

The non-convertible debentures of our Company are listed on the wholesale debt segments of the BSE and the NSE. See "*Capital Structure*" beginning on page 82.

Performance vis-à-vis Objects – Details of Public or Rights Issues by listed subsidiaries/listed Promoter of our Company

Our Subsidiaries are not listed on any of the stock exchanges in India. Our Company does not have any identifiable promoter.

Price Information of Past Issues Handled by the BRLMs

1. Axis Capital Limited

1. Price information of past public issues (during the current Financial Year and the two Financial Years immediately preceding the current Financial Year) handled by Axis Capital Limited:

S. No.	Issue Name	Issue Size (₹ in million)	Issue Price (₹)	Listing Date	Opening Price on Listing Date (₹)	+/-% Change in the Closing Price, (=/-% Change in Closing Benchmark) – 30th Calendar Day from Listing	+/-% Change in the Closing Price, (=/-% Change in Closing Benchmark) – 90th Calendar Days from Listing	+/-% Change in the Closing Price, (=/-% Change in Closing Benchmark) – 180th Calendar Day from Listing
1.	India Pesticides Limited	8,000.00	296.00	5-Jul-21	350.00	-	-	-
2.	Krishna Institute Of Medical Sciences Limited!	21,437.44	825.00	28-Jun-21	1,009.00	-	-	-
3.	Dodla Dairy Limited	5,201.77	428.00	28-Jun-21	550.00	-	-	-
4.	Shyam Metalics And Energy Limited@	9,085.50	306.00	24-Jun-21	380.00	-	-	-
5.	Macrotech Developers Limited	25,000.00	486.00	19-April-21	436.00	+30.22%, [+5.21%]	-	-
6.	Barbeque – Nation Hospitality Limited	4,528.74	500.00	07-April-21	489.85	+18.77%, [-0.64%]	+76.97%, [+6.85%]	-
7.	Suryoday Small Finance Bank Limited$	5,808.39	305.00	26-Mar-21	292.00	-18.38%, [-1.14%]	-26.87%, [+8.13%]	-
8.	Kalyan Jewellers India Limited#	11,748.16	87.00	26-Mar-21	73.95	-24.60%, [-1.14%]	-7.07%, [+8.13%]	-
9.	Craftsman Automation Limited	8,236.96	1,490.00	25-Mar-21	1,359.00	-13.82%, [+0.11%]	+16.81%, [+10.11%]	-
10.	Laxmi Organic Industries Limited	6,000.00	130.00	25-Mar-21	155.50	+37.85%, [+0.11%]	+71.96%, [+10.11%]	-

Source: www.nseindia.com
$ Offer Price was ₹ 275.00 per equity share to Eligible Employees
 # Offer Price was ₹ 79.00 per equity share to Eligible Employees
@ Offer Price was ₹ 291.00 per equity share to Eligible Employees
! Offer Price was ₹ 785.00 per equity share to Eligible Employees

Notes:
a. Issue Size derived from Prospectus/final post issue reports, as available.
b. The CNX NIFTY is considered as the Benchmark Index.
c. Price on NSE is considered for all of the above calculations.
d. In case 30th/90th/180th day is not a trading day, closing price on NSE of the previous trading day has been considered.
e. Since 30 calendar days, 90 calendar days and 180 calendar days, as applicable, from listing date has not elapsed for few of the above issues, data for same is not available.

2. Summary statement of price information of past public issues (during the current Financial Year and the two Financial Years immediately preceding the current Financial Year):

Financial Year	Total No. of IPOs	Total Funds (₹ in million)	Nos. of IPOs Trading at Discount – 30th Calendar Days from Listing			Nos. of IPOs Trading at Premium – 30th Calendar Day from Listing			Nos. of IPOs Trading at Discount – 180th Calendar Day from Listing			Nos. of IPOs Trading at Premium – 180th Calendar Day from Listing		
			Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%n	Less than 25%	Over 50%	Between 25%-50%n	Less than 25%	Over 50%	Between 25%-50%n	Less than 25%
2021-2022*	6	73,253.45	-	-	-	-	1	1	-	-	-	-	-	-
2020-2021	11	93,028.90	-	-	6	2	1	2	-	-	-	2	1	1
2019-2020	5	161,776.03	-	1	2	-	-	2	1	1	-	-	-	3

** The information is as on the date of the document*
The information for each of the financial years is based on issues listed during such financial year.

Note: Since 30 calendar days and 180 calendar days, as applicable, from listing date has not elapsed for few of the above issues, data for same is not available.

2. Credit Suisse Securities (India) Private Limited

1. Price information of past public issues (during the current Financial Year and the two Financial Years immediately preceding the current Financial Year) handled by Credit Suisse

S. No.	Issue Name	Issue Size (₹ in million)	Issue Price (₹)	Listing Date	Opening Price on Listing Date (₹)	+/-% Change in the Closing Price, (=/-% Change in Closing Benchmark) – 30th Calendar Day from Listing	+/-% Change in the Closing Price, (=/-% Change in Closing Benchmark) – 90th Calendar Days from Listing	+/-% Change in the Closing Price, (=/-% Change in Closing Benchmark) – 180th Calendar Day from Listing
1.	Metropolis Healthcare Limited	12,042.90	880.00	April 15, 2019	958.00	3.75%, [-4.01%]	21.39%, [-1.18%]	45.93%, [-3.30%]
2.	Sterling and Wilson Solar Limited	28,809.42	780.00	August 20, 2019	706.00	-21.88%, [-1.60%]	-48.63%, [7.97%]	-64.78%, [9.95%]
3.	Home First Finance Company India Limited	11,537.19	518.00	February 03, 2021	618.80	4.98%, [1.97%]	-5.64%, [-1.05%]	NA*
4.	Sona BLW Precision Forgings Limited	55,500.00	291.00	June 24, 2021	301.00	NA*	NA*	NA*
5.	Krishna Institute of Medical Sciences Limited	21,437.44	825.00	June 28, 2021	1,009.00	NA*	NA*	NA*

Source: Source: www.nseindia.com for the price information and prospectus for issue details.
**Data not available*
Note:
1. *30th, 90th, 180th calendar days from listed day have been taken as listing day plus 29, 89 and 179 calendar days, except wherever 30th, 90th, 180th calendar day is a holiday, in which case we have considered the closing data of the previous trading date.*
2. *% of change in closing price on 30th/ 90th / 180th calendar day from listing day is calculated vs issue price. % change in closing benchmark index is calculated based on closing index on listing day vs closing index on 30th/ 90th / 180th calendar day from listing day.*
3. *NIFTY is considered as the benchmark index*

2. Summary statement of price information of past public issues (during the current Financial Year and the two Financial Years immediately preceding the current Financial Year):

Financial Year	Total No. of IPOs	Total Funds Raised (₹ in million)	Nos. of IPOs Trading at Discount – 30th Calendar Days from Listing			Nos. of IPOs Trading at Premium – 30th Calendar Day from Listing			Nos. of IPOs Trading at Discount – 180th Calendar Day from Listing			Nos. of IPOs Trading at Premium – 180th Calendar Day from Listing		
			Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2021-2022	2	76,937.44	-	-	-	-	-	-	-	-	-	-	-	-
2020-2021	1	11,537.19	-	-	-	-	-	1	-	-	-	-	-	-
2019-2020	2	40,852.32	-	-	1	-	-	1	1	-	-	-	1	-

3. IIFL Securities Limited

1. Price information of past public issues (during the current Financial Year and the two Financial Years immediately preceding the current Financial Year) handled by IIFL Securities Limited:

S. No.	Issue Name	Issue Size (₹ in million)	Issue Price (₹)	Listing Date	Opening Price on Listing Date (₹)	+/-% Change in the Closing Price, (=/-% Change in Closing Benchmark) – 30th Calendar Day from Listing	+/-% Change in the Closing Price, (=/-% Change in Closing Benchmark) – 90th Calendar Days from Listing	+/-% Change in the Closing Price, (=/-% Change in Closing Benchmark) – 180th Calendar Day from Listing
1.	Antony Waste Handling Cell Limited	2,999.85	315.00	January 1, 2021	436.10	-10.27%, [-2.74%]	-23.21%, [+4.80%]	+2.14%, [+12.34%]
2.	MTAR Technologies Limited	5964.14	575.00	March 15, 2021	1,050.00	+69.45%,[-2.84%]	+78.83%, [+5.83%]	N.A.
3.	Anupam Rasayan India Ltd	7,600.00	555.00	March 24, 2021	520.00	-0.11%,[-0.98%]	+30.49%, [+8.23%]	N.A.
4.	Craftsman Automation Limited	8,236.96	1,490.00	March 25, 2021	1,359.00	-13.82%,[+0.11%]	+16.81%, [+10.11%]	N.A.
5.	Suryoday Small Finance Bank Ltd	5,808.39	305.00	March 26, 2021	292.00	-18.38%,[-1.14%]	-26.87%, [-98.46%]	N.A.
6.	Nazara Technologies Ltd	5,826.91	1,101.00	March 30, 2021	1,990.00	+62.57%,[0.13%]	+38.22%, [6.84%]	N.A.
7.	Barbeque-Nation Hospitality Limited	4,528.74	500.00	April 7, 2021	489.85	+18.77%,[-0.64%]	+76.97%, [+6.85%]	N.A.
8.	Macrotech Developers Ltd	25,000.00	486.00	April 19, 2021	436.00	+30.22%,[+5.21%]	N.A.	N.A.
9.	Shyam Metalics and Energy Ltd	9,085.50	306.00	June 24, 2021	380.00	N.A.	N.A.	N.A.
10.	Krishna Institute of Medical Sciences Limited	21,437.44	825.00	June 28, 2021	1,009.00	N.A.	N.A.	N.A.

Source: www.nseindia.com

Note: Benchmark Index taken as CNX NIFTY. Price on NSE is considered for all of the above calculations. The 30th, 90th and 180th calendar day from listed day have been taken as listing day plus 29, 89 and 179 calendar days, except wherever 30th /90th / 180th calendar day from listing day is a holiday, the closing data of the previous trading day has been considered. % change taken against the Issue Price in case of the Issuer. The Nifty 50 index is considered as the benchmark index. NA means Not Applicable.

2. Summary statement of price information of past public issues (during the current Financial Year and the two Financial Years immediately preceding the current Financial Year):

Financial Year	Total No. of IPOs	Total Funds Raised (₹ in million)	Nos. of IPOs Trading at Discount – 30th Calendar Days from Listing			Nos. of IPOs Trading at Premium – 30th Calendar Day from Listing			Nos. of IPOs Trading at Discount – 180th Calendar Day from Listing			Nos. of IPOs Trading at Premium – 180th Calendar Day from Listing		
			Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2021-2022	4	60,051.68	-	-	-	-	1	1	-	-	-	-	-	-
2020-2021	8	47,017.65	-	-	4	2	1	1	-	-	-	1	1	1
2019-2020	5	65,827.61	-	-	2	-	1	2	1	1	1	-	-	2

Source: www.nseindia.com
Note: Data for number of IPOs trading at premium/discount taken at closing price on NSE on the respective date. In case any of the days falls on a non-trading day, the closing price on the previous trading day has been considered. NA means Not Applicable.

4. SBI Capital Markets Limited

1. Price information of past public issues (during the current Financial Year and the two Financial Years immediately preceding the current Financial Year) handled by SBI Capital Markets Limited:

S. No.	Issue Name	Issue Size (₹ in million)	Issue Price (₹)	Listing Date	Opening Price on Listing Date (₹)	+/-% Change in the Closing Price, (=/-% Change in Closing Benchmark) – 30th Calendar Day from Listing	+/-% Change in the Closing Price, (=/-% Change in Closing Benchmark) – 90th Calendar Days from Listing	+/-% Change in the Closing Price, (=/-% Change in Closing Benchmark) – 180th Calendar Day from Listing
1.	Shyam Metalics and Energy Limited (1)	9085.50	306.00	June 24, 2021	380.00	NA	NA	NA
2.	Macrotech Developers Limited	25,000.00	486.00	April 19, 2021	436.00	30.22% [5.21%]	NA	NA
3.	Barbeque-Nation Hospitality Limited	4528.74	500.00	April 07, 2021	489.85	18.77% [-0.64%]	76.97% [+6.85%]	NA
4.	Suryoday Small Finance Bank Ltd (2)	5,808.39	305.00	March 26, 2021	292.00	-18.38% [-1.14%]	-27.48% [+8.84%]	NA
5.	Kalyan Jewellers India Ltd (3)	11748.16	87.00	March 26, 2021	73.95	-24.60% [-1.14%]	-8.33% [+8.84%]	NA
6.	Railtel Corporation of India Limited	8192.42	94.00	February 26, 2021	109.00	35.64% [-0.15%]	37.50% [5.32%]	NA
7.	Indian Railway Finance Corporation Ltd	46,333.79	26.00	January 29, 2021	24.90	-5.19% [+6.56%]	-18.65% [+9.02%]	NA
8.	Mrs. Bectors Food Specialities Limited (4)	5,405.40	288.00	December 24,2020	500.00	37.69% [+4.53%]	19.93% [+7.75%]	40.59% [+14.53%]
9.	UTI Asset Management Company Ltd	21,598.84	554.00	October 12, 2020	500.00	-10.43% [+5.87%]	-0.60% [+20.25%]	5.81% [+24.34%]
10.	Angel Broking Limited	6,000.00	306.00	October 05, 2020	275.00	-2.32% [+2.70%]	10.01% [+21.86%]	-3.74% [+29.24%]

Source: www.nseindia.com

Notes:

** The 30th, 90th and 180th calendar day computation includes the listing day. If either of the 30th, 90th or 180th calendar days isa trading holiday, the previous trading day is considered for the computation. We have taken the issue price to calculate the % change in closing price as on 30th, 90th and 180th day. We have taken the closing price of the applicable benchmark index as on the listing day to calculate the % change in closing price of the benchmark as on 30th, 90th and 180th day.*
** The Nifty 50 index is considered as the Benchmark Index*

1. *Price for eligible employee was Rs 291.00 per equity share*
2. *Price for eligible employee was Rs 275.00 per equity share*
3. *Price for eligible employee was Rs 89.00 per equity share*
4. *Price for eligible employee was Rs 273.00 per equity share*

2. Summary statement of price information of past public issues (during the current Financial Year and the two Financial Years immediately preceding the current Financial Year):

Financial Year	Total No. of IPOs #	Total Funds Raised (₹ in million)	Nos. of IPOs Trading at Discount – 30th Calendar Days from Listing			Nos. of IPOs Trading at Premium – 30th Calendar Day from Listing			Nos. of IPOs Trading at Discount – 180th Calendar Day from Listing			Nos. of IPOs Trading at Premium – 180th Calendar Day from Listing		
			Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2021-2022*	3	38,614.24	-	-	-	-	1	1	-	-	-	-	-	-
2020-2021*	7	1,05,087.00	-	-	5	-	2	-	-	1	2	-	-	-
2019-2020	3	138,283.86	-	1	1	1	-	-	1	-	-	1	-	1

** The information is as on the date of this Offer Document.*
[#] Date of Listing for the issue is used to determine which financial year that particular issue falls into

Track record of past issues handled by the BRLMs

For details regarding the track record of the BRLMs, as specified in the SEBI circular dated January 10, 2012, bearing reference number CIR/MIRSD/1/2012, please see the websites of the BRLMs, as provided in the table below.

S. No.	Name of the BRLM	Website
1.	Axis Capital	www.axiscapital.co.in
2.	Credit Suisse	www.credit-suisse.com/in/en/investment-banking/regionalpresence/asia-pacific/india/ipo.html
3.	IIFL Securities	www.iiflcap.com
4.	SBI CAPS	www.sbicaps.com

Stock Market Data of Equity Shares

This being an initial public offer of our Company, the Equity Shares are not listed on any stock exchange as of the date of this Draft Red Herring Prospectus, and accordingly, no stock market data is available for the Equity Shares.

Mechanism for Redressal of Investor Grievances

The Registrar Agreement provides for the retention of records with the Registrar to the Offer for a period of at least eight years from the date of listing and commencement of trading of the Equity Shares on the Stock Exchanges, to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

In terms of SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2018/22 dated February 15, 2018, SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, read with the SEBI circular SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 and subject to applicable law, any ASBA Bidder whose Bid has not been considered for Allotment, due to failure on the part of any SCSB, shall have the option to seek redressal of the same by the concerned SCSB within three months of the date of listing of the Equity Shares. SCSBs are required to resolve these complaints within 15 days, failing which the concerned SCSB would have to pay interest at the rate of 15% per annum for any delay beyond this period of 15 days. Further, the investors shall be compensated by the SCSBs in accordance with SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 in the events of delayed unblock for cancelled/withdrawn/deleted applications, blocking of multiple amounts for the same UPI application, blocking of more amount than the application amount, delayed unblocking of amounts for non-allotted/partially-allotted applications, for the stipulated period. In an event there is a delay in redressal of the investor grievance in relation to unblocking of amounts, the BRLMs shall compensate the investors at the rate higher of ₹ 100 per day or 15% per annum of the application amount for the period of such delay.

All Offer-related grievances may be addressed to the Registrar to the Offer with a copy to the relevant Designated Intermediary to whom the Bid cum Application Form was submitted. The Bidder should give full details such as name of the sole or first Bidder, Bid cum Application Form number, Bidder DP ID, Client ID, UPI ID, PAN, date of the submission of Bid cum Application Form, address of the Bidder, number of the Equity Shares applied for and the name and address of the Designated Intermediary where the Bid cum Application Form was submitted by the Bidder.

Further, Bidders shall also enclose a copy of the Acknowledgment Slip or specify the application number duly received from the Designated Intermediaries in addition to the documents/information mentioned hereinabove.

All grievances relating to Bids submitted with Registered Brokers may be addressed to the Stock Exchanges with a copy to the Registrar to the Offer. The Registrar to the Offer shall obtain the required information from the SCSBs and the Sponsor Bank for addressing any clarifications or grievances of ASBA Bidders. Our Company, the Selling Shareholders, the BRLMs and the Registrar to the Offer accept no responsibility for errors, omissions, commission or any acts of SCSBs or the Sponsor Bank including any defaults in complying with its obligations under applicable SEBI ICDR Regulations.

Investors can contact our Company Secretary and Compliance Officer or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of Allotment, non-credit of Allotted Equity Shares in the respective beneficiary account, non-receipt of refund intimations and non-receipt of funds by electronic mode.

Anchor Investors are required to address all grievances in relation to the Offer to the BRLMs.

The equity shares of our Group Companies are not listed on any stock exchange.

Disposal of Investor Grievances by Our Company

Our Company has obtained authentication on the SEBI Complaints Redress System ("**SCORES**") and is in compliance with the circular no. (CIR/OIAE/1/2014) dated December 18, 2014 issued by the SEBI in relation to redressal of investor grievances through SCORES.

Our Company estimates that the average time required by our Company or the Registrar to the Offer or the relevant Designated Intermediary for the redressal of routine investor grievances shall be ten Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Company has not received any investor grievances during the three years preceding the date of this Draft Red Herring Prospectus and there are no investor complaints pending as of the date of this Draft Red Herring Prospectus.

Our Company has constituted a Stakeholders' Relationship Committee comprising, Anuradha Rao (chairperson), Michael Jude Fernandes and Dr. Kshama Fernandes as members to review and redress shareholder and investor grievances. See "*Our Management – Committees of the Board – Stakeholders' Relationship Committee*" on page 242.

Our Company has also appointed Srividhya Ramaswamy, Company Secretary and Compliance Officer for the Offer. See "*General Information*" beginning on page 73.

SECTION VII: OFFER RELATED INFORMATION

TERMS OF THE OFFER

The Equity Shares being issued, transferred and Allotted pursuant to the Offer shall be subject to the provisions of the Companies Act, the SEBI ICDR Regulations, the SCRA, the SCRR, our Memorandum of Association and our Articles of Association, the SEBI Listing Regulations, the terms of the Red Herring Prospectus, the Prospectus, the abridged prospectus, the Bid cum Application Form, the Revision Form, the CAN/Allotment Advice and other terms and conditions as may be incorporated in the Allotment Advice and other documents/certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to laws as applicable, guidelines, rules, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by the SEBI, the Government of India, the Stock Exchanges, the RBI, the RoC and/or any other authorities, as in force on the date of the Offer and to the extent applicable or such other conditions as may be prescribed by the SEBI, the RBI, the Government of India, the Stock Exchanges, the RoC and/or any other authorities while granting its approval for the Offer.

The Offer

The Offer comprises a Fresh Issue by our Company and an Offer for Sale by the Selling Shareholders. Except for listing fees which shall solely be borne by our Company, and fees and expenses in relation to the counsel to the Selling Shareholders which shall be brone by the respective Selling Shareholders, the costs, charges, fees and expenses relating to the Offer will be shared by each of our Company and the Selling Shareholders in proportion to the number of Equity Shares issued and Allotted through the Offer and sold by each of the Selling Shareholders through the Offer for Sale. For details in relation to Offer expenses, see "*Objects of the Offer*" beginning on page 102.

Ranking of the Equity Shares

The Equity Shares being issued, transferred and Allotted pursuant to the Offer shall be subject to the provisions of the Companies Act, our Memorandum of Association and our Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares, including in respect of the right to receive dividend and voting. The Allottees, upon Allotment of Equity Shares under the Offer, will be entitled to dividend and other corporate benefits, if any, declared by our Company after the date of Allotment. See "*Description of Equity Shares and Terms of the Articles of Association*" beginning on page 442.

Mode of Payment of Dividend

Our Company shall pay dividends, if declared, to our Shareholders in accordance with the provisions of Companies Act, our Memorandum of Association and our Articles of Association and provisions of the SEBI Listing Regulations and other applicable law. Dividends, if any, declared by our Company after the date of Allotment (pursuant to the transfer of Equity Shares from the Offer for Sale), will be payable to the Bidders who have been Allotted Equity Shares in the Offer, for the entire year, in accordance with applicable law. For further details in relation to dividends, see "*Dividend Policy*" and "*Description of Equity Shares and Terms of the Articles of Association*" beginning on pages 255 and 442, respectively.

Face Value, Offer Price, Floor Price and Price Band

The face value of each Equity Share is ₹10 and the Offer Price at the lower end of the Price Band is ₹[●] per Equity Share ("**Floor Price**") and at the higher end of the Price Band is ₹[●] per Equity Share ("**Cap Price**"). The Anchor Investor Offer Price is ₹[●] per Equity Share.

The Price Band and the minimum Bid Lot will be decided by our Company in consultation with the BRLMs and advertised in all editions [●], an English national daily newspaper, all editions of [●], a Hindi national daily newspaper, and [●] edition of [●], a Tamil newspaper (Tamil being the regional language of Tamil Nadu, where our Registered and Corporate Office is located), each with wide circulation, at least two Working Days prior to the Bid/Offer Opening Date and shall be made available to the Stock Exchanges for the purpose of uploading on their websites. The Price Band, along with the relevant financial ratios calculated at the Floor Price and at the Cap Price, shall be pre-filled in the Bid cum Application Forms available on the websites of the Stock Exchanges. The Offer Price shall be determined by our Company, in consultation with the BRLMs, after the Bid/Offer Closing Date, on the basis of assessment of market demand for the Equity Shares offered by way of Book Building Process.

At any given point of time, there shall be only one denomination of Equity Shares.

Compliance with Disclosure and Accounting Norms

Our Company shall comply with all disclosure and accounting norms as specified by the SEBI from time to time.

Rights of Shareholders

Subject to applicable laws, rules, regulations and guidelines and our Articles of Association, our Shareholders shall have the following rights:

- right to receive dividends, if declared;
- right to attend general meetings and exercise voting rights, unless prohibited by law;
- right to vote on a poll either in person or by proxy and e-voting, in accordance with the provisions of the Companies Act;
- right to receive offers for rights Equity Shares and be allotted bonus Equity Shares, if announced;
- right to receive surplus on liquidation, subject to any statutory and preferential claim being satisfied;
- right of free transferability of the Equity Shares, subject to applicable laws including any rules and regulations prescribed by the RBI; and
- such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the SEBI Listing Regulations, our Articles of Association and other applicable laws.

For a detailed description of the main provisions of our Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer, transmission and/or consolidation/splitting, see "*Description of Equity Shares and Terms of the Articles of Association*" beginning on page 442.

Allotment only in Dematerialized Form

Pursuant to Section 29 of the Companies Act, 2013 and the SEBI ICDR Regulations, the Equity Shares shall be allotted only in dematerialized form. The trading of the Equity Shares shall only be in the dematerialized segment of the Stock Exchanges. In this context, the following agreements have been signed among our Company, the respective Depositories and the Registrar to the Offer:

- tripartite agreement dated October 22, 2016 among our Company, NSDL and the Registrar to the Offer; and
- tripartite agreement dated December 4, 2018 among our Company, CDSL and the Registrar to the Offer.

Market Lot and Trading Lot

Since trading of the Equity Shares is in dematerialized form, the tradable lot is one Equity Share. Allotment in the Offer will be only in electronic form in multiples of one Equity Share subject to a minimum Allotment of [●] Equity Shares. For details of basis of allotment, see "*Offer Procedure*" on page 420.

Joint Holders

Subject to the provisions contained in our Articles of Association, where two or more persons are registered as the holders of the Equity Shares, they shall be deemed to hold the same as joint tenants with benefits of survivorship.

Jurisdiction

Exclusive jurisdiction for the purpose of the Offer is with the competent courts/authorities in Chennai, Tamil Nadu, India.

The Equity Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) 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. The Company has not registered and does not intend to register under the U.S. Investment Company Act in reliance upon section 3(c)(7) thereof. Accordingly, the Equity Shares are being offered and sold (i) in the United States only to U.S. persons that are U.S. QIBs that are also QPs acting for its own account or for the account of another U.S. QIB that is a QP (and meets the other requirements set forth herein), in reliance on the exemption from registration under the Securities Act provided by Rule 144A or other available exemption and in reliance upon section 3(c)(7) of the U.S. Investment Company Act, and (ii) outside the United States, to non-U.S. persons in reliance on Regulation S.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Nomination Facility to Bidders

In accordance with Section 72 of the Companies Act, 2013, read with the Companies (Share Capital and Debentures) Rules, 2014, the sole Bidder, or the First Bidder along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A nomination may be cancelled or varied by nominating any other person in place of the present nominee by the holder of the Equity Shares who has made the nomination by giving a notice of such cancellation. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered and Corporate Office or to the registrar and transfer agents of our Company.

Any person who becomes a nominee by virtue of the provisions of Section 72 of the Companies Act, 2013 shall upon the production of such evidence as may be required by our Board, elect either:

a) to register himself or herself as the holder of the Equity Shares; or

b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, our Board may thereafter withhold payment of all dividends, interests, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Offer will be made only in dematerialized mode there is no need to make a separate nomination with our Company. Nominations registered with the respective Depository Participant of the Bidder would prevail. If the Bidders wish to change the nomination, they are requested to inform their respective Depository Participant.

Bid/Offer Programme

BID/OFFER OPENS ON	[●][1]
BID/OFFER CLOSES ON	[●][2]

(1) *Our Company may, in consultation with the BRLMs, consider participation by Anchor Investors. The Anchor Investor Bid/Offer Period shall be one Working Day prior to the Bid/Offer Opening Date in accordance with the SEBI ICDR Regulations.*

(2) *Our Company may, in consultation with the BRLMs, consider closing the Bid/Offer Period for QIBs one Working Day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations.*

An indicative timetable in respect of the Offer is disclosed below.

Event	Indicative Date
Bid/Offer Closing Date	[●]
Finalization of Basis of Allotment with the Designated Stock Exchange	On or about [●]
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA*	On or about [●]
Credit of Equity Shares to dematerialized accounts of Allottees	On or about [●]
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about [●]

**In case of any delay in unblocking of amounts in the ASBA Accounts (including amounts blocked through the UPI Mechanism) exceeding four Working Days from the Bid/Offer Closing Date, the Bidder shall be compensated at a uniform rate of ₹100 per day for the entire duration of delay exceeding four Working Days from the Bid/Offer Closing Date by the intermediary responsible for causing such delay in unblocking. The BRLMs shall, in their sole discretion, identify and fix the liability on such intermediary or entity responsible for such delay in unblocking. Further, investors shall be entitled to compensation in the manner specified in the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 read with SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 in case of delays in resolving investor grievances in relation to blocking/unblocking of funds*

The above timetable, other than the Bid/Offer Closing Date, is indicative and does not constitute any obligation on our Company, the Selling Shareholders or the BRLMs.

While our Company shall ensure that all steps for the completion of the necessary formalities for the listing and commencement of trading of the Equity Shares on the Stock Exchanges are taken within six Working Days of the Bid/Offer Closing Date or such other period as may be prescribed by the SEBI, the timetable may be extended due to various factors, such as extension of the Bid/Offer Period by our Company, in consultation with the BRLMs, revision of the Price Band or any delay in receiving the final listing and trading approval from the Stock Exchanges. The commencement of trading of the Equity Shares will be entirely at the discretion of the Stock Exchanges and in accordance with the applicable laws. Each of the Selling Shareholders confirms that they shall extend all reasonable support and co-operation required by our Company and the BRLMs for the completion of the necessary formalities for listing and commencement of trading of the Equity Shares at the Stock Exchanges within six Working Days from the Bid/Offer Closing Date or such other period as may be prescribed by the SEBI.

The SEBI is in the process of streamlining and reducing the post issue timeline for initial public offerings. Any circulars or notifications from the SEBI after the date of the Draft Red Herring Prospectus may result in changes to the above-mentioned timelines. Further, the offer procedure is subject to change to any revised circulars issued by the SEBI to this effect.

The BRLMs will be required to submit reports of compliance with listing timelines and activities, identifying non-adherence to timelines and processes and an analysis of entities responsible for the delay and the reasons associated with it

In case of any delay in unblocking of amounts in the ASBA Accounts (including amounts blocked through the UPI Mechanism) exceeding four Working Days from the Bid/Offer Closing Date, the Bidder shall be compensated at a uniform rate of ₹ 100 per day for the entire duration of delay exceeding four Working Days from the Bid/Offer Closing Date by the intermediary responsible for causing such delay in unblocking. The BRLMs shall, in their sole discretion, identify and fix the liability on such intermediary or entity responsible for such delay in unblocking.

The Equity Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) 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. The Company has not registered and does not intend to register under the U.S. Investment Company Act in reliance upon section 3(c)(7) thereof. Accordingly, the Equity Shares are being offered and sold (i) in the United States only to U.S. persons that are U.S. QIBs that are also QPs acting for its own account or for the account of another U.S. QIB that is a QP (and meets the other requirements set forth herein), in reliance on the exemption from

registration under the Securities Act provided by Rule 144A or other available exemption and in reliance upon section 3(c)(7) of the U.S. Investment Company Act, and (ii) outside the United States, to non-U.S. persons in reliance on Regulation S.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Submission of Bids (Other than Bids from Anchor Investors)

Bid/Offer Period (except the Bid/Offer Closing Date)	
Submission and Revision in Bids	Only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time ("**IST**")
Bid/Offer Closing Date	
Submission and Revision in Bids	Only between 10.00 a.m. and 3.00 p.m. IST

On the Bid/Offer Closing Date, the Bids shall be uploaded until:

(i) 4.00 p.m. IST in case of Bids by QIBs and Non-Institutional Bidders, and

(ii) until 5.00 p.m. IST or such extended time as permitted by the Stock Exchanges, in case of Bids by Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion.

On the Bid/Offer Closing Date, extension of time will be granted by Stock Exchanges only for uploading Bids received from Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion after taking into account the total number of Bids received and as reported by the BRLMs to the Stock Exchanges.

The Registrar to the Offer shall submit the details of cancelled/ withdrawn/ deleted applications to the SCSBs on a daily basis within 60 minutes of the Bid closure time from the Bid/ Offer Opening Date till the Bid/ Offer Closing Date by obtaining the same from the Stock Exchanges. The SCSBs shall unblock such applications by the closing hours of the Working Day and submit the confirmation to the BRLMs and the RTA on a daily basis.

It is clarified that Bids not uploaded on the electronic bidding system or in respect of which the full Bid Amount is not blocked by SCSBs or not blocked under the UPI Mechanism in the relevant ASBA Account, as the case may be, would be rejected.

Due to limitation of time available for uploading the Bids on the Bid/Offer Closing Date, Bidders are advised to submit their Bids one day prior to the Bid/Offer Closing Date. Any time mentioned in this Draft Red Herring Prospectus is IST. Bidders are cautioned that, in the event a large number of Bids are received on the Bid/Offer Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Offer. Bids will be accepted only during Monday to Friday (excluding any public holiday). None among our Company, Selling Shareholders or any Member of the Syndicate shall be liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or blocking of application amount by the SCSBs on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.

In case of any discrepancy in the data entered in the electronic book *vis-a-vis* data contained in the physical Bid cum Application Form, for a particular Bidder, the details of the Bid file received from the Stock Exchanges may be taken as the final data for the purpose of Allotment.

Our Company, in consultation with the BRLMs, reserve the right to revise the Price Band during the Bid/Offer Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in the Price Band shall not exceed 20% on either side, *i.e.* the Floor Price can move up or down to the extent of 20% of the Floor Price and the Cap Price will be revised accordingly. The Floor Price shall not be less than the face value of the Equity Shares

In case of any revision to the Price Band, the Bid/Offer Period will be extended by at least three additional Working Days following such revision of the Price Band, subject to the Bid/Offer Period not exceeding 10

Working Days. In cases of force majeure, banking strike or similar circumstances, our Company may, in consultation with the BRLMs, for reasons to be recorded in writing, extend the Bid/Offer Period for a minimum of three Working Days, subject to the Bid/ Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/Offer Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice, and also by indicating the change on the respective websites of the BRLMs and the terminals of the Syndicate Members and by intimation to SCSBs, other Designated Intermediaries and the Sponsor Bank, as applicable.

Minimum Subscription

If our Company does not receive (i) the minimum subscription of 90% of the Fresh Issue on the Bid/Offer Closing Date; (ii) listing or trading permissions; or (iii) minimum subscription in the Offer as specified under Rule 19(2)(b) of the SCRR, including through devolvement of Underwriters, if any, within 60 days from the Bid/Offer Closing Date, our Company and the Selling Shareholders shall forthwith refund the entire subscription amount received. If there is a delay beyond the prescribed time, our Company, its Directors who are officers in default, and the Selling Shareholders shall pay interest prescribed under the Companies Act, 2013, the SEBI ICDR Regulations and other applicable law.

The requirement for minimum subscription is not applicable to the Offer for Sale. In case of under-subscription in the Offer, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

After achieving the above minimum subscription, if however, there is under-subscription in achieving the total Offer size, the Equity Shares will be allotted in the following order:

(i) such number of Equity Shares will first be Allotted by our Company such that 90% of the Fresh Issue portion is subscribed;

(ii) upon (i), all the Equity Shares held by the Selling Shareholders and offered for sale in the Offer for Sale will be Allotted (in proportion to the Offered Shares being offered by each Selling Shareholder); and

(iii) once Equity Shares have been Allotted as per (i) and (ii) above, such number of Equity Shares will be Allotted by our Company towards the balance 10% of the Fresh Issue portion.

Further, in accordance with Regulation 49(1) of the SEBI ICDR Regulations, our Company shall ensure that the number of prospective Allottees to whom the Equity Shares will be Allotted shall be not less than 1,000.

Arrangements for Disposal of Odd Lots

Since our Equity Shares will be traded in dematerialized form only and the market lot for our Equity Shares will be one Equity Share, no arrangements for disposal of odd lots are required.

New Financial Instruments

Our Company is not issuing any new financial instruments through this Offer.

Restrictions on Transfer and Transmission of Equity Shares

Except for the lock-in of the pre-Offer Equity Share capital of our Company and the Anchor Investor lock-in as provided in "*Capital Structure*" beginning on page 82 and except as provided in our Articles of Association, there are no restrictions on transfer of Equity Shares. Further, there are no restrictions on the transmission of Equity Shares and on their consolidation/splitting, except as provided in our Articles of Association. See "*Description of Equity Shares and Terms of the Articles of Association*" beginning on page 442.

Under the Master Directions, Applicable NBFCs are required to obtain prior written permission of RBI for any change in the shareholding, including progressive increases over time, which would result in acquisition or transfer of shareholding of 26% or more of the paid-up equity capital (no prior approval is required if the shareholding going beyond 26% is due to buy-back of shares or reduction in capital where it has approval of a competent court but must be reported to the RBI within one month of the occurrence).

OFFER STRUCTURE

Initial public offering of up to [●] Equity Shares for cash at a price of ₹[●] per Equity Share (including a share premium of ₹[●] per Equity Share) aggregating up to ₹[●] million, comprising a Fresh Issue of up to [●] Equity Shares aggregating up to ₹3,000 million by our Company and an Offer for Sale of up to 36,520,585 Equity Shares aggregating up to ₹[●] million by the Selling Shareholders, comprising an offer for sale of up to 8,987,093 Equity Shares by LeapFrog, up to 2,310,191 Equity Shares by Accion, up to 7,076,499 Equity Shares by Augusta, up to 4,083,812 Equity Shares by Eight Roads, up to 3,864,160 Equity Shares by Dvara Trust, up to 5,041,455 Equity Shares by IIFL Special Opportunities Fund, up to 1,231,710 Equity Shares by IIFL Special Opportunities Fund – Series 2, up to 541,805 Equity Shares by IIFL Special Opportunities Fund – Series 3, up to 1,862,128 Equity Shares by IIFL Special Opportunities Fund – Series 4 and up to 1,521,732 Equity Shares by IIFL Special Opportunities Fund – Series 5. The Offer includes an Employee Reservation Portion of up to [●] Equity Shares aggregating up to ₹[●] million, for subscription by Eligible Employees. The Employee Reservation Portion shall not exceed 5% of our post-Offer paid-up Equity Share capital. The Offer less the Employee Reservation Portion is the Net Offer. The Offer and the Net Offer shall constitute [●]% and [●]%, respectively of the post-Offer paid-up Equity Share capital of our Company. The face value of our Equity Shares is ₹10 each.

Our Company may, at its discretion, consider issuing Equity Shares on a private placement basis for cash consideration aggregating up to ₹1,500 million, prior to filing of the Red Herring Prospectus with the RoC. The price of the securities allotted pursuant to the Pre-IPO Placement shall be determined by our Company in consultation with the BRLMs. If the Pre-IPO Placement is completed, the amount raised pursuant to the Pre-IPO Placement will be reduced from the Fresh Issue, subject to compliance with Rule 19(2)(b) of the SCRR.

The Offer is being made through the Book Building Process.

Particulars	**Eligible Employees#**	**QIBs(1)**	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares available for Allotment/allocation*(2)	Up to [●] Equity Shares	Not more than [●] Equity Shares or Net Offer less allocation to Non-Institutional Bidders and Retail Individual Bidders	Not less than [●] Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and Retail Individual Bidders	Not less than [●] Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Offer Size available for Allotment/allocation	Up to [●]% of the Offer	Not more than 50% of the Net Offer shall be available for allocation to QIBs. However, up to 5% of the QIB Portion (excluding the Anchor Investor Portion) will be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion will also be eligible for allocation in the remaining QIB Portion. Unsubscribed portion in the Mutual Fund Portion will be added to the QIB Portion (other than the Anchor Investor Portion)	Not less than 15% of the Net Offer or the Net Offer less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation	Not less than 35% of the Net Offer or the Net Offer less allocation to QIB Bidders and Non-Institutional Bidders shall be available for allocation
Basis of Allotment/allocation if respective category is oversubscribed*	Proportionate; unless the Employee Reservation Portion is under-subscribed, the value of allocation to an Eligible Employee shall not exceed	Proportionate as follows (excluding the Anchor Investor Portion): (a) Up to [●] Equity Shares shall be	Proportionate	Allotment to each RIB shall not be less than the minimum Bid Lot, subject to availability of Equity Shares in

Particulars	Eligible Employees#	QIBs(1)	Non-Institutional Bidders	Retail Individual Bidders
	₹200,000. In the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion may be allocated, on a proportionate basis, to Eligible Employees Bidding in the Employee Reservation Portion for value exceeding ₹200,000, subject to total Allotment to an Eligible Employee not exceeding ₹500,000.	available for allocation on a proportionate basis to Mutual Funds only; and (b) Up to [●] Equity Shares shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above Up to 60% of the QIB Portion (of up to [●] Equity Shares) may be allocated on a discretionary basis to Anchor Investors of which one-third shall be available for allocation to domestic Mutual Funds only, subject to valid Bid received from Mutual Funds at or above the Anchor Investor Allocation Price		the Retail Portion and the remaining available Equity Shares, if any, shall be allocated proportionately. See "*Offer Procedure*" on page 420
Mode of Bidding	ASBA only (including the UPI Mechanism)	ASBA only[(3)] (excluding the UPI Mechanism)	ASBA only (excluding the UPI Mechanism)	ASBA only (including the UPI Mechanism)
Minimum Bid	[●] Equity Shares	Such number of Equity Shares that the Bid Amount exceeds ₹200,000 and in multiples of [●] Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds ₹200,000 and in multiples of [●] Equity Shares thereafter	[●] Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so as to ensure that the Bid Amount by each Eligible Employee does not exceed ₹500,000.	Such number of Equity Shares in multiples of [●] Equity Shares not exceeding the size of the Net Offer, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares not exceeding the size of the Net Offer (excluding the QIB Portion), subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed ₹200,000
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter			
Allotment Lot	A minimum of [●] Equity Shares and in multiples of one Equity Share thereafter For Retail Individual Bidders, [●] Equity Shares and in multiples of one Equity Share thereafter, subject to availability in the Retail Portion			
Trading Lot	One Equity Share			
Mode of Allotment	Compulsorily in dematerialized form			
Who can apply[(4)(5)]	Eligible Employees	Public financial institutions as specified in Section 2(72) of the Companies Act 2013, scheduled commercial banks, mutual funds registered with SEBI, eligible FPIs (other than individuals, corporate bodies and family offices), VCFs, AIFs, FVCIs	Resident Indian individuals, Eligible NRIs, HUFs (in the name of Karta), companies, corporate bodies, scientific institutions, societies, trusts and FPIs who are individuals, corporate bodies and family offices	Resident Indian individuals, Eligible NRIs and HUFs (*in the name of Karta*).

Particulars	Eligible Employees#	QIBs(1)	Non-Institutional Bidders	Retail Individual Bidders
		registered with the SEBI, multilateral and bilateral development financial institutions, state industrial development corporation, insurance company registered with IRDAI, provident fund with minimum corpus of ₹250 million, pension fund with minimum corpus of ₹250 million National Investment Fund set up by the Government, insurance funds set up and managed by army, navy or air force of the Union of India, insurance funds set up and managed by the Department of Posts, India and Systemically Important NBFCs.		
Terms of Payment	Full Bid Amount shall be blocked by the SCSBs in the bank account of the ASBA Bidder or by the Sponsor Bank through the UPI Mechanism (only for Retail Individual Bidders) that is specified in the ASBA Form at the time of submission of the ASBA Form (5)			

**Assuming full subscription in the Offer*

Eligible Employees Bidding in the Employee Reservation Portion can Bid up to a Bid Amount of ₹500,000. However, a Bid by an Eligible Employee in the Employee Reservation Portion will be considered for allocation, in the first instance, for a Bid Amount of up to ₹200,000. In the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion will be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹200,000, subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹500,000. An Eligible Employee Bidding in the Employee Reservation Portion (subject to Bid Amount being up to ₹200,000) can also Bid in the Retail Portion, and such Bids shall not be considered multiple Bids. However, Bids by Eligible Employees Bidding in the Employee Reservation Portion and in the Non Institutional Portion shall be treated as multiple Bids. The unsubscribed portion if any, in the Employee Reservation Portion shall be added back to the Net Offer. In case of under-subscription in the Net Offer, spill-over to the extent of such under-subscription shall be permitted from the Employee Reservation Portion.

(1) *Our Company may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the balance Equity Shares in the Anchor Investor Portion shall be added to the Net QIB Portion. See "Offer Procedure" beginning on page 420.*

(2) *Subject to valid Bids being received at or above the Offer Price. The Offer is being made in accordance with Rule 19(2)(b) of the SCRR and under Regulation 6(1) of the SEBI ICDR Regulations.*

(3) *Anchor Investors are not permitted to use the ASBA process.*

(4) *In case of joint Bids, the Bid cum Application Form should contain only the name of the first Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. The signature of only such first Bidder would be required in the Bid cum Application Form and such first Bidder would be deemed to have signed on behalf of the joint holders. Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids, except as otherwise permitted, in any or all categories. The Bidders will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholders, the Underwriters, their respective directors, officers, agents, affiliates and representatives that they are eligible under applicable law, rules, regulations, guidelines and approvals to acquire the Equity Shares.*

(5) *Full Bid Amount shall be payable by the Anchor Investors at the time of submission of the Anchor Investor Application Form provided that any difference between the Anchor Investor Allocation Price and the Anchor Investor Offer Price shall be payable by the Anchor Investor Pay-In Date as indicated in the CAN.*

Under-subscription, if any, in any category except the QIB Portion, would be met with spill-over from the other categories at the discretion of our Company, in consultation with the BRLMs and the Designated Stock Exchange. Bidders will be required to confirm and will be deemed to have represented to our Company, the Underwriters, their respective directors, officers, agents, affiliates and representatives that they are eligible under applicable law, rules, regulations, guidelines and approvals to acquire the Equity Shares.

The unsubscribed portion if any, in the Employee Reservation Portion shall be added back to the Net Offer. In case of under-subscription in the Net Offer, spill-over to the extent of such under-subscription shall be permitted from the Employee Reservation Portion, subject to the Net Offer constituting [●]% of the post-Offer equity share capital of the Company.

Withdrawal of the Offer

The Offer shall be withdrawn in the event the requirement of the minimum subscription as prescribed under Regulation 45 of the SEBI ICDR Regulations is not fulfilled. Our Company, in consultation with the BRLMs, reserve the right to not proceed with the Fresh Issue and the Selling Shareholders reserve the right to not proceed with the Offer for Sale, in whole or part thereof, after the Bid/Offer Opening Date but before the Allotment. In the event that our Company, in consultation with the BRLMs, decides not to proceed with the Offer, our Company shall issue a public notice in the newspapers in which the pre-Offer advertisements were published, within two days of the Bid/Offer Closing Date or such other time as may be prescribed by the SEBI, providing reasons for not proceeding with the Offer. In such event, the BRLMs through the Registrar to the Offer, shall notify the SCSBs and the Sponsor Bank, to unblock the bank accounts of the ASBA Bidders within one Working Day from the date of receipt of such notification and also inform the Bankers to the Offer to process refunds to the Anchor Investors, as the case may be. Our Company shall also inform the same to the Stock Exchanges on which the Equity Shares are proposed to be listed.

Notwithstanding the foregoing, the Offer is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. If our Company withdraws the Offer after the Bid/Offer Closing Date and thereafter determines that it will proceed with a public offering of Equity Shares, our Company shall file a fresh draft red herring prospectus with the SEBI.

OFFER PROCEDURE

*All Bidders should read the General Information Document for Investing in Public Issues prepared and issued in accordance with the circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/37 dated March 17, 2020 and the UPI Circulars (the "**General Information Document**") which highlights the key rules, processes and procedures applicable to public issues in general in accordance with the provisions of the Companies Act, the SCRA, the SCRR and the SEBI ICDR Regulations which is part of the abridged prospectus accompanying the Bid cum Application Form. The General Information Document is available on the websites of the Stock Exchanges and the BRLMs. Please refer to the relevant provisions of the General Information Document which are applicable to the Offer, including in relation to the process for Bids by Retail Individual Bidders through the UPI Mechanism.*

Additionally, all Bidders may refer to the General Information Document for information in relation to (i) Category of investors eligible to participate in the Offer; (ii) maximum and minimum Bid size; (iii) price discovery and allocation; (iv) Payment Instructions for ASBA Bidders; (v) Issuance of CAN and allotment in the Offer; (vi) General instructions (limited to instructions for completing the Bid cum Application Form); (vii) Submission of Bid cum Application Form; (viii) Other Instructions (limited to joint bids in cases of individual, multiple bids and instances when an application would be rejected on technical grounds); (ix) applicable provisions of the Companies Act, 2013 relating to punishment for fictitious applications; (x) mode of making refunds; (xi) Designated Date; (xii) disposal of applications; and (xiii) interest in case of delay in allotment or refund.

*The SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018 read with its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, has introduced an alternate payment mechanism using Unified Payments Interface ("**UPI**") and consequent reduction in timelines for listing in a phased manner. From January 1, 2019, the UPI Mechanism for RIBs applying through Designated Intermediaries was made effective along with the existing process and existing timeline of T+6 days. ("**UPI Phase I**"). The UPI Phase I was effective till June 30, 2019.*

*With effect from July 1, 2019, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, read with circular bearing number SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 with respect to Bids by RIBs through Designated Intermediaries (other than SCSBs), the existing process of physical movement of forms from such Designated Intermediaries to SCSBs for blocking of funds has been discontinued and only the UPI Mechanism for such Bids with existing timeline of T+6 days was mandated for a period of three months or launch of five main board public issues, whichever is later ("**UPI Phase II**"), with effect from July 1, 2019, by SEBI circular (SEBI/HO/CFD/DIL2/CIR/P/2019/76) dated June 28, 2019, read with circular (SEBI/HO/CFD/DIL2/CIR/P/2019/85) dated July 26, 2019. Subsequently, however, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020 extended the timeline for implementation of UPI Phase II till further notice. The final reduced timeline of T+3 days will be made effective using the UPI Mechanism for applications by RIBs ("**UPI Phase III**"), as may be prescribed by the SEBI. The Offer will be undertaken pursuant to the processes and procedures under UPI Phase II, subject to any circulars, clarification or notification issued by the SEBI from time to time. Further, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 read with SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 has introduced certain additional measures for streamlining the process of initial public offers and redressing investor grievances. This circular shall come into force for initial public offers opening on or after May 1, 2021, except as amended pursuant to SEBI circular SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, and the provisions of this circular are deemed to form part of this Draft Red Herring Prospectus.*

Our Company, the Selling Shareholders and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated in this section and are not liable for any amendment, modification or change in the applicable law which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids are submitted in accordance with applicable laws and do not exceed the investment limits or maximum number of the Equity Shares that can be held by them under applicable law or as specified in this Draft Red Herring Prospectus.

Further, our Company and the Members of Syndicate are not liable for any adverse occurrences consequent to the implementation of the UPI Mechanism for application in this Offer.

Book Building Procedure

The Offer is being made in terms of Rule 19(2)(b) of the SCRR, through the Book Building Process in accordance with Regulation 6(1) of the SEBI ICDR Regulations wherein not more than 50% of the Net Offer shall be allocated on a proportionate basis to QIBs, provided that our Company may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription, or non-allotment in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. Further, 5% of the Net QIB Portion shall be available for allocation on a proportionate basis only to Mutual Funds, and spill-over from the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. Further, not less than 15% of the Net Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Offer shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price.

The Offer includes a reservation of up to [●] Equity Shares, aggregating up to ₹[●] million, for subscription on a proportionate basis by Eligible Employees. The Employee Reservation Portion shall not exceed 5% of our post-Offer paid-up Equity Share capital.

Under-subscription, if any, in any category, including the Employee Reservation Portion, except in the QIB Portion, would be allowed to be met with spill over from any other category or combination of categories of Bidders at the discretion of our Company, in consultation with the BRLMs and the Designated Stock Exchange subject to receipt of valid Bids received at or above the Offer Price. Under-subscription, if any, in the QIB Portion, would not be allowed to be met with spill-over from any other category or a combination of categories. Further, in the event of an under-subscription in the Employee Reservation Portion, such unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹ 200,000, subject to the total Allotment to an Eligible Employee not exceeding ₹ 500,000. The unsubscribed portion, if any, in the Employee Reservation Portion shall be added to the Net Offer.

The Equity Shares, on Allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository account, including DP ID, Client ID, the PAN and UPI ID, for RIBs Bidding in the Retail Portion using the UPI Mechanism, shall be treated as incomplete and will be rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. However, they may get their Equity Shares rematerialized subsequent to Allotment of the Equity Shares in the Offer, subject to applicable laws.

Phased implementation of Unified Payments Interface

SEBI has issued the UPI Circulars in relation to streamlining the process of public issue of *inter alia*, equity shares. Pursuant to the UPI Circulars, the UPI Mechanism has been introduced in a phased manner as a payment mechanism (in addition to mechanism of blocking funds in the account maintained with SCSBs under ASBA) for applications by RIBs through Designated Intermediaries with the objective to reduce the time duration from public issue closure to listing from six Working Days to up to three Working Days. Considering the time required for making necessary changes to the systems and to ensure complete and smooth transition to the UPI payment mechanism, the UPI Circulars have introduced the UPI Mechanism in three phases in the following manner:

Phase I: This phase was applicable from January 1, 2019 until March 31, 2019 or floating of five main board public issues, whichever was later. Subsequently, the timeline for implementation of Phase I was extended till June 30, 2019. Under this phase, an RIB had the option to submit the ASBA Form with any of the Designated Intermediary and use his/ her UPI ID for the purpose of blocking of funds. The time duration from public issue closure to listing continued to be six Working Days.

Phase II: This phase has become applicable from July 1, 2019 and was to initially continue for a period of three months or floating of five main board public issues, whichever is later. SEBI vide its circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019 has decided to extend the timeline for implementation of UPI Phase II until March 31, 2020. Under this phase, submission of the ASBA Form by RIBs through Designated Intermediaries (other than SCSBs) to SCSBs for blocking of funds has been discontinued and replaced by the UPI Mechanism. However, the time duration from public issue closure to listing continues to be six Working Days during this phase. Subsequently, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020 extended the timeline for implementation of UPI Phase II till further notice.

Phase III: The commencement period of Phase III is yet to be notified. In this phase, the time duration from public issue closure to listing would be reduced to three Working Days. Accordingly, upon commencement of Phase III, the reduced time duration shall be applicable for the Offer.

The Offer will be made under UPI Phase II of the UPI Circular, unless UPI Phase III of the UPI Circular becomes effective and applicable on or prior to the Bid/Offer Opening Date. If the Offer is made under UPI Phase III of the UPI Circular, the same will be advertised in shall be advertised in [●] editions of the English national daily newspaper [●], [●] editions of the Hindi national daily newspaper [●] and [●] editions of the Tamil daily newspaper [●] (Tamil being the regional language of Tamil Nadu, where our Registered and Corporate Office is located), each with wide circulation on or prior to the Bid/Offer Opening Date and such advertisement shall also be made available to the Stock Exchanges for the purpose of uploading on their websites

All SCSBs offering the facility of making applications in public issues shall also provide the facility to make application using UPI. The Company will be required to appoint one of the SCSBs as a Sponsor Bank to act as a conduit between the Stock Exchanges and NPCI in order to facilitate collection of requests and/ or payment instructions of the Retail Individual Bidders using the UPI.

For further details, refer to the "*General Information Document*" available on the websites of the Stock Exchanges and the BRLMs.

Bid cum Application Form

Copies of the Bid cum Application Form (other than for Anchor Investors) and the abridged prospectus will be available with the Designated Intermediaries at the Bidding Centres, and our Registered and Corporate Office. An electronic copy of the Bid cum Application Form will also be available for download on the websites of NSE (www.nseindia.com) and BSE (www.bseindia.com) at least one day prior to the Bid/Offer Opening Date.

Copies of the Anchor Investor Application Form will be available at the offices of the BRLMs.

All Bidders (other than Anchor Investors) shall mandatorily participate in the Offer only through the ASBA process. Anchor Investors are not permitted to participate in the Offer through the ASBA process. The RIs Bidding in the Retail Portion can additionally Bid through the UPI Mechanism.

RIBs Bidding in the Retail Portion using the UPI Mechanism must provide the valid UPI ID in the relevant space provided in the Bid cum Application Form and the Bid cum Application Form that does not contain the UPI ID are liable to be rejected.

ASBA Bidders (other than RIBs using UPI Mechanism) must provide bank account details and authorization to block funds in their respective ASBA Accounts in the relevant space provided in the ASBA Form and the ASBA Forms that do not contain such details are liable to be rejected.

ASBA Bidders shall ensure that the Bids are made on ASBA Forms bearing the stamp of the Designated Intermediary, submitted at the Bidding Centres only (except in case of electronic ASBA Forms) and the ASBA Forms not bearing such specified stamp are liable to be rejected. RIBs Bidding in the Retail Portion using UPI Mechanism, may submit their ASBA Forms, including details of their UPI IDs, with the Syndicate, Sub-Syndicate members, Registered Brokers, RTAs or CDPs. RIBs authorizing an SCSB to block the Bid Amount in the ASBA Account may submit their ASBA Forms with the SCSBs. ASBA Bidders must ensure that the ASBA Account has sufficient credit balance such that an amount equivalent to the full Bid Amount can be blocked by the SCSB or the Sponsor Bank, as applicable at the time of submitting the Bid.

The prescribed color of the Bid cum Application Form for the various categories is as disclosed below.

Category	Color of Bid cum Application Form*
Resident Indians, including resident QIBs, Non-Institutional Investors, Retail Individual Bidders and Eligible NRIs applying on a non-repatriation basis	[●]
Non-Residents including Eligible NRIs, FVCIs, FPIs, registered multilateral and bilateral development financial institutions applying on a repatriation basis	[●]
Anchor Investors	[●]
Eligible Employees Bidding in the Employee Reservation Portion	[●]

* *Excluding electronic Bid cum Application Form*

Notes:

(1) Electronic Bid Cum Application Forms will also be available for download on the website of the NSE (www.nseindia.com) and the BSE (www.bseindia.com).

(2) Bid cum Application Forms for Anchor Investors will be made available at the office of the BRLMs.

(3) Bid cum Application Forms for Eligible Employees shall be available at the Registered and Corporate Office of the Company.

In case of ASBA forms, the relevant Designated Intermediaries shall upload the relevant bid details in the electronic bidding system of the Stock Exchanges. For RIBs using UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Bank on a continuous basis to enable the Sponsor Bank to initiate UPI Mandate Request to RIBs for blocking of funds. For ASBA Forms (other than UPI Mechanism) Designated Intermediaries (other than SCSBs) shall submit/ deliver the ASBA Forms to the respective SCSB where the Bidder has an ASBA bank account and shall not submit it to any non-SCSB bank or any Escrow Collection Bank.

For RIBs using UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Bank on a continuous basis to enable the Sponsor Bank to initiate UPI Mandate Request to RIBs for blocking of funds. The Sponsor Bank shall initiate request for blocking of funds through NPCI to RIBs, who shall accept the UPI Mandate Request for blocking of funds on their respective mobile applications associated with UPI ID linked bank account. The NPCI shall maintain an audit trail for every bid entered in the Stock Exchanges bidding platform, and the liability to compensate RIBs (using the UPI Mechanism) in case of failed transactions shall be with the concerned entity (i.e. the Sponsor Bank, NPCI or the bankers to an issue) at whose end the lifecycle of the transaction has come to a halt. The NPCI shall share the audit trail of all disputed transactions/ investor complaints to the Sponsor Banks and the bankers to an issue. The BRLMs shall also be required to obtain the audit trail from the Sponsor Banks and the Bankers to the Offer for analysing the same and fixing liability.

Electronic registration of Bids

a) The Designated Intermediary may register the Bids using the on-line facilities of the Stock Exchanges. The Designated Intermediaries can also set up facilities for off-line electronic registration of Bids, subject to the condition that they may subsequently upload the off-line data file into the on-line facilities for Book Building on a regular basis before the closure of the Offer.

b) On the Bid/Offer Closing Date, the Designated Intermediaries may upload the Bids till such time as may be permitted by the Stock Exchanges and as disclosed in the Red Herring Prospectus.

c) Only Bids that are uploaded on the Stock Exchanges Platform are considered for allocation/Allotment. The Designated Intermediaries are given till 1:00 pm on the next Working Day following the Bid/Offer Closing Date to modify select fields uploaded in the Stock Exchange Platform during the Bid/Offer Period after which the Stock Exchange(s) send the bid information to the Registrar to the Offer for further processing.

Participation by the BRLMs, the Syndicate Members, associates, and affiliates of the BRLMs and the Syndicate Members

The BRLMs and the Syndicate Members shall not be allowed to subscribe to or purchase the Equity Shares in the Offer in any manner, except towards fulfilling their underwriting obligations. However, the associates and affiliates of the BRLMs and the Syndicate Members may Bid for Equity Shares in the Offer, either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such Bidders, where the allocation is on a proportionate basis and such subscription or purchase may be on their own account or on behalf of their clients. All categories of investors, including associates or affiliates of the BRLMs and Syndicate Members, shall be treated equally for the purpose of allocation to be made on a proportionate basis.

Neither the BRLMs or any associates of the BRLMs (except Mutual Funds sponsored by entities which are associates of the BRLMs or insurance companies promoted by entities which are associate of BRLMs or AIFs sponsored by the entities which are associate of the BRLMs or FPIs other than individuals, corporate bodies and family offices sponsored by the entities which are associates of the BRLMs) shall apply in the Offer under the Anchor Investor Portion.

Further, an Anchor Investor shall be deemed to be an associate of the BRLMs, if: (a) either of them controls, directly or indirectly through its subsidiary or holding company, not less than 15% of the voting rights in the other; or (b) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or (c) there is a common director, excluding a nominee director, amongst the Anchor Investor and the BRLMs.

Bids by Mutual Funds

With respect to Bids by Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof.

Bids made by asset management companies or custodians of Mutual Funds shall specifically state names of the concerned schemes for which such Bids are made.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No Mutual Fund scheme shall invest more than 10% of its NAV in equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in case of index funds or sector or industry specific schemes. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Bids by HUFs

Bids by Hindu Undivided Families or HUFs, should be made in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form/Application Form as follows: "Name of sole or first Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids/Applications by HUFs will be considered at par with Bids/Applications from individuals.

Bids by Eligible NRIs

Eligible NRIs may obtain copies of Bid cum Application Form from the Designated Intermediaries. Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRI Bidders bidding on a repatriation basis by using the Non-Resident Forms should authorize their SCSB (if they are Bidding directly through the SCSB) or confirm or accept the UPI Mandate Request (in case of Bidding through the UPI Mechanism) to block their Non-Resident External ("**NRE**") accounts, or Foreign Currency Non-Resident ("**FCNR**") Accounts, and eligible NRI Bidders bidding on a non-repatriation basis by using Resident Forms should authorize their SCSB (if they are Bidding directly through SCSB) or confirm or accept the UPI Mandate Request (in case of Bidding through the UPI Mechanism) to block their Non-Resident Ordinary ("**NRO**") accounts for the full Bid Amount, at the time of the submission of the Bid cum Application Form. Participation of Eligible NRIs in the Offer shall be subject to the FEMA Rules.

Eligible NRIs Bidding on non-repatriation basis are advised to use the Bid cum Application Form for residents ([●] in color). Eligible NRIs Bidding on a repatriation basis are advised to use the Bid cum Application Form meant for Non-Residents ([●] in color).

NRIs will be permitted to apply in the Offer through Channel I or Channel II (as specified in the UPI Circular). Further, subject to applicable law, NRIs may use Channel IV (as specified in the UPI Circular) to apply in the Offer, provided the UPI facility is enabled for their NRE/ NRO accounts.

NRIs applying in the Offer using UPI Mechanism are advised to enquire with the relevant bank whether their bank account is UPI linked prior to making such application. For details of investment by NRIs, see "*Restrictions* *on Foreign Ownership of Indian Securities*" on page 440. Participation of eligible NRIs shall be subject to FEMA Non-debt Instruments Rules.

Bids by FPIs

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same multiple entities having common ownership directly or indirectly of more than 50% or common control) must be below 10% of our post-Offer Equity Share capital. Further, in terms of the FEMA Non-debt Instruments Rules, with effect from April 1, 2020, the aggregate FPI investment limit is the sectoral cap applicable to an Indian company as prescribed in the FEMA Non-debt Instruments Rules with respect to its paid-up equity capital on a fully diluted basis. Currently, the sectoral cap for NBFCs is 100% under the automatic route and accordingly, the applicable limit with respect to our Company is 100%.

FPIs are permitted to participate in the Offer subject to compliance with conditions and restrictions which may be specified by the Government from time to time. In case of Bids made by FPIs, a certified copy of the certificate of registration issued under the SEBI FPI Regulations is required to be attached to the Bid cum Application Form, failing which our Company reserves the right to reject any Bid without assigning any reason. FPIs who wish to participate in the Offer are advised to use the Bid cum Application Form for Non-Residents ([●] in colour).

In terms of the FEMA, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

The FEMA NDI Rules were enacted on October 17, 2019 in supersession of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017, except as respects things done or omitted to be done before such supersession. FPIs are permitted to participate in the Offer subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 21 of the SEBI FPI Regulations, an FPI, may issue, subscribe to or otherwise deal in offshore derivative instruments(as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only by persons registered as Category I FPIs; (ii) such offshore derivative instruments are issued only to persons eligible for registration as Category I FPIs; (iii) such offshore derivative instruments are issued after compliance with 'know your client' norms; and (iv) such other conditions as may be specified by SEBI from time to time.

An FPI issuing offshore derivate instruments is also required to ensure that any transfer of offshore derivative instruments issued by, or on behalf of it subject to, *inter alia*, the following conditions:

(i) such offshore derivative instruments are transferred to persons subject to fulfilment of SEBI FPI Regulations; and

(ii) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred are pre-approved by the FPI.

Bids by FPIs which utilise the multi investment manager structure in accordance with the Operational Guidelines for Foreign Portfolio Investors and Designated Depository Participants issued to facilitate implementation of the SEBI FPI Regulations (the "**Operational FPI Guidelines**"), submitted with the same PAN but with different beneficiary account numbers, Client IDs and DP IDs shall not be treated as multiple Bids ("**MIM Bids**"). As specified in 4.1.4.2 (b)(i) and 4.1.4.2 (c)(iv) of the General Information Document, it hereby clarified that FPIs bearing the same PAN may be treated as multiple Bids by a Bidder and may be rejected, except for Bids from FPIs that utilise the multi investment manager structure in accordance with the Operational FPI Guidelines (such structure referred to as "**MIM Structure**"). In order to ensure valid Bids, FPIs making MIM Bids using the same PAN and with different beneficiary account numbers, Client IDs and DP IDs, are required to submit a confirmation that their Bids are under the MIM Structure and indicate the name of their investment managers in such confirmation which shall be submitted along with each of their Bid cum Application Forms. In the absence of such confirmation from the relevant FPIs, such MIM Bids shall be rejected.

Further, in the following cases, the bids by FPIs will not be considered as multiple Bids: involving (i) the MIM Structure and indicating the name of their respective investment managers in such confirmation; (ii) offshore derivative instruments ("**ODI**") which have obtained separate FPI registration for ODI and proprietary derivative investments; (iii) sub funds or separate class of investors with segregated portfolio who obtain separate FPI registration; (iv) FPI registrations granted at investment strategy level/sub fund level where a collective investment scheme or fund has multiple investment strategies/sub-funds with identifiable differences and managed by a single investment manager; (v) multiple branches in different jurisdictions of foreign bank registered as FPIs; (vi) Government and Government related investors registered as Category 1 FPIs; and (vii) Entities registered as Collective Investment Scheme having multiple share classes.

Please note that in terms of the General Information Document, the maximum Bid by any Bidder including QIB Bidder should not exceed the investment limits prescribed for them under applicable laws. Further, MIM Bids by an FPI Bidder utilising the MIM Structure shall be aggregated for determining the permissible maximum Bid. Further, please note that as disclosed in the Draft Red Herring Prospectus read with the General Information Document, Bid Cum Application Forms are liable to be rejected in the event that the Bid in the Bid cum Application Form "*exceeds the Offer size and/or investment limit or maximum number of the Equity Shares that can be held under applicable laws or regulations or maximum amount permissible under applicable laws or regulations, or under the terms of the Red Herring Prospectus*."

For example, an FPI must ensure that any Bid by a single FPI and/ or an investor group (which means the same multiple entities having common ownership directly or indirectly of more than 50% or common control) (collective, the "**FPI Group**") shall be below 10% of the total paid-up Equity Share capital of our Company on a fully diluted basis. Any Bids by FPIs and/ or the FPI Group (including but not limited to (a) FPIs Bidding through the MIM Structure; or (b) FPIs with separate registrations for offshore derivative instruments and proprietary derivative instruments) for 10% or more of our total paid-up post Offer Equity Share capital shall be liable to be rejected.

Bids by SEBI-registered AIFs, VCFs and FVCIs

The SEBI FVCI Regulations, SEBI VCF Regulations and the SEBI AIF Regulations prescribe, *inter alia*, the investment restrictions on the FVCIs, VCFs and AIFs registered with SEBI respectively. FVCIs can invest only up to 33.33% of the investible funds by way of subscription to an initial public offering. Category I AIF and Category II AIF cannot invest more than 25% of the investible funds in one investee company directly or through investment in the units of other AIFs. A Category III AIF cannot invest more than 10% of the investible funds in one investee company directly or through investment in the units of other AIFs. AIFs which are authorized under the fund documents to invest in units of AIFs are prohibited from offering their units for subscription to other AIFs. A VCF registered as a Category I AIF, as defined in the SEBI AIF Regulations, cannot invest more than 1/3rd of its investible funds by way of subscription to an initial public offering of a venture capital undertaking. Additionally, a VCF that has not re-registered as an AIF under the SEBI AIF Regulations shall continue to be regulated by the SEBI VCF Regulations (and accordingly shall not be allowed to participate in the Offer) until the existing fund or scheme managed by the fund is wound up and such funds shall not launch any new scheme after the notification of the SEBI AIF Regulations.

There is no reservation for Eligible NRIs, FPIs and FVCIs and all Bidders will be treated on the same basis with other categories for the purpose of allocation.

Further, the shareholding of VCFs, category I AIFs or category II AIFs and FVCIs holding Equity Shares prior to
Offer, shall be locked-in for a period of at least one year from the date of purchase of such Equity Shares.

All non-resident investors should note that refunds (in case of Anchor Investors), dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and commission.

The Company, the Selling Shareholders or the BRLMs will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids by Limited Liability Partnerships

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached to the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserve the right to reject any Bid without assigning any reason thereof.

Bids by Banking Companies

In case of Bids made by banking companies registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, and (ii) the approval of such banking company's investment committee are required to be attached to the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof. The investment limit for banking companies in non-financial services companies as per the Banking Regulation Act, the Reserve Bank of India (Financial Services provided by Banks) Directions, 2016, as amended and Master Circular on Basel III Capital Regulations dated July 1, 2014, as amended, is 10% of the paid up share capital of the investee company, not being its subsidiary engaged in non-financial services, or 10% of the bank's own paid-up share capital and reserves, whichever is lower.

However, a banking company would be permitted to invest in excess of 10% but not exceeding 30% of the paid up share capital of such investee company, subject to prior approval of the RBI if (i) the investee company is engaged in non-financial activities permitted for banking companies in terms of Section 6(1) of the Banking Regulation Act; or (ii) the additional acquisition is through restructuring of debt, or to protect the banking company's interest on loans/investments made to a company. The bank is required to submit a time bound action plan to the RBI for the disposal of such shares within a specified period. The aggregate investment by a banking company along with its subsidiaries, associates or joint ventures or entities directly or indirectly controlled by the bank; and mutual funds managed by asset management companies controlled by the bank, more than 20% of the investee company's paid up share capital engaged in non-financial services. However, this cap doesn't apply to the cases mentioned in (i) and (ii) above. The aggregate equity investments made by a banking company in all subsidiaries and other entities engaged in financial services and non-financial services, including overseas investments shall not exceed 20% of the bank's paid-up share capital and reserves.

Bids by SCSBs

SCSBs participating in the Offer are required to comply with the terms of the circulars issued by the SEBI dated September 13, 2012 and January 2, 2013. Such SCSBs are required to ensure that for making applications on their own account using ASBA, they should have a separate account in their own name with any other SEBI registered SCSBs. Further, such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for such applications.

Bids by Systemically Important NBFCs

In case of Bids made by Systemically Important NBFCs registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, (ii) the last audited financial statements on a standalone basis, (iii) a net worth certificate from its statutory auditors, and (iv) such other approval as may be required by the Systemically Important NBFCs are required to be attached to the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof.

Systemically Important NBFCs participating in the Offer shall comply with all applicable regulations, directions, guidelines and circulars issued by the RBI from time to time.

The investment limit for Systemically Important NBFCs shall be as prescribed by RBI from time to time.

Bids by Insurance Companies

In case of Bids made by insurance companies registered with the IRDAI, a certified copy of certificate of registration issued by IRDAI must be attached to the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof.

The exposure norms for insurers are prescribed under the IRDAI Investment Regulations, based on investments in equity shares of the investee company, the entire group of the investee company and the industry sector in which the investee company operates. Insurance companies participating in the Offer are advised to refer to the IRDAI Investment Regulations for specific investment limits applicable to them and comply with all applicable regulations, guidelines and circulars issued by the IRDAI from time to time.

Bids by Provident Funds/Pension Funds

In case of Bids made by provident funds/pension funds, subject to applicable laws, with minimum corpus of ₹250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be attached to the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof.

Bids by Eligible Employees

The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter so as to ensure that the Bid Amount payable by the Eligible Employee does not exceed ₹500,000. The Allotment in the Employee Reservation Portion will be on a proportionate basis. Eligible Employees under the Employee Reservation Portion may Bid at Cut-off Price provided that their Bid does not exceed ₹200,000. For the method of proportionate basis of Allotment see "*Offer Procedure*" on page 420.

Bids under Employee Reservation Portion by Eligible Employees shall be:

(a) made only in the prescribed Bid cum Application Form or Revision Form (*i.e.* [●] colour form);

(b) the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter so as to ensure that the Bid Amount payable by the Eligible Employee does not exceed ₹500,000. The maximum Bid in this category by an Eligible Employee cannot exceed ₹500,000. However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000. In the event of under-subscription in the Employee Reservation Portion upon the initial allotment, such unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion for a value in excess of ₹200,000, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000;

(c) Eligible Employees should mention their employee number at the relevant place in the Bid cum Application Form.

(d) the Bidder should be an Eligible Employee. In case of joint bids, the first Bidder shall be an Eligible Employee;

(e) only Eligible Employees would be eligible to apply in the Offer under the Employee Reservation Portion;

(f) only those Bids, which are received at or above the Offer Price, would be considered for Allotment under this category;

(g) Eligible Employees can apply at Cut-off Price;

(h) Bid by Eligible Employees can be made also in the "Net Offer to the Public" and such Bids shall not be treated as multiple Bids;

(i) if the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Offer Price, full allocation shall be made to the Eligible Employees to the extent of their demand; and

(j) under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Offer. In case of under-subscription in the Net Offer, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion. If the aggregate demand in this category is greater than [●] Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, Eligible FPIs, Mutual Funds, Systemically Important NBFCs, insurance companies, insurance funds set up by the army, navy or air force of the Union of India, insurance funds set up by the Department of Posts, India, or the National Investment Fund and provident funds with a minimum corpus of ₹250 million (subject to applicable law) and pension funds with a minimum corpus of ₹250 million, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our, in consultation with the BRLMs, reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefor.

Our Company, in consultation with the BRLMs, in their absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form subject to the terms and conditions that our Company, in consultation with the BRLMs may deem fit.

In accordance with existing regulations issued by the RBI, OCBs cannot participate in this Offer.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) 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. The Company has not registered and does not intend to register under the U.S. Investment Company Act in reliance upon section 3(c)(7) thereof. Accordingly, the Equity Shares are being offered and sold (i) in the United States only to U.S. persons that are U.S. QIBs that are also QPs acting for its own account or for the account of another U.S. QIB that is a QP (and meets the other requirements set forth herein), in reliance on the exemption from registration under the Securities Act provided by Rule 144A or other available exemption and in reliance upon section 3(c)(7) of the U.S. Investment Company Act, and (ii) outside the United States, to non-U.S. persons in reliance on Regulation S.

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholders and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any single Bid from them does not exceed the applicable investment limits or maximum number of the Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus or as will be specified in the Red Herring Prospectus and the Prospectus.

Bids by Anchor Investors

In accordance with the SEBI ICDR Regulations, the key terms for participation by Anchor Investors are provided below.

1) Anchor Investor Application Forms will be made available for the Anchor Investor Portion at the offices of the BRLMs.

2) The Bid must be for a minimum of such number of Equity Shares so that the Bid Amount exceeds ₹100 million. A Bid cannot be submitted for over 60% of the QIB Portion. In case of a Mutual Fund, separate Bids by individual schemes of a Mutual Fund will be aggregated to determine the minimum application size of ₹100 million.

3) One-third of the Anchor Investor Portion will be reserved for allocation to domestic Mutual Funds.

4) Bidding for Anchor Investors will open one Working Day before the Bid/ Offer Opening Date.

5) Our Company, in consultation with the BRLMs will finalize allocation to the Anchor Investors on a discretionary basis, provided that the minimum number of Allottees in the Anchor Investor Portion will not be less than: (a) maximum of two Anchor Investors, where allocation under the Anchor Investor Portion is up to ₹100 million; (b) minimum of two and maximum of 15 Anchor Investors, where the allocation under the Anchor Investor Portion is more than ₹100 million but up to ₹2,500 million, subject to a minimum Allotment of ₹50 million per Anchor Investor; and (c) in case of allocation above ₹2,500 million under the Anchor Investor Portion, a minimum of five such investors and a maximum of 15 Anchor Investors for allocation up to ₹2,500 million, and an additional 10 Anchor Investors for every additional ₹2,500 million, subject to minimum allotment of ₹50 million per Anchor Investor.

6) Allocation to Anchor Investors will be completed on the Anchor Investor Bidding Date. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation will be made available in the public domain by the BRLMs before the Bid/ Offer Opening Date, through intimation to the Stock Exchanges.

7) Anchor Investors cannot withdraw or lower the size of their Bids at any stage after submission of the Bid.

8) If the Offer Price is greater than the Anchor Investor Allocation Price, the additional amount being the difference between the Offer Price and the Anchor Investor Allocation Price will be payable by the Anchor Investors on the Anchor Investor Pay-in Date specified in the CAN. If the Offer Price is lower than the Anchor Investor Allocation Price, Allotment to successful Anchor Investors will be at the higher price, i.e., the Anchor Investor Offer Price.

9) Equity Shares Allotted in the Anchor Investor Portion will be locked in for a period of 30 days from the date of Allotment.

10) Neither the BRLMs (s) or any associate of the BRLMs (other than mutual funds sponsored by entities which are associate of the BRLMs or insurance companies promoted by entities which are associate of the BRLMs or Alternate Investment Funds (AIFs) sponsored by the entities which are associates of the BRLMs or FPIs, other than individuals, corporate bodies and family offices, sponsored by the entities which are associate of the BRLMs) shall apply under the Anchor Investors category.

Bids made by QIBs under both the Anchor Investor Portion and the QIB Portion will not be considered multiple Bids.

For more information, please read the General Information Document.

Information for Bidders

The relevant Designated Intermediary will enter a maximum of three Bids at different price levels opted in the Bid cum Application Form and such options are not considered as multiple Bids. It is the Bidder’s responsibility to obtain the acknowledgment slip from the relevant Designated Intermediary. The registration of the Bid by the Designated Intermediary does not guarantee that the Equity Shares shall be allocated/Allotted. Such Acknowledgement Slip will be non-negotiable and by itself will not create any obligation of any kind. When a Bidder revises his or her Bid, he /she shall surrender the earlier Acknowledgement Slip and may request for a revised acknowledgment slip from the relevant Designated Intermediary as proof of his or her having revised the previous Bid. In relation to electronic registration of Bids, the permission given by the Stock Exchanges to use their network and software of the electronic bidding system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, the Selling Shareholders and/or the BRLMs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements, nor does it take any responsibility for the financial or other soundness of our Company, the management or any scheme or project of our Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus or the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

General Instructions

Do’s:

A. Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable law, rules, regulations, guidelines and approvals. All Bidders (other than Anchor Investors) should submit their Bids through the ASBA process only;

B. Ensure that you have Bid within the Price Band;

C. Read all the instructions carefully and complete the Bid cum Application Form in the prescribed form;

D. Ensure that you (other than the Anchor Investors) have mentioned the correct details of your ASBA Account (i.e. bank account number or UPI ID, as applicable) in the Bid cum Application Form if you are not a RIB using the UPI Mechanism in the Bid cum Application Form and if you are a RIB using the UPI Mechanism ensure that you have mentioned the correct UPI ID (with maximum length of 45 characters including the handle), in the Bid cum Application Form;

E. Ensure that your Bid cum Application Form bearing the stamp of a Designated Intermediary is submitted to the Designated Intermediary at the Bidding Center (except in case of electronic Bids) within the prescribed time. Bidders (other than Anchor Investors) shall submit the Bid cum Application Form in the manner set out in the General Information Document;

F. RIBs Bidding shall ensure that they use only their own ASBA Account or only their own bank account linked UPI ID (only for RIBs using the UPI Mechanism) to make an application in the Issue and not ASBA Account or bank account linked UPI ID of any third party;

G. Ensure that you have funds equal to the Bid Amount in the ASBA Account maintained with the SCSB before submitting the ASBA Form to any of the Designated Intermediaries;

H. RIBs using UPI Mechanism, may submit their ASBA Forms with the Syndicate Member, Registered Brokers, RTAs or CDPs and should ensure that the ASBA Form contains the stamp of such Designated Intermediary;

I. Ensure that the signature of the first Bidder in case of joint Bids, is included in the Bid cum Application Forms. If the first Bidder is not the ASBA Account holder, ensure that the Bid cum Application Form is signed by the ASBA Account holder. Ensure that you have mentioned the correct bank account number in the Bid cum Application Form;

J. Ensure that the name(s) given in the Bid cum Application Form is/are exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case of joint Bids, the Bid cum Application Form should contain the name of only the First Bidder whose name should also appear as the first holder of the beneficiary account held in joint names;

K. Ensure that you request for and receive a stamped Acknowledgment Slip in the form of a counterfoil or acknowledgment specifying the application number as a proof of having accepted the of the Bid cum Application Form for all your Bid options from the concerned Designated Intermediary;

L. Ensure that you submit the revised Bids to the same Designated Intermediary, through whom the original Bid was placed, and obtain a revised Acknowledgment Slip;

M. Retail Individual Bidders not using the UPI Mechanism, should submit their Bid cum Application Form directly with SCSBs and/or the designated branches of SCSBs;

N. Except for Bids (i) on behalf of the Central or State Governments and the officials appointed by the courts, who, in terms of the circular (No. MRD/DoP/Cir-20/2008) dated June 30, 2008 issued by the SEBI, may be exempt from specifying their PAN for transacting in the securities market, (ii) submitted by investors who are exempt from the requirement of obtaining/specifying their PAN for transacting in the securities market, and (iii) Bids by persons resident in the state of Sikkim, who, in terms of the SEBI circular dated July 20, 2006, may be exempted from specifying their PAN for transacting in the securities market, all Bidders should mention their PAN allotted under the Income Tax Act. The exemption for the Central or the State Government and officials appointed by the courts and for investors residing in the State of Sikkim is subject to (a) the Demographic Details received from the respective depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in "active status"; and (b) in the case of residents of Sikkim, the address as per the Demographic Details evidencing the same. All other applications in which PAN is not mentioned will be rejected;

O. Ensure that thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India are attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal;

P. Ensure that the category and the investor status is indicated in the Bid cum Application Form to ensure proper upload of your Bid in the electronic Bidding system of the Stock Exchanges;

Q. Ensure that in case of Bids under power of attorney or by limited companies, corporates, trusts, etc., the relevant documents, including a copy of the power of attorney, if applicable, are submitted;

R. Ensure that Bids submitted by any person outside India is in compliance with applicable foreign and Indian laws;

S. Since the Allotment will be in demat form only, ensure that the depository account is active, the correct DP ID, Client ID, the PAN, and UPI ID (for RIBs bidding through UPI mechanism) and PAN are mentioned in their Bid cum Application Form and that the name of the Bidder, the DP ID, Client ID, UPI ID (for ASBA Bidders bidding through UPI mechanism) and the PAN entered into the online IPO system of the Stock Exchanges by the relevant Designated Intermediary, as applicable, matches with the name, DP ID, Client ID, UPI ID (for ASBA Bidders bidding through UPI mechanism) and PAN available in the Depository database;

T. In case of QIBs and NIBs, ensure that while Bidding through a Designated Intermediary, the ASBA Form is submitted to a Designated Intermediary in a Bidding Centre and that the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has named at least one branch at that location for the Designated Intermediary to deposit ASBA Forms (a list of such branches is available on the website of SEBI at http://www.sebi.gov.in);

U. The ASBA Bidders shall use only their own bank account or only their own bank account linked UPI ID for the purposes of making Application in the Issue, which is UPI 2.0 certified by NPCI;

V. Bidders (except RIBs Bidding through the UPI Mechanism) should instruct their respective banks to release the funds blocked in the ASBA account under the ASBA process. In case of RIBs, once the Sponsor Bank issues the Mandate Request, the RIBs would be required to proceed to authorize the blocking of funds by confirming or accepting the UPI Mandate Request to authorize the blocking of funds equivalent to application amount and subsequent debit of funds in case of Allotment, in a timely manner;

W. RIBs bidding using the UPI Mechanism should mention valid UPI ID of only the Bidder (in case of single account) and of the first Bidder (in case of joint account) in the Bid cum Application Form;

X. Ensure that when applying in the Offer using the UPI Mechanism, the name of your SCSB appears in the list of SCSBs displayed on the SEBI website which are live on UPI. Further, also ensure that the name of the app and the UPI handle being used for making the application is also appearing in Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019;

Y. RIBs who wish to revise their Bids using the UPI Mechanism, should submit the revised Bid with the Designated Intermediaries, pursuant to which RIBs should ensure acceptance of the UPI Mandate Request received from the Sponsor Bank to authorize blocking of funds equivalent to the revised Bid Amount in the RIB's ASBA Account;

Z. Anchor Investors should submit the Anchor Investor Application Forms to the BRLMs;

AA. FPIs making MIM Bids using MIM Structure and indicate the name of their investment managers in such confirmation which shall be submitted along with each of their Bid cum Application Forms. In the absence of such confirmation from the relevant FPIs, such MIM Bids shall be rejected;

BB. Bids received from FPIs bearing the same PAN shall not be treated as multiple Bids in the event such FPIs utilise the MIM Structure and such Bids have been made with different beneficiary account numbers, Client IDs and DP IDs;

CC. Bidders through UPI Mechanism shall ensure that details of the Bid are reviewed and verified by opening the attachment in the UPI Mandate Request and then proceed to authorize the UPI Mandate Request using his/her/its UPI PIN. Upon the authorization of the mandate using his/her UPI PIN, a RIB may be deemed to have verified the attachment containing the application details of the RIB in the UPI Mandate

Request and have agreed to block the entire Bid Amount and authorized the Sponsor Bank to block the Bid Amount mentioned in the Bid Cum Application Form;

DD. Ensure that you have accepted the UPI Mandate Request received from the Sponsor Bank prior to 12:00 p.m. of the Working Day immediately after the Bid/ Offer Closing Date;

EE. Bids by Eligible NRIs, HUFs and any individuals, corporate bodies and family offices who are FPIs and registered with SEBI for a Bid Amount of less than ₹200,000 would be considered under the Retail Category for the purposes of allocation and Bids for a Bid Amount exceeding ₹200,000 would be considered under the Non-Institutional Category for allocation in the Offer;

FF. Ensure that you have correctly signed the authorization/undertaking box in the Bid cum Application Form, or have otherwise provided an authorization to the SCSB or the Sponsor Bank, as applicable, via the electronic mode, for blocking funds in the ASBA Account equivalent to the Bid Amount mentioned in the Bid cum Application Form, as the case may be, at the time of submission of the Bid. In case of RIBs submitting their Bids and participating in the Offer through the UPI Mechanism, ensure that you authorize the UPI Mandate Request raised by the Sponsor Bank for blocking of funds equivalent to Bid Amount and subsequent debit of funds in case of Allotment; and

GG. Ensure that the Demographic Details are updated, true and correct in all respects

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with. Application made using incorrect UPI handle or using a bank account of an SCSB or SCSBs which is not mentioned in the Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 is liable to be rejected.

Don'ts:

A. Do not Bid for lower than the minimum Bid size;

B. Do not submit a Bid using UPI ID, if you are not an RIB;

C. Do not Bid/revise the Bid Amount to less than the Floor Price or higher than the Cap Price;

D. Do not Bid for a Bid Amount exceeding ₹200,000 (for Bids by Retail Individual Bidders);

E. Do not Bid for a Bid Amount exceeding ₹500,000 (for Bids by Eligible Employees Bidding in the Employee Reservation Portion);

F. Do not Bid at Cut-off Price (for Bids by QIBs, Eligible Employees Bidding under the Employee Reservation Portion (subject to the Bid Amount being above ₹200,000) and Non-Institutional Bidders);

G. Do not pay the Bid Amount in cheques, demand drafts, cash, money order, postal order or by stock invest;

H. Do not send Bid cum Application Forms by post; instead submit the same to the Designated Intermediary only;

I. Do not submit the Bid cum Application Forms to any non-SCSB bank or our Company;

J. Do not instruct your respective banks to release the funds blocked in the ASBA Account under the ASBA process;

K. Do not submit the Bid for an amount more than funds available in your ASBA account;

L. Do not withdraw your Bid or lower the size of your Bid (in terms of quantity of the Equity Shares or the Bid Amount) at any stage, if you are a QIB or a Non-Institutional Bidder. Retail Individual Bidders can revise or withdraw their Bids on or before the Bid/Offer Closing Date;

M. Do not submit your Bid after 3.00 p.m. on the Bid/Offer Closing Date;

N. Do not Bid on another Bid cum Application Form and the Anchor Investor Application Form, as the case may be, after you have submitted a Bid to any of the Designated Intermediary;

O. If you are a QIB, do not submit your Bid after 3 p.m. on the QIB Bid / Offer Closing Date;

P. Do not Bid for Equity Shares in excess of what is specified for each category;

Q. In case of ASBA Bidders and RIBs using UPI mechanism, do not submit more than one Bid cum Application Form per ASBA Account or UPI ID, respectively.;

R. Do not make the Bid cum Application Form using third party bank account or using third party linked bank account UPI ID;

S. Do not submit Bids on plain paper or on incomplete or illegible Bid cum Application Forms or on Bid cum Application Forms in a color prescribed for another category of Bidder;

T. Do not submit a Bid in case you are not eligible to acquire Equity Shares under applicable law or your relevant constitutional documents or otherwise;

U. Do not Bid if you are not competent to contract under the Indian Contract Act, 1872 (other than minors having valid depository accounts as per Demographic Details provided by the depository);

V. Do not fill up the Bid cum Application Form such that the number of Equity Shares Bid for exceeds the Offer size and/or investment limit or maximum number of the Equity Shares that can be held under the applicable laws or regulations, or under the terms of the Red Herring Prospectus;

W. Do not submit the General Index Register (GIR) number instead of the PAN;

X. Do not submit incorrect details of the DP ID, Client ID, the PAN and UPI ID, if applicable, or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Offer;

Y. Do not submit the ASBA Forms to any Designated Intermediary that is not authorized to collect the relevant ASBA Forms or to our Company;

Z. Do not submit Bids to a Designated Intermediary at a location other than at the relevant Bidding Centres. If you are RIB and are using UPI mechanism, do not submit the ASBA Form directly with SCSBs;

AA. Do not submit the Bid without ensuring that funds equivalent to the entire Bid Amount are available for blocking in the relevant ASBA account;

BB. Anchor Investors should not bid through the ASBA process;

CC. Anchor Investors should submit Anchor Investor Application Form only to the BRLMs;

DD. Do not Bid on a Bid cum Application Form that does not have the stamp of a Designated Intermediary;

EE. Do not Bid on another Bid cum Application Form and the Anchor Investor Application Form, as the case may be, after you have submitted a Bid to any of the Designated Intermediaries;

FF. Do not link the UPI ID with a bank account maintained with a bank that is not UPI 2.0 certified by the NPCI in case of Bids submitted by RIBs using the UPI Mechanism;

GG. RIBs Bidding through the UPI Mechanism using the incorrect UPI handle or using a bank account of an SCSB or a bank which is not mentioned in the list provided in the SEBI website is liable to be rejected;

HH. Do not submit more than one Bid cum Application Form for each UPI ID in case of RIBs Bidding using the UPI Mechanism;

II. Do not Bid if you are an OCB.

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with.

Further, in case of any pre-Offer or post-Offer related issues regarding share certificates/demat credit/refund orders/unblocking etc., investors shall reach out to the Company Secretary and Compliance Officer. For details of the Company Secretary and Compliance Officer, see "*General Informatio*n" on page 73.

Further, helpline details of the BRLMs pursuant to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 are set out in the table below:

S. No.	Name of the BRLM	Helpline (email)	Telephone
1.	Axis Capital Limited	complaints@axiscap.in	+91 22 4325 2183
2.	Credit Suisse Securities (India) Private Limited	list.igcellmer-bnkg@credit-suisse.com	+91 22 6777 3885
3.	IIFL Securities Limited	ig.ib@iiflcap.com	+91 22 4646 4600
4.	SBI Capital Markets Limited	investor.relations@sbicaps.com	+91 22 2217 8300

Grounds for Technical Rejection

In addition to the grounds for rejection of Bids on technical grounds as provided in the General Information Document, Bidders are requested to note that Bids maybe rejected on the following additional technical grounds:

1. Bids submitted without instruction to the SCSBs to block the entire Bid Amount;

2. Bids which do not contain details of the Bid Amount and the bank account details in the ASBA Form;

3. Bids submitted on a plain paper;

4. Bids submitted by RIBs using the UPI Mechanism through an SCSBs and/or using a mobile application or UPI handle, not listed on the website of SEBI;

5. Bids under the UPI Mechanism submitted by RIBs using third party bank accounts or using a third party linked bank account UPI ID (subject to availability of information regarding third party account from Sponsor Bank);

6. ASBA Form submitted to a Designated Intermediary does not bear the stamp of the Designated Intermediary;

7. Bids submitted without the signature of the First Bidder or sole Bidder;

8. The ASBA Form not being signed by the account holders, if the account holder is different from the Bidder;

9. Bids by persons for whom PAN details have not been verified and whose beneficiary accounts are "suspended for credit" in terms of SEBI circular CIR/MRD/DP/ 22 /2010 dated July 29, 2010;

10. GIR number furnished instead of PAN;

11. Bids by RIBs with Bid Amount of a value of more than ₹200,000;

12. Bids by persons who are not eligible to acquire Equity Shares in terms of all applicable laws, rules, regulations, guidelines and approvals;

13. Bids accompanied by stock invest, money order, postal order or cash; and

14. Bids uploaded by QIBs after 4.00 pm on the QIB Bid/ Offer Closing Date and by Non-Institutional Bidders uploaded after 4.00 p.m. on the Bid/ Offer Closing Date, and Bids by RIBs uploaded after 5.00 p.m. on the Bid/ Offer Closing Date, unless extended by the Stock Exchanges.

Further, in case of any pre-issue or post issue related issues regarding share certificates/demat credit/refund orders/unblocking etc., investors shall reach out the Company Secretary and Compliance Officer. For details of the Company Secretary and Compliance Officer, see "*General Information*" beginning on page 73.

In case of any delay in unblocking of amounts in the ASBA Accounts (including amounts blocked through the UPI Mechanism) exceeding four Working Days from the Bid/ Offer Closing Date, the Bidder shall be compensated at a uniform rate of ₹ 100 per day for the entire duration of delay exceeding four Working Days from the Bid/ Offer Closing Date by the intermediary responsible for causing such delay in unblocking. The BRLMs shall, in their sole discretion, identify and fix the liability on such intermediary or entity responsible for such delay in unblocking.

Further, Investors shall be entitled to compensation in the manner specified in the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 read with SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 in case of delays in resolving investor grievances in relation to blocking/unblocking of funds.

Names of entities responsible for finalising the basis of allotment in a fair and proper manner

The authorized employees of the Designated Stock Exchange, along with the BRLMs and the Registrar, shall ensure that the Basis of Allotment is finalised in a fair and proper manner in accordance with the procedure specified in SEBI ICDR Regulations.

Method of allotment as may be prescribed by SEBI from time to time

Our Company will not make any allotment in excess of the Equity Shares through the Red Herring Prospectus and the Prospectus except in case of oversubscription for the purpose of rounding off to make allotment, in consultation with the Designated Stock Exchange. Further, upon oversubscription, an allotment of not more than one per cent of the Net Offer may be made for the purpose of making allotment in minimum lots.

The allotment of Equity Shares to Bidders other than to the Retail Individual Bidders and Anchor Investors shall be on a proportionate basis within the respective investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed.

The allotment of Equity Shares to each Retail Individual Bidder shall not be less than the minimum bid lot, subject to the availability of shares in Retail Individual Bidders Portion, and the remaining available shares, if any, shall be allotted on a proportionate basis.

Payment into Escrow Account(s) for Anchor Investors

Our Company, in consultation with the BRLMs, in its absolute discretion, will decide the list of Anchor Investors to whom the CAN will be sent, pursuant to which the details of the Equity Shares allocated to them in their respective names will be notified to such Anchor Investors. For Anchor Investors, the payment instruments for payment into the Escrow Account(s) should be drawn in favor of:

(a) In case of resident Anchor Investors: "[●]"; and

(b) In case of Non-Resident Anchor Investors: "[●]".

Anchor Investors should note that the escrow mechanism is not prescribed by the SEBI and has been established as an arrangement between our Company, the Selling Shareholders and the Syndicate, the Escrow Collection Bank and the Registrar to the Offer to facilitate collections of Bid amounts from Anchor Investors.

Pre-Offer Advertisement

Subject to Section 30 of the Companies Act, 2013, our Company shall, after filing the Red Herring Prospectus with the RoC, publish a pre-Offer advertisement, in the form prescribed by the SEBI ICDR Regulations, in: (all editions [●], an English national daily newspaper, all editions of [●], a Hindi national daily newspaper, and [●] edition of [●], a Tamil newspaper (Tamil being the regional language of Tamil Nadu, where our Registered and Corporate Office is located), each with wide circulation.

In the pre-Offer advertisement, we shall state the Bid/Offer Opening Date and the Bid/Offer Closing Date. The advertisement, subject to the provisions of Section 30 of the Companies Act, 2013, shall be in the format prescribed in Part A of Schedule X of the SEBI ICDR Regulations.

Signing of the Underwriting Agreement and the RoC Filing

(a) Our Company, the Selling Shareholders and the Underwriters intend to enter into an Underwriting Agreement on or immediately after the finalization of the Offer Price but prior to the filing of Prospectus.

(b) After signing the Underwriting Agreement, an updated Red Herring Prospectus will be filed with the RoC in accordance with applicable law, which then would be termed as the 'Prospectus'. The Prospectus will contain details of the Offer Price, the Anchor Investor Offer Price, Offer size, and underwriting arrangements and will be complete in all material respects.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, which is reproduced below:

"*Any person who:*

(a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or

(b) makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or

(c) otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name,

***shall be liable for action under Section 447.*"**

The liability prescribed under Section 447 of the Companies Act, for fraud involving an amount of at least ₹ 1 million or 1% of the turnover of the Company, whichever is lower, includes imprisonment for a term which shall not be less than six months extending up to 10 years and fine of an amount not less than the amount involved in the fraud, extending up to three times such amount (provided that where the fraud involves public interest, such term shall not be less than three years.) Further, where the fraud involves an amount less than ₹ 1 million or one per cent of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to ₹ 5 million or with both.

Undertakings by Our Company

Our Company undertakes the following:

- adequate arrangements shall be made to collect all Bid cum Application Forms submitted by Bidders;
- the complaints received in respect of the Offer shall be attended to by our Company expeditiously and satisfactorily;
- all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed shall be taken within six Working Days of the Bid/Offer Closing Date or such other time as may be prescribed by the SEBI or under any applicable law;
- if Allotment is not made within the prescribed time period under applicable law, the entire Bid amount received will be refunded/unblocked within the time prescribed under applicable law, failing which interest will be due to be paid to the Bidders at the rate prescribed under applicable law for the delayed period;

- the funds required for making refunds (to the extent applicable) to unsuccessful Bidders as per the mode(s) disclosed shall be made available to the Registrar to the Offer by our Company;

- where refunds (to the extent applicable) are made through electronic transfer of funds, a suitable communication shall be sent to the Bidder within the time prescribed under applicable law, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

- except for allotments pursuant to: (i) the Pre-IPO Placement; (ii) the ESOP Schemes; and (iii) the conversion of CCPS, no further issue of the Equity Shares shall be made until the Equity Shares issued through the Red Herring Prospectus are listed or until the Bid monies are unblocked in ASBA Account/refunded on account of non-listing, under-subscription, etc.

- our Company, in consultation with the BRLMs, reserves the right not to proceed with the Fresh Issue, in whole or in part thereof, to the extent of the Offered Shares, after the Bid/ Offer Opening Date but before the Allotment. In such an event, our Company would issue a public notice in the newspapers in which the pre-Offer advertisements were published, within two days of the Bid/ Offer Closing Date or such other time as may be prescribed by the SEBI, providing reasons for not proceeding with the Offer and inform the Stock Exchanges promptly on which the Equity Shares are proposed to be listed; and

- if our Company, in consultation with the BRLMs withdraws the Offer after the Bid/ Offer Closing Date and thereafter determines that it will proceed with an issue of the Equity Shares, our Company shall file a fresh draft red herring prospectus with the SEBI.

Undertakings by the Selling Shareholders

The Selling Shareholders, severally and not jointly, undertake the following:

- they are the legal and beneficial owners of the respective Equity Shares offered by them in the Offer for Sale;

- Except as stated below, the respective Equity Shares offered by them in the Offer for Sale are free and clear of any encumbrances and shall be transferred to the successful Bidders within the time specified under applicable law.

  In relation to 12,878,682 Equity Shares held by one of the Selling Shareholders, Dvara Trust, 9,540,183 are pledged in favour of Axis Bank Ltd. on behalf of Vistra (ITCL) India Limited (in its capacity as security trustee of Avendus Finance Private Limited) ("**Pledged Shares**") and a non-disposal undertaking has been provided in respect of 3,338,499 Equity Shares ("**NDU Shares**") as of the date of this Draft Red Herring Prospectus. Dvara Trust proposes to offer up to 3,864,160 Equity Shares under the Offer for Sale, out of which 3,338,499 Equity Shares currently form part of the NDU Shares ("**NDU OFS Shares**") and 525,661 Equity Shares form a part of the Pledged Shares ("**Pledged OFS Shares**"). Vistra ITCL (India) Limited has through its letter dated July 13, 2021 consented to: (i) release the NDU OFS Shares and Pledged OFS Shares three days prior to the filing of an updated draft red herring prospectus with the SEBI and (ii) temporarily release the remaining Pledged Shares and NDU Shares three days prior to the filing of the Red Herring Prospectus with the RoC.

- they have authorized our Company to take such necessary steps in relation to the completion of Allotment and dispatch of the Allotment Advice and CAN, if required, and refund orders to the extent of Equity Shares offered by them in the Offer for Sale;

- they shall not have any recourse to the proceeds of the Offer for Sale until final listing and trading approvals have been received from the Stock Exchanges;

- they shall comply with all applicable laws, including the Companies Act, the SEBI ICDR Regulations, the FEMA and all applicable circulars, guidelines and regulations issued by the SEBI and the RBI, each in relation to the respective Equity Shares offered by them in the Offer for Sale to the extent that such compliance is the obligation of such Selling Shareholders; and

- they shall provide reasonable assistance to our Company and the BRLMs to ensure that the Equity Shares offered by them in the Offer shall be transferred to the successful Bidders within the specified time period under applicable law.

Utilization of Offer Proceeds

Our Board certifies that:

- all monies received out of the Fresh Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act, 2013;
- details of all monies utilized out of the Fresh Issue shall be disclosed, and continue to be disclosed till the time any part of the Offer proceeds remains unutilized, under an appropriate head in the balance sheet of our Company indicating the purpose for which such monies have been utilized; and
- details of all unutilized monies out of the Fresh Issue, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilized monies have been invested.

The Company declares that all monies received out of the Offer shall be credited/transferred to a separate bank account pursuant to sub-section (3) of Section 40 of the Companies Act, 2013.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The RBI and the concerned ministries/departments are responsible for granting approval for foreign investment. The Government has from time to time made policy pronouncements on foreign direct investment ("**FDI**") through press notes and press releases. The Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (earlier known as the Department of Industrial Policy and Promotion) ("**DPIIT**"), issued the FDI Policy, which, with effect from October 15, 2020 consolidated, subsumed and superseded all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect prior to October 15, 2020. The FDI Policy will be valid until the DPIIT issues an updated circular.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI policy and transfer does not attract the provisions of the Takeover Regulations; (ii) the non-resident shareholding is within the sectoral limits under the FDI policy; and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the Government of India, OCBs cannot participate in this Offer.

Foreign Exchange Laws

The foreign investment in our Company is governed by, *inter alia*, the FEMA, the FEMA Non-debt Instruments Rules, the FDI Policy issued and amended by way of press notes.

Foreign investment in NBFCs, carrying on activities approved for FDI, is subject to the conditions specified in Paragraph 3.8.3.1 of the FDI Policy. Pursuant to the FDI Policy, FDI of up to 100% is permitted under the automatic route in our Company.

Further, in terms of the FEMA Non-debt Instruments Rules, the aggregate FPI investment limit is the sectoral cap applicable to Indian company as prescribed in the FEMA Non-debt Instruments Rules with respect to its paid-up equity capital on a fully diluted basis. See "*Offer Procedure*" on page 420.

In terms of the FEMA Non-debt Instruments Rules and the FDI Policy, a person resident outside India may make investments into India, subject to certain terms and conditions, and further provided that an entity of a country, which shares land border with India or where the beneficial owner of an investment into India, who is situated in or is a citizen of any such country, shall invest only with the approval of the Government of India. Further, in the event of transfer of ownership of any existing or future foreign direct investment in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the above restriction/ purview, such subsequent change in the beneficial ownership will also require approval of the Government of India. Each Bidder should seek independent legal advice about its ability to participate in the Offer. In the event such prior approval of the Government is required, and such approval has been obtained, the Bidder shall intimate our Company and the Registrar in writing about such approval along with a copy thereof within the Offer Period.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) 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. The Company has not registered and does not intend to register under the U.S. Investment Company Act in reliance upon section 3(c)(7) thereof. Accordingly, the Equity Shares are being offered and sold (i) in the United States only to U.S. persons that are U.S. QIBs that are also QPs acting for its own account or for the account of another U.S. QIB that is a QP (and meets the other requirements set forth herein), in reliance on the exemption from registration

under the Securities Act provided by Rule 144A or other available exemption and in reliance upon section 3(c)(7) of the U.S. Investment Company Act, and (ii) outside the United States, to non-U.S. persons in reliance on Regulation S

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholders and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII: DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meanings that have been given to such terms in the Articles of Association of our Company. Pursuant to the SEBI ICDR Regulations, the main provisions of the Articles of Association of our Company are detailed below:

The Articles have been adopted by our Board of Directors pursuant to a resolution dated July 7, 2021 and approved by our Shareholders pursuant to a special resolution dated July 12, 2021. The Articles are divided into Parts I and II which parts shall, unless the context otherwise requires, co-exist with each other until the listing and commencement of trading of the equity shares of the Company on a recognized stock exchange in India pursuant to an initial public offering of its equity shares. In case of inconsistency or contradiction, conflict or overlap between Part I and Part II, the provisions of Part II shall, subject to applicable law, be applicable and prevail. However, Part II shall automatically terminate and cease to be in force and effect immediately from the date of listing of the equity shares of the Company on a recognized stock exchange in India pursuant to an initial public offering of its equity shares and Part I shall continue to be in force and effect, without any further action by the Company or its shareholders.

Part I

Share capital and variation of rights

Authorized Share Capital - The Authorized Share Capital of the Company shall be such amount, divided into such class(es), denomination(s) and number of Shares in the Company as stated in Clause V of the Memorandum of Association. The Company may issue the following kinds of Shares in accordance with the Articles, the Act and other applicable laws:

a) Equity Share Capital:
   (i) with voting rights; and/ or
   (ii) with differential rights as to dividend, voting or otherwise in accordance with the Act; and

b) Preference share Capital:

Except so far as otherwise provided by the conditions of issue or by the Articles, any capital raised by the creation of new Shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

Shares under control of Board of Directors - Subject to the provisions of the Act and the Articles, the Shares in the capital of the Company shall be under the control of the Board who may issue, allot or otherwise dispose of all or any of such Shares to such persons, in such proportion and on such terms and conditions and either at par or at a premium at such time as they may from time to time think fit.

Power of General Meeting to offer Shares to such persons as the Company may resolve - The Company in a General Meeting may determine, in accordance with applicable law, to issue further Shares of the authorized capital of the Company and may determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or holders of Debentures of the Company or not) in such proportion and on such terms and conditions either at a premium or at par or, subject to compliance with the provisions of the Act, at a discount, as such General Meeting shall determine and with full power to give to any person or persons (whether a Member or holder of Debentures of the Company or not) the option or right to call for or be allotted any Shares of the Company either at a premium or at par or at a discount (subject to compliance with the provisions of the Act and the applicable Rules thereunder), during such time and for such consideration as the Directors think fit, and issue and allot Shares in the capital of the Company on payment in full or in part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any Shares which may be so allotted may be issued as fully paid up Shares, and if so issued, shall be deemed to be fully paid-up Shares, as the case may be. Provided that the option or right to call for Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

New capital same as original capital - Except in so far as otherwise provided by the conditions of issue or by the Articles, any capital raised by the creation of new Shares, shall be considered as part of the existing capital and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

Issue and redemption of Preference Shares - Subject to the provisions of the Act and rules and regulations notified on this behalf, the Board shall have power to issue or re-issue preference Shares of one or more classes which are liable to be redeemed or converted to Equity Shares, on such terms and in such manner as determined by the Board in accordance with the Act.

Issue of Sweat Shares - The Company may issue Shares at discounted price by way of sweat Equity Shares or in any other manner in accordance with the provisions of the Act or any other applicable law.

Issue of Bonus Shares - The Company in General Meeting may decide to issue fully paid up bonus share to the Member if so recommended by the Board of Directors.

Further issues of share capital

Under Article 11, the Board or the Company, as the case may be, may, in accordance with the Act, propose to increase the subscribed capital by the issue of further Shares, then such Shares shall be offered subject to the provisions of section 62 of the Act and rules and regulations notified thereunder:

(a) persons who, at the date of the offer, are holders of the Equity Shares of the Company, in proportion, as nearly as circumstances admit, to the paid-up Share capital subject to the following conditions:

  (i) The offer aforesaid shall be made by a notice specifying the number of Shares offered and limiting a time, not being less than 7 days, or such number of days as may be prescribed, and not exceeding 30 days from the date of the offer within which the offer, if not accepted, shall be deemed to have been declined;
  (ii) Unless otherwise decided by the Board, such offer shall be deemed to include a right exercisable by the person concerned to renounce the Shares offered to him or any of them in favour of any other person and the notice referred to in Article 11(I)(a)(i) shall contain a statement of this right;
  (iii) After the expiry of the time specified in the notice aforesaid, or on receipt of an earlier intimation from the person to whom such notice is given that the person declines to accept the Shares offered, the Board of Directors may dispose of them in such manner which is not disadvantageous to the Shareholders of the Company.

(b) employees under any scheme of employees' stock option subject to a Special Resolution passed by the Company and such other conditions as may be prescribed under applicable law; or

(c) any persons, if it is authorised by a Special Resolution, whether or not those persons include the persons referred to in clause (a) or clause (b) above either for cash or for consideration other than cash in accordance with the Act and Rules made thereunder.

The notice referred to in Article 11(I)(a)(i) shall be dispatched through registered post or speed post or through electronic mode or courier or any other permissible mode having proof of delivery to Shareholders of the Company within the time prescribed under applicable law.

Notwithstanding anything contained in Article 11(I), the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in Article 11(I)(a)) in any manner whatsoever:
(a) If a Special Resolution to that effect is passed by the Company in the General Meeting, or
(b) Where such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the General Meeting (including the casting vote, if any, of the Chairman) by Members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy exceeds the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied, on an application made by the Board in this behalf, that the proposal is most beneficial to the Company.

Nothing in Article 11(I)(a) hereof shall be deemed:
(a) To extend the time within which the offer should be accepted; or
(b) To authorize any person to exercise the right of renunciation for a second time, on the ground that the

person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

Nothing in this Article 11 shall apply to the increase of the subscribed capital of a Company caused by the exercise of an option as a term attached to the Debentures issued or loans raised by the Company (i) to convert such Debentures or loans into Shares in the Company; or (ii) to subscribe for Shares in the Company (whether such option is conferred in the Articles or otherwise).

Provided that the terms of issue of such Debentures or loans containing such an option have been approved before the issue of such Debentures or the raising of loans by a Special Resolution passed by the Company in a General Meeting.

A further issue of Shares may be made in any manner whatsoever as the Board may determine, including by way of preferential offer or private placement, subject to and in accordance with the Act read with Rules made thereunder and to the extent applicable, any SEBI regulations or guidelines.

Issue of further Shares not to affect rights of existing Members - The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking pari passu therewith.

Calls on shares

Board of Directors may make call - i. The Board may, from time to time, make calls upon the Members in respect of any monies unpaid on their Shares (whether on account of the nominal value of the Shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times: Provided that no call shall exceed one-fourth of the nominal value of the Share or be payable at less than one Month from the date fixed for the payment of the last preceding call. ii. Each Member shall, subject to receiving at least fourteen days' notice specifying the time or times and place of payment, pay to the Company, at the time or times and place so specified, the amount called on his Shares. iii. A call may be revoked or postponed at the discretion of the Board. iv. The power to call on Shares shall not be delegated to any other person except with the approval of the Shareholders' in a General Meeting. A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed and may be required to be paid in instalments. v. The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

When interest on call or instalments payable - i. If a sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due, shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at the rate not exceeding fifteen percent per annum or at such lower rate, if any, as the Board may determine. ii The Board shall be at liberty to waive payment of any such interest wholly or in part.

Amount payable at fixed time or by instalment to be treated as calls - i. Any sum which by the terms of issue of a Share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the Share or by way of premium, shall, for the purposes of the Articles, be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable. ii. In case of non-payment of such sum, all the relevant provisions of the Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Payment in anticipation of calls may carry interest – i. The Board may, if it thinks fit, receive from any Member willing to advance the same, all or any part of the monies uncalled and unpaid upon any Shares held by him; and ii. Upon all or any of the monies so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate not exceeding, unless the Company in General Meeting shall otherwise direct, nine per cent per annum, or such other rate as may be agreed upon between the Board and the Member paying the sum in advance. iii. Money so paid in advance of the amount of calls shall not rank for dividends, or confer a right to participate in profits or exercise voting rights. The Directors may at any time repay the amount so advanced upon giving to such Member not less than three Months' notice in writing, subject to applicable law. The Members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable. The provisions of this Article shall mutatis mutandis apply to the calls on Debentures of the Company.

Money due on Shares to be a debt to the Company - The money (if any) which the Board shall, on the allotment of any Shares being made by them, require or direct to be paid by way of deposit, call or otherwise in respect of any Shares allotted by them, shall immediately on the inscription of the name of allottee in the Register as the name of the holder of such Shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

Members of heirs to pay unpaid amounts - Every Member or his heirs, executors or administrators shall pay to the Company the portion of the capital represented by his Share or Shares which may, for the time being remain unpaid thereon, in such amounts, at such time or times and in such manner, as the Board shall from time to time, in accordance with the Articles require or fix for the payment thereof.

Transfer of shares

Instrument of transfer - i. There shall be a common form for the transfer of Shares in use. The Company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any Shares. The instrument of transfer of any Share shall be in writing and all the provisions of the Act, and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfer of Shares and registration thereof. The instrument of transfer shall be in such form as may be prescribed from time to time under the Act. ii. The instrument of transfer of any Share in the Company shall be executed by or on behalf of both the transferor and transferee. iii. The transferor shall be deemed to remain a holder of the Share until the name of the transferee is entered in the register of Members in respect thereof.

Directors may refuse to register transfer – Subject to the right of appeal as conferred by Section 58 of the Act and other applicable law, the Directors, may, at their own absolute and uncontrolled discretion and without assigning any reason decline to register or acknowledge any transfer or transmission of Shares and in particular may so decline in any case in which the Company has lien upon the Shares or any of them or whilst any moneys in respect of the Shares desired to be transferred or any of them remain unpaid or unless the transferee is approved by the Directors and such refusal shall not be affected by the fact that the proposed transferee is already a Member. The Company shall within one Month (or such lesser period as may be prescribed) from the date on which the instrument of transfer of intimation of such transmission, as the case may be was delivered to the Company, send notice of such refusal to the transferee and the transferor or to the person giving instructions of such transmission, as the case may be, giving reasons for such refusal. Provided that registration of a transfer shall not be refused on the grounds of the transferor being either alone or jointly with any person or persons indebted to the Company on any account whatsoever except where the Company has a lien on the Shares. Transfer of Shares in whatever lot shall not be refused. The registration of a transfer shall be conclusive evidence of the approval of the Directors of the transferee.

Conditions for not declining registration of transfer – The Board may decline to recognise any instrument of transfer unless- i. The instrument of transfer is in the form as prescribed in Rules made under the Act; ii. The instrument of transfer is accompanied by the certificate of the Shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and iii. The instrument of transfer is in respect of only one class of Shares.

Closure of transfer books, etc. – On giving not less than seven days' previous notice in accordance with the provisions of the Act and Rules made thereunder, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine. Provided that such registration shall not be suspended for more than thirty days at any one time or for more than forty-five days in the aggregate in any year.

The provisions of the foregoing Articles relating to transfer of Shares shall mutatis mutandis apply to any other securities including Debentures of the Company.

No fee will be charged by the Company for transfer and transmission of Securities - No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

Transmission of shares

Title of Shares of deceased holder –i. On the death of a Member, the survivor or survivors where the Member was a joint holder, and his nominee or nominees or legal representatives where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest, dividends and other advantages in the

Shares. ii. Nothing in clause (i) shall release the estate of a deceased joint holder from any liability in respect of any Share which had been jointly held by him with other persons. iii. The legal representative or administrator of a deceased Member or holder of a succession certificate shall be the only persons recognised by the Company as having any title to his/her Shares and the Company shall not be bound to recognise such executor or administrator or holder of a succession certificate unless such executor or administrator shall have first obtained probate, letters of administration or other legal representation as the case may be from a duly constituted court in India, or from any authority empowered by any law to grant such other legal representation; provided that in any case where the Board in their absolute discretion think fit, the Board may dispense with the production of probate or letters of administration or other legal representation and under the next Article register the name of any person who claims to be absolutely entitled to the Shares standing in the name of a deceased Member upon such terms as to indemnity or otherwise as the Directors may deem fit.

Registration of persons entitled to Share otherwise than by transfer (transmission) – i. Subject to the provision of the Act and the Articles, any person becoming entitled to a Share in consequence of the death, bankruptcy or insolvency of any Member or by any lawful means other than by a transfer in accordance with these presents may with the consents of the Directors which they shall not be under obligation to give upon producing such evidence that he/she sustains the character in respect of which he/she proposes to act under this Article or of his/her title, as the Board may think sufficient and upon giving such indemnity as the Directors may require. ii. Any such person shall after sending notice in writing, elect, either - (a) To be registered himself as holder of the Share; or (b) To make such transfer of the Share as the deceased or insolvent Member could have made.

The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent Member had transferred the Share before his death or insolvency.

The provisions of the foregoing Articles relating to transmission by operation of law shall mutatis mutandis apply to any other securities including Debentures of the Company.

Forfeiture of shares

If call or instalment not paid, notice may be given - If a Member fails to pay any call, or instalment of a call or any money due in respect of any Share, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on him requiring payment of so much of the call or instalment or other money as is unpaid, together with any interest which may have accrued and all expenses that may have been incurred by the Company by reason of non-payment.

Partial payment not to preclude forfeiture - Neither the receipt by the Company of a portion of any money shall from time to time be due from any Member to the Company in respect of his/her Shares, either by way of principal or interest nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares.

Terms of forfeiture - The notice aforesaid shall name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made and shall also state that, in the event of non-payment on or before the day so named, the Shares in respect of which the call was made shall be liable to be forfeited.

In default of payment, Shares may be forfeited - If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

Power to annul forfeiture - The Board of Directors may at any time before any Share so forfeited, shall have been sold or otherwise disposed of, annul the forfeiture thereof upon such conditions as they may think fit. At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture upon such conditions as they may think fit.

Members shall be liable to pay money owing, at the time of forfeiture and interest - i. A person whose Shares have been forfeited shall cease to be a Member in respect of the forfeited Shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which, at the date of forfeiture, were presently payable by him to the Company in respect of the Shares. ii. The liability of such person shall cease if and when the Company shall have received payment in full of all such monies in respect of the Shares.

Declaration of Forfeiture - i. A duly verified declaration in writing that the declared is a Director, the manager or the Secretary, of the Company, and that a Share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share. ii. The Company may receive the consideration, if any, given for the Share on any sale or disposal thereof and may execute a transfer of the Share in favour of the person to whom the Share is sold or disposed of. iii. The transferee shall thereupon be registered as the holder of the Share. iv. The transferee shall not (unless by express agreement) be liable to pay any calls, amounts, instalments, interest and expenses owing to the Company prior to such purchase or allotment nor shall be entitled (unless by express agreement) to any of the dividends, interests or bonuses accrued or which might have accrued upon the Share before the time of completing such purchase or before such allotment. v. The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.

Forfeiture to apply in case of non-payment of any sum payable at fixed time - The provisions of the Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the nominal value of the Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Forfeited Share to be property of the Company - Any Share forfeited in accordance with the Articles, shall be deemed to be the property of the Company and may be sold, re-allocated or otherwise disposed of either to the original holder thereof or to any other person upon such terms and in such manner as the Board thinks fit.

Entry of forfeiture in register of members - When any Share shall have been so forfeited, notice of the forfeiture shall be given to the defaulting member and any entry of the forfeiture with the date thereof, shall forthwith be made in the Register of Members but no forfeiture shall be invalidated by any omission or neglect or any failure to give such notice or make such entry as aforesaid.

Cancellation of Share certificate with respect to forfeited Shares - Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate(s), if any, originally issued in respect of the relative Shares shall (unless the same shall on demand by the Company has been previously surrendered to it by the defaulting member) stand cancelled and become null and void and be of no effect, and the Board shall be entitled to issue a duplicate certificate(s) in respect of the said Shares to the person(s) entitled thereto.

Alteration of capital

Increase of authorised Share capital - The Company may, from time to time, by Ordinary Resolution increase the Share capital by such sum, to be divided into Shares of such amount, as may be specified in the resolution.

Consolidation, division and sub-division - Subject to the provisions of the Act, the Company may, by Ordinary Resolution: i. Consolidate and divide all or any of its Share capital into Shares of larger amount then its existing Shares; ii. Convert all or any of its fully paid-up Shares into stock and reconvert that stock into fully paid-up Shares of any denomination; iii. Sub-divide its existing Shares or any of them into the Shares of smaller amount then is fixed by the Memorandum of Association; iv. Cancel any Shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person.

Shares converted to stock – i. The holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulations under which, the Shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit: Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so, however, that such minimum shall not exceed the nominal amount of the Shares from which the stock arose. ii. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company, and other matters, as if they held the Shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in Shares, have conferred that privilege or advantage. iii. Such of the Articles of the Company as are applicable to paid-up Shares shall apply to stock and the words “Share” and “Shareholder” shall include “stock” and “stockholder” respectively.

Reduction of Capital - The Company may reduce in any manner and in accordance with the provisions of the Act and Rules made thereunder i. Its share capital; ii. Any capital redemption reserve account; or iii. Any share premium account; or iv. Any other reserves as may be available.

General meetings

Extraordinary General Meeting - All General Meetings other than Annual General Meeting shall be called Extraordinary General Meeting.

Annual General Meeting - Subject to the provisions of the Act, the Company shall hold from time to time as provided by the Act in addition to any other meetings, a General Meeting as its Annual General Meeting. The provisions of Section 96 of the Act shall apply to such Annual General Meeting.

Annual General Meeting when to be held - Every Annual General Meeting shall be called for a time during business hours and on such day (not being a national holiday) as the Directors may from time to time determine and it shall be held either at the registered office of the Company or at any place within the city, town or village in which the office of the Company for the time being is situated.

Calling of Extraordinary General Meeting on requisition - The Board of Directors shall on requisition of Members in accordance with Section 100 of the Act, forthwith proceed to call an Extraordinary General Meeting and the provisions of Section 100 of the Act, shall apply in respect of such meeting.

Notice of Meeting - Save as permitted under Section 101 of the Act, a General Meeting of the Company may be called by giving not less than such number of days' notice as specified in the Act or Rule made thereunder, in writing or through electronic mode in such manner as may be specified in the Act or Rule made thereunder.

Proceedings at general meetings

Presence of quorum - No business shall be transacted at any General Meeting unless a quorum of Members is present at the time when the meeting proceeds to business.

Quorum for General Meeting - The quorum for the General Meetings shall be as provided in the Act.

Chairperson of the meetings - The Chairperson, if any, of the Board shall preside as Chairperson at every General Meeting of the Company.

Directors to elect a Chairperson - If there is no such Chairperson, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as chairperson of the meeting, the Directors present shall elect one of their members to be Chairperson of the meeting.

Members to elect a Chairperson - If at any meeting no Director is willing to act as Chairperson or if no Director is present within fifteen minutes after the time appointed for holding the meeting, the Members present shall choose one of their Members to be Chairperson of the meeting.

If quorum not present, meeting to be cancelled/adjourned - If within half an hour from the time appointed for holding a meeting of the Company, a quorum is not present, the meeting if called upon at the requisition of Members, shall stand cancelled. In any other case the meeting shall stand adjourned to the same day in the next week (not being a national holiday) at the same time and place, or to such other day and at such other time and place as the Board may determine.

Adjourned meeting to transact business - If at any adjourned meeting also, a quorum is not present within half an hour of the time appointed for holding the meeting the Members present, whatever their number (not being less than two) shall be the quorum and shall have power to decide upon all the matters which could properly have been disposed of at the meeting for which the adjournment took place.

Business confined to election of chairperson whilst chair vacant - No business shall be discussed at any General Meeting except the election of the Chairperson whilst the Chair is vacant. If a poll is demanded on the election of the Chairperson it shall be taken forthwith in accordance with the provisions of the Act and the Articles.

Casting vote of Chairperson at General Meeting - On any business at any General Meeting, in case of an equality of votes, whether on a show of hands or electronically, the Chairperson shall have a second or casting vote.

Time of taking poll - i. A poll demanded for adjournment of the meeting or appointment of Chairperson of the meeting shall be taken forthwith. ii. A poll demanded on any question other than adjournment of the meeting or appointment of Chairperson shall be taken at such time, not being later than forty-eight hours from the time when the demand was made, as the Chairperson of the meeting may direct.

Other business may proceed notwithstanding demand of poll - The demand of poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

Scrutinizers at poll - i. Where a poll is to be taken the Chairperson of the meeting shall appoint one or more scrutinizer(s) to scrutinize the votes given on the poll and to report thereon to him/her. ii. The Chairperson shall have power, at any time before the result of the poll is declared, to remove a scrutinizer from office and to fill vacancies in the office of the scrutinizers arising from such removal or from any other cause.

Reports, Statements and register to be laid on table - At every Annual General Meeting of the Company there shall be laid on the table, the Directors report and audited statement of accounts, Auditors repot, the proxy register with the proxies and the Register of Director's Share holdings mentioned under Section 170 of the Act. The Auditors' Report shall be read before the Members in such General Meeting and shall be open to inspection by any Member of the Company.

Minutes of General and Board Meeting - The Board shall cause minutes of all proceedings of every General Meeting and of all proceedings of every meeting of the Board of Directors or of every committee of the Board to be kept in accordance with Section 118 of the Act.

Inspection of minute book of General Meeting - The books containing the minutes of the proceedings of General Meetings of the Company shall be kept at the office of the Company and be open to the inspection of Members on working days except Saturdays and Sundays between 11:00 a.m. to 1:00 p.m.

Postal Ballot - Where permitted or required by applicable law, the Board may, instead of calling a meeting of any members/ class of members/ Debenture-holders, seek their assent by postal ballot. Such postal ballot will comply with the provisions of the Act and Rules made thereunder in this behalf.

Adjournment of meetings

Chairperson may adjourn the meeting - i. The Chairperson may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place. ii. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

Notice of adjourned meeting - i. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. ii. Save as aforesaid, and save as provided in the Act, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Voting rights

Entitlement to vote on show of hands and on poll - Subject to any rights or restrictions for the time being attached to any class or classes of Shares - i. On a show of hands, every Member present in person shall have one vote; and ii. On a poll, the voting rights of Members shall be in proportion to his Share in the paid up Equity Share Capital of the Company.

Voting through electronic means - A Member may exercise his vote at a meeting by electronic means in accordance with the provisions of the Act and shall vote only once.

Vote of joint holders - i. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. ii. For this purpose, seniority shall be determined by the order in which the names stand in the register of Members.

Vote of Members of unsound mind - A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

Votes in respect of Shares of deceased or insolvent Members, etc. - Subject to the provisions of the Act and other provisions of the Articles, any person entitled under the Transmission Clause to any Shares may vote at any General Meeting in respect thereof as if he was the registered holder of such Shares, provided that at least 48 hours before the timing of holding the meeting or adjourned meeting, as the case may be, at which he/she proposes to vote, he/she shall duly satisfied the Board of his right to such Shares unless the Board shall have previously admitted his right to vote at such meeting in respect thereof.

Business may proceed pending poll - Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

Restrictions on voting rights - No Member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him in respect of Shares in the Company have been paid or in regard to which the Company has exercised any right of lien.

No objection can be raised to the qualification of voter - i. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. ii. Any such objection made in due time shall be referred to the Chairperson of the meeting, whose decision shall be final and conclusive.

Equal rights of Members - Any Member whose name is entered in the register of Members of the Company shall enjoy the same rights and be subject to the same liabilities as all other Members of the same class.

Proxy

Member may vote in person or otherwise - Any Member entitled to attend and vote at a General Meeting may do so either personally or through his constituted attorney or through another person as a proxy on his behalf, for that meeting.

Proxies when to be deposited - The instrument appointing a proxy and the power-of-attorney or other authority, if any, under which it is signed or a notarised copy of that power or authority, shall be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 48 hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid.

Form of Proxy - An instrument appointing a proxy shall be in the form as prescribed in the Rules.

Validity of votes given by proxy notwithstanding death etc., of Member - A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Shares in respect of which the proxy is given. Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

Votes may be given by proxy - Subject to the provisions of the Act, and the Articles, votes may be given either personally or by proxy or in the case of a body corporate by a representative duly authorised under Section 113 of the Act.

No voting by proxy on show of hands - No Member not personally present shall be entitled to vote on a show of hands unless such Member is a body corporate present by attorney or by representative duly authorised under Section 113 of the Act in which case attorney or representative may vote on show of hands as if he/she were an individual Member of the Company.

Custody of the instrument - Any instrument of appointment of proxy deposited as aforesaid shall remain permanently or for such time as the Directors may determine in the custody of the Company.

Board of Directors

Board of Directors - Until otherwise determined by a General Meeting of the Company and subject to the provisions of the Act, the number of Directors shall not be less than three and not more than fifteen.

Independent Director - The Company shall appoint such number of Independent Directors as it may deem fit, for a term specified in the resolution appointing him/her in accordance with the provisions of the Act. The provisions relating to retirement of Directors by rotation shall not be applicable to appointment of Independent Directors.

Additional Director - Subject to the provisions of the Act, the Board of Directors shall have power at any time, and from time to time, to appoint a person as an additional Director, provided the number of the Directors and additional Directors together shall not at any time exceed the maximum strength fixed for the Board by the Articles.

Alternate Director - The Board of Directors of the Company may appoint an alternate Director to act for a Director, provided that such person proposed to be appointed as an alternate director is not a person who fails to be appointed as a director in a General Meeting (hereinafter called the "original Director") during his/her absence for a period of a not less than three Months from India and such appointment shall have effect and such appointee whilst he/she holds office as an Alternate Director shall be entitled to notice of meetings of the Directors and to attend and to vote there at accordingly. No person shall be appointed as an alternate director for an Independent Director unless he is qualified to be appointed as an Independent Director under the provisions of the Act or other applicable laws.

An alternate Director appointed under this Article shall not hold office as such for a period longer than permissible to the original Director in whose place he/she has been appointed and shall vacate office if and when the original Director returns to India. If the terms of office of the Original Directors is determined before he/she so returns to India, any provisions in the Act or the Articles for the automatic reappointment of retiring Director in default of another appointment shall apply to the original Director and not to the Alternate Director.

Casual Vacancy - Subject to the provisions of the Act, if the office of a Director appointed by the Company in General Meeting is vacated before his/her terms of office will expire in the normal course, the resulting casual vacancy may, be filled by the Board of Directors at a meeting of the Board which shall be subsequently approved by the members in the immediate next General Meeting and the person so appointed shall hold office up to the date which the Director in whose place he is appointed would have held office, if it had not been vacated as aforesaid.

Nominee Directors

Nominee Director - The Board may appoint any person as a director nominated by any financial institution, bank, corporation which are regulated by the Reserve Bank of India or any other statutory body, or if the Company has entered into any obligation with any such institution, bank, corporation which are regulated by the Reserve Bank of India or body in relation to any financial assistance by way of loan advanced to the Company or guarantee or given of any loan borrowed or liability incurred by the Company or so long as the Company is indebted ("**Nominee Director**"). Such Nominee Director(s) shall not be required to hold any share qualification in the Company, and such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

108A. With effect from the date of listing of the Equity Shares on a recognized stock exchange pursuant to the initial public offering of the Equity Shares of the Company, subject to the approval of the Shareholders passed in the first general meeting held after such listing date, the Shareholders shall have the following rights:

(i) Subject to Articles 108A(ii), 108A(iii) and 108A(iv), each Shareholder shall be permitted to nominate Director(s) to the Board in accordance with the thresholds set out below:

Shareholding* threshold for acquiring a Board Seat	***Shareholding* threshold for losing an existing Board Seat***
more than 14% but less than or equal to 28% - acquires 1 (one) Board Seat	*less than 9.9% - last Board Seat drops*
more than 28% but less than or equal to 42% - acquires 2 (two) Board Seats	*less than 20% - 1 (one) Board Seat drops*

Shareholding threshold for acquiring a Board Seat*	*Shareholding* threshold for losing an existing Board Seat*
more than 42% but less than or equal to 56% - acquires 3 (three) Board Seats	*less than 30% - 1 (one) Board Seat drops*
more than 56% - acquires 4 (four) Board Seats	*less than 40% - 1 (one) Board Seat drops*

**Shareholding in the share capital of the Company, held together with a Shareholder's Affiliates on a Fully Diluted Basis excluding any unvested and vested employee stock options which have not been exercised.*

In the event that any Shareholder's shareholding falls below the relevant threshold, such Shareholder's nominee Director(s) shall immediately resign from the Board.

(ii) Subject to Article 108A(iii), each Investor shall be entitled to nominate at least 1(one) Director until such time that such Investor holds 9.9% or more of the share capital of the Company (on a Fully Diluted Basis excluding any unvested and vested employee stock options which have not been exercised). It is further clarified that if an Investor ceases to hold 9.9%, then such Investor may nominate a Director only after an increase in such Investor's shareholding to more than 14% in accordance with Article 108A(i).

(iii) The appointment of Directors to the Board shall be made in compliance with applicable law, including the Act and applicable directions of the RBI. The appointment of Directors to the Board shall be subject to the approval of Shareholders at a general meeting as required under applicable law. It is further clarified that the composition of the Board (including in particular, the number of Independent Directors) shall at all times comply with applicable law, including the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

(iv) Any Shareholder that seeks to exercise its rights under Article 108A(i) shall provide a written notice to the Company, which notice shall also set out the shareholding in the Company of such Shareholder and its Affiliate(s), if any, including the relationship between such Shareholder and such Affiliate(s).

(v) Each Director nominated by a Shareholder pursuant to this Article 108A shall promptly inform the Board of any change in the shareholding in the Company of the relevant Shareholder, if such change results in a change in the number of Directors that such Shareholder is entitled to nominate to the Board in terms of Article 108A(i).

(vi) The Chairperson of the Board and of all committees of the Board shall be an Independent Director. However, if no Independent Director is able to attend a particular meeting, the members of the Board or the relevant committee, as the case may be, shall, subject to applicable law, choose one among them to act as the Chairperson for that meeting. The Chairperson shall not have a casting vote. Nothing in this Article 108A(vi) shall apply to any committee of the Board that does not include an Independent Director in its composition.

For purposes of Article 108A above, the following terms shall have the following meanings:

(a) "**Affiliates**" means, with respect to any person ("**Subject Person**"), another person that is a juristic person (including a corporation, partnership, association, trust, or any other entity) which is (a) Controlled, directly or indirectly, by the Subject Person; or (b) Controlling, directly or indirectly, and singly or together with other Affiliates, the Subject Person; or (c) directly or indirectly under the same Control as the Subject Person. Provided that, (i) Without limiting the generality of the foregoing, and in the context of the Investors, shall also include the relevant Investor group, but shall not include an operational portfolio company in which any member of the Investor group has invested; (ii) The Company shall not be considered as an Affiliate of the Investors; and (iii) Notwithstanding anything contained herein, a sanctioned person shall not be considered as an Affiliate.

(b) **Control**" with respect to any person, means: (a) ownership or control (whether directly or indirectly, whether legal or beneficial) of more than 50% (Fifty percent) of the total equity share capital or voting capital (on a Fully Diluted Basis), whether by shareholding or contract or otherwise; or (b) right to appoint and/or remove all or the majority of the members of the board or other governing body of such person; or (c) the power to direct or cause the direction of the management and policies of such person, whether directly or indirectly, whether through the ownership of the vote carrying securities, by contract or otherwise howsoever and solely with respect to / in the case of the Investors, a fund advised or managed directly or indirectly by a person shall also be deemed to be Controlled by such person (and the terms "**Controlling**" and "**Controlled**" shall have meanings correlative to the foregoing).

(c) "**Fully Diluted Basis**" means that the calculation of shareholding of an Investor after assuming that all outstanding securities (other than Equity Shares) and Options (whether or not by their terms then currently convertible, exercisable or exchangeable), have been so converted, exercised or exchanged as per the terms of issuance of such securities (other than Equity Shares) and Options, but shall not take into account any securities which any lenders under any financing document may be entitled to as a result of conversion of any of the loans made by them to the Company until the period the Company has not defaulted under any financing agreement entered into by the Company.

(d) "**Investors"** shall mean LeapFrog Financial Inclusion India (II) Ltd, Eight Roads Investments Mauritius II Limited, Accion Africa-Asia Investment Company, Dvara Trust, Augusta Investments II Pte. Ltd., Sumitomo Mitsui Banking Corporation, IIFL Special Opportunities Fund, IIFL Special Opportunities Fund – Series 2, IIFL Special Opportunities Fund – Series 3, IIFL Special Opportunities Fund – Series 4, IIFL Special Opportunities Fund – Series 5, IIFL Special Opportunities Fund – Series 6 and IIFL Special Opportunities Fund – Series 7.

(e) "**Option**" means the options, warrants, convertible preference shares (and not redeemable preference shares) or other rights to subscribe for, purchase or otherwise acquire either Equity Shares, shares of capital stock or other securities directly or indirectly convertible into or exchangeable for Equity Shares.

Remuneration to Directors - i. The remuneration of the Directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day to day. ii. The remuneration payable to the Directors, including any Managing Director or Whole-time Director or Manager, if any, shall be determined in accordance with and subject to the provisions of the Act. iii. Every Director shall be paid a sitting fee not exceeding the limits prescribed in the Act for each meeting of the Board of Directors or of any committee thereof attended by him/her and shall be paid in addition thereto all travelling, hotel and other expenses properly incurred by him in attending and returning from the meetings of the Board of Directors or any committee thereof or General Meeting of the Company or in connection with the business of the Company to and from any place.

Chief Executive Officer, Manager, Company Secretary or Chief Financial Officer

Subject to the provisions of the Act,— i. A Chief Executive Officer, manager, company secretary or Chief Financial Officer may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit; and any Chief Executive Officer, manager, company secretary or Chief Financial Officer so appointed may be removed by means of a resolution of the Board. ii. A Director may be appointed as Chief Executive Officer, manager, company secretary or Chief Financial Officer. Further, the Board may appoint one or more Chief Executive Officers for its multiple business as may be required.

A provision of the Act or the Articles requiring or authorizing a thing to be done by or to a Director and Chief Executive Officer, manager, company secretary or Chief Financial Officer shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of, Chief Executive Officer, manager, company secretary or Chief Financial Officer.

Dividends and Reserves

Company in General Meeting may declare a dividend - The Company in General Meeting may declare dividends, but no dividends shall exceed the amount recommended by the Board. However, the Company may declare smaller dividends in the General Meeting.

Interim Dividend - Subject to the provisions of the Act, the Board may from time to time pay to the Members such interim dividends as appear to it to be justified by the profits of the Company.

Establish reserve funds - i. The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalising dividends; and pending such application, may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Board may, from time to time, thinks fit. ii. The Board may also carry forward any profits which it may consider necessary not to divide, without setting them aside as a reserve.

Dividend in proportion to - i. Subject to the rights of persons, if any, entitled to Shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the Shares in the Company, dividends may be declared and paid according to the amounts of the Shares. ii. No amount paid or credited as paid on a Share in advance of calls shall be treated for the purposes of this Article as paid on the Share. iii. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid; but if any Share is issued on terms providing that it shall rank for dividend as from a particular date such Share shall rank for dividend accordingly.

Amount payable - The Board may deduct from any dividend payable to any Member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the Shares of the Company.

Dividend how remitted - i. Any dividend, interest or other monies payable in cash in respect of Shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of Members, or to such person and to such address as the holder or joint holders may in writing direct. ii. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. iii. The Company shall not be liable for any cheque or warrant lost in transmission or for any dividend lost to the Member or person entitled thereof, by the forged endorsement of a cheque or warrant or the fraudulent recovery thereof by any other means. iv. Any one of two or more joint holders of a Share may give effective receipts for any dividends, bonuses or other monies payable in respect of such Share.

Notice of dividend to be given - Notice of any dividend that may have been declared shall be given to the persons entitled to Share therein in the manner mentioned in the Act.

No dividend shall bear interest against the Company.

Unpaid or unclaimed dividend – i. There will be no forfeiture of unclaimed Dividend before the claim becomes barred by law. Where the Company has declared a Dividend but which has not been paid or claimed within 30 days from the date of declaration, within seven days from the date of expiry of said period of 30 days or such other period as may be prescribed under applicable law, transfer the total amount of Dividend which remains unpaid or unclaimed to a special account to be opened by the Company in that behalf in any scheduled bank, to be called "Unpaid Dividend Account of Northern Arc Capital Limited". ii. Any money transferred to the Unpaid Dividend Account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer or such other period as may be prescribed under applicable law, shall be transferred by the Company to the fund known as Investor Education and Protection Fund established under the applicable provisions of the Act. iii. No unclaimed or unpaid Dividend shall be forfeited by the Board of Directors.

The waiver in whole or part of any dividend on any Share by any document (whether or not under seal) shall be effective only if such documents is signed by the Member (or the person entitled to the Share in consequences of the death or bankruptcy of the holder) and delivered to the Company and if extent that the same is accepted as such and acted upon by the Board.

Borrowing Powers

Borrowing Powers of the Board - Subject to restrictions provided in the Act, the Directors may, from time to time at their discretion to accept deposits from Members of the Company either in advance on calls or otherwise and generally to raise or borrow or secure the repayment of any sum of money for the purpose of the Company. Any such moneys may be secured in such manner and upon such terms and conditions in all respects as the Directors may think fit and in particular in pursuance of a resolution passed at a meeting of the Board by issue of bonds, Debentures of the Company, charged upon all or any part of the property of the Company (both present and future) including its uncalled capital for the time being and the Debentures and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

Restrictions on powers of Board - The Board of Directors shall not, except with the consent of the Company in

General Meeting, borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the borrowing limits as specified in the Act. Any bonds, Debentures or other securities issued or to be issued by the Company, shall be under the control of the Directors who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

Part II

Part II of the Articles of Association of the Company provides for the rights and obligations of the parties to the 2019 SHA. The provisions of Part II shall automatically terminate and cease to be in force and effect immediately from the date of listing of the Equity Shares of the Company on a recognized stock exchange in India pursuant to an initial public offering of its Equity Shares and Part I shall continue be in force and effect, without any further action by the Company or its shareholders.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following documents and contracts which have been entered or are to be entered into by our Company which are or may be deemed material have been entered or are to be entered into by our Company. These contracts, copies of which will be attached to the copy of the Red Herring Prospectus which will be filed with the RoC, and also the documents for inspection referred to hereunder, may be inspected at the Registered and Corporate Office between 10 a.m. and 5 p.m. on all Working Days from the date of the Red Herring Prospectus until the Bid/Offer Closing Date.

A. Material Contracts for the Offer

1. Offer Agreement dated July 15, 2021 entered into among our Company, the Selling Shareholders and the BRLMs.

2. Registrar Agreement dated July 12, 2021 entered into among our Company, the Selling Shareholders and the Registrar to the Offer.

3. Cash Escrow and Sponsor Bank Agreement dated [●] entered into among our Company, the Selling Shareholders, the BRLMs, the Syndicate Members, the Bankers to the Offer and the Registrar to the Offer.

4. Syndicate Agreement dated [●] entered into among our Company, the Selling Shareholders, the BRLMs and the Syndicate Members.

5. Underwriting Agreement dated [●] entered into among our Company, the Selling Shareholders and the Underwriters.

6. Share Escrow Agreement dated [●] entered into among our Company, the Selling Shareholders and the Share Escrow Agent.

7. Monitoring Agency Agreement dated [●] entered into between our Company and the Monitoring Agency.

B. Material Documents

1. Certified copies of the Memorandum of Association and Articles of Association of our Company, each as amended from time to time.

2. Certificate of incorporation dated March 9, 1989 issued to our Company by the RoC, in the name of Highland Leasing & Financing Private Limited.

3. Fresh certificate of incorporation dated June 19, 2009 consequent upon change of name issued to our Company by the RoC from Highland Leasing & Financing Private Limited to IFMR Capital Finance Private Limited.

4. Fresh certificate of incorporation dated December 12, 2017 consequent upon conversion into a public limited company issued to our Company by the RoC from IFMR Capital Finance Private Limited to IFMR Capital Finance Limited.

5. Fresh certificate of incorporation dated February 20, 2018 consequent upon change of name issued to our Company by the RoC from IFMR Capital Finance Limited to Northern Arc Capital Limited.

6. Certificate of registration as an NBFC (not accepting public deposits) dated June 24, 1999 issued to our Company under its prior name, Highland Leasing & Finance Private Limited, by the RBI

7. Fresh certificate of registration as an NBFC (not accepting public deposits) dated August 8, 2013 consequent upon change of name to IFMR Capital Private Limited issued to our Company issued by the RBI.

8. Fresh certificate of registration as an NBFC (not accepting public deposits) dated March 8, 2018 consequent upon change of name to Northern Arc Capital Limited issued to our Company issued by the RBI.

9. Resolution of our Board dated July 7, 2021 authorizing the Offer and other related matters.

10. Resolution of our Shareholders dated July 12, 2021 authorizing the Offer and other related matters.

11. Resolution of our Board dated July 10, 2021 and IPO Committee dated July 15, 2021 approving this Draft Red Herring Prospectus.

12. Consent letters and resolutions passed by the respective boards of directors of the Selling Shareholders for participation in the Offer for Sale, as detailed in "*The Offer*" beginning on page 65.

13. Amended and restated shareholders' agreement dated September 6, 2019 entered into by and amongst our Company, Dvara Trust, Accion, LeapFrog, Eight Roads, Standard Chartered Bank (Singapore Branch), the IIFL Funds, Augusta, and SMBC, including first amendment agreement dated February 18, 2021 entered into by and among our Company, Dvara Trust, Accion, LeapFrog, Eight Roads, the IIFL Funds, Augusta and SMBC and the amendment and termination agreement dated July 7, 2021.

14. ESG Framework Letter dated July 10, 2021 between our Company and LeapFrog.

15. Scheme of arrangement (demerger) and amalgamation under Sections 230 to 232 and other relevant provisions of the Companies Act, 2013 between our Company, IFMR Holdings Private Limited and Dvara Investments Private Limited.

16. Compensation letter dated December 29, 2020 governing the present compensation payable to Dr. Kshama Fernandes as the CEO and Managing Director of our Company read along with the appointment letter dated July 23, 2012 for her appointment as the CEO of our Company.

17. Resolution of our Board dated June 26, 2020 and Shareholders dated August 26, 2020 for the re-appointment of Dr. Kshama Fernandes as our Managing Director.

18. Copies of the annual reports of our Company as of and for the Financial Years ended March 31, 2020, March 31, 2019 and March 31, 2018.

19. Report titled "Industry Report on Various Asset Classes" dated July, 2021 issued by CRISIL Limited and consent dated July 12, 2021 issued by CRISIL Limited with respect to the report.

20. Consents of our Directors, the BRLMs, the Legal Advisors to our Company as to Indian Law, the Legal Advisors to the BRLMs as to Indian Law, the Legal Advisors to the BRLMs as to International Law, the Registrar to the Offer, the Bankers to our Company, the Company Secretary and Compliance Officer, the Syndicate Members and the Bankers to the Offer in their respective capacities.

21. Consent of the Statutory Auditors, to include their name as required under the Companies Act, 2013 in this Draft Red Herring Prospectus and as an "expert" as defined under Section 2(38) of the Companies Act, 2013 in respect of the examination report dated July 7, 2021 of the Statutory Auditors on the Restated Consolidated Financial Information included in this Draft Red Herring Prospectus, and the statement of possible special tax benefits dated July 15, 2021.

22. Tripartite agreement dated October 22, 2016 among our Company, NSDL and the Registrar to the Offer.

23. Tripartite agreement dated December 4, 2018 among our Company, CDSL and the Registrar to the Offer.

24. Due diligence certificate dated July 15, 2021 addressed to the SEBI from the BRLMs.

25. In-principle listing approvals dated [●] and [●] issued by the BSE and the NSE, respectively.

26. Final observation letter bearing number [●] dated [●] addressed to the BRLMs from the SEBI.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to our Shareholders, subject to compliance with the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations and guidelines issued by the Government of India and the rules, regulations and guidelines issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or the rules made or regulations or guidelines notified thereunder, as the case may be. I further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY:

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P.S. Jayakumar
Non-Executive Independent Chairman

Place: Mumbai

Date: July 15, 2021

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations and guidelines issued by the Government of India and the rules, regulations and guidelines issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or the rules made or regulations or guidelines notified thereunder, as the case may be. I further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY:

Dr. Kshama Fernandes
Chief Executive Officer and Managing Director

Place: Mumbai

Date: July 15, 2021

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations and guidelines issued by the Government of India and the rules, regulations and guidelines issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or the rules made or regulations or guidelines notified thereunder, as the case may be. I further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY:

Michael Jude Fernandes
Non-Executive Nominee Director

Place: Singapore

Date: July 15, 2021

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations and guidelines issued by the Government of India and the rules, regulations and guidelines issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or the rules made or regulations or guidelines notified thereunder, as the case may be. I further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY:

Samir Amrit Shah
Non-Executive Nominee Director

Place: Chennai

Date: July 15, 2021

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations and guidelines issued by the Government of India and the rules, regulations and guidelines issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or the rules made or regulations or guidelines notified thereunder, as the case may be. I further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY:

Vijay Nallan Chakravarthi
Non-Executive Nominee Director

Place: Chennai

Date: July 15, 2021

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations and guidelines issued by the Government of India and the rules, regulations and guidelines issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or the rules made or regulations or guidelines notified thereunder, as the case may be. I further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY:

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Amit Mehta
Non-Executive Nominee Director

Place: Mumbai

Date: July 15, 2021

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations and guidelines issued by the Government of India and the rules, regulations and guidelines issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or the rules made or regulations or guidelines notified thereunder, as the case may be. I further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY:

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Anuradha Rao
Non-Executive Independent Director

Place: Chennai

Date: July 15, 2021

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations and guidelines issued by the Government of India and the rules, regulations and guidelines issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or the rules made or regulations or guidelines notified thereunder, as the case may be. I further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY:

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Ashutosh Arvind Pednekar
Non-Executive Independent Director

Place: Mumbai

Date: July 15, 2021

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations and guidelines issued by the Government of India and the rules, regulations and guidelines issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or the rules made or regulations or guidelines notified thereunder, as the case may be. I further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY:

Atul Tibrewal
Chief Financial Officer

Place: Mumbai

Date: July 15, 2021

DECLARATION BY LEAPFROG FINANCIAL INCLUSION INDIA (II) LTD

The undersigned Selling Shareholder hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as one of the Selling Shareholders and its portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings, made by, or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF LEAPFROG FINANCIAL INCLUSION INDIA (II) LTD

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Name: Jean Claude Permal

Designation: Director

Date: July 15, 2021

Place: Ebene, Mauritius

DECLARATION BY ACCION AFRICA-ASIA INVESTMENT COMPANY

The undersigned Selling Shareholder hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as one of the Selling Shareholders and its portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings, made by, or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF ACCION AFRICA-ASIA INVESTMENT COMPANY

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Name: Dilshaad Rajabalee

Designation: Director

Date: July 15, 2021

Place: Mauritius

DECLARATION BY AUGUSTA INVESTMENTS II PTE. LTD.

The undersigned Selling Shareholder hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as one of the Selling Shareholders and its portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings, made by, or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF AUGUSTA INVESTMENTS II PTE. LTD.

Name: Paul Grose

Designation: Director

Date: July 15, 2021

Place: Singapore

DECLARATION BY EIGHT ROADS INVESTMENTS MAURITIUS II LIMITED

The undersigned Selling Shareholder hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as one of the Selling Shareholders and its portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings, made by, or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF EIGHT ROADS INVESTMENTS MAURITIUS II LIMITED

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Name: Arshad Goodur

Designation: Director

Date: July 15, 2021

Place: Mauritius

DECLARATION BY DVARA TRUST

The undersigned Selling Shareholder hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as one of the Selling Shareholders and its portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings, made by, or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF DVARA TRUST

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Name: Samir Amrit Shah

Designation: Group President and Managing Trustee

Date: July 15, 2021

Place: Chennai

DECLARATION BY IIFL SPECIAL OPPORTUNITIES FUND

The undersigned Selling Shareholder hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as one of the Selling Shareholders and its portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings, made by, or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF IIFL SPECIAL OPPORTUNITIES FUND

Name: Mr. Amit Mehta

Designation: Fund Manager

Date: July 15, 2021

Place: Mumbai

DECLARATION BY IIFL SPECIAL OPPORTUNITIES FUND - SERIES 2

The undersigned Selling Shareholder hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as one of the Selling Shareholders and its portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings, made by, or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF IIFL SPECIAL OPPORTUNITIES FUND – SERIES 2

Name: Mr. Amit Mehta

Designation: Fund Manager

Date: July 15, 2021

Place: Mumbai

DECLARATION BY IIFL SPECIAL OPPORTUNITIES FUND - SERIES 3

The undersigned Selling Shareholder hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as one of the Selling Shareholders and its portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings, made by, or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF IIFL SPECIAL OPPORTUNITIES FUND – SERIES 3

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Name: Mr. Amit Mehta

Designation: Fund Manager

Date: July 15, 2021

Place: Mumbai

DECLARATION BY IIFL SPECIAL OPPORTUNITIES FUND - SERIES 4

The undersigned Selling Shareholder hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as one of the Selling Shareholders and its portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings, made by, or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF IIFL SPECIAL OPPORTUNITIES FUND – SERIES 4

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Name: Mr. Amit Mehta

Designation: Fund Manager

Date: July 15, 2021

Place: Mumbai

DECLARATION BY IIFL SPECIAL OPPORTUNITIES FUND - SERIES 5

The undersigned Selling Shareholder hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as one of the Selling Shareholders and its portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings, made by, or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF IIFL SPECIAL OPPORTUNITIES FUND – SERIES 5

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Name: Mr. Amit Mehta

Designation: Fund Manager

Date: July 15, 2021

Place: Mumbai