AVANSE FINANCIAL SERVICES

ASPIRE WITHOUT BOUNDARIES

ANNUAL REPORT

FY19-20

An Investment In Knowledge Pays The Best Interest

- Benjamin Franklin

INTRODUCTION TO AVANSE

A specialized professionally managed Education-focused NBFC, present across major education hubs catering to over 270 cities; with an AUM of 2,815 Cr & Net Worth of 900 Cr.

To be India's Leading Customer Centric Digitally Agile NBFC focused on Profitable Growth with Leadership position in Education Financing

Making Education Financing Seamless & Affordable for every Deserving Indian Student

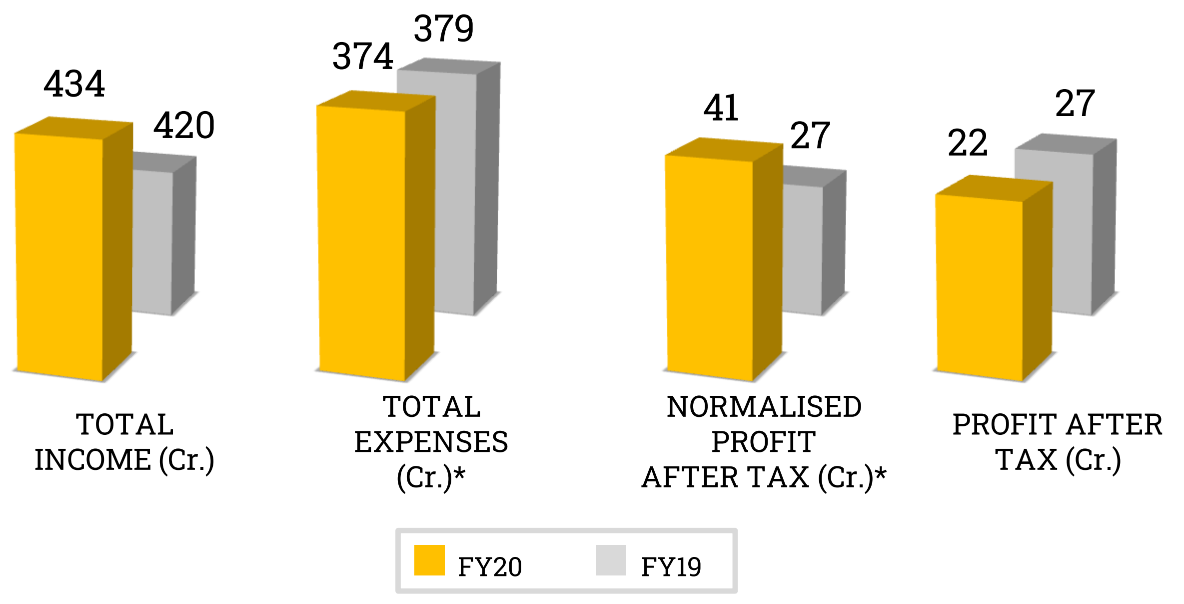
OUR PILLARS


OUR
CULTURAL
PILLARS
Governance
Transparency
Meritocracy
Inclusivity
Happiness Quotient


SUCCESS
ANCHORS
Strategic Orientation
Customer Centricity
Innovative Mindset
Execution Focus
Entrepreneurial Spirit
Collaborative Approach
People Excellence

DIRECTOR'S REPORT

Financial Performance Of The Company



68,457	2,815	0.04	900
Live Customers	AUM (Cr.)	ATS (Cr.)	Net Worth (Cr.)

2.7 x	32.1%	1.25%
Debt Equity	Capital Adequacy	ECL**

Acquired ~69,171 new customers in FY 19-20

Granular retail portfolio with an average ticket size of ~ Rs. 4 lakh

Strong liquidity position of Rs. 750+ Cr. with a leverage of 2.7 times

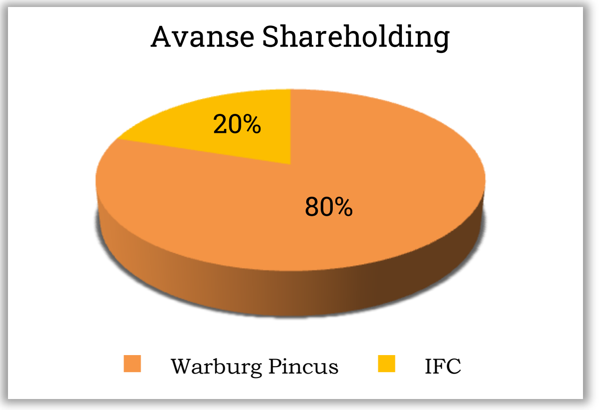
* Excludes exceptional items consisting of one time cost incurred on account of change in shareholding

** Includes prudent COVID-19 provision of ~7 cr. (0.24%)

Dividend

In order to conserve resources for future, the Board has not recommended any dividend for the financial year 2019-20.

Review Of Business Operations



Avanse Financial Services, a specialized education financing company has a very strong parentage with two of the leading and marquee private equity players being its shareholders. During the financial year 2019-20, the company underwent a change in the control. Last year, on July 30, 2019, one of the top global private equity firm Warburg Pincus LLC, through its affiliate Olive Vine Investment Ltd, acquired 80% equity-stake from the erstwhile Promoter/Promoter Group and other individual shareholders of the company. International Finance Corporation (IFC), an arm of World Bank decided to continue with its balance 20% of the shareholding in Avanse. Post the change in the shareholding pattern, Warburg Pincus and IFC made an equity infusion of INR 300 crore to support the funding requirement and to meet the growing demand of the company. With its shareholders' strong pedigree, proven track record, patient capital and partnership approach, your company is uniquely positioned to gain a competitive edge in the education financing space enabling us to deliver a better value proposition to our customers.

During the year, your company continued to focus on investing and building capabilities in the areas of risk and underwriting, technology, analytics, processes and people to fulfil its vision to create a Customer Centric Digitally Agile NBFC focused on Sustainable Profitable Growth with Leadership positioning in Education Financing Space.

To create an institution with a long-term view, designed for continued operational efficiencies and growth, your company is fundamentally focused on the following guiding pillars to drive three dimensions of its strategy i.e. responsible lending, sustainable growth and profitability:

- Integrated approach covering enterprise-wide risk with focus on strong corporate governance and operational risk management across business and functional domains. Institutionalisation of internal policies and processes with an operating framework based on embedded conservatism, proactive & continuous monitoring, with appropriate corrective actions

- Liability first approach in creating an organization and quality product portfolio which proactively addresses the needs of rating agencies and liability providers

- Segment-led approach – strengthening and growing the existing education focused business with a calibrated addition of new business segments with an optimal mix of risk, profit and robust asset quality. Leverage and build deep sector specialization in education financing to understand, reach and service customer better with customized product offerings

- Hybrid operating model of Touch and Tech, comprising best practices of traditional lenders and new age fintech players across the value chain to create a digitally agile and data centric organization to enable superior customer experience, drive operational efficiencies while ensuring risk management and asset quality

- Foster a culture of entrepreneurship, meritocracy & execution prowess amongst our employees with focus on career progression, learning & development and reward & recognition framework which is aligned with the overall strategic objectives of the company

Regulatory Guidelines

As per the RBI Directions, rules and regulations, your company falls under the category of "Systemically Important Non-Deposit taking Non-Banking Financial Company". The Company has complied with all the applicable Directions, Rules and Regulations prescribed by the RBI.

The Company's capital adequacy ratio (CAR) stood at 32.1% as on March 31, 2020. Tier I capital was 29.5% and Tier II capital was 2.6%.
The Company is registered with Insurance Regulatory and Development Authority of India (IRDAI) as Corporate Agent (Composite) and the Registration No. is CA0445. The Company act as a Corporate Agent of Pramerica Life Insurance Ltd, NAVI General Insurance Ltd and ICICI Lombard General Insurance Company Ltd. The Company has complied with all the applicable Rules and Regulations prescribed by IRDAI.

Transfer To Reserve

The Directors transferred ₹4.3 crore as per section 45-IC of Reserve Bank of India Act, 1934 to the Special Reserve of the Company for the year ended March 31, 2020.

Credit Rating

As on March 31, 2020, the secured long-term borrowing programme was assigned a rating of "A+ (Stable)" both by CARE and Brickwork and the unsecured long-term borrowing programme was assigned a rating of "A (Stable)" and A+ (Stable) by CARE and Brickwork respectively.

Rating Revision Date	***Secured Long Term Bank Facility / Non-Convertible Debentures***	***Sub-Debt (Unsecured Non-Convertible Debentures)***
05.04.2019	CARE A+ (Credit watch with developing implications)	CARE A (Credit watch with developing implications)
19.07.2019	BWR A+ (Credit watch with developing implications)	BWR A+ (Credit watch with developing implications)
25.09.2019	BWR A+ (Stable)	BWR A+ (Stable)
26.09.2019	CARE A+ (Stable)	CARE A (Stable)

Source Of Funds

<u>Loan from Bank / Financial Institution</u>

During the year under review your company received sanctions for term loan of ₹635 crore and for Working Capital Demand Loan of ₹10 crore from Banks/financial institutions, of which the Company availed loans of ₹485 crore. The outstanding loan as on March 31, 2020 was ₹1725.60 crore.

<u>Non-Convertible Debentures</u>

During the financial year 2019-20, the company issued Secured Non-Convertible Debentures (NCDs) amounting to ₹300 crore on private placement basis. The Non-Convertible Debentures are listed on the Wholesale Debt Market of BSE Limited. The company has been regular in the payment of interest towards all the outstanding Non-Convertible Debentures. As on March 31, 2020 the total outstanding Secured NCDs are ₹645 crore and the total outstanding Subordinate Debt are ₹75 crore.

Share Capital

During FY 2019-20, post-acquisition of equity stake by Olive Vine Investment Ltd, an affiliate of Warburg Pincus LLC from the erstwhile Promoter/ Promoter Group of the company, the company raised funds of ₹300 crores (Rupees Three Hundred crores only) through issue and allotment of 1,97,36,842 Equity Shares of ₹10 each issued at a price of ₹152 per share (face value of ₹10 each and premium of ₹142) to Olive Vine Investment Ltd and International Finance Corporation on preferential basis. The paid-up capital of the company as on March 31, 2020 stands at ₹82,59,18,610/- comprising of 8,25,91,861 equity shares of face value ₹10 each.

Stock Option

Your company believes that its success and ability to achieve its objectives are largely determined by the quality of its workforce and recognises that not only good employment opportunities but also additional motivating mechanisms are needed to incentivise employees. In recognition of the said objective, the company introduced and implemented "Avanse Financial Services Limited - Employee Stock Option Plan 2019" (ESOP - 2019) for issuance of up to 48,26,799 stock options convertible into equal number of equity shares of the company of face value of ₹10 each. Nomination Remuneration and Compensation Committee has granted 34,27,772 stock options under ESOP 2019 to the eligible employees of the company. Pursuant to the provisions of the Companies Act, 2013 and rules made thereunder, details of ESOP 2019 is attached as Annexure VIII.

Securitization Of Receivables

Your company as part of the overall holistic liability management and capital raise strategy focuses on securitization and direct assignments. As part of this strategy, your company has successfully completed 8 transactions of ₹369 crores with multiple partners.

Change In Control And Management Of The Company

Pursuant to the Share Purchase Agreement dated March 16, 2019 executed and entered into between the Company, *interalia* Wadhawan Global Capital Limited, Dewan Housing Finance Corporation Limited (erstwhile Promoters / Promoters Group of the Company), other individual shareholders ("Sellers") and Olive Vine Investment Ltd, an affiliate of Warburg Pincus LLC ("Acquirer"), Olive Vine Investment Ltd, post receipt of all the requisite approvals from the regulators, lenders etc. acquired 80% of the total share capital of the company from the Sellers on July 30, 2019. Subsequent to successful consummation of the aforesaid transaction, Olive Vine Investment Ltd hold 80% of total share capital of the company. Also, the composition of the Board of Directors of the company has changed. Mr. Narendra Ostawal was appointed as a Director of the company, nominated by Olive Vine Investment Ltd.

Change In Nature Of Business, If Any

There was no change in the nature of business of your company during the financial year 2019-20.

Material Changes & Commitments Affecting The Financial Position Of The Company

No material changes and commitments which could affect the company's financial position have occurred between the end of the financial year of the company and the date of this report.

Material Changes & Commitments Affecting The Financial Position Of The Company

There have been no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

Internal Financial Controls

The Internal Financial Controls with reference to financial statements as designed and implemented by the company are adequate. During the year under review, no material or serious observation has been received from the auditors of the company for inefficiency or inadequacy of such controls.

Details Of Subsidiary/Joint Ventures/Associate Companies

Your company does not have any Subsidiary/ Joint Ventures/ Associate company.

Deposits

Your company has neither accepted nor renewed any deposits from the public during the year and in the past. Hence, there are no unclaimed or unpaid amounts lying in the accounts of the company.

Statutory Auditors

During the year under review, M/s T. R. Chadha & Co. LLP, Chartered Accountants (Registration No. 006711N/N500028) vide its letter dated November 1, 2019 resigned as Statutory Auditors of the company. As a result, M/s Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration No. 117366W/W-100018) is the sole Statutory Auditor of the company and will hold office for its first term for five consecutive years from the conclusion of 25th Annual General Meeting until the conclusion of 30th Annual General Meeting.

As per the Companies Amendment Act, 2017, the company is no more required to ratify the appointment of Statutory Auditors at the Annual General Meeting and they will continue as auditor of the company for the remaining term.

Extract Of The Annual Return

Pursuant to Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the extract of Annual Return as on March 31, 2020 in the prescribed form MGT 9 forms part of this report as "Annexure I" and the same is also available on the company's website – www.avanse.com.

Conservation Of Energy, Technology, Absorption And Foreign Exchange Earnings & Outgo

The company, being a Non-Banking Finance Company, does not have any manufacturing activity. Therefore, the company has nothing to report on Conservation of Energy.

TECHNOLOGY ABSORPTION

Your company actively engages itself towards technology advancements to serve its customers better and to create technology friendly environment for its employees who, in turn, help them to manage the processes efficiently and economically.

Further, for the year ended March 31, 2020, there has been no foreign exchange earnings and outgo.

Directors

In compliance with the provisions of the Companies Act, 2013, Mr. Narendra Ostawal will retire by rotation at the ensuing Annual General Meeting and, being eligible, offer himself for re-appointment.

Based on the recommendation of Nomination, Remuneration and Compensation Committee, the Board of Directors at its Meeting held on July 30, 2019 approved the appointment of Ms. Vijayalakshmi Iyer (DIN 05242960) and Mr. Neeraj Swaroop (DIN 00061170) as an Additional Director categorized as Independent Director of the company with effect from July 30, 2019. Appointment of Ms. Iyer and Mr. Swaroop as an Independent Director of the company was approved by the shareholders at the 26th Annual General Meeting of the company held on September 26, 2019 for a period of three years effective July 30, 2019.

As per the terms of the SPA, Olive Vine Investment Ltd nominated Mr. Narendra Ostawal (DIN 06530414) as a Director on the Board of the Company. Accordingly, based on the recommendation of the Nomination Remuneration and Compensation Committee, the Board of Directors at its meeting held on July 30, 2019 appointed Mr. Narendra Ostawal as an Additional Director categorized as Non-executive Director. The shareholders at their 26th Annual General Meeting of the Company held on September 26, 2019 approved the appointment of Mr. Narendra Ostawal as Non-executive Director of the company.

As per the terms of the SPA, Mr. Kapil Wadhawan (DIN 00028528) and Mr. Suresh Mahalingam (DIN 01781730) ceased to be directors of the company effective July 31, 2019.

Further, Mr. Mahendra Kumar Chouhan (DIN 01781730) and Mr. Suresh Kumar Jain (DIN 05103064) resigned from the directorship of the company effective July 31, 2019.

The Board is of the opinion that the independent directors appointed during the year under review are persons of integrity and possess the requisite expertise and experience required for the position and the independent director(s) will give the online proficiency self-assessment test, if required and applicable as per the Companies (Accounts) Rules, 2014, as amended from time to time.

Key Managerial Personnel

There was no change in Key Managerial Personnel during the financial year 2019-20.

Declaration By Independent Director

The Independent Directors have submitted the declaration of independence, as required under Section 149 of the Companies Act, 2013, stating that they meet the criteria of independence as provided in the said section.

Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013, the Board of Directors have carried out an annual evaluation of its own performance, Board Committees and individual Directors. The evaluation framework was aligned with the Guidance Note on the Board Evaluation issued by the SEBI. The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of the criteria such as the board composition and structure, effectiveness of board processes, information and functioning, etc.

The performance of the Committees was evaluated by the Board after seeking inputs from the Committee Members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings etc. The Board of Directors reviewed the performance of the individual Directors on the basis of the criteria such as the contribution of the individual Director to the Board and Committee Meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings etc.

In a separate meeting of Independent Directors, performance of non-independent directors, performance of the board as a whole and performance of the Chairperson was evaluated taking into account the views of Non-Executive Directors. Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated.

Nomination & Remuneration Policy

Nomination Remuneration and Evaluation Policy is attached as “Annexure III”.

Details Of Establishment Of Vigil Mechanism / Whistle Blower

Pursuant to the provisions of Section 177 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 the company has adopted a Whistle Blower Policy, which provides for a vigil mechanism that encourages and supports its Directors and employees to report instances of unethical behaviour, actual or suspected, fraud or violation of the company's policies. It also provides for adequate safeguards against victimisation of persons who use this mechanism and have direct access to the Chairman of the Audit Committee in exceptional cases. Whistle Blower Policy is available on company's website www.avanse.com.

Particulars Of Loans, Guarantees Or Investments

The company, being a non-banking financial company registered with the RBI and engaged in the business of giving loan, is exempt from the provisions of section 186 of the Companies Act, 2013 and rules made thereunder. Accordingly, the disclosures of the loans given as required under the aforesaid section have not been made in this report.

Particulars Of Contracts Or Arrangements With Related Parties

Approval of the Audit Committee is obtained by the company for entering into any related party transaction as per the applicable provisions of Companies Act, 2013, as amended from time to time. As per the provisions of Section 188 of the Companies Act 2013, approval of the Board of Directors wherever applicable was obtained for entering into Related Party Transactions by the company. Disclosure of particulars of contracts/arrangement is given in the prescribed Form No. AOC -2 as "Annexure IV".

Details of related party transactions as required to be disclosed under applicable Accounting Standard on "Related Party Disclosures" and the SEBI Listing Obligations and Disclosure Requirements) Regulations, 2015 are given in the Notes to the Financial Statements for the year ended March 31, 2020.

The company's policy on Related Party Transactions is available on its website www.avanse.com.

Corporate Governance

Report on Corporate Governance of the company forms an integral part of this report and annexed as "Annexure V".

Particulars Of Employees Remuneration

In accordance with the provisions of Section 197 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 the details of the employees for the FY 2019-20 are set out in "Annexure VI" & "Annexure VII".

Directors' Responsibility Statement

Pursuant to the provisions of Section 134 of the Companies Act, 2013, the Directors of the Company confirm that:

A) in the preparation of the annual accounts for the year ended March 31, 2020, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any;

B) the directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2020 and of the profit of the company for that period;

C) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

D) the Annual financial statements has been prepared on a going concern basis;

E) Internal financial controls have been laid down to be followed by the Company and that such internal financial controls are adequate and were operating effectively;

F) Proper systems to ensure compliance with the provisions of the applicable laws are in place and the same are adequate and operating effectively;

Comments By The Board On Qualification, Reservation Or Adverse Remark In The Reports

<u>Auditors Report</u>

There were no qualifications, reservation or adverse comments by the Statutory Auditors of the company in their audit reports.

During the year under review, the Statutory Auditors have not reported any incident of fraud to the Audit Committee of the company.

<u>Secretarial Audit Report</u>

There were no qualifications, reservation or adverse comments made by the Secretarial Auditor of the company in their audit report for FY 2019-20.

Compliance With Secretarial Standards

Your company is in compliance with the Secretarial Standards on Meetings of the Board of Directors and the Secretarial Standards on General Meeting issued by the Institute of Company Secretaries of India.

Disclosures Under Sexual Harassment Of Women At Workplace (Prevention, Prohibition & Redressal) Act, 2013

As a part of HR Policy and for Prevention, Prohibition & Redressal of Sexual Harassment of Women at Workplace, your Company has framed a Policy on Prevention of Sexual Harassment Policy at Workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has constituted Internal Complaints Committee (ICC) under the provision of the said act. Further, considering the geographic presence in India the Company has also constituted Regional Internal Complaints Committees. During the financial year 2019-20, one complaint was received by ICC and same was disposed off by way of conciliation by ICC.

Acknowledgements

Your Directors take this opportunity to thank the company's customers, bankers & other lenders, and members for their continued support and faith reposed in the company during the tough time due to adverse macro-economic conditions. The Board also places on record its deep appreciation for the dedication and commitment of the employees at all levels. The Directors would also like to thank Reserve Bank of India and other regulators, stock exchange and other statutory bodies for their co-operation, guidance and support during the year under review

For and on behalf of the Board of Directors

Neeraj Swaroop	Vijayalakshmi Iyer
Chairperson	Independent Director
(DIN 00061170)	(DIN 05242960)

Date: 25.06.2020
Place: Mumbai

CUSTOMER TESTIMONIAL

"I have been quite delighted with the support I got from Avanse. The process and escalation matrix is so well placed that my queries/concerns were addressed within 2 days. I have taken loan from other bank as well but I found Avanse to be better"

Nabeel Jamal
M.Sc in Architecture, RWTH Aachen University,
Aachen, Germany

"I availed a loan from Avanse Finance Services Ltd. to complete the pending construction of my school campus. We required more space to ensure holistic learning for the students. I appreciate the services provided by the team and for the swift loan process and timely disbursal of the loan. The construction was completed as planned and it helped us increase the school's strength and provide the students a better learning environment."

Mr. Satbir Singh
Red Rose Public School
Muzaffarnagar, UP

"I managed to apply for an Education loan from Avanse without any hassle. The team was just a phone call away at any time of the day. They hand held me through the process and helped me with a hassle free, quick sanction and disbursement."

Akansha Rajpute
MSc in Computing, Data Analytics
Dublin City University, Ireland

"Avanse has been the financial institution which has made us our dream as an educational institution a reality. The response from the whole team at Avanse was swift and precise. Today we have 16 new classrooms, air conditioned computer lab with 54 All-in-one PCs, Library with about 15,000 books, restrooms for the children. This whole project which has become the new face of our institution has happened because of Avanse. Thank you again for helping us in our time of need."

Little Jacky Matriculation School
Chengalpattu, Tamil Nadu

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Macro Economic Scenario

India has emerged as the fastest growing economy in the world, backed by its strong democracy and demographic dividend. The working population of this country has grown larger than the dependent population. This is likely to drive growth in the long-term. Initiatives like Skill India Mission is designed to support nearly 400 million people and will ensure that the demographic dividend translate into growth and development for the Indian Economy. The country has been on a journey that powered a growth wave which resulted in the nation becoming a $3 trillion economy in 2019. While being on this accelerated trajectory, the country has also achieved macro stability, inclusive and sustainable growth. India has retained its position as the third largest start-up base in the world with over 8,900-9,300 start-ups. About 1,300 new start-ups were established in the year 2019, according to a report by NASSCOM.

With the improvement in the economic scenario experienced by the country during FY20, India has been able to attract significant investments both from domestic and foreign investors across diversified sectors of the economy. India has made fastest progress in improving the ease of doing business. India's ranking in the World Bank's ease of doing business report has improved from 142 in 2014 to 63 in 2019, a jump of 79 places in a short span of five years. But this growth trajectory was interrupted in the last month of the financial year due to the outbreak of COVID-19, a pandemic which disrupted the regular livelihoods and the overall economy of the world at large.

Citing this pandemic many institutes such as Moody's, Fitch, World Bank have significantly downgraded the estimates of India's GDP growth for the year 2020. This pandemic has impacted primarily all sectors indicating significant downside risks in short to medium term and is expected to result in some structural changes across various industries and business verticals. These are unprecedented times for world at large and lot is still unknown about the magnitude of the economic impact on this pandemic. The situation is ever evolving and clarity would emerge as the situation unfolds in the time to come. The economic impact of this crisis can be managed only post the health impact is brought under control by successful implementation of government and local authority initiatives.

Like all other business verticals, Education business segment is also aligning to the new way of doing business on account of this pandemic. Schools, colleges, universities, corporates are trying to adapt to the new normal to maintain continuity with the necessary support from the government authorities. A large number of Indian students enrol in universities abroad, especially in countries which are affected by this pandemic - US, UK, Australia and Europe. Every form of international education is impacted and this situation will persist for some time. Hence, we envisage a demand shift and a contraction for international higher education in the short term. Despite this, education will be one of the first sectors which will spring back after normalcy is restored as it is a non-discretionary spend segment of the economy. Also, timely actions have been taken by the government and regulatory bodies to cushion the impact of COVID-19. Additionally, financial stimulus package has also been provided by the government to help businesses tide over this tough times.

Opportunities And Threats

The current macro-economic crisis has impacted the overall demand of various businesses. Business which are a part of the discretionary spend such as tourism, airlines, entertainment, retail are among the worst affected ones. Avanse Financial Services has also witnessed demand contractions. But the silver lining to this problem is that non-discretionary spend like education will be one of the first sectors to overcome this impact. Education is an essential expenditure in every household and structurally education financing is a multi-decade secular growth opportunity in India. The health and economic implications of the pandemic will definitely result in some contraction of demand in the short term and may lead to deferment of the higher education desire of Indian students for the next few months till normalcy is restored.

The current situation is also expected to create brand new learning fields which will require newer skill-sets to be mastered as professionals. Corporate India will demand new skills and training to be acquired by individuals to be a part of the new normal world. This will ultimate increase the demand of securing the appropriate knowledge amongst students and professional to be future-ready.

To curtail the spread of COVID-19, colleges, universities, manufacturing units had to shut their premises, offices had to shift to a work-from-home module and businesses had to implement BCP to ensure smooth continuity. This crisis gave rise to an entire new demand of leveraging the online world. Technology enhancement across different sectors became mandatory to support the ecosystem during this scenario. Educational institutions moved quickly and efficiently to fill the gap by introducing the online education module. They are providing online classes to impart knowledge so that continuity is maintained once the crisis is over. E-learning platforms are gaining popularity and witnessing an increase in the number of new user base. Emergence of Ed-Tech players, lowering of data tariffs, rising smart phone penetration and advancement of technologies such as AI and ML are changing the way Indians are acquiring skills and education.

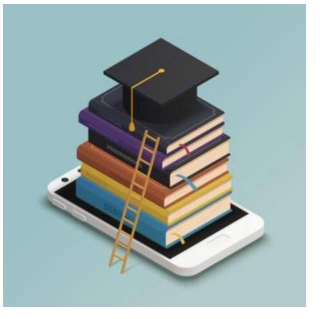
Online distance learning programs are well-poised to emerge in the education sector which will help the company cover a larger gamut of the newly added prospective customers. Dissemination of knowledge through online platforms is an opportunity as it will increase the reach and ease of learning. Thus, it will ultimately increase the demand for the same. All these factors together augur well for the education financing sector in India.

Business Overview – Segment-wise Or Product-wise Performance

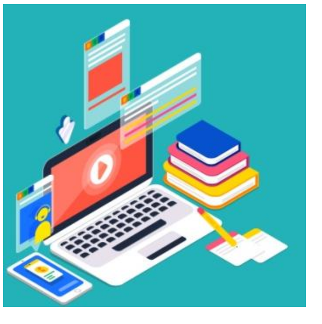
Your company is a new age, leading Education focused niche NBFC, regulated by Reserve Bank of India. Our endeavour as a company has been to make education financing seamless & affordable for every deserving Indian student. Avanse provides loans across two segments:

1. Education Loan – Avanse addresses education needs of Indian youth by making education affordable and seamless across the entire education lifecycle of student spanning from school to post graduation.

- Higher Education Loans - Loans for financing higher education needs of students. Basis its deep domain expertise in providing flexible and customized financial solutions, Avanse has fulfilled dreams of over ~16,000 academic aspirants across 1,700+ institutes and 10,000+ courses in over 45+ countries including US, India, Canada, UK, Australia and others.



- E-Learning Loans (Digital business) - In partnership with leading Edutech/ Fintech, Educational Institutes and E-learning brands, Avanse provides a seamless digital Customer Journey and acts as a financing solutions provider by catering to variety of segments including the vocational streams (such as Self-learning, Tutoring , Up-skilling and Employability based programs) through a seamless digital Integration and an instant decision process. As part of the this business, Avanse has partnered with more than 30 Edutech companies and have fulfilled the aspirations of ~76,000 end customers by providing financing solutions in an end to end digitally enabled framework.



2. Educational Institutional Loan – Loans for financing working and growth capital needs of educational institutes (primarily schools) in India. The company has funded 500+ educational institutions catering to approx. 5.5 lakh students.

As on March 31, 2020, the net worth of the Company stood at ₹900 crore and its Profit Before Tax was ₹32 crore for FY20. The Assets under Management of Avanse stood at ₹2,815 crore as on March 31, 2020.

Outlook

During these unprecedented times, the company is focused on capital preservation, balance sheet protection and operating expense management while continuing to emphasize building capabilities in risk & controllership, analytics, underwriting, IT, people and brand to ensure that your company gives sustainable profitable growth with focus on robust asset quality. Your company has a strong liquidity position, healthy capital adequacy and a granular portfolio with low gross and net NPA. Further, the company has made an adequate provision against the probable impact of COVID-19 pandemic on its portfolio. Prudent provision made by the company ensures a healthy PCR of ~56%. As a result, your company is very confident of navigating through the challenges posed by COVID-19 in FY21

Risk and Concerns

Risk Management is an integral part of the Company's business strategy. The risk management framework is steered by the Board through the Risk Management Committee (RMC) and Asset Liability Committee (ALCO) for enabling liquidity. A comprehensive risk review is done by these two committees on a quarterly basis by comparing the risk parameters and appetite that the organisations have defined and analysing the reasons for their variances. The Risk Management process is governed by the comprehensive Enterprise Risk Management Framework and Policy which lays down guidelines for Risk identification, assessment and monitoring as an ongoing process that is supported by a robust risk reporting framework. Risk Management at the Company covers Credit Risk, Market Risk, Operational Risk, Fraud Risk and other risks.

- *Liquidity Risk:* Your company may face an asset-liability mismatch caused by difference in maturity profile of its assets and liabilities. Your company actively monitors its liquidity position to ensure that it can meet all borrowers and lenders related funds requirement. The Asset Liability Management Committee (ALCO), comprising of senior management, lays down policies and quantitative limits and apprises the Audit Committee/Board periodically on the asset-liability mismatch and liquidity issues.

- *Interest Rate Risk:* Your company largely depends on resources raised from the banking system and market instruments to carry on their operations. They are therefore significantly vulnerable to interest rate movements in the market. The funding strategies adopted by your company ensure diversified resources raising options to minimise cost and maximise stability of funds.

- *Credit Risk:* Credit risk is a risk of loss due to failure of a borrower to meet the contractual obligation of repaying debt as per agreed terms. Credit risk is managed by using a set of credit norms and policies of the company. Your company has a structured and standardised credit approval process including customer selection criteria, comprehensive credit risk assessment, which encompasses analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of the borrower.

- *Operational Risk:* Operational risk can result from a variety of factors, including failure to obtain proper internal authorisations, improperly documented transactions, failure of operational and information security procedures, failure of computer systems, software or equipment, fraud, inadequate training and employee errors. Operational risk is mitigated by maintaining a comprehensive system of internal controls. Additionally, regular internal audits provide a check on deviation from any contingent operational inefficiency.

- *Business Risk:* Avanse being a NBFC is exposed to various external risks which have direct bearing on the sustainability and profitability of the company. Foremost amongst them are Industry Risk and Competition Risk. The volatile macro-economic conditions and changes in sector attitude in various economic segments cause ups and downs in the business, and result in loan asset impairment.

Internal Control Systems And Their Adequacy

Your company has adequate and effective controls to provide reasonable assurance on achievement of its operational, compliance and reporting objectives. Your company ensures that a reasonably effective internal control framework operates throughout the organisation, which provides assurance with regard to safeguarding the assets, reliability of financial and operational information, compliance with applicable statues, execution of the transactions as per the authorisation and compliance with the internal policies of your company.

The internal audit adopts a risk based audit approach and conducts regular audits of all the branches/offices of the company and evaluates on a continuous basis, the adequacy and effectiveness of the internal control mechanism, adherence to the policies and procedures of the company as well as the regulatory and legal requirements. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and wherever necessary, internal control systems are strengthened and corrective actions initiated according to the changing business needs from time to time.

Human Resource

Your company respects its talent pool and directed conscious effort towards the retention of talent, as it truly believes that employees are an organisation's greatest asset. Your company is building its organizational culture basis its five guiding pillars - Governance, Transparency, Meritocracy, Inclusivity and Happiness quotient. It strives to create a favourable work environment that encourages innovation and meritocracy. The company provides training at every stage of the employees' career and ensures that they are future ready to adapt to any market conditions.

The thrust on achieving higher growth coupled with optimal utilization of manpower is the primary focus. The management of your company believes in rewarding employees through compensation & benefits that are market competitive and differentiated based on individual, team & business performance. As on March 31, 2020, your company had 385 employees as compared to 392 employees as on March 31, 2019.

For and on behalf of the Board of Directors

Neeraj Swaroop Chairperson (DIN 00061170)	Vijayalakshmi Iyer Independent Director (DIN 05242960)

Date: 25.06.2020
Place: Mumbai

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2020

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

I. REGISTRATION & OTHER DETAILS:		
1	CIN	U67120MH1992PLC068060
2	Registration Date	07-08-1992
3	Name of the Company	AVANSE FINANCIAL SERVICES LIMITED
4	Category/Sub-category of the Company	Public Company Limited by Shares / Non-Government Company Registered with RBI as Non-Deposit Accepting NBFC
5	Address of the Registered office & contact details	001 & 002 Fulcrum, A Wing, Ground Floor, Sahar Road, Next to Hyatt Regency, Andheri (East), Mumbai – 400 099. Tel: 022 6859 9999 Fax: 022 6859 9900 E: investorrelations@avanse.com
6	Whether listed company	Yes (Only Non-Convertible Debentures issued by the Company on Private Placement basis are listed on BSE Limited)
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Registrar & Transfer Agents: Link Intime India Private Ltd. C 101, 247 Park, L.B.S.Marg, Vikhroli (West), Mumbai - 400083. Tel. No.: +91 22 - 4918 6270 Fax No.: +91 22 - 4918 6060 e-mail: rnt.helpdesk @linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

Sr. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	NBFC engaged into lending business	64920	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of Shares Held	Applicable Section
1	Olive Vine Investment Ltd C/o SGG Corporate Services (Mauritius) Ltd, 33, Edith Cavell Street, Port Louis, 11324, Mauritius.	--	Holding Company	80%	2(46)

IV. SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [01-April-2019]				No. of Shares held at the end of the year [31-March-2020]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	45,472	-	45,472	0.08	0	-	0	0.00	(0.08)
b) Central Govt	-	-	-	0.00	-	-	-	0.00	0.00
c) State Govt(s)	-	-	-	0.00	-	-	-	0.00	0.00
d) Bodies Corp.	5,02,37,496	-	5,02,37,496	79.92	0	-	0	0.00	(79.92)
e) Banks / FI	-	-	-	0.00	-	-	-	0.00	0.00
f) Any other	-	-	-	0.00	-	-	-	0.00	0.00
Sub Total (A) (1)	5,02,82,968	-	5,02,82,968	80.00	0	-	0	0.00	(80.00)
(2) Foreign									
a) NRI Individuals	-	-	-	0.00	-	-	-	0.00	0.00
b) Other Individuals	-	-	-	0.00	-	-	-	0.00	0.00
c) Bodies Corp.	-	-	-	0.00	6,60,73,488	-	6,60,73,488	80.00	0.00
d) Any other	-	-	-	0.00	-	-	-	0.00	0.00
Sub Total (A) (2)	-	-	-	0.00	6,60,73,488	-	6,60,73,488	0.00	0.00
TOTAL (A)	5,02,82,968	-	5,02,82,968	80.00	6,60,73,488	-	6,60,73,488	80.00	0.00

B. Public Shareholding											
1. Institutions											
b) Banks / FI			-	-	-	0.00	-	-	-	0.00	0.00
c) Central Govt			-	-	-	0.00	-	-	-	0.00	0.00
d) State Govt(s)			-	-	-	0.00	-	-	-	0.00	0.00
e) Venture Capital Funds			-	-	-	0.00	-	-	-	0.00	0.00
f) Insurance Companies			-	-	-	0.00	-	-	-	0.00	0.00
g) FIIs			-	-	-	0.00	-	-		0.00	0.00
h) Foreign Venture Capital Funds			-	-	-	0.00	-	-	-	0.00	0.00
i) Others (Multilateral Financial Institution)			1,25,71,005	-	1,25,71,005	20.00	1,65,18,373	-	1,65,18,373	20.00	0.00
Sub-total (B)(1):-			1,25,71,005	-	1,25,71,005	20.00	1,65,18,373	-	1,65,18,373	20.00	0.00
2. Non-Institutions											
a) Bodies Corp.											
i) Indian			-	-	-	0.00	-	-	-	0.00	0.00
ii) Overseas			-	-	-	0.00	-	-	-	0.00	0.00
b) Individuals											
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh			-	1046	1046	0.00	0	-	0	0.00	0.00

ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	-	-	0.00	-	-	-	0.00	0.00
c) Others (specify)									
Non Resident Indians	-	-	-	0.00	-	-	-	0.00	0.00
Overseas Corporate Bodies	-	-	-	0.00	- -	- -	-	0.00	0.00
Foreign Nationals	-	-	-	0.00	-	-	-	0.00	0.00
Clearing Members	-	-	-	0.00	-	-	-	0.00	0.00
Trusts	-	-	-	0.00	-	-	-	0.00	0.00
Foreign Bodies	-	-	-	0.00	-	-	-	0.00	0.00
Sub-total (B)(2):-	-	1,046	1,046	0.00	0	-	0	0.00	0.00
Total Public (B)	1,25,71,005	1,046	1,25,72,051	20.00	1,65,18,373	-	1,65,18,373	20.00	0.00
C. Shares held by Custodian for GDRs & ADRs	-	-	-	0.00	-	-	-	0.00	0.00
Grand Total (A+B+C)	6,28,53,973	1046	6,28,55,019	100.00	8,25,91,861	-	8,25,91,861	100.00	0.00

Pursuant to Share Purchase Agreement dated March 16, 2019 entered into inter alia between Wadhawan Global Capital Ltd, Dewan Housing Finance Corporation Ltd (Sellers), the Company and Olive Vine Investment Ltd, an affiliate of Warburg Pincus LLC (Purchaser), the Purchaser acquired entire 5,02,84,014 equity shares from the erstwhile Promoter/Promoter Group and other individual shareholders of the Company on July 30, 2019 resulting into change in control. Being a Public Company, to meet the requirement of minimum no. of members, 5 (five) individual shareholders hold 1 (one) equity share each of the Company and the beneficial owner of these 5 (five) equity shares is Olive Vine Investment Ltd

During the FY 2019-20, the Company allotted 1,57,89,474 and 39,47,368 fully paid equity shares to Olive Vine Investment Ltd and International Finance Corporation respectively on Preferential basis.

(ii) Shareholding of Promoter

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Dewan Housing Finance Corporation Ltd	1,92,50,719	30.63	0	0	0	0	(30.63)
2	Wadhawan Global Capital Ltd	3,08,25,437	49.04	0	0	0	0	(49.04)
3	Wadhawan Holdings Pvt Ltd	76,754	0.12	0	0	0	0	(0.12)
4	Wadhawan Consolidated Holdings Pvt. Ltd.	42,293	0.07	0	0	0	0	(0.07)
5	Infill Retail Ventures Pvt. Ltd.	42,293	0.07	0	0	0	0	(0.07)
6	Shri Kapil Wadhawan	22,736	0.04	0	0	0	0	(0.04)
7	Shri Dheeraj Wadhawan	22,736	0.04	0	0	0	0	(0.04)
8	Olive Vine Investment Ltd	0	0	0	6,60,73,488	0	6,60,73,488	80.00

(iii) Change in Promoters' Shareholding

Sr. No.	Particulars	Reason	Shareholding at the beginning of the year		Shareholding at the end of the year	
			No. of shares	% of total shares	No. of shares	% of total shares
1	Dewan Housing Finance Corporation Ltd	-	1,92,50,719	30.63	0	0.00
2	Wadhawan Global Capital Limited	-	3,08,25,437	49.04	0	0.00
3	Wadhawan Holdings Pvt Ltd	-	76,754	0.12	0	0.00
4	Wadhawan Consolidated Holdings Pvt. Ltd.	-	42,293	0.07	0	0.00
5	Wadhawan Retail Ventures Pvt. Ltd.	-	42,293	0.07	0	0.00
6	Shri Kapil Wadhawan	-	22,736	0.04	0	0.00
7	Shri Dheeraj Wadhawan	-	22,736	0.04	0	0.00
8	Olive Vine Investment Ltd	Refer Note	0	0.00	6,60,73,488	80.00
	Total		5,02,82,968	80.00	6,60,73,488	80.00

Note: Pursuant to Share Purchase Agreement dated March 16, 2019 entered into inter alia between Wadhawan Global Capital Ltd, Dewan Housing Finance Corporation Ltd (Sellers), the Company and Olive Vine Investment Ltd, an affiliate of Warburg Pincus LLC (Purchaser), the Purchaser acquired entire 5,02,84,014 equity shares from the erstwhile Promoter/Promoter Group and other individual shareholders of the Company on July 30, 2019 resulting into change in control. Being a Public Company, to meet the requirement of minimum no. of members, 5 (five) individual shareholders hold 1 (one) equity share each of the Company and the beneficial owner of these 5 (five) equity shares is Olive Vine Investment Ltd. In view of the above development during the year the under review, Olive Vine Investment Ltd is the Promoter of the Company.

During the FY 2019-20, the Company allotted 1,57,89,474 and 39,47,368 fully paid equity shares to Olive Vine Investment Ltd and International Finance Corporation respectively on Preferential basis.

(iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No.	Name of the Top 10 shareholders	Reason	Shareholding at the beginning of the year		Shareholding at the end of the year	
			No. of shares	% of total shares	No. of shares	% of total shares
1	International Finance Corporation	Refer Note (a)	1,25,71,005	20.00	1,65,18,373	20.00

Note:

• 39,47,368 equity shares were allotted to International Finance Corporation on Preferential basis on August 2, 2019.

• Being a Public Company, to meet the requirement of minimum no. of members, 5 (five) individual shareholders hold 1 (one) equity share each of the Company and the beneficial owner of these 5 (five) equity shares is Olive Vine Investment Ltd

(v) Shareholding of Directors and Key Managerial Personnel:

None of the Directors or KMP is holding any shares except Mr. Shri Kapil Wadhawan who was holding equity shares, details are given under Promoters & Change in Promoters Shareholding above.

V. INDEBTEDNESS				
Indebtedness of the Company including interest outstanding/accrued but not due for payment.				
Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	20,46,49,15,665	3,00,00,00,000	-	23,46,49,15,665
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	29,34,70,776	12,77,99,829	-	42,12,70,605
Total (i+ii+iii)	**20,75,83,86,441**	**3,12,77,99,829**	**-**	**23,88,61,86,270**
Change in Indebtedness during the financial year				
* Addition	8,35,04,51,000	-	-	8,35,04,51,000
* Reduction	5,10,37,48,964	2,25,00,00,000	-	7,35,37,48,964
Net Change	**3,24,67,02,036**	**-2,25,00,00,000**	**-**	**99,67,02,036**
Indebtedness at the end of the financial year				
i) Principal Amount	23,71,16,17,701	75,00,00,000	-	24,46,16,17,701
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	35,39,79,885	2,52,94,521	-	37,92,74,406
Total (i+ii+iii)	**24,06,55,97,586**	**77,52,94,521**	**-**	**24,84,08,92,107**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Director and / or Manager

Sr. No.	Particulars of Remuneration	Name of Manager	Total Amount
1	Gross salary	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission	-	-
	- as % of profit	-	-
	- others, specify	-	-
5	Others, please specify	-	-
	Total (A)	-	-
	Ceiling as per the Act	-	

B. Remuneration to Other Directors							
Sr. No.	Particulars of Remuneration	Name of the Directors					
		Mahendra Kumar Chouhan#	Suresh Kumar Jain#	Savita Mahajan	Neeraj Swaroop*	Vijayalakshmi Iyer*	Total Amount (₹)
1.	Independent Directors						
	Fee for attending board / committee meetings	2,10,000	2,10,000	4,40,000	6,70,000	5,90,000	21,20,000
	Commission	-	-	6,66,667	13,33,333	6,66,667	26,66,667
	Others, please specify	-	-	-	-	-	-
	Total (1)	2,10,000	2,10,000	11,06,667	20,03,333	12,56,667	47,86,667
2.	Other Non-Executive Directors	Kapil Wadhawan #	Suresh Mahalingam #	Narendra Ostawal @			
	Fee for attending Board / Committee meetings	-	-	-			-
	Commission	-	-	-			-
	Others, please specify	-	-	-			-
	Total (2)	-	-	-			-
	Total (B)=(1+2)	2,10,000	2,10,000	11,06,667	20,03,333	12,56,667	47,86,667
	Overall Ceiling as per the Act	3% of the Net Profit (Overall ceiling is not applicable to Sitting Fees)					

* Appointed w.e.f. July 30, 2019
@ Appointed w.e.f. July 30, 2019 (Nominated by Olive Vine Investment Ltd)
# Resigned w.e.f. July 31, 2019
Commission to the Independent Directors for the FY 2019-20 will be paid on pro-rata basis effective August 1, 2019.

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD					
SN.	Particulars of Remuneration	Name of Key Managerial Personnel			Total Amount
1	Name	Amit Gainda	Rahul Bhapkar	Rakesh Dhanuka	(₹)
2	Designation	CEO	CFO	Company Secretary	
3	Gross salary	3,09,44,737/-	85,44,247/-	23,02,591/-	4,17,91,575/-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	- others, specify	-	-	-	-
5	Others, please specify	-	-	-	-
	Total	3,09,44,737/-	85,44,247/-	23,02,591/-	4,17,91,575/-

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There were no penalty / punishment / compounding of offences for the breach of any provisions of the Companies Act, 2013 against the Company or its Directors or other officers in default during the FY 2019-20.

For and on behalf of the Board of Directors

Neeraj Swaroop
Chairperson
(DIN 00061170)

Vijayalakshmi Iyer
Independent Director
(DIN 05242960)

Date: 25.06.2020
Place: Mumbai

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR FY 2019-20

Sr. No.	Particulars	Remarks
1	A Brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web- link to the CSR policy and project or programs.	The projects undertaken will be within the broad framework of Schedule VII of the Companies Act, 2013. Details of the CSR Policy of the Company is available on the Company's website – www.avanse.com
2	The Composition of the CSR Committee.	1) Ms. Savita Mahajan, Chairperson 2) Ms. Vijayalakshmi Iyer, Member 3) Mr. Narendra Ostawal, Member
3	Average net profit of the Company for last three financial years.	₹20,90,92,694/-
4	Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above).	₹41,81,854/-
5	Details of CSR spent during the financial year: a) Total amount to be spent for the financial year b) Amount unspent, if any; c) Manner in which the amount spent during the financial year is detailed below:	₹45,00,000/- (Amount approved by the Board) Nil

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr. No	CSR project or activity Identified.	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads:	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency
1	To impart Social & Financial Skills to the children.	Education	Palghar Maharashtra	10,00,000/-	10,00,000/-	10,00,000/-	Through Implementing Agency – MelJol
2	To support students who are specially abled or from underserved communities to complete their college program and provide hostel facilities with food etc.	Education	Mumbai Maharashtra	15,00,000/-	15,00,000/-	15,00,000/-	Through Implementing Agency – Samarthanam Trust for the Disabled
3	To train women from underserved communities, empower them personally and professionally.	Education	Mumbai Maharashtra	20,00,000/-	20,00,000/-	20,00,000/-	Through Implementing Agency – Muktangan Education Trust

A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.
We hereby confirm that the implementation and monitoring of the CSR Policy are in compliance with CSR objectives and Policy of the Company.

Amit Gainda	Savita Mahajan
(Chief Executive Officer)	(Chairperson – CSR Committee)
	(DIN: 06492679)

Date: 25.06.2020
Place: Mumbai

Nomination Remuneration And Evaluation Policy

TITLE

This policy shall be called as "Nomination, Remuneration and Evaluation Policy".

OBJECTIVE AND PURPOSE

In line with the statutory requirement under the provisions of the Companies Act, 2013 and the regulatory frame work for Non-Banking Financial Companies (NBFC) issued by Reserve Bank of India (RBI), the company has constituted a Committee named as Nomination, Remuneration and Compensation Committee ("Committee"). Further, the following policy has been prepared as per the requirement of the said provisions. The objective and purpose of the policy is:

- To ensure that the quantum and composition of remuneration is reasonable and sufficient to attract, retain and motivate employees.
- To ensure that relationship of remuneration to performance is clear and meets the performance benchmarks.
- To ensure that remuneration to Directors, Key Managerial Personnel, Senior Management and other employees involves a balance between fixed and incentives pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

DEFINITIONS

- Board or Board of Directors - means the Board of Directors of the Company.
- Company shall mean Avanse Financial Services Limited
- Committee - means the Nomination, Remuneration and Compensation Committee of the Company.
- Fit and Proper - means the fit and proper criteria as prescribed by the Reserve Bank of India from time to time.
- Key Managerial Personnel as defined in the Companies Act, 2013, as amended from time to time.
- Senior Management Personnel shall mean personnel of the Company who are Members of its core management team excluding Board of Directors and Chief Executive Officer (CEO) including all functional heads.

POLICY

A. Appointment / Nomination Criteria:

The Committee shall identify and ascertain the integrity, qualifications, skills, expertise, background, experience, independence, etc. of the person for appointment as a Director and Key Managerial Personnel (KMP) and recommend to the Board his/her appointment. The appointment of the Directors and KMP shall be as per the provisions of the Companies Act, 2013 and other applicable laws, as amended from time to time.

For the appointment of Senior Management Personnel the criteria shall be to identify and ascertain integrity, qualification, skills, expertise, industry experience, background, etc. of the person proposed to be appointed and the appointment of Senior Management Personnel shall be approved by the CEO of the company.

In case of appointment of Director, the Committee and the Board shall ensure that they meet the fit and proper criteria prescribed by the Reserve Bank of India as amended from time to time and maintain the position during their tenure in office.

The Committee shall be duly informed about the appointment of any Senior Management Personnel.

Any other criteria as the Committee may deem fit and/or mentioned in the applicable laws.

B. Evaluation:

The Committee or Board shall carry out evaluation of performance of Board, its Committees and individual director on annual basis as per the provisions of the Companies Act, 2013, as amended from time to time. The manner of evaluation can be in the questionnaire form, rating form or in any other manner as may be decided by the Committee from time to time. The performance parameters includes, but not limited to expertise, objectivity & independence, understanding of the company's business, willingness to devote the time, participation in discussion, responsiveness, composition of Board/Committees, frequency of meetings, etc.

The evaluation of the KMP shall be done by the Committee based on their performance, achievements, ratings, company's business performance, etc.

The performance evaluation of the Senior Management and other employees shall be as per the company's performance, annual appraisal process, prevailing HR policies and HR framework implemented by the company from time to time.

C. Removal:

In case of any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable laws and breach of Company's prevailing HR Policies, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules, regulations and HR Policies.

D. Remuneration:

The compensation structure may also include stock options targeting employee participation in ownership of the company and to ensure the retention of potential talents for the future growth and diversity of the company. Any Director holding directly or indirectly more than 10% of the outstanding equity shares of the company and Independent Director shall not be entitled to any stock options.

a. Executive Chairman / Managing Director / Whole-time Director:
i) The remuneration/ commission/ bonus/ performance linked incentives, etc. to the Executive Chairman/ Managing Director/ Whole-time Director, will be determined by the Committee and recommended to the Board for approval. The remuneration/ compensation/ commission etc. shall be subject to the approval of the shareholders of the Company and Central Government, wherever required as per applicable laws.

ii) The remuneration/ commission to be paid to the Executive Chairman/ Managing Director/ Whole-time Director shall be as per the provisions of the Companies Act, 2013, and the rules made thereunder as amended from time to time and other applicable laws, if any.

iii) Increments/ Revision to the existing remuneration/ compensation structure shall be recommended by the Committee to the Board for its consideration and approval.

b) Non-Executive Director / Independent Director:
i) The Commission may be paid to the Non-Executive Director/ Independent Director as per the provisions of Articles of Association, Companies Act, 2013, rules made there under and other applicable laws, if any.

ii) The Non-Executive Directors/ Independent Director may receive sitting fees for attending meetings of Board or Committee(s) thereof approved by the Board from time to time in line with the applicable provisions of the Companies Act, 2013.

c) KMP and Senior Management Personnel:

i) The remuneration to the KMP and Senior Management Personnel of the Company shall be in line with the Company's philosophy to provide fair compensation to key – executive officers based on their performance and contribution to the Company and to provide incentives that attract and retain key executives, instill a long term commitment to the Company, and develop a pride and sense of Company ownership, all in a manner consistent with shareholder interests. The remuneration of Senior Management Personnel at the time of appointment including performance linked incentives, any revision / increments in the remuneration shall be approved by the CEO as per the HR Policy of the Company.

ii) The remuneration, annual increments, performance linked incentives, perquisites etc. to the KMP of the Company shall be recommended by the Committee and approved by the Board of Directors.

d) Remuneration of Other Employees

Apart from Directors, KMP and Senior Management, the remuneration of rest of the employees will be determined on the basis of the role and position of the individual employee, including professional experience, responsibility, job complexity, local market conditions in competitive environment and HR Policy of the Company.

E. AMENDMENTS
Any subsequent amendment / modification in the applicable laws in this regard shall automatically apply to this policy.
The policy shall be reviewed as and when required and may be amended by the Board on the recommendation of the Committee.

Form No. AOC-2

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

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

1. Details of contracts or arrangements or transactions not at arm's length basis:
All the contracts or arrangements or transactions entered into by the company were on arm's length basis.

2. Details of material contracts or arrangement or transactions at arm's length basis
The company has not entered into any contract of material nature which falls within the provisions of Section 188 of the Companies Act 2013.

(a)	Name(s) of the related party and nature of relationship	N.A.
(b)	Nature of contracts/ arrangements/ transactions	N.A.
(c)	Duration of the contracts / arrangements/ transactions	N.A.
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	N.A.
(e)	Date(s) of approval by the Board, if any:	N.A.
(f)	Amount paid as advances, if any	N.A.

For and on behalf of the Board of Directors

Neeraj Swaroop
Chairperson
(DIN 00061170)

Vijayalakshmi Iyer
Independent Director
(DIN 05242960)

Date: 25.06.2020
Place: Mumbai

Report on Corporate Governance

Corporate Governance is the framework by which the company ensures transparency in all its dealings and whereby various stakeholders' interests are balanced. The company's philosophy on Corporate Governance is to achieve business excellence by enhancing the long-term welfare of all its stakeholders. The company recognizes its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics and accountability to its customers, government and others.

1. Board Meeting

During the financial year 2019-20, the Board met ten times i.e. on April 24, 2019, May 23, 2019, July 27, 2019, July 30, 2019, August 12, 2019, September 24, 2019, November 5, 2019, January 3, 2020, January 28, 2020 and March 31, 2020 The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013. The attendance of each director at the above said meetings is as follows;

Sr. No.	Name of the Director	Designation	Number of meetings attended
1	Mr. Neeraj Swaroop*	Independent Director & Chairperson	6
2	Ms. Vijayalakshmi Iyer*	Independent Director	6
3	Mr. Narendra Ostawal*	Non-executive Director	6
4	Ms. Savita Mahajan	Independent Director	8
5	Mr. Kapil Wadhawan#	Non-executive Chairman	2
6	Mr. Suresh Mahalingam#	Non-Executive Director	4
7	Mr. Mahendra Kumar Chouhan#	Independent Director	4
8	Mr. Suresh Kumar Jain#	Independent Director	4

* Appointed w.e.f. July 30, 2019
\# Resigned w.e.f. July 31, 2019

2. Audit Committee

The Constitution of the Audit Committee is in compliance with the provisions of the Companies Act, 2013. The terms of reference of the Audit Committee are in accordance with the provisions of Section 177 of the Companies Act, 2013 ("Act") read with Companies (Meeting of Board and its Powers) Rules, 2014 and as required by other applicable laws. The Company Secretary acts as the secretary to the Committee. During the financial year 2019-20, the Committee met four times i.e. on April 24, 2019, August 12, 2019, November 5, 2019 and January 28, 2020. The composition of the Audit Committee as on March 31, 2020 and the details of attendance of each Committee Member at the above said meetings is as follows:

Sr. No.	Name of the Member	Number of meetings attended
1	Ms. Vijayalakshmi Iyer (Chairperson of the Committee)*	3
2	Mr. Neeraj Swaroop*	3
3	Mr. Narendra Ostawal*	3
4	Mr. Mahendra Kumar Chouhan#	1
5	Mr. Suresh Kumar Jain#	1
6	Mr. Suresh Mahalingam#	1

*Appointed as Committee Member w.e.f. August 5, 2019
Resigned as Director w.e.f. July 31, 2019

3. Nomination, Remuneration and Compensation (NRC) Committee

The constitution of the NRC Committee is in compliance with the provisions of the Companies Act, 2013. The terms of reference of the Committee are in accordance with the provisions of Section 178 of the Companies Act, 2013 read with Companies (Meeting of Board and its Powers) Rules 2014 and as required by other applicable laws. The Company Secretary acts as the secretary to the Committee. During the financial year 2019-20, the Committee met four times i.e. on July 30, 2019, August 12, 2019, September 24, 2019 and January 28, 2020. The composition of the NRC Committee as on March 31, 2020 and the details of attendance of each Committee Member at the above said meetings is as follows:

Sr. No.	Name of the Member	Number of meetings attended
1	Ms. Vijayalakshmi Iyer (Chairperson of the Committee)*	3
2	Mr. Neeraj Swaroop*	3
3	Mr. Narendra Ostawal*	3
4	Mr. Mahendra Kumar Chouhan#	1
5	Mr. Suresh Kumar Jain#	1
6	Mr. Suresh Mahalingam#	1

*Appointed as Committee Member w.e.f. August 5, 2019
Resigned as Director w.e.f. July 31, 2019

4. Corporate Social Responsibility Committee

The Board has constituted Corporate Social Responsibility (CSR) Committee as per the requirements of Section 135 of the Companies Act, 2013 and rules made there under. The terms of reference of the Committee are in accordance with the provisions of Section 135 of the Companies Act, 2013 and rules made there under. The Company Secretary acts as the secretary to the Committee. During the financial year 2019-20, the Committee met once on January 28, 2020. Pursuant to the provisions of the Companies Act, 2013 an Annual Report on Corporate Social Responsibility for FY 2019-20 is attached as "Annexure II".

The composition of the CSR Committee as on March 31, 2020 and the details of attendance of each Committee Member at the above said meeting is as follows:

Sr. No.	Name of the Member	Number of meetings attended
1	Ms. Savita Mahajan (Chairperson of the Committee)*	1
2	Mr. Vijayalakshmi Iyer*	-
3	Mr. Narendra Ostawal*	1
4	Mr. Mahendra Kumar Chouhan#	-
5	Mr. Suresh Kumar Jain#	-
6	Mr. Suresh Mahalingam#	-

*Appointed as Committee Member w.e.f. August 5, 2019
Resigned as Director w.e.f. July 31, 2019

5. Risk Management Committee

The Members of the Committee as on March 31, 2020 are Mr. Neeraj Swaroop, (Chairperson of the Committee), Ms. Vijayalakshmi Iyer, Mr. Narendra Ostawal, Amit Gainda - CEO, Mr. Rahul Bhapkar - CFO, Mr. Samir Kumar Mohanty – COO, and Mr. Smitesh Shah - CTO. The terms of reference of the Committee *interalia* include ensuring formulation and implementation of the Risk Management Policy of the Company.

6. Asset Liability Management Committee (ALCO)

Pursuant to the regulatory framework for NBFC issued by Reserve Bank of India, Asset Liability Management Committee (ALCO) was constituted. ALCO lays down policies and quantitative limits that involve assessment of various types of risks and shifts in assets and liabilities to manage such risks. ALCO of the company monitors, on an ongoing basis, liquidity, interest rate and funding risks to which the company is susceptible. As on March 31, 2020, the Members of the Committee are Mr. Amit Gainda - CEO (Chairman of the Committee), Mr. Rahul Bhapkar – CFO and Mr. Samir Kumar Mohanty - COO.

7. IT Strategy Committee

The constitution of the IT Strategy Committee of the company is in line with requirement of RBI Master Direction – Information Technology Framework for the NBFC Sector. The terms of reference of the Committee are as per the said RBI Directions. As on March 31, 2020, the Members of IT Strategy Committee are Mr. Neeraj Swaroop (Chairperson of the Committee), Ms. Savita Mahajan, Mr. Narendra Ostawal, Mr. Amit Gainda – CEO (Member - CIO) and Mr. Smitesh Shah – CTO.

8. Borrowing Committee

The Members of Borrowing Committee are Mr. Amit Gainda - CEO (Chairman of the Committee), Mr. Rahul Bhapkar – CFO and Mr. Samir Kumar Mohanty - COO. The terms of reference of the Committee interalia include ascertaining and meeting the fund requirements of the company through diversified resources as per the applicable provisions of the Companies Act, 2013 and rules made thereunder and any other applicable law for the time being in force.

9. Investment Committee

The Members of Investment Committee are Mr. Amit Gainda - CEO (Chairman of the Committee), Mr. Rahul Bhapkar – CFO and Mr. Samir Kumar Mohanty - COO. The terms of reference of the Committee interalia include to invest the idle funds lying with the company and other related matters.

10. Details of Shareholding as on March 31, 2020

Sr. No.	Name of Shareholder	No. Of Shares held	% of Total Share Capital
1	Olive Vine Investment Ltd	6,60,73,483	80.00
2	International Finance Corporation	1,65,18,373	20.00
3	Mr. Amit Gainda*	1	0.00
4	Mr. Rahul Bhapkar*	1	0.00
5	Mr. Samir Kumar Mohanty*	1	0.00
6	Mr. Amit Yadav*	1	0.00
7	Mr. Smitesh Shah*	1	0.00
	Total	82591861	100.00

*****_Beneficial Owner is Olive Vine Investment Ltd_

For and on behalf of the Board of Directors

Neeraj Swaroop
Chairperson
(DIN 00061170)

Vijayalakshmi Iyer
Independent Director
(DIN 05242960)

Date: 25.06.2020
Place: Mumbai

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2015 AND AMENDMENTS THEREOF

i) The percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer and Company Secretary during the financial year 2019-20, ratio of the remuneration of each Director to the median remuneration of the employees of the company for the financial year 2019-20 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Sr. No.	Name of Director / KMP	% increase in remuneration in the FY 2019-20	Ratio of remuneration of each Director to median remuneration of employees
1	Mr. Neeraj Swaroop* Independent Director & Chairperson	N.A.	N.A.
2	Ms. Vijayalakshmi Iyer* Independent Director	N.A.	N.A.
3	Ms. Savita Mahajan Independent Director	N.A.	N.A.
4	Mr. Narendra Ostawal* Non-executive Director	N.A.	N.A.
5	Mr. Kapil Wadhawan# Non-Executive Director	N.A.	N.A.
6	Mr. Mahendra K Chouhan# Independent Director	N.A.	N.A.
7	Mr. Suresh Kumar Jain# Independent Director	N.A.	N.A.
8	Mr. Suresh Mahalingam# Non-Executive Director	N.A.	N.A.
9	Mr. Amit Gainda Chief Executive Officer	16%	N.A.
10	Mr. Rahul Bhapkar Chief Financial Officer	14%	N.A.
11	Mr. Rakesh Dhanuka Company Secretary	13%	N.A.

* Appointed w.e.f. July 30, 2019
\# Resigned w.e.f. July 31, 2019

ii) The median remuneration of the employees of the Company during the financial year 2019-20 was ₹7,58,121/-

iii) In the financial year 2019-20, there was an increase of 1.07% in the median remuneration of employees.

iv) There were 385 permanent employees on the rolls of company as on March 31, 2020.

v) Average percentage increase made in the salaries of employees other than the Managerial Remuneration in FY 2019-20 was 9% whereas the increase in the Managerial Remuneration for the same FY 2019-20 was 14%.

vi) It is hereby affirmed that the remuneration paid is as per the remuneration policy for Directors, Key Managerial Personnel and other Employees.

For and on behalf of the Board of Directors

Neeraj Swaroop Chairperson (DIN 00061170)	Vijayalakshmi Iyer Independent Director (DIN 05242960)

Date: 25.06.2020
Place: Mumbai

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(2) OF THE COMPANIES (APOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2015.

a) Employed throughout the financial year and was in receipt of remuneration for the year in aggregate of not less than ₹ 1,02,00,000/-

Name	Designation	Remuneration Received (₹)	Qualification	Experience	Date of Commence-ment of employment	Age	Last Employment	Equity Shares held in the Company (%)	Relative of any Director or KMP
Amit Gainda	Chief Executive Officer	₹3,09,44,737	B.Com & MBA from IMI and INSEAD	23 Years	01.04.2017	45 Years	Dewan Housing Finance Corporation Ltd	-	No

b) Employed for a part of the financial year and was in receipt of remuneration at a rate in aggregate not less than ₹ 8,50,000/- per month: NIL

c) Employed throughout the financial year or part thereof, was in receipt of remuneration in the year which, in the aggregate or at a rate which in the aggregate was in excess of that drawn by the Managing Director or Whole-time Director and holds by himself or along with his spouse and dependent children, not less than 2% of the equity shares of the Company: NIL

For and on behalf of the Board of Directors

Neeraj Swaroop
Chairperson
(DIN 00061170)

Vijayalakshmi Iyer
Independent Director
(DIN 05242960)

Date: 25.06.2020
Place: Mumbai

Details of Employees' Stock Option Scheme pursuant to the provisions of the Companies (Share Capital and Debentures) Rules, 2014 as on March 31, 2020

Details	ESOP 2019
Options Granted	34,27,772
Options Vested	--
Options Exercised	--
Total number of shares arising as a result of exercise of option	--
Options Lapsed	26,831
Exercise price	₹152/-
Variation of terms of option	--
Money realized by exercise of option	--
Total number of option in force	34,00,941

Employee wise details of options granted to:-

i) Key Managerial Personnel

Sr. No.	Name of Key Managerial Personnel	No. of Options
1	Mr. Amit Gainda, CEO	19,61,284
2	Mr. Rahul Bhapkar, CFO	1,29,380

ii) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year:

Sr No.	Name	Grants
1	Amit Yadav	2,06,344
2	Rajesh Kachave	2,07,616
3	Samir Mohanty	2,14,100
4	Vivek Kumar Baranwal	2,06,100

iii) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;

Sr. No.	Name of the Employee	No. of Options
1	Mr. Amit Gainda, CEO	19,61,284

For and on behalf of the Board of Directors

Neeraj Swaroop
Chairperson
(DIN 00061170)

Vijayalakshmi Iyer
Independent Director
(DIN 05242960)

Date: 25.06.2020
Place: Mumbai

Secretarial Audit Report

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

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

To,
The Members,
Avanse Financial Services Limited
001 & 002 Fulcrum, A Wing, Ground Floor
Sahar Road, Next to Hyatt Regency,
Andheri (East) Mumbai MH 400099

We have conducted the secretarial audit of the Compliance of applicable statutory provisions and the adherence to good corporate practices by AVANSE FINANCIAL SERVICES LIMITED(hereinafter called the Company) for the audit period covering the financial year ended on 31st March 2020. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conduct/Statutory compliances and expressing my opinion thereon.

Based on verification of Company's books, papers, minute books, form and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial audit, We hereby report that in our opinion, the Company has, during the audit period covering the Financial year ended March 31, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board- processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, form and returns filed and other records maintained by the Company for the financial year ended on March 31, 2020 according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made thereunder;
ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
iii. The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder;
iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder tothe extent of Foreign Direct Investment;
v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
    a) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; (Not Applicable to the Company during the audit period)

b) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
c) The Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015;
d) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and (Not Applicable to the Company during the audit period)
e) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not Applicable to the Company during the audit period)

Other laws applicable to the Company;

a) The Reserve Bank of India (RBI) Act, 1934
b) RBI Directions, Guidelines, Circulars etc. applicable to NBFC-ND-SI
c) The IRDA Regulations for Corporate Agents, 2015
d) The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
e) Employees' State Insurance Act, 1948
f) The Payment of Gratuity Act, 1972
g) The Professional Tax Act, 1975
h) The Provident Fund Act, 1952
i) Payment of Bonus Act, 1965
j) Maternity Benefit Act, 1961
k) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

We have also examined compliance with the applicable clauses of Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India.

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

We further report that the Board of Directors of the Company is duly constituted with proper Directors as per the Companies Act, 2013. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice had been given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and in cases where shorter notice/s were given for Board Meetings, at least one Independent Director was present at such meeting/s and that the system exists for seeking and obtaining further information and clarifications on the agenda items before the Meeting and for meaningful participation at the Meeting.

As per the minutes all the decisions at the Board Meetings were passed unanimously and with requisite majority in the General meetings.

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

We further report that during the audit period, the Company has transacted following activities:
Issue and Allotment of 1,97,36,842 fully paid equity shares having a face value of ₹ 10/- at a premium of ₹ 142/- each.
Issue and allotment of 3000 Secured, Rated, Listed, Redeemable, Non-Convertible Debentures of face value of ₹ 1,000,000 each.

UDIN: F008279B000207423
Date: 06/05/2020
Place: Mumbai

To,
The Members
Avanse Financial Services Limited

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

Maintenance of Secretarial record is the responsibility of the Management of the Company. Our responsibility is to express an opinion on these Secretarial Records based on our audit.

We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

Where ever required, we have obtained the Management representation about the compliance of Laws, Rules and Regulations and happening of events etc.

The compliance of the provisions of Corporate and other applicable Laws, Rules, Regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

The Secretarial Audit report is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the Management has conducted the affairs of the company.

For Sachin Manseta & Associates
Practicing Company Secretaries

Sachin Manseta
Proprietor
FCS No. 8279
CP No. 8540

Date: 06.05.2020
Place: Mumbai

INDEPENDENT AUDITORS' REPORT

To The Members of Avanse Financial Services Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Avanse Financial Services Limited (the "Company"), which comprise the Balance Sheet as at 31st March 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2020, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis of Opinion

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

Emphasis of Matter

We draw attention to Note 42 to the financial results, in which the company describes the uncertainties arising from COVID 19 pandemic.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of loans measured at amortized cost (refer note 39.3 to the financial statements)

Key Audit Matter Description

As at the year ended March 31, 2020, the Company had financial assets in form of loans granted to customers amounting to Rs. 283,780.67 Lakh net of provision for expected credit loss of Rs. 3,706.12 Lakh. Management estimates impairment provision using collective model based approach for the loan exposure other than those subject to specific provision. We have reported this as a key audit matter because measurement of loan impairment involves application of significant judgement by the management. The most significant judgements are:

- Classification of assets to stage 1, 2, or 3 using criteria in accordance with Ind AS 109 which also include considering the impact of recent Reserve Bank of India's Covid-19 regulatory related circulars

- Key assumptions in respect of benchmarking the credit rating of the customers assessed by the Company with the External Credit Rating Agency, determination of probability of defaults and loss given defaults including consideration of collateral values

- Inputs and Judgements used in determination of management overlay at various asset stages considering the current uncertain economic environment with the range of possible effects unknown to the Company arising out of the COVID 19 Pandemic

- The disclosures made in financial statements for ECL especially in relation to judgements and estimates by the Management in determination of the ECL. Refer note 42 to the financial statements.

How the Key Audit Matter Was Addressed in the Audit

The audit procedures performed by us included the following:

- Test the design and effectiveness of internal controls implemented by the management for following:
    - Identification of credit deterioration and consequently impaired loans
    - Validation of the critical components viz. Exposure at Default (EAD), Probability of Default (PD) and Loss given default (LGD) used for the impairment provision
    - Management's judgement applied for the key assumptions used for the purpose of determination of impairment provision
    - Completeness and accuracy of the data inputs used and calculation of impairment

- Test the completeness and accuracy of data from underlying systems used in the model including the bucketing of loans into delinquency bands. We Assessed and tested the key underlying assumptions and significant judgements used by management.

- For loans identified by management as potentially impaired, examined on a sample basis, the calculation of the impairment, critically assessed the underlying assumptions and corroborated these to supporting evidence.

- Examined a sample of loans which had not been identified by management as potentially impaired (Stage 1 and 2 assets) and form our own judgement as to whether that was appropriate through examining information such as the counterparty's payment history.

- We assessed the adequacy and appropriateness of disclosures in compliance with Ind AS 107 in relation to ECL especially in relation to judgements used in estimation of ECL provision.

- We performed an overall assessment of the ECL provision levels at each stage and reasonableness of the management's overlays on account of Coivid-19 which includes range of possible effects applied in determination of PDs and LGDs taking into the Company's portfolio, risk profile, credit risk management practices and the macroeconomic environment.

- Involved specialists for evaluation of the methodology and approach applied by the management.

Information Other than the Financial Statements and Auditors' Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis and Board's Report including Annexures to Board's Report (the 'reports'), but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
e) On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164(2) of the Act.

f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g. With respect to the other matters to be included in the Auditors' Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

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

    i. The Company does not have any pending litigations, as at the year-end which would impact its financial position

    ii. The Company did not have any long-term contracts including derivative contracts, as at the year-end for which there were any material foreseeable losses.

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

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

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

G. K. Subramaniam
(Partner)
(Membership No. 109839)
UDIN: 20109839AAAAJJ3962

MUMBAI, 25th June, 2020

ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT
(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

We have audited the internal financial controls over financial reporting of Avanse Financial Services Limited ("the Company") as of 31st March, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

G. K. Subramaniam
(Partner)
(Membership No. 109839)
UDIN: 20109839AAAAJJ3962

MUMBAI, 25th June, 2020

ANNEXURE “B” TO THE INDEPENDENT AUDITORS’ REPORT

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

We have audited the internal financial controls over financial reporting of Avanse Financial Services Limited (“the Company”) as of 31st March, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

I. In respect of fixed assets
   a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
   b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification
   c) With respect to immovable property of land which is freehold, according to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed provided to us, we report that, the title deed of such immovable property is held in the name of the Company as at the balance sheet date.

II. As explained to us, the company does not have inventory. Accordingly, the provisions of Clause 3(ii) of the Order are not applicable to the company.

III. The Company has not granted loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

IV. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of grant of loans and making investments, as applicable. The Company has not provided any guarantees and securities.

V. According to the information and explanations given to us, the Company has not accepted any deposit during the year. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunals in this regard in the case of the Company.

VI. According to the information and explanations given to us, the Company is not required to maintain cost records under sub-section (1) of Section 148 of the Act. Accordingly, paragraph 3(vi) of the Order is not applicable to the Company.

VII. According to the information and explanations given to us, in respect of statutory dues:

a) The Company has been generally regular in depositing undisputed statutory dues, including Provident fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Customs Duty, Works Contract Tax, cess and other material statutory dues applicable to it to the appropriate authorities.

b) There were no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Customs Duty, Works Contract Tax, cess and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.

c) There are no dues of Income-tax, Goods and Services Tax and Customs Duty as on March 31, 2020 on account of disputes.

VIII. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks, financial institutions or dues to debenture holders. The Company has not taken loans or borrowings from government.

IX. In our opinion and according to the information and explanations given to us, money raised by way of term loans have been applied by the Company during the year for the purposes for which they were raised. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year.

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

XI. In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

XII. The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

XIII. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

XIV. According to the information and explanations given to us, the Company has made preferential allotment of shares and private placement of Non-convertible debentures during the year.

In respect of the above issue, we further report that:

a) the requirement of Section 42 of the Companies Act, 2013, as applicable, have been complied with; and
b) the amounts raised have been applied by the Company during the year for the purposes for which the funds were raised, other than temporary deployment pending application.

XV. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with the directors and hence provisions of section 192 of the Act are not applicable.

XVI. The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained the registration.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

G. K. Subramaniam
(Partner)
(Membership No. 109839)
UDIN: 20109839AAAAJJ3962

MUMBAI, 25th June, 2020

AVANSE FINANCIAL SERVICES LIMITED
BALANCE SHEET AS AT MARCH 31, 2020

(Rs. in Lacs)

	Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
	ASSETS			
I	**Financial assets**			
(a)	Cash and cash equivalents	4	64,340.04	14,347.65
(b)	Bank balances other than (a) above	5	998.55	3,175.97
(c)	Loans	7	280,074.61	294,007.00
(d)	Investments	6	12,500.68	-
(e)	Other financial assets	8	1,381.60	672.14
			359,295.48	**312,202.76**
II	**Non-Financial assets**			
(a)	Current tax assets (net)		352.21	152.72
(b)	Deferred tax assets (net)	9	736.89	547.20
(c)	Property, plant and equipment	10	772.08	309.66
(d)	Other intangible assets	10	930.49	899.64
(e)	Intangible assets under development		161.14	-
(f)	Right of use assets	10	991.52	-
(g)	Other non-financial assets	11	703.36	162.01
			4,647.69	**2,071.23**
	Total Assets		**363,943.17**	**314,273.99**
	LIABILITIES AND EQUITY			
	LIABILITIES			
I	**Financial Liabilities**			
(a)	Trade payables			
	- total outstanding dues of micro and small enterprises	12	0.59	5.74
	- total outstanding dues to creditors other than micro and small enterprises		1,123.96	1,244.78
(b)	Debt securities	13	74,916.63	49,640.46
(c)	Borrowings (other than debt securities)	14	171,946.69	188,403.09
(d)	Other financial liabilities	15	24,870.95	16,463.91
			272,858.82	**255,757.98**
	Non-Financial Liabilities			
(a)	Current tax liabilities (net)		458.03	227.37
(b)	Provisions	16	410.56	228.73
(c)	Other non-financial liabilities	17	221.79	281.57
			1,090.38	**737.67**
III	**EQUITY**			
(a)	Equity share capital	18	8,259.19	6,285.50
(b)	Other equity	19	81,734.78	51,492.84
	Total equity		**89,993.97**	**57,778.34**
	Total liabilities and equity		**363,943.17**	**314,273.99**
	The accompanying notes form an integral part of the financial statements	1 to 44		

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
Registration No. 117366W/W-100018

G. K. Subramaniam
Partner
Membership No. 109839
Place : Mumbai
Date : June 25, 2020

For Avanse Financial Services Limited

Neeraj Swaroop
Director
DIN - 00061170

Vijayalakshmi Iyer
Director
DIN - 05242960

Amit Gainda
Chief Executive Officer

Rahul Bhapkar
Chief Financial Officer

Rakesh Dhanuka
Company Secretary

Place : Mumbai
Date : June 25, 2020

AVANSE FINANCIAL SERVICES LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

(Rs. in Lacs)

	Particulars	Note No.	For the year ended March 31, 2020	For the year ended March 31, 2019
I	**Income**			
	Revenue from operations			
	Interest income	20	38,397.89	39,728.12
	Fees and commission income	21	1,145.13	1,376.19
	Net gain on fair value changes		947.84	535.91
	Net gain on derecognition of financial instrument under amortised cost category		842.69	106.52
	Other operating income	22	594.40	102.53
	Total revenue from operations		**41,927.95**	**41,849.27**
	Other income	23	1,450.33	182.56
	Total income		**43,378.28**	**42,031.83**
II	**Expenses**			
	Finance costs	24	24,888.41	24,015.23
	Impairment on financial instruments	25	2,009.38	679.74
	Employee benefits expense	26	5,466.88	7,516.32
	Depreciation and amortisation expense	10	949.88	403.87
	Other expenses	27	4,040.05	5,267.94
	Total expenses		**37,354.60**	**37,883.10**
III	**Profit before exceptional items and tax**		**6,023.68**	**4,148.73**
IV	**Exceptional items**	28	2,856.99	-
V	**Profit before tax**		**3,166.69**	**4,148.73**
VI	**Tax expense**			
	Current tax	29	1,208.73	1,613.58
	Deferred tax	29	(194.48)	(191.83)
	Total tax expense		**1,014.25**	**1,421.75**
VII	**Net profit for the year**		**2,152.44**	**2,726.98**
VII	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss			
	- Actuarial (gain) / loss on post retirement benefit plans		18.95	(9.87)
	- Income tax on above		(4.77)	3.45
	Total other comprehensive income		**14.18**	**(6.42)**
IX	**Total comprehensive income**		**2,166.62**	**2,720.56**
X	**Earnings per equity share**	31		
	(Face value of Rs. 10/- each)			
	Basic (Rs.)		2.83	4.40
	Diluted (Rs.)		2.83	4.40
	The accompanying notes form an integral part of the financial statements	1 to 44		

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
Registration No. 117366W/W-100018

G. K. Subramaniam
Partner
Membership No. 109839
Place : Mumbai
Date : June 25, 2020

For Avanse Financial Services Limited

Neeraj Swaroop
Director
DIN - 00061170

Vijayalakshmi Iyer
Director
DIN - 05242960

Amit Gainda
Chief Executive Officer

Rahul Bhapkar
Chief Financial Officer

Rakesh Dhanuka
Company Secretary

Place : Mumbai
Date : June 25, 2020

AVANSE FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2020

(Rs. in Lacs)

	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
A	**Cash flow from operating activities**		
	Profit before tax	3,166.69	4,148.73
	Adjustment for:		
	Depreciation and amortisation expenses	949.88	403.87
	Net gain on fair value changes (realised)	(947.84)	(535.90)
	Provision for impairment on financial instruments	2,009.38	679.74
	Interest on fixed deposits	(1,152.71)	(171.44)
	Baddebts written off	23.45	22.23
	ESOP Expenses	79.00	-
	Finance cost in Lease Liability	94.23	-
	Actuarial loss on post retirement benefit plans	18.95	(9.87)
	Gain on sale of fixed asset	-	0.19
	Excess provision written back	(258.05)	-
	Operating profit before working capital changes	**3,982.98**	**4,537.55**
	Adjustment for:		
	Decrease / (Increase) in loans	11,899.57	(73,608.32)
	(Increase) / Decrease in Other non-financial assets	(541.35)	42.82
	(Increase) / Decrease in financial assets	(515.43)	19.76
	Increase in financial liabilities	6,210.79	7,574.51
	Increase in trade payables	132.14	840.91
	(Decrease) / Increase in non financial liabilities	(59.79)	141.43
	Increase in Provisions	181.82	228.73
	Cash generated from / (used in) operations	**21,290.73**	**(60,222.61)**
	Direct taxes paid (net)	(1,177.56)	(1,469.76)
	Net cash generated from / (used in) operating activities	**20,113.17**	**(61,692.37)**
B	**Cash flow from investing activities**		
	Investments in mutual fund units	(450,700.00)	(209,548.99)
	Sale of mutual fund units	439,147.16	210,084.90
	Interest received on bank deposits	958.69	83.90
	Purchase of property, plant & equipment and intangible assets	(1,337.60)	(1,216.34)
	Sale of property, plant & equipment	-	0.07
	Bank deposit not considered as cash and cash equivalents (net)	2,177.42	(2,741.97)
	Net cash (used in) investment activities	**(9,754.33)**	**(3,338.43)**
C	**Cash flow from financing activities**		
	Proceeds from issue of equity share (including share premium)	30,000.00	6,502.25
	Stamp duty expenses on issue of equity shares	(30.00)	-
	Proceeds from long-term borrowings	83,504.51	82,500.00
	Repayment of long-term borrowings	(49,584.10)	(29,958.04)
	Repayment of short-term borrowings (net)	(23,953.41)	(3,547.31)
	Finance cost in Lease Liability	(303.46)	-
	Net cash generated from financing activities	**39,633.54**	**55,496.90**
	Net Increase / (Decrease) in Cash and cash equivalents	49,992.39	(9,533.90)
	Cash and cash equivalents at the beginning of the year	14,347.65	23,881.55
	Cash and cash equivalents at the end of the year (refer note 4)	**64,340.04**	**14,347.65**

The accompanying notes form an integral part of the financial statements 1 to 44

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
Registration No. 117366W/W-100018

G. K. Subramaniam
Partner
Membership No. 109839
Place : Mumbai
Date : June 25, 2020

For Avanse Financial Services Limited

Neeraj Swaroop
Director
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DIN - 05242960

Amit Gainda
Chief Executive Officer

Rahul Bhapkar
Chief Financial Officer

Rakesh Dhanuka
Company Secretary

Place : Mumbai
Date : June 25, 2020

AVANSE FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT MARCH 31, 2020

A. EQUITY SHARE CAPITAL

(Rs. in Lacs)

Particulars	Balance as at 31-Mar-18	Changes in equity share capital during the year	Balance as at 31-Mar-19	Changes in equity share capital during the year	Balance as at 31-Mar-20
Equity Share Capital	5,924.27	361.23	6,285.50	1,973.69	8,259.19

B. OTHER EQUITY

(Rs. in Lacs)

	Reserves and Surplus					Total
	Securities Premium	Retained Earnings	General Reserve	Stock Options Reserve	Statutory Reserve	
Balance as at March 31, 2018	**41,755.93**	**504.71**	**0.14**	**-**	**370.49**	**42,631.27**
Profit for the year		2,726.97				2,726.97
Premium received on shares issued during the year	6,141.02					6,141.02
Transferred from statement of profit and loss		(545.39)			545.39	-
Other comprehensive income for the year		(6.42)				(6.42)
Balance as at March 31, 2019	**47,896.95**	**2,679.87**	**0.14**	**-**	**915.88**	**51,492.84**
Profit for the year		2,152.44				2,152.44
Premium received on shares issued during the year	28,026.32					28,026.32
Transferred from statement of profit and loss		(430.49)			430.49	-
Additions on account of options granted during the year				1,385.02		1,385
Deferred employee compensation				(1,306.02)		(1,306.02)
Other adjustment		(30.00)				(30.00)
Other comprehensive income for the year		14.18				14.18
Balance as at March 31, 2020	**75,923.27**	**4,386.00**	**0.14**	**79.00**	**1,346.37**	**81,734.78**

The accompanying notes form an integral part of the financial statements 1 to 44

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
Registration No. 117366W/W-100018

G. K. Subramaniam
Partner
Membership No. 109839
Place : Mumbai
Date : June 25, 2020

For Avanse Financial Services Limited

Neeraj Swaroop
Director
DIN - 00061170

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Director
DIN - 05242960

Amit Gainda
Chief Executive Officer

Rahul Bhapkar
Chief Financial Officer

Rakesh Dhanuka
Company Secretary

Place : Mumbai
Date : June 25, 2020

1. Corporate Information

Avanse Financial Services Limited (the 'Company') is a RBI registered Non-Deposit Accepting Non Banking Financial Company. The main object of the Company is to lend money by way of loans, advance, overdraft or otherwise with or without security and to solicit and procure insurance business as corporate agent. The Debentures of the Company are listed on Bombay Stock Exchange (BSE). The Company is Systematically Important Non-deposit taking Non-Banking Financial Company.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting and Preparation of Financial statements

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) and the relevant provisions of the Companies Act, 2013 (the "Act") (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter. Effective April 01, 2018, the Company has adopted all the Ind AS and the adoption was carried out in accordance with Ind AS 101, First-time Adoption of Indian Accounting Standards, with April 1, 2017 as the transition date. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP

Historical cost convention
The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability that market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 116, and measurements that have some similarities to fair value but are not fair value in use in Ind AS 36

Fair value measurements under Ind AS 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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at measurement date
Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3 inputs are unobservable inputs for the valuation of assets or liabilities

Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule III to the Act. The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 "Statement of Cash Flows".

2.2 Property, plant and equipment and Intangible Assets

i. Property, plant and equipment (PPE) is recognised when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. PPE is stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation and cumulative impairment, if any. Cost includes professional fees related to the acquisition of PPE.

Depreciation / amortization is recognised on a straight-line basis over the estimated useful lives of respective assets as under:

Category of Assets	Useful Life
Furniture & Fixtures	6 years
Computer Hardware	3 years
Vehicle	5 years
Office Equipment	5 years

Assets costing less than Rs 5,000 are fully depreciated in the year of capitalization.

Leasehold improvement is amortized on SLM over the lease term subject to a maximum of 36 months.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

ii. Intangible:

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets.

Intangible assets are amortised on straight line basis over the estimated useful life of 3 years. The method of amortisation and useful life are reviewed at the end of each accounting year with the effect of any changes in the estimate being accounted for on a prospective basis

Amortisation on impaired assets is provided by adjusting the amortisation charge in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised

Impairment on non-financial assets

As at the end of each year, the Company reviews the carrying amount of its non-financial assets that is PPE and intangible to determine whether there is any indication that these assets have suffered an impairment loss.

An asset is considered as impaired when on the balance sheet date there are indications of impairment in the carrying amount of the assets, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the assets' net selling price and value in use). The carrying amount is reduced to the level of recoverable amount and the reduction is recognised as an impairment loss in the Statement of Profit and Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.3 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

a**.** Interest Income
Interest income on financial instruments at amortised cost is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate (EIR) applicable. Interest on financial instruments measured as at fair value is included within the fair value movement during the period

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL, transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

b**.** Fees and Commission Income
Fee and commission income include fees other than those that are an integral part of EIR. The fee & commission included in this part of the statement of profit and loss include among other things fees charged for servicing a loan, commission on forex and insurance commission.

c. Investment Income
The gains/ losses on sale of investments are recognised in the Statement of Profit and Loss on the trade date. Gain or loss on sale of investments is determined after consideration of cost on a weighted average basis.

2.4 Leases
The Company evaluates each contract or arrangement, whether it qualifies as lease as defined under Ind AS 116.
The Company as a lessee
The Company assesses, whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves–
a) the use of an identified asset,
b) the right to obtain substantially all the economic benefits from use of the identified asset, and
c) the right to direct the use of the identified asset.

The Company at the inception of the lease contract recognizes a Right-of-Use (RoU) asset at cost and a corresponding lease liability, for all lease arrangements in which it is a lessee, except for leases with term of less than twelve months (short term) and low-value assets.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised

The cost of the right-of-use assets comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the inception date of the lease plus any initial direct costs, less any lease incentives received. Subsequently, the right-of-use assets is measured at cost less any accumulated depreciation and accumulated impairment losses, if any. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use assets.

Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

For lease liabilities at inception, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate is readily determined, if that rate is not readily determined, the lease payments are discounted using the incremental borrowing rate.

The Company recognizes the amount of the re-measurement of lease liability as an adjustment to the right-of-use assets. Where the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the re-measurement in the Statement of profit and loss.

For short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the lease term.

Lease liability has been presented in Note 15 “Other Financial Liabilities” and ROU asset has been presented in Note 10 “Property, Plant and Equipment” and lease payments have been classified as financing cash flows.

2.5 Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets as defined in Ind AS 23 are capitalized as a part of costs of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use

Interest expenses are calculated using the EIR and all other Borrowing costs are recognised in the Statement of profit and loss in the period in which they are incurred

2.6 Employee Benefits

Retirement benefit costs and termination benefits

Defined Contribution Plan

Payments to defined contribution plans are recognised as expense in the Statement of Profit and Loss of the year when employees have rendered service entitling them to the contributions. The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that cash refund or a reduction in the future payment is available

Defined Benefit Obligation

The Company's Gratuity liability under the Payment of Gratuity Act,1972 are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method.

The Company’s net obligation in respect of defined benefit plans is calculated 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 obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan

Re measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income (OCI). Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in statement of profit and 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 or the gain or loss on curtailment is recognised immediately in Statement of Profit and Loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided at the undiscounted amount of the benefits expected to be paid in exchange for that service. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service

Other Long-term employee benefits

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

2.7 Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognised in the Statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Current Tax

The tax currently payable is based on the taxable profit for the year of the Company. Taxable profit differs from 'profit before tax' as reported in the Statement of Profit and Loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The current tax is calculated using applicable tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Company’s financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.8 Goods and Service Tax Input Credit

Goods and Services tax input credit is accounted for in the books in the period in which the supply of goods or service received is accounted and when there is no uncertainty in availing/utilising the credits.

2.9 Provisions, contingent liabilities and contingent assets

Provisions are recognised only when:

i. an entity has a present obligation (legal or constructive) as a result of a past event; and

ii. it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

iii. a reliable estimate can be made of the amount of the obligation

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

Further, long term provisions are determined by discounting the expected future cash flows specific to the liability. The unwinding of the discount is recognised as finance cost. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Contingent liability is disclosed in case of:

i. a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; and

ii. a present obligation arising from past events, when no reliable estimate is possible.

Contingent Assets:

Contingent assets are not recognized in the financial statements

2.10 Commitments

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:

i. estimated amount of contracts remaining to be executed on capital account and not provided for;

ii. uncalled liability on shares and other investments partly paid;

iii. Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

2.11 Statement of Cash Flows

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities. Cash flow from operating activities is reported using indirect method adjusting the net profit for the effects of:

i. changes during the period in inventories and operating receivables and payables transactions of a non-cash nature

ii. non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates and joint ventures; and

iii. all other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as on the date of Balance Sheet.

2.12 Segments

Based on “Management Approach" as defined by Ind AS 108, The Chief Operating Decision Maker (CODM) evaluates the “Operating Segments". Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Income / costs which relate to the Company as a whole and are not allocable to segments on a reasonable basis have been included under Unallocated Income / Costs.

2.13 Financial Instruments

Recognition of Financial Instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets and liabilities are recognized when the company becomes the party to the contractual provisions of the instruments. Financial assets primarily comprise of loans and advances, premises and other deposits, trade receivables and cash and cash equivalents. Financial liabilities primarily comprise of borrowings and trade payables.

Initial Measurement of Financial Instruments

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs and revenues that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs and revenues directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Company will account for such difference as follows:

• if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);

• in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to the Statement of profit and loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

2.14 Financial Assets

Subsequent Measurement of Financial Assets:
All recognised financial assets that are within the scope of Ind AS 109 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets

Classification of Financial Assets:

• Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

• all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Company may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

• the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies, in OCI; and

• the Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

A financial asset is held for trading if:
• it has been acquired principally for the purpose of selling it in the near term; or
• on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or

• it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee

Debt instruments at amortised cost or at FVTOCI

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the individual asset basis and the Company's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are meeting SPPI test.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how financial assets are managed at individual basis and collectively to achieve a particular business objective.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets at fair value through profit or loss (FVTPL)

Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria or the FVTOCI criteria but are designated as at FVTPL are measured at FVTPL

A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Dividend on financial assets at FVTPL is recognised when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

Reclassifications

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Company’s financial assets.

During the current financial year and previous accounting period there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

Impairment of financial assets

Overview of the Expected Credit Loss principles

The company records allowance for expected credit losses for all loans, other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as ‘financial instruments’. Equity instruments are not subject to impairment under Ind AS 109.

Expected credit losses (ECL) are a probability-weighted estimate of the present value of credit losses. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The Company estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument.

The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. 12-month expected credit losses are portion of the life-time expected credit losses and represent the lifetime cash shortfalls that will result if default occurs within the 12 months after the reporting date and thus, are not cash shortfalls that are predicted over the next 12 months.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Company measures ECL for stage 3 assets (as defined below) on an individual basis. The measurement of the loss allowance is based on the present value of the asset’s expected cash flows using the asset’s original EIR.

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

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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

- Stage 1 - Performing assets (high quality assets) with zero to thirty days past due (DPD). Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2 - Under-performing assets (assets for which there is significant increase in credit risk) having 31 to 90 DPD. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

• Stage 3 - Non-performing assets (credit impaired assets) with overdue more than 90 DPD

For trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18 and loans under short term financing, the Company always measures the loss allowance at an amount equal to lifetime expected credit losses. Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Company has used a practical expedient as permitted under Ind AS 109.

This expected credit loss allowance is computed based on a provision matrix which takes into account historical credit loss experience and adjusted for forward-looking information.

The impairment requirements for the recognition and measurement of a loss allowance are equally applied to debt instruments at FVTOCI except that the loss allowance is recognised in other comprehensive income and is not reduced from the carrying amount in the balance sheet.

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

Derecognition of financial assets

A financial asset is derecognised only when :

- The Company has transferred the rights to receive cash flows from the financial assets or
- Retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial assets. In such cases, the financial assets is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Write-off

Loans and debt securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company’s enforcement activities will result in impairment gains.

2.15 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company or a contract that will or may be settled in the Company’s own equity instruments and is a non-derivative contract for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Company’s own equity instruments

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company, and commitments issued by the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either contingent consideration recognised by the Company as an acquirer in a business combination to which Ind AS 103 applies or is held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortized cost.

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortized cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortized cost are determined based on the effective interest method. Interest expense that is not capitalized as part of costs of an asset is included in the 'Finance costs' line item.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange between with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.16 Cash and Cash Equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term investments with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short term investments, as defined above.

2.17 Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss (before Other Comprehensive Income) for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

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

3. Critical accounting judgements and key sources of estimation uncertainties

The preparation of the financial statements in conformity with Ind AS requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable.

Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

Leases:

Ind AS 116 defines a lease term as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods, when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term. The option to extend the lease term are included in the lease term, if it is reasonably certain that the lessee will exercise the option. The Company reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

Expected Credit Loss

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and credit assessment and including forward-looking information. In certain cases, the assessment based on past experience is required for future estimation of cash flows which requires significant judgment.

The inputs used and process followed by the Company in determining the increase in credit risk have been detailed in Note 39.3

4. Cash And Cash Equivalents

(Rs. in Lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
Cash in hand	3.65	6.64
Balances with banks:		
- In Current Accounts	7,511.64	6,838.98
- In Deposit accounts (refer note 4.1 below)	56,805.00	7,500.00
Cheques on hand	19.75	2.03
Total	**64,340.04**	**14,347.65**

4.1 Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term fixed rates.

5. Other bank balances

Particulars	As at March 31, 2020	As at March 31, 2019
Deposit accounts under lien against which facilities are availed (refer note 5.1 & 5.2 below)	998.55	3,175.97
Total	**998.55**	**3,175.97**

5.1 Balance in deposit account includes Rs. 993.55 lacs (P.Y. 2018-19 - Rs 670.97 lacs) being earmarked towards credit enhancement towards securitisation transaction; Nil (P.Y. 2018-19 - Rs 2,500 lacs) towards lien against overdraft facility and Rs 5.00 lacs (P.Y. 2018-19 - Rs 5.00 lacs) towards bank guarantee

5.2 Deposits are made for varying period from 1 to 2 years and earn interest at the respective fixed rates.

6. Investments

(Rs. in Lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
At fair value through statement of profit and loss		
Mutual Fund (refer note 6.1 below)	12,500.68	-
Total	**12,500.68**	**-**

Note 6.1

Name of mutual fund	As at March 31, 2020		As at March 31, 2019	
	No of units	Amount	No of units	Amount
SBI overnight fund direct growth	76,838.91	2,500.12	-	-
L&T overnight fund direct plan - growth	160,450.23	2,500.15	-	-
ICICI prudential overnight fund direct plan growth	2,320,301.90	2,500.10	-	-
HDFC overnight fund - direct plan - growth	84,203.78	2,500.11	-	-
DSP overnight fund direct growth	233,949.65	2,500.20	-	-
Total		**12,500.68**		**-**

7. Loans

(Rs. in Lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
At amortised cost		
Loans given in India to other than public sector		
Term loans	266,998.04	285,856.19
Interest accrued on loans	16,782.63	9,847.50
Total – Gross (A)	283,780.67	295,703.69
Less: Impairment loss allowance	3,706.06	1,696.69
Total – Net (A)	**280,074.61**	**294,007.00**
(a) Secured by tangible assets	126,714.83	130,950.76
(b) Secured by accounts receivables, fixed deposits, LIC etc.	8,765.79	27,685.85
(c) Unsecured	148,300.05	137,067.08
Total – Gross (B)	283,780.67	295,703.69
Less: Impairment loss allowance	3,706.06	1,696.69
Total – Net (B)	**280,074.61**	**294,007.00**

7.1 The business model of the company is to hold the assets for generating contractual cash flows on account of principal and interest and hence these are held at amortised cost. Sales, if any are insignificant and do not impact the business model.

8. Others Financial Assets

(Rs. in Lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
Security Deposits	333.26	362.96
Excess interest spread receivable	621.40	106.52
Interest accrued but not due on bank deposits	287.29	93.26
Other receivables	139.65	109.40
Total	**1,381.60**	**672.14**

9. Deferred tax Assets (net)

(refer note 29.2 & 29.3)

(Rs. in Lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
Impairment of Financial instruments	802.71	564.91
Measurement of Financial instruments at amortised cost	(202.79)	(74.57)
Disallowances under section 43B of the Income Tax Act, 1961	130.65	103.80
Difference between books and tax written down value of fixed assets	6.32	(46.94)
Total	**736.89**	**547.20**

AVANSE FINANCIAL SERVICES LIMITED
Notes to financial statement for the year ended March 31, 2020

10. Property, Plant and Equipment & Other Intangible Assets:

(Rs. in Lacs)

Description	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK
	As at 01.04.2019	Additions for the year	Deletions for the year	As at 31.03.2020	Up to 31.03.2019	Charge for the year	Deletions for the year	Up to 31.03.2020	As at 31.03.2020
PROPERTY, PLANT AND EQUIPMENT									
Owned Assets:									
Freehold land	7.50	4.95		12.45	-	-		-	12.45
Leasehold improvements	105.53	189.81		295.34	28.08	86.41		114.49	180.85
Computers	242.21	104.89		347.10	112.40	75.78		188.18	158.92
Office Equipment	96.87	246.53		343.40	19.96	55.65		75.61	267.79
Furniture and fixtures	15.03	87.27		102.30	4.48	14.67		19.15	83.15
Vehicle	10.79	70.25		81.04	3.35	8.77		12.12	68.92
Total	**477.93**	**703.70**	**-**	**1,181.63**	**168.27**	**241.28**	**-**	**409.55**	**772.08**
INTANGIBLE ASSETS									
Computer Software	1,217.08	472.75	-	**1,689.83**	317.44	441.90	-	759.34	930.49
Right of use assets - Premises		1,258.21		1,258.21		266.69		266.69	991.52

(Rs. in Lacs)

Description	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK
	As at 01.04.2018	Additions for the year	Deletions for the year	As at 31.03.2019	Up to 31.03.2018	Charge for the year	Deletions for the year	Up to 31.03.2019	As at 31.03.2019
PROPERTY, PLANT AND EQUIPMENT									
Owned Assets:									
Freehold land	7.50	-	-	7.50	-	-	-	-	7.50
Leasehold improvements	8.18	97.35	-	105.53	4.27	23.81	-	28.08	77.45
Computers	148.04	94.67	0.50	242.21	42.20	70.44	0.24	112.40	129.81
Office Equipment	23.84	73.03	-	96.87	7.04	12.92	-	19.96	76.91
Furniture and fixtures	7.51	7.52	-	15.03	1.85	2.63	-	4.48	10.55
Vehicle	10.79	-	-	10.79	1.19	2.16	-	3.35	7.44
Total	**205.86**	**272.57**	**0.50**	**477.93**	**56.55**	**111.96**	**0.24**	**168.27**	**309.66**
INTANGIBLE ASSETS									
Computer Software	123.21	1,093.87	-	**1,217.08**	25.53	291.91	-	317.44	899.64

11 Other Non-Financial Assets

(Rs. in Lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
Prepaid Expenses	360.47	123.25
Balances with Government Authorities	123.53	22.65
Other Advances	219.36	16.11
Total	**703.36**	**162.01**

12 TRADE PAYABLES

The amounts due to Micro and Small Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006, has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

Disclosure pertaining to Micro and Small Enterprises as at March 31,2020 are as under :

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	0.59	5.74
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-
Total	**0.59**	**5.74**

13 DEBT SECURITIES

(Rs. in Lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
At Amortised Cost (Within India)		
Secured		
Non Convertible Debentures (refer note 13.1 & 13.2)	63,810.67	39,239.82
Interest accrued but not due on borrowings	3,353.01	2,649.71
Unsecured		
Non Convertible Debentures - (refer note 13.2)	7,500.00	7,500.00
Interest accrued but not due on borrowings	252.95	250.93
Total	**74,916.63**	**49,640.46**

13.1 Non-convertible debentures aggregating Rs.64,500 lacs (P.Y. 2018-19 Rs.39,500 lacs) are secured by way of first charge on freehold land (proportionately) and hypothecation on pool of certain loan fund balances of the Company.

13.2 Maturity profile and rate of interest/ discounted rate of interest of Non-Convertible Debentures (NCD):

Name of Security	Maturity date	As at March 31, 2020	As at March 31, 2019
Private Placement - Face value of Rs.10,00,000 each			
9.35% Non- Convertible Debentures	2019-20	-	5,000.00
9.55% Non- Convertible Debentures	2020-21	1,000.00	1,000.00
8.65% Non- Convertible Debentures	2021-22	2,500.00	2,500.00
10.10% Non- Convertible Debentures (1 Year MCLR of State Bank of India + 1.70%)	2021-22	25,000.00	25,000.00
9.65% Non- Convertible Debentures	2022-23	1,000.00	1,000.00
11.40% Non- Convertible Debentures	2022-23	19,500.00	-
11.40% Non- Convertible Debentures	2022-23	10,500.00	-
10.50% Non-Convertible Debentures (Unsecured)	2023-24	2,500.00	2,500.00
10.10% Non- Convertible Debentures	2025-26	2,500.00	2,500.00
10.05% Non- Convertible Debentures	2025-26	1,000.00	1,000.00
10.10% Non- Convertible Debentures	2025-26	1,500.00	1,500.00
9.50% Non-Convertible Debentures (Unsecured)	2027-28	2,500.00	2,500.00
9.35% Non-Convertible Debentures (Unsecured)	2027-28	2,500.00	2,500.00
		72,000.00	**47,000.00**

13.3 The maximum amount of commercial paper outstanding at any time during the year was Nil (P.Y. 2018-19 Rs.50,000 lacs).

14 BORROWINGS (OTHER THAN DEBT SECURITIES)

(Rs. in Lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
At amortised cost (within India)		
Secured		
Term Loans from Banks (refer note 14.1 & 14.2)	150,168.52	134,174.58
Term Loans from other parties (refer note 14.1 & 14.2)	19,592.10	26,963.75
Cash Credit from Banks (refer note 14.3)	1,999.28	1,202.69
Overdraft from Banks (refer note 14.3)	-	2,250.00
Interest accrued but not due on borrowings	186.79	1,312.07
Unsecured		
Inter Corporate Deposits	-	22,500.00
Total (A)	**171,946.69**	**188,403.09**

Borrowings are made within India.

14.1 Term loans from banks and other parties are secured against receivables.

Terms of repayment, nature of security & rate of interest in case of Borrowings (Other than Debt Securities)

(Rs. in Lacs)

Residual Maturities	As at 31.03.2020		
	Up to one year (April 2020 to March 2021)	1-3 years (April 2021 to March 2023)	3 years & above (April 2023 onwards)
8.00 % to 9.00%	833.33	208.33	-
9.01 % to 10.00%	7,958.86	11,621.41	7,058.22
10.01% to 11.00%	32,318.75	60,287.44	41,954.83
11.01% & above	6,500.00	2,375.00	1,500.00
Total	**47,610.94**	**74,492.18**	**50,513.06**

(Rs. in Lacs)

Residual Maturities	As at 31.03.2019		
	Up to one year (April 2020 to March 2021)	1-3 years (April 2021 to March 2023)	3 years & above (April 2023 onwards)
8.00 % to 9.00%	250.00	-	-
9.01 % to 10.00%	6,749.98	24,447.64	27,242.38
10.01% to 11.00%	35,801.69	37,628.94	24,579.13
11.01% & above	24,499.40	3,450.00	3,000.00
Total	**67,301.07**	**65,526.58**	**54,821.51**

14.2 The rate of interest for the above term loans is linked to the MCLR/base rates of the banks and is subject to change from time to time. The above categorisation of loans has been based on the interest rates, prevalent as on the respective reporting dates.
14.3 Cash credit facility from bank is secured against receivables and bank overdraft is secured against fixed deposit with bank.

15. OTHER FINANCIAL LIABILITIES

(Rs. in Lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
Employee Benefits Payable	780.18	1,450.96
Advance received from customers	3,536.10	2,535.73
Lease liability	1,048.99	-
Amounts payable under securitisation arrangement	19,505.68	12,477.22
Total	**24,870.95**	**16,463.91**

16. PROVISIONS

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for Employee Benefits		
- gratuity (refer note 35)	31.77	52.40
- compensated absences	378.79	176.33
Total	**410.56**	**228.73**

17. OTHER NON-FINANCIAL LIABILITIES

Particulars	As at March 31, 2020	As at March 31, 2019
Statutory dues	221.79	281.57
Total	**221.79**	**281.57**

18. EQUITY SHARE CAPITAL

(Rs. in Lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
AUTHORISED 100,000,000 Equity Shares of ₹ 10 each (FY 2018-19 10,00,00,000 Equity Shares of ₹ 10 each)	10,000.00	10,000.00
	10,000.00	**10,000.00**
ISSUED, SUBSCRIBED AND FULLY PAID UP 82,591,861 Equity Shares of ₹ 10 each (FY 2018-19 62,855,019 Equity Shares of ₹ 10 each)	8,259.19	6,285.50
	8,259.19	**6,285.50**

18.1 (a) Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

Particulars	As at March 31, 2020		As at March 31, 2019	
	Number	Rs in lacs	Number	Rs in lacs
Shares outstanding at the beginning of the year	62,855,019	6,285.50	59,242,661	5,924.27
Shares issued during the year pursuant to preferntial allotment	19,736,850	1,973.69	3,612,358	361.24
Shares outstanding at the end of the year	**82,591,869**	**8,259.19**	**62,855,019**	**6,285.50**

18.1 (b) Rights, Preferences and Restrictions

The Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive the 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.

18.1 (c) List of shareholders holding more than 5% shares

Particulars	As at March 31, 2020		As at March 31, 2019	
	Number	%	Number	%
Olive Vine Investment Ltd	66,073,483	80.00%	-	0.00%
International Finance Corporation Ltd	16,518,373	20.00%	12,571,005	15.22%
Wadhawan Global Capital Private Ltd	-	0.00%	30,825,437	49.04%
Dewan Housing Finance Corporation Ltd	-	0.00%	19,250,719	23.31%

18.2 During the year the Company has issued Equity shares at a premium of Rs.142 each (face value Rs.10) aggregating to Rs 30,000.00 lacs through preferential allotment

19.Other Equity

(Rs. in Lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
Securities Premium	75,923.27	47,896.95
General Reserve	0.14	0.14
Statutory Reserve (under Section 45-IC (1) of the Reserve Bank of India Act, 1934)	1,346.37	915.88
Stock Options Reserve	79.00	-
Retained Earnings	4,386.00	2,679.87
TOTAL	**81,734.78**	**51,492.84**

Note: For additions and deductions under each of the above heads, refer Statement of Changes in Equity

Securities premium
Securities premium account is used to record the premium on issue of shares.

General reserve
The general reserve created from time to time by transferring profits from retained earnings for appropriation purpose.

Statutory Reserve:
Statutory Reserve is the reserve created by transferring a sum not less than twenty percent of the Company's net profit after tax every year in terms of Section 45-IC of the RBI Act, 1934.

Stock Options Reserve:
Stock options reserve account relates to the stock options granted by the Company to employees under an Employees Stock Option Scheme

Retained earnings:
Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, statutory reserve, debenture redemption reserve, dividends or other distributions paid to shareholders.

20.Interest Income

(Rs. in Lacs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
On financial assets measured at amortised cost		
- Interest on Loans	38,384.02	39,482.37
- Interest on intercorporate deposits	13.87	245.75
Total	**38,397.89**	**39,728.12**

21.Fees and Commission income

(Rs. in Lacs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Forex Commission	250.48	366.32
Insurance commission	99.94	178.47
Loan processing fee and other charges	794.71	831.40
Total	**1,145.13**	**1,376.19**

22.Other Operating income

(Rs. in Lacs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Prepayment & other charges	594.40	102.53
Total	**594.40**	**102.53**

23.Other Income

(Rs. in Lacs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest Income on fixed deposit	1,152.71	171.44
Miscellaneous income	39.57	11.12
Write back of excess provisions	258.05	-
Total	**1,450.33**	**182.56**

24.Finance costs

(Rs. in Lacs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
On financial liabilities measured at amortised cost		
Interest on borrowings (other than debt securities)	17,123.82	16,981.28
Interest on debt securities	5,742.19	6,141.74
Finance cost on lease liability	94.23	-
Other interest expense	1,928.17	892.21
Total	**24,888.41**	**24,015.23**

25.Impairment of financial instruments

(Rs. in Lacs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
On financial assets measured at amortised cost		
Provision for expected credit loss	2,009.38	679.74
Total	**2,009.38**	**679.74**

26.Employee benefits expense

(Rs. in Lacs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, Bonus and other allowances	5,015.27	7,081.64
Contribution to Provident Fund and Other Funds (refer note 35)	244.30	213.79
Gratuity (refer note 35)	82.69	49.77
Staff Welfare Expenses	124.62	171.12
Total	**5,466.88**	**7,516.32**

27.Other expenses

(Rs. in Lacs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Electricity Charges	63.51	55.09
Security Charges	16.14	20.11
Manpower Outsourcing	569.29	753.98
Rent	244.77	817.91
Office Maintenance	68.34	43.39
Insurance Charges	86.83	71.84
Rates and Taxes	44.95	195.72
Housekeeping Expenses	84.42	50.16
Business Sourcing Expenses	279.29	490.75
Travelling and Conveyance	441.41	435.86
Rating Fees	125.34	167.58
Printing and Stationery	73.07	57.96
Postage, Telephone and Fax	124.44	82.11
Advertising	188.12	554.00
Bank Charges	12.28	17.25
Director's Remuneration & Sitting Fees	49.77	8.80
Legal & Professional Expenses	1,298.08	1,183.73
Auditors' Remuneration (refer note below)	31.46	28.86
Write Offs	23.45	22.23
Corporate Social Responsibilty expenses (refer note 34)	45.00	16.00
Miscellaneous Expenses	170.09	194.61
Total	**4,040.05**	**5,267.94**

Payments to joint auditors (including Goods and Services Tax to the extent of credit not availed)

(Rs. in Lacs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
a) For audit	18.78	24.50
b) For taxation matters	-	-
c) For other services (limited review & certification)	12.26	4.36
d) For reimbursement of expenses	0.42	-
Total	**31.46**	**28.86**

28. Pursuant to the Share Purchase Agreement dated March 16, 2019, the outgoing shareholder has sold its stake during the year ended March 31, 2020 and consequently the Company is now a subsidiary of Olive Vine Investment Ltd The Company has incured a one time expense towards professional & other services in connection with above transaction and also incurred a fee for significant modification of terms of insurance distribution agreement aggregating to Rs.2,856.99 lakhs. The same is considered as an exceptional item.

29 Reconciliation of total tax charge

(Rs. in Lacs)

29.1

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Current tax	1,208.73	1,613.58
Deferred tax	(194.48)	(191.83)
Total income tax expenses recognised in the current year	**1,014.25**	**1,421.75**
Income tax expense recognised in other comprehensive income	4.77	(3.45)
Income tax expense for the year reconciled to the accounting profit:		
Profit before tax	3,166.69	4,148.73
Income tax rate	25.17%	34.94%
Income tax expense	796.99	1,449.73
Tax Effect of:		
Impact on account of change in tax rate	148.01	-
Others	69.25	(27.99)
Income tax expense recognised in Profit and Loss	**1,014.25**	**1,421.75**

The recently promulgated Taxation Laws (Amendment) Ordinance 2019 has inserted section 115BAA in the Income Tax Act, 1961 providing existing domestic companies with an option to pay tax at a concessional rate of 22% plus applicable surcharge and cess. Consequently, the opening deferred tax asset (net) has been measured at the lower rate with a one-time corresponding charge of Rs 148.01 lakhs to the Statement of Profit and Loss during the period ended March 31, 2020

The following table shows deferred tax recorded in the balance sheet and changes recorded in the Income tax expense:

For the year ended March 31, 2020 (Rs. in Lacs)

29.2

Deferred tax asset / (liability)	Opening balances as on 01.04.2019	Recognised in profit or loss (Expense) / Income	Recognised in other comprehensive income	Closing balances as on 31.03.2020
Impairment of Financial instruments	564.91	237.80	-	802.71
Measurement of Financial instruments at amortised cost	(74.57)	(128.22)	-	(202.79)
Disallowances under section 43B of the Income Tax Act, 1961	107.25	28.17	(4.77)	130.65
Difference between books and tax written down value of fixed assets	(50.39)	56.71		6.32
Total	**547.20**	**194.46**	**(4.77)**	**736.89**

For the year ended March 31, 2019 (Rs. in Lacs)

29.3

Deferred tax asset / (liability)	Opening balances as on 01.04.2018	Recognised in profit or loss (Expense) / Income	Recognised in other comprehensive income	Closing balances as on 31.03.2019
Impairment of Financial instruments	327.38	237.53	-	564.91
Measurement of Financial instruments at amortised cost	38.86	(113.43)	-	(74.57)
Disallowances under section 43B of the Income Tax Act, 1961	-	103.80	3.45	107.25
Difference between books and tax written down value of fixed assets	(14.32)	(36.07)	-	(50.39)
Total	**351.92**	**191.83**	**3.45**	**547.20**

(Rs. in Lacs)

Sr. No.	Particulars	As at March 31, 2020	As at March 31, 2019
30	**Contingent Liabilities And Commitments**		
	Contingent Liabilities	-	-
	Capital Commitments:		
	Undisbursed commitments	17,625.84	10,287.02
	Estimated amount of contracts remaining to be executed on capital account and not provided for	-	-

31	Earning Per Equity Share	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
	Profit attributable to equity share holders (Rs. in Lacs)	2,152.44	2,726.98
	Weighted average number of equity shares outstanding during the year for calculating basic and diluted earnings per share (Nos.)	76,088,410	62,003,888
	Basic and diluted earnings per share (Rs.)	2.83	4.40
	Nominal value per share (Rs.)	10.00	10.00

Note : There is no dilution in the EPS on account of employee stock options issued during the year since the exercise price is equal to the fair value per share.

32 Leasing

Effective April 1, 2019, the Company has adopted Ind AS 116 “Leases” and applied the standard to all lease contracts existing on April 1, 2019 using modified retrospective method. The Company recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the right of use assets at an amount equal to the lease liability discounted at the incremental borrowing rate at the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for the year ended March 31, 2019.

On the date of initial application i.e. April 1, 2019, the adoption of the new standard resulted in recognition of “Right to Use’ asset (ROU) of Rs.1,214.21 lakh and a lease liability of Rs.1,214.21 lakh. The weighted average of discount rate applied to lease liabilities as at April 1, 2019 is 10.35%. Company has recognised amortisation of ROU aggregating of Rs.266.69 lakh and interest expenses on lease liabilities of Rs. 94.23 lakh in the Statement of Profit and Loss for the year ended March 31, 2020. Lease payments during the year have been disclosed under financial activities in the cash flow statements.

The following is the summary of practical expedients elected on initial application:

a Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.

b Applied the exemption not to recognise right to use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.

c Excluded the initial direct costs from the measurement of the right to use asset at the date of initial application.

The difference between the lease obligation recorded as March 31, 2019 under Ind AS 17 disclosed under note no. 31 of annual financial statements forming part of 2019 annual report and the value of lease liability as of April 1, 2019 is primarily on account of discounting the lease liabilities to the present value under Ind AS 116.

Following are the changes in the carry value of the right of use assets for the year ended March 31, 2020:

Category of ROU Asset	Gross Block				Accumulated Depreciation				Net Block
	As at	Additions	Deletions	As at	As at	Depreciation	Deletions	As at	As at
	April 01, 2019			March 31, 2020	April 1, 2019			March 31, 2020	March 31, 2020
Office Premises	-	1,258.21	-	1,258.21	-	266.69	-	266.69	991.52
Total	**-**	**1,258.21**	**-**	**1,258.21**	**-**	**266.69**	**-**	**266.69**	**991.52**

The aggregate depreciation expenses on ROU assets is included under depreciation and amortization expenses in the Statement of Profit and Loss.

Table showing contractual maturities of lease liabilities as at March 31, 2020 on an undiscounted basis:

Particulars	(Rs. in Lacs)
Less than one year	335.20
One to five years	844.32
More than five years	-
Total	**1,179.52**

The Company does not face significant liquidity risk with regards to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

33 Segment Reporting

The Company operates in a single reportable operating segment of providing loans. Accordingly there are no separate reportable segments, as per the Accounting Standard on 'Operating Segments' (Ind AS 108) prescribed under section 133 of the Companies Act, 2013.

The Company has its operation within India and all revenues are generated within India.

34 Expenditure towards Corporate Social Responsibility as per Section 135 of the Companies Act, 2013 (read with schedule VII thereof)

a Gross amount required to be spent by the Company during the year – Rs. 41.82 lacs (Previous Year, Rs. 16.00 lacs)

b Amount spent and paid during the year on:

(Rs in Lacs)

Sr No	Particulars	FY 2019-20			FY 2018-19		
		In cash	Yet to be paid in cash	Total	In cash	Yet to be paid in cash	Total
(i)	Construction/acquistion of any asset	-	-	-	-	-	-
(ii)	On purpose other than (i) above	45.00	-	45.00	16.00	-	16.00

35 Employee Benefit:

Defined contribution plan

The Company operates defined contribution plan (Provident fund) for all qualifying employees of the Company. The employees of the Company are members of a retirement contribution plan operated by the government. The Company is required to contribute a specified percentage of payroll cost to the retirement contribution scheme to fund the benefits. The only obligation of the Company with respect to the plan is to make the specified contributions.

The Company's contribution to Provident Fund aggregating Rs.234.51 lacs (Previous Year: Rs.202.71 lacs) has been recognised in the Statement of Profit and Loss under the head Employees benefit expenses.

Defined benefit obligation plan

The liability under the Payment of Gratuity Act,1972 are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method.

The plan is of a final salary defined benefit in nature which is sponsored by the Company and hence it underwrites all the risks pertaining to the plan. The actuarial risks associated are:

Investment / Interest Rate Risk:

The Company is exposed to Investment / Interest risk if the return on the invested fund falls below the discount rate used to arrive at present value of the benefit.

Longevity Risks:

The Company is not exposed to risk of the employees living longer as the benefit under the scheme ceases on the employee separating from the employer for any reason.

Salary Risks:

The gratuity benefits under the plan are related to the employee's last drawn salary. Consequently, any unusual rise in future salary of the employee raises the quantum of benefit payable by the company, which results in a higher liability for the company and is therefore a plan risk for the company.

a) The assumptions used for the purposes of the actuarial valuations were as follows.

Particulars	As at March 31, 2020	As at March 31, 2019
Significant assumptions		
Discount rate	5.59%	6.94%
Expected rate of salary increase	8.00%	9.00%
Other assumption		
Mortality rate	Indian Assured Lives (2012-14) Ultimate	Indian Assured Lives (2006-08) Ultimate

b) Amount recognised in Balance sheet in respect of these defined benefit obligation

(Rs. in Lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
Present value of defined benefit obligation	161.32	98.16
Fair value of plan assets	129.55	45.76
Net liability	**31.77**	**52.40**

c) Amount recognised in statement of profit and loss in respect of these defined benefit obligation:

(Rs. in Lacs)

Particulars	For The Year Ended March 31, 2020	For The Year Ended March 31, 2019
Current service cost	81.94	49.48
Net interest cost	0.75	0.03
Past service cost	-	0.26
Total amount recognised in statement of profit and loss	**82.69**	**49.77**
Remeasurements on the net defined benefit liability :		
- Actuarial (gain) / loss	(18.95)	9.87
Total amount recognised in other comprehensive income	**(18.95)**	**9.87**
Total	**63.74**	**59.64**

The current service cost and the net interest expense for the year are included in the 'Employee benefit expense' line item in the statement of profit and loss.

d) Movement in the present value of the defined benefit obligation are as follows:

(Rs. in Lacs)

Particulars	**As at March 31, 2020**	**As at March 31, 2019**
Opening defined benefit obligation	98.16	44.53
Current service cost	81.94	49.48
Past service cost	-	0.26
Interest cost	6.73	0.03
Remeasurements (gains)/losses:		
- Actuarial gain from change in demographic assumptions	(19.87)	(43.03)
- Actuarial loss from change in financial assumptions	4.54	23.55
- Actuarial gain from change in experience adjustments	(8.43)	25.92
Benefits paid	(1.75)	(2.59)
Closing defined benefit obligation	**161.32**	**98.16**

e) Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The results of sensitivity analysis are as follows :

(Rs. in Lacs)

	31st March 2020		**31st March 2019**	
Particulars	**Discount rate**	**Salary Escalation Rate**	**Discount rate**	**Salary Escalation Rate**
Defined benefit obligation on increase in 100 bps	152.49	169.44	90.69	105.69
Impact of increase in 100 bps on DBO	-5.47%	5.03%	-7.61%	7.67%
Defined benefit obligation on decrease in 100 bps	171.05	153.77	106.61	91.29
Impact of decrease in 100 bps on DBO	6.03%	-4.68%	8.61%	-7.00%

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There is no change in the method of valuation for the prior periods in preparing the sensitivity analysis. For change in assumptions refer to note (a) above.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation asset recognised in the balance sheet.

f) Projected benefits payable: **(Rs. in Lacs)**

Particulars	**As at March 31, 2020**	**As at March 31, 2019**
Expected benefits for year 1	11.01	2.44
Expected benefits for year 2	14.42	2.84
Expected benefits for year 3	22.29	5.15
Expected benefits for year 4	25.58	11.25
Expected benefits for year 5	23.19	14.92
Expected benefits for year 6 to 10	75.75	60.07

The weighted average duration to the payment of these cash flows is 3.88 years (FY2018-19 : 5.34 years)

36 **Related Party Disclosure:**
Names of related parties and description of Relationship

(i) **Holding Company**
Olive Vine Investment Ltd (From July 30, 2019)
(An affiliate of Warburg Pincus LLC)
Dewan Housing Finance Corporation Limited (Upto July 29, 2019)
Wadhawan Global Capital Limited (Upto July 29, 2019)

(ii) **Individual exercising control or significant influence**
Mr. Kapil Wadhawan (Upto July 29, 2019)

(iii) **Enterprises over which person described in (ii) above has significant influence where transactions have taken place**
Dewan Housing Finance Corporation Limited (Upto July 29, 2019)
DHFL Pramerica Life Insurance Company Limited (Upto July 29, 2019)
DHFL Pramerica Asset Managers Private Limited (Upto July 29, 2019)
DHFL General Insurance Limited (Upto July 29, 2019)
Andromeda Sales And Distribution Private Limited (Upto July 29, 2019)

(iv) **Directors**
Mr. Kapil Wadhawan - Non executive chairman (resigned w.e.f. July 31, 2019)
Mr. Suresh Mahalingam - Non executive director (resigned w.e.f. July 31, 2019)
Mr. Mahendra Kumar Chouhan - Independent director (resigned w.e.f. July 31, 2019)
Mr. Suresh Kumar Jain - Independent director (resigned w.e.f. July 31, 2019)'
Mr. Neeraj Swaroop - Independent director (appointed w.e.f. July 30, 2019)
Mrs. Vijayalakshmi Iyer - Independent director (appointed w.e.f. July 30, 2019)
Mr. Narendra Ostawal - Non executive director (appointed w.e.f. July 30, 2019)
Mrs. Savita Mahajan - Independent director (appointed w.e.f. December 01, 2018)

Key Management Personnel
Mr. Amit Gainda

(v) **Details of transactions with related parties**

(Rs. in Lacs)

Name of the related party	March 31, 2020	March 31, 2019
Olive Vine Investment Ltd		
Investment in equity shares (including share premium)	24,000.00	-
International Finance Corporation Ltd		
Investment in equity shares (including share premium)	6,000.00	-
Dewan Housing Finance Corporation Limited		
Rent & office maintenance	80.33	505.97
IT Support charges	0.25	188.72
Legal & technical charges	-	5.32
Purchase of fixed assets	-	143.96
Commission received	-	15.14
DHFL Pramerica Asset Managers Private Limited		
Purchase of investments	-	47,300.00
Sale of investments	-	47,443.66
DHFL Pramerica Life Insurance Company Limited		
Commission/fee income	9.46	174.53
DHFL General Insurance Limited		
Commission/fee income	-	1.96
Andromeda Sales And Distribution Private Limited		
DSA commission	9.71	74.50
Key Management Personnel (KMP) *		
Remuneration		
Amit Gainda	309.45	912.08
Director's Commission		
Neeraj Saroop	13.33	-
Vijayalakshmi Iyer	6.67	-
Savita Mahajan	6.67	-
Sitting Fees		
Mahendra Kumar Chouhan	2.10	4.40
Suresh Kumar Jain	2.10	4.10
Neeraj Saroop	6.70	-
Vijayalakshmi Iyer	5.90	-
Savita Mahajan	4.40	0.30

** Remuneration of KMP of FY 2018-19 includes one time retention pay and variable pay*

(Rs. in Lacs)

Balances as at	March 31, 2020	March 31, 2019
Dewan Housing Finance Corporation Limited		
Security deposit	-	207.77
Trade payable	-	163.06
DHFL Pramerica Life Insurance Company Limited		
Insurance commission receivable	-	9.42
DHFL General Insurance Limited		
Insurance commission receivable	-	0.75
Director's Commission		
Neeraj Saroop	13.33	-
Vijayalakshmi Iyer	6.67	-
Savita Mahajan	6.67	-

36.1 There are no provision for doubtful debts/ advances or amounts written off or written back for debts due from/ due to related parties.
36.2 The transactions disclosed above are exclusive of GST.

AVANSE FINANCIAL SERVICES LIMITED

Notes to financial statement for the year ended March 31, 2020

37 Maturity Analysis of Assets and Liabilities

(Rs. in Lacs)

Sr. No.	Assets	March 31, 2020			March 31, 2019		
		Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
(1)	**Financial Assets**						
(a)	Cash and cash equivalents	64,340.04	-	64,340.04	14,347.65	-	14,347.65
(b)	Bank balances other than (a) above	675.97	322.58	998.55	2,505.00	670.97	3,175.97
(c)	Loans	43,104.06	236,970.55	280,074.61	66,630.33	227,376.67	294,007.00
(d)	Investments	12,500.68	-	12,500.68	-	-	-
(e)	Other financial assets	427.66	953.93	1,381.60	420.42	251.72	672.14
		121,048.42	**238,247.06**	**359,295.48**	**83,903.40**	**228,299.36**	**312,202.76**
(2)	**Non-financial Assets**						
(a)	Current tax assets (net)	-	352.21	352.21	-	152.72	152.72
(b)	Deferred tax assets (net)	-	736.89	736.89	-	547.20	547.20
(c)	Property, plant and equipment	-	1,763.60	1,763.60	-	309.66	309.66
(d)	Intangible assets under development	-	161.14	161.14	-	-	-
(e)	Other intangible assets	-	930.49	930.49	-	899.64	899.64
(f)	Other non-financial assets	404.84	298.52	703.36	106.99	55.02	162.01
		404.84	**4,242.85**	**4,647.69**	**106.99**	**1,964.24**	**2,071.23**
	Total	**121,453.26**	**242,489.91**	**363,943.17**	**84,010.39**	**230,263.60**	**314,273.99**
	LIABILITIES						
(1)	**Financial Liabilities**						
(a)	Trade payables	1,124.55	-	1,124.55	1,250.52	-	1,250.52
(b)	Debt securities	7,105.97	67,810.67	74,916.63	7,900.64	41,739.82	49,640.46
(c)	Borrowings (other than debt securities)	47,782.26	124,164.43	171,946.69	68,608.62	119,794.47	188,403.09
(d)	Other financial liabilities	6,765.16	18,105.78	24,870.95	3,726.26	12,737.65	16,463.91
	Total Financial Liabilities	**62,777.95**	**210,080.87**	**272,858.82**	**81,486.03**	**174,271.95**	**255,757.98**
(2)	**Non-Financial Liabilities**						
(a)	Current tax liabilities (net)	458.03	-	458.03	227.37	-	227.37
(b)	Provisions	73.63	336.93	410.56	26.10	202.63	228.73
(c)	Other non-financial liabilities	221.79	-	221.79	281.57	-	281.57
	Total Non-Financial Liabilities	**753.45**	**336.93**	**1,090.38**	**535.05**	**202.63**	**737.67**
	Total	**63,531.40**	**210,417.80**	**273,949.20**	**82,021.08**	**174,474.58**	**256,495.66**

38 During the period ended 31 March 2020, the Company had following payment arrangements, which are described below

The Employee Stock Option Scheme ('the Scheme') provides for grant of stock options to the eligible employees and/or directors ("the Employees") of the Company. The Stock Options are granted at an exercise price, which is either equal to the fair market price or at a premium, or at a discount to market price as may be determined by the Nomination and Remuneration Committee of the Board of the Company.

During the financial year 2019-20, the Nomination and Remuneration Committee has granted 34,27,772 options at an exercise price of ₹ 152/- per option to the Employees, that will vest in a graded manner and which can be exercised within a specified period.

The current status of the stock options granted to the Employees is as under:

Particulars	Number of options
Outstanding at start of year	-
Granted during the year	3,427,772
Forfeited Exercised	-
Outstanding at end of year	3,427,772
Exercisable at end of year	-

The company follows fair value based method of accounting for determining compensation cost for its stock-based compensation scheme. The fair value of each stock options granted during the current year is mentioned in the table below. The fair value has been calculated by applying Black Scholes Value model as valued by an independent valuer.

Details of options granted during the current financial year based on the graded vesting and fair value of the options are as under:

Time Based Option

Tranches	% of Options to be vested	No. of options granted	Vesting date	Fair value per option
Tranche-1	25.00%	443,716	5-Feb-21	37.59
Tranche-2	25.00%	443,725	5-Feb-22	37.59
Tranche-3	25.00%	443,737	5-Feb-23	37.59
Tranche-4	25.00%	443,745	5-Feb-24	37.59

Performance Based

Tranches	% of Options to be vested	No. of options granted	Vesting Date*	Fair value per option
Tranche-1	100.00%	1,652,849	30-Jul-24	43.43

* Based on Achievement of Internal rate of return (it is estimated to vest after 4 years))

The following table summarizes the assumptions used in calculating the grant date fair value

Tranches	Life of the Option (in years)	Risk-free interest rate	Volatility	Dividend Yield
Time Based	3.75	6.04%	17.34%	0.00%
Performance Based	4.50	6.25%	17.34%	0.00%

Details of options granted are as under:

Type of arrangement	Time Based Option	Performance Based
Date of grant	5-Feb-20	5-Feb-20
Number of Options Granted	1,774,923	1,652,849
Exercise period	6 Years	6 Years
Vesting of options	1/4th Options each on completion of first, second, third and forth year from the date of grant of options	Based on Achievement of Internal rate of return (it is estimated to vest after 4 years))
Exercise Price per option	152	152
Pricing formula	As was determined by the Nomination and Remuneration committee at its meeting held on 28-Jan-2020	As was determined by the Nomination and Remuneration committee at its meeting held on 28-Jan-2020

The Charge on account of above scheme is included in employee benefit expense aggregating Rs. 79.00 Lakhs

39 Financial Instruments

39.1 Capital Management

The company manages its capital to ensure that the company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

For the purpose of the company's capital management, capital includes issued capital and other equity reserves. The primary objective of the company's Capital Management is to maximize shareholders value and minimise cost of capital. The company manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

The company monitors capital using adjusted net debt (total borrowings net of cash and cash equivalents) to equity ratio.

(Rs. in Lacs)

	As at 31-Mar-20	As at 31-Mar-19
Gross debt	246,863.32	238,043.55
Less:		
Cash and cash equivalents	64,340.04	14,347.65
Other bank deposits (other than on lien against securitised loan)	5.00	2,505.00
Adjusted net debt	**182,518.28**	**221,190.90**
Total equity	89,993.97	57,778.34
Adjusted net debt to equity ratio	**2.03**	**3.83**

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest bearing loans and borrowings that define capital structure requirements. Breaches in financial covenants would permit the lender to immediately call loans and borrowings.

The Company is subject to capital adequacy ratio ("CAR") requirements which are prescribed by the RBI. The Company is currently required to maintain a minimum 15% as prescribed under the prudential norms of the RBI under the Master Direction – Non-Banking Financial Company – Systemically Important Non Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 based on the total capital to risk weighted assets as part of the governance policy. We generally maintain capital adequacy higher than the statutorily prescribed CAR. The capital adequacy ratio, which was computed on the basis of the applicable RBI requirements, is as per note 41.1. We believe that our high capital adequacy gives us significant headroom to grow our business.

39.2 Fair Value

The following table combines comparable information about:
- classes of financial instruments based on their nature and characteristics
- the carrying amounts of financial instruments
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed

Accounting classifications and fair values

(Rs. in Lacs)

	Carrying Value			Fair Value			
As at March 31, 2020	**FVTPL**	**Amortised Cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets							
Cash and cash equivalents	-	64,340.04	**64,340.04**	-	-	-	-
Other bank balances	-	998.55	**998.55**	-	-	-	-
Loans	-	280,074.61	**280,074.61**	-	-	-	-
Investments	12,500.68	-	**12,500.68**	-	12,500.68	-	**12,500.68**
Other financial assets	-	1,381.60	**1,381.60**	-	-	-	-
Total	**12,500.68**	**346,794.79**	**359,295.46**	**-**	**12,500.68**	**-**	**12,500.68**
Financial liabilities							
Trade payables	-	1,124.55	**1,124.55**	-	-	-	-
Debt securities	-	74,916.63	**74,916.63**	-	Note (b)	-	-
Borrowings (other than debt securities)	-	171,946.69	**171,946.69**	-	-	-	-
Other financial liabilities	-	24,870.95	**24,870.95**	-	-	-	-
Total	**-**	**272,858.82**	**272,858.82**	**-**	**-**	**-**	-

	Carrying Value			Fair Value			
As at March 31, 2019	**FVTPL**	**Amortised Cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets							
Cash and cash equivalents	-	14,347.65	**14,347.65**	-	-	-	-
Other bank balances	-	3,175.97	**3,175.97**	-	-	-	-
Loans	-	294,007.00	**294,007.00**	-	-	-	-
Other financial assets	-	672.14	**672.14**	-	-	-	-
Total	**-**	**312,202.77**	**312,202.77**	**-**	**-**	**-**	**-**
Financial liabilities							
Trade payables	-	1,250.52	**1,250.52**	-	-	-	-
Debt securities	-	49,640.46	**49,640.46**	-	Note (b)	-	-
Borrowings (other than debt securities)	-	188,403.09	**188,403.09**	-	-	-	-
Other financial liabilities	-	16,463.91	**16,463.91**	-	-	-	-
Total	**-**	**255,757.98**	**255,757.98**	**-**	**-**	**-**	**-**

Notes:

a) All loans given are at floating interest rate thus, amortised costs equals their fair value

b) For financial assets and liabilities measured at amortised cost, the Company considers that the carrying amounts recognised in the financial statements approximate their fair values, except as under:

Fixed rate debt securities	**Carrying value**		**Fair value**	
Debt securities other than short term debt	43,500.00	17,000.00	45,113.45	17,178.93

Note: Fair value is determined by discounting the contractual cashflows using current market interest rate.

c) Investments in mutual funds are valued at fair value using the NAVs quoted by the respective Fund houses on the reporting date.

39.3 Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk ;
- Operational risk ;
- Liquidity risk ; and
- Market risk (including interest rate risk)

Risk management framework

Risk management forms an integral part of the Company's business. As a lending institution, the Company is exposed to several risks related to the lending business and operating environment. The Company has established risk management and audit frameworks to identify, assess, monitor and manage various types of internal and external risks. This framework is driven by the Board through the Audit Committee, Risk Management Committee and the Asset Liability Management Committee. Risk Management Committee inter alia is responsible for review, identification, monitoring and providing oversight on management of risk of the Company.

i) Credit risk

Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any contract, principally the failure to make required payments of amounts due to the Company. In its lending operations, the Company is principally exposed to credit risk.

The credit risk management structure includes separate credit policies and procedures for various businesses. The credit policies outline the type of products that can be offered, customer categories, the targeted customer profile, prudential limits, exceptional approval metrics etc. and the credit approval process and limits. Credit approvers and relationship managers are responsible for ensuring adherence to these policies.

The Company has structured and standardized credit approval processes which include comprehensive credit risk assessment encompassing analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of the borrower. The credit appraisal process includes identification of underlying risks, mitigating factors and residual risks associated with the customer.

Sanctioning authority for credit exposures are based on defined Delegation of Credit Authority. The delegated powers are based on a Committee approach. For cases sanctioned as per delegation of authority, after completion of all formalities by the borrower, a loan agreement is entered into with the borrower.

The Company measures, monitors and manages credit risk at an individual borrower level and at the portfolio level for non-retail borrowers. The credit risk for retail borrowers is managed at the portfolio level. Periodic analysis of the credit portfolio is conducted and necessary corrective measures are implemented.

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Stage 1	High quality assets	Education Loans: Average ECL of Year 1 & 2 Education Institution Loans: A rated borrowers - ECL for Year 1; BBB and B rated borrowers - average of Year 2 & 3 SME – Lifetime ECL
Stage 2	Assets for which there is significant increase in credit risk	Lifetime ECL
Stage 3	Credit impaired assets	Lifetime ECL - Credit impaired

The key elements in calculation of ECL are as follows:

PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The PD has been determined based on historical behaviour of the book & roll rates for retail and comparative external ratings for commercial finance.

EAD – The estimated credit exposure at point of default

LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is determined based on valuation of collaterals and other relevant factors.

The Company has made overlays to the ECL Model to consider the impact of the Covid-19 pandemic on the provision.The probability of default has been adjusted/stressed considering the likelihood of increased credit risk and consequential default due to pandemic considering all the available information and the nature of the portfolio. The adjustment on collateral values is also assessed for determination of loss given default and reasonable haircuts are applied wherever necessary based on nature of collateral and available market information. The moratorium benefit wherever extended has been taken into consideration for staging of loans in the Model. Also refer note 42.

The table below shows the credit quality and the exposure to credit risk based on the year-end stage classification. The amounts presented are gross of impairment allowances.

(Rs. in Lacs)

		As at March 31, 2020			
Category	**Assets category**	**Gross Carrying Amount**	**Expected Credit Loss**	**Net Carrying Amount**	**PD**
Stage 1 – High quality assets	Loan	275,823.53	1,095.02	274,728.51	0.03% to 8.26%
Stage 2 – Assets for which there is significant increase in credit risk	Loan	2,666.31	165.41	2,500.90	4.80% to 31.87%
Stage 3 - Credit impaired assets	Loan	5,290.82	2,445.63	2,845.19	Refer note below
Total		**283,780.67**	**3,706.06**	**280,074.60**	

AVANSE FINANCIAL SERVICES LIMITED

Notes to financial statement for the year ended March 31, 2020

(Rs. in Lacs)

Category	Assets category	As at March 31, 2019 Gross Carrying Amount	Expected Credit Loss	Net Carrying Amount	PD
Stage 1 – High quality assets	Loan	293,773.85	1,281.28	292,492.57	0.18% to 7.93%
Stage 2 – Assets for which there is significant increase in credit risk	Loan	1,451.13	82.58	1,368.55	0.78% to 50.28%
Stage 3 - Credit impaired assets	Loan	478.71	332.82	145.89	Refer note below
Total		**295,703.69**	**1,696.69**	**294,007.00**	

Note: For cases in Stage-3 PD is 100%. The Company has used discounted cashflow methodology to determine provision for significantly impaired assets.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans:

(Rs. in Lacs)

FY 2019-20	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	293,773.85	1,451.13	478.71	**295,703.69**
New assets originated or purchased	106,342.85	-	-	**106,342.85**
Assets derecognised or repaid (excluding write offs)	(117,004.57)	(1,195.26)	(66.04)	**(118,265.88)**
Transfers to Stage 1	1,157.54	(1,147.48)	(10.06)	**-**
Transfers to Stage 2	(3,714.53)	3,714.53	-	**-**
Transfers to Stage 3	(4,731.60)	(156.61)	4,888.21	**-**
Changes to contractual cash flows due to modifications not resulting in derecognition				**-**
Amounts written off				**-**
Gross carrying amount closing balance	**275,823.53**	**2,666.31**	**5,290.82**	**283,780.67**

(Rs. in Lacs)

FY 2018-19	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	221,778.31	136.47	202.83	**222,117.61**
New assets originated or purchased	142,250.87	-	-	**142,250.87**
Assets derecognised or repaid (excluding write offs)	(68,267.29)	(372.59)	(24.90)	**(68,664.79)**
Transfers to Stage 1	94.82	(52.85)	(41.98)	**-**
Transfers to Stage 2	(1,755.84)	1,784.25	(28.41)	**(0.00)**
Transfers to Stage 3	(327.02)	(44.15)	371.17	**-**
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	**-**
Amounts written off	-	-	-	**-**
Gross carrying amount closing balance	**293,773.85**	**1,451.13**	**478.71**	**295,703.69**

(Rs. in Lacs)

FY 2019-20	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balances	1,281.28	82.58	332.82	**1,696.69**
New assets originated or purchased	409.06	-	-	**409.06**
Assets derecognised or repaid (excluding write offs)	(683.75)	(59.25)	(253.59)	**(996.59)**
Transfers to Stage 1	4.40	(71.19)	(4.65)	**(71.43)**
Transfers to Stage 2	(14.13)	230.44	-	**216.31**
Transfers to Stage 3	(18.00)	(9.72)	2,259.53	**2,231.81**
"Impact on year end ECL of exposures transferred between stages during the year	**978.87**	**172.87**	**2,334.11**	**3,485.84**
Unwind of discount	**-**	**-**	**-**	**-**
Changes to contractual cash flows due to modifications not resulting in derecognition	**-**	**-**	**-**	**-**
Changes to models and inputs used for ECL calculations	116.15	(7.46)	111.52	**220.22**
Recoveries	**-**	**-**	**-**	**-**
Amounts written off	**-**	**-**	**-**	**-**
ECL allowance - closing balance	**1,095.02**	**165.41**	**2,445.63**	**3,706.06**

(Rs. in Lacs)

FY 2018-19	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balances	864.02	0.80	152.13	**1,016.94**
New assets originated or purchased	756.89	-	-	**756.89**
Assets derecognised or repaid (excluding write offs)	(326.01)	(0.96)	(17.74)	**(344.71)**
Transfers to Stage 1	0.23	(0.31)	(31.48)	**(31.56)**
Transfers to Stage 2	(10.31)	83.32	(21.31)	**51.70**
Transfers to Stage 3	(3.54)	(0.26)	251.23	**247.43**
Impact on year end ECL of exposures transferred between stages during the year	**1,281.28**	**82.58**	**332.82**	**1,696.69**
Unwind of discount		**-**	**-**	**-**
Changes to contractual cash flows due to modifications not resulting in derecognition	**-**	**-**	**-**	**-**
Changes to models and inputs used for ECL calculations	**-**	**-**	**-**	**-**
Recoveries	**-**	**-**	**-**	**-**
Amounts written off	**-**	**-**	**-**	**-**
ECL allowance - closing balance	**1,281.28**	**82.58**	**332.82**	**1,696.69**

ii) **Operational risk**

Operational risk is the risk of loss resulting from inadequate internal processes, people or systems, fraud, or from external events. The Company's focuses on management and control of operational risks through a comprehensive system of internal controls and monitoring performance of each function against defined thresholds

Operational risk management comprises identification and assessment of risks and controls, new products and process approval framework, measurement through operational risk incidents, monitoring through key risk indicators and mitigation through process and control enhancement.

iii) **Liquidity risk**

Liquidity risk is the current and prospective risk arising out of an inability to meet financial commitments as they fall due, through available cash flows or through the sale of assets at fair market value. It includes both, the risk of unexpected increases in the cost of funding an asset portfolio at appropriate maturities and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

The Company manages liquidity risk by maintaining sufficient cash and marketable securities and by having access to funding through an adequate amount of committed credit lines. Given the need to fund diverse products, the Company maintains flexibility in funding by maintaining availability under committed credit lines to meet obligations when due. Management regularly monitors the position of cash and cash equivalents vis-à-vis projections. Assessment of maturity profiles of financial assets and financial liabilities including debt financing plans and maintenance of Balance Sheet liquidity ratios are considered while reviewing the liquidity position.

We manage liquidity risk in accordance with our Asset Liability Management Policy. This policy is framed as per the current regulatory guidelines and is approved by the Board of Directors. The Asset Liability Management Policy is reviewed periodically to incorporate changes as required by regulatory stipulation or to realign the policy with changes in the economic landscape. The Asset Liability Committee (ALCO) of the Company formulates and reviews strategies and provides guidance for management of liquidity risk within the framework laid out in the Asset Liability Management Policy.

The Company has no undrawn lines of credit as of March 31, 2020 as against Rs.16,400 lacs as of March 31, 2019, from its bankers for working capital requirements.

The Company has the right to draw upon these lines of credit based on its requirement and terms of draw down.

Exposure to liquidity risk

The following are the details of Company's remaining contractual maturities of financial liabilities and assets at the reporting date. The amounts are gross and undiscounted.

(Rs. in Lacs)

		Contractual cash flows			
March 31, 2020	**Carrying amount**	**0 - 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Financial liabilities					
Trade payables	1,124.55	1,124.55	-	-	-
Debt securities	74,916.63	7,105.97	57,000.00	2,500.00	8,310.67
Borrowings (other than debt securities)	171,946.69	47,782.26	74,492.18	43,392.16	6,280.08
Other financial liabilities	24,870.95	6,765.16	5,369.38	4,517.28	8,219.12
Total	**272,858.82**	**62,777.95**	**136,861.56**	**50,409.45**	**22,809.87**
Financial Assets					
Cash and cash equivalents	64,340.04	64,340.04	-	-	-
Other bank balances	998.55	675.97	322.58	-	-
Loans	280,074.61	43,090.05	48,301.33	55,069.44	133,613.79
Investments	12,500.68	12,500.68	-	-	-
Other financial assets	1,381.60	427.66	117.71	203.13	633.10
Total	**359,295.47**	**121,034.40**	**48,741.62**	**55,272.57**	**134,246.89**

(Rs. in Lacs)

		Contractual cash flows			
March 31, 2019	**Carrying amount**	**0 - 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Financial liabilities					
Trade payables	1,250.52	1,250.52	-	-	-
Debt securities	49,640.46	7,900.64	28,500.00	4,500.00	8,739.82
Borrowings (other than debt securities)	188,403.09	68,608.62	66,369.27	42,653.79	10,771.41
Other financial liabilities	16,463.91	3,726.26	4,523.28	4,434.11	3,780.27
Total	**255,757.98**	**81,486.04**	**99,392.55**	**51,587.90**	**23,291.49**
Financial Assets					
Cash and cash equivalents	14,347.65	14,347.65	-	-	-
Other bank balances	3,175.97	2,505.00	670.97	-	-
Loans	294,007.00	66,659.08	102,919.82	105,748.27	18,679.83
Investments	-	-	-	-	-
Other financial assets	672.14	420.43	92.59	16.50	142.63
Total	**312,202.76**	**83,932.15**	**103,683.38**	**105,764.78**	**18,822.47**

The gross inflows disclosed in the above table represent the contractual undiscounted cash flows relating to financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity.

iv) **Market risk (interest risk)**

The Company is exposed to interest rate risk as it has assets and liabilities based on floating interest rates as well. The Company has an approved Asset and Liability Management Policy which empowers the Asset and Liability Management Committee (ALCO) to assess the interest rate risk run by it and provide appropriate guidelines to the Treasury to manage the risk. The ALCO reviews the interest rate risk on periodic basis and decides on the asset profile and the appropriate funding mix. The ALCO reviews the interest rate gap statement and the interest rate sensitivity analysis.

Exposure to interest rate risk

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

(Rs. in Lacs)

	March 31, 2020	31-Mar-19
Financial assets		
Fixed-rate instruments	-	-
Floating-rate instruments	280,074.61	294,007.00
Total	**280,074.61**	**294,007.00**
Financial liabilities		
Fixed-rate instruments	48,145.74	46,199.12
Floating-rate instruments	198,717.59	191,844.43
Total	**246,863.32**	**238,043.55**

Fair value sensitivity analysis for Floating-rate instruments

The sensitivity analysis below have been determined based on exposure to the interest rates for financial instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in case of instruments that have floating rates.

If interest rates had been 100 basis points higher or lower and all other variables were constant, the Company's profit before tax would have changed by the following:

Particulars	March 31, 2020		March 31, 2019	
	100 bps higher	100 bps lower	100 bps higher	100 bps lower
Floating rate loans	2,800.75	(2,800.75)	2,940.07	(2,940.07)
Floating rate borrowings	(1,987.18)	1,987.18	(1,918.44)	1,918.44
	813.57	**(813.57)**	**1,021.63**	**(1,021.63)**

The below disclosures required pursuant to the RBI master directions and circulars are prepared after giving effect required to comply with the extant provisions of Reserve Bank of India directions including framework on Prudential Norms and other related circulars

(Rs. in Lacs)

40 Disclosure requirements as per RBI circular dated March 13, 2020 having reference number RBI/2019-20/170 , DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 as per para 2 of Prudential Floor of ECL

Asset Classification as per RBI Norms	Asset Classification as per RBI Norms	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
Performing assets						
Standard	Stage 1	275,823.53	1,095.02	274,728.51	1,103.29	(8.27)
	Stage 2	2,666.31	165.41	2,500.90	133.32	32.10
Subtotal		**278,489.84**	**1,260.43**	**277,229.41**	**1,236.61**	**23.82**
Non-Performing Assets						
Substandard	Stage 3	4,872.14	2,127.49	2,744.65	487.21	1,640.28
Doubtful						
Upto 1 year	Stage 3	320.35	261.19	59.16	260.44	0.75
1 to 3 years	Stage 3	95.03	54.14	40.89	35.49	18.65
More than 3 years	Stage 3	3.31	2.81	0.50	1.65	1.16
Subtotal for doubtful		**418.68**	**318.14**	**100.54**	**297.58**	**20.55**
Loss Assets	Stage 3	-	-	-	-	-
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		**-**	**-**	**-**	**-**	**-**
Total	Stage 1	275,823.53	1,095.02	274,728.51	1,103.29	(8.27)
	Stage 2	2,666.31	165.41	2,500.90	133.32	32.10
	Stage 3	5,290.82	2,445.63	2,845.19	784.80	1,660.83
		283,780.67	**3,706.06**	**280,074.60**	**2,021.41**	**1,684.65**

Disclosures on COVID19 Regulatory Package - Asset Classification and Provisioning, in terms of RBI circular RBI/2019-20/220/DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020 ("RBI Circular")

Period	Respective amounts in SMA/overdue categories, where the moratorium/ deferment was extended, in terms of paragraph 2 and 3 of RBI Circular	Respective amount where asset classification benefits is extended	Provisions made in terms of paragraph 5 of RBI Circular	Provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of paragraph 6 of RBI Circular
Overdue as on February 29, 2020	3,516.57	3,516.57	175.83	-

As required under Para 2 of the RBI Circular, in respect of all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the Income Recognition and Asset Classification norms ("IRAC norms").

41 Corporate Governance and Disclosure Norms for NBFCs:
(As stipulated in Annexure 4 of Circular No. DNBR (PD) CC No. 002/03.10.001/2014-15, dated November 10, 2014)

41.1 Capital Risk Adequacy Ratio (CRAR):

Particulars	As at March 31, 2020	As at March 31, 2019
CRAR (%)	**32.12%**	**21.53%**
CRAR - Tier I capital (%)	29.55%	18.72%
CRAR - Tier II capital (%)	2.57%	2.81%
Amount of subordinated debt raised as Tier-II capital	7,500.00	7,500.00
Amount raised by issue of Perpetual Debt instruments	-	-

41.2 Exposures:

I	**Exposure to Real Estate**		
a)	**Direct Exposure**		
(i)	**Residential Mortgages-** Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lacs may be shown separately)	40,612.73	44,908.52
(ii)	**Commercial Real Estate-** Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi family residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	78,445.56	87,332.70
(iii)	**Investments in Mortgage Backed Securities (MBS) and other securitised exposures-**		
	a) Residential,	-	-
	b) Commercial Real Estate.	-	-
b)	**Indirect Exposure** Fund based and non fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
	Total Exposure to Real Estate	**119,058.29**	**132,241.22**
II	**Exposure to Capital Market**		
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
(ii)	advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;	-	-
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi)	loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	bridge loans to companies against expected equity flows / issues;	-	-
(viii)	all exposures to Venture Capital Funds (both registered and unregistered)	-	-
	Total Exposure to Capital Market	**-**	**-**
III	**Details of financing of parent company products**	Nil	Nil
IV	**Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC**	Nil	Nil
V	**Unsecured Advances** Amount of advances given against intangible securities	Nil	Nil

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Notes to financial statement for the year ended March 31, 2020

41.3 Asset Liability Management Maturity pattern of certain items of Assets and Liabilities:

(Rs. in Lacs)

Particulars	upto 30/31 days	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total
Liabilities									
Borrowing from Banks	3,041.30	1,147.92	4,945.22	10,618.67	19,195.75	65,541.74	41,581.05	6,346.52	152,418.17
	(4,329.63)	(650.00)	(3,028.56)	(6,928.56)	(12,744.61)	(61,260.60)	(38,170.36)	(10,798.77)	(137,911.09)
Market Borrowings	79.34	77.10	158.37	2,963.07	12,661.47	65,950.44	4,311.11	8,244.23	94,445.13
	(23,625.09)	(70.04)	(15,070.60)	(7,935.98)	(2,126.18)	(33,608.67)	(8,983.43)	(8,712.46)	(100,132.45)
Foreign currency liabilities	-	-	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Assets									
Advances	3,475.23	4,052.07	6,170.33	11,318.97	18,073.43	48,301.33	55,069.44	133,613.80	280,074.61
	(10,428.32)	(5,215.35)	(5,541.63)	(15,937.19)	(29,536.59)	(102,919.82)	(105,748.27)	(18,679.83)	(294,007.00)
Deposits	-	-	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Investments	12,500.68	-	-	-	-	-	-	-	12,500.68
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	-
Foreign currency assets	-	-	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)

(Previous years figures are denoted in brackets).

Notes:

a) Information on maturity pattern of advances for which there are no specified repayment terms are based on the reasonable assumptions.

b) The above statement includes only certain items of assets and liabilities (as stipulated in Annexure 4 of Circular No. DNBR (PD) CC No. 002/03.10.001/2014-15, dated November 10, 2014) and therefore does not reflect the complete asset liability maturity pattern of the Company.

c) Above maturity pattern is after considering the impact of Moratorium benefit extended by the Company to the customers, if any.

AVANSE FINANCIAL SERVICES LIMITED
Notes to financial statement for the year ended March 31, 2020

(Rs. in Lacs)

41.4	**Particulars**		
	Liabilities side	**Amount outstanding**	**Amount overdue**
(I)	**Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:**		
(a)	Debentures		
	(i) Secured	67,163.69	-
		(41,889.52)	(-)
	(ii) Unsecured (other than falling within the meaning of public deposits)	7,752.95	-
		(7,750.93)	(-)
(b)	Deferred Credits	-	-
		(-)	(-)
(c)	Term Loans	169,947.40	-
		(161,423.33)	(-)
(d)	Inter-corporate loans and borrowing	-	-
		(23,527.06)	(-)
(e)	Commercial Paper (net of unamortised discount)	-	-
		-	(-)
(f)	Other Loans (Please Specify)		
	Overdraft Accounts	-	-
		(2,250.0)	(-)
	Cash Credits	1,999.28	-
		(1,202.69)	(-)

	Assets side	**Amount outstanding**
(II)	**Break up of Loans and Advances including bills receivables (other than those included in (IV) below):**	
(a)	Secured	135,480.62
		(158,636.62)
(b)	Unsecured	148,300.05
		(137,067.08)
(III)	**Break up of Leased Assets and stock on hire and other assets counting towards AFC activities:**	
(a)	Lease assets including lease rentals under sundry debtors:	
	(i) Financial Lease	-
		(-)
	(ii) Operating Lease	-
		(-)
(b)	Stock on hire including hire charges under sundry debtors:	-
	(i) Assets on hire	(-)
		-
	(ii) Repossessed Assets	(-)
		-
(c)	Other loans counting towards AFC activities:	(-)
	(i) Loans where assets have been repossessed	-
		(-)
	(ii) Loans other than (a) above	-
		(-)

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Notes to financial statement for the year ended March 31, 2020

(Rs. in Lacs)

(IV)	**Break – up of Investments:**	
(a)	Current Investments:	
	1. Quoted:	
	(i) Shares:	
	(a) Equity	- (-)
	(b) Preference	- (-)
	(ii) Debentures and Bonds	
	(iii) Units of Mutual Funds	12,500.68 (-)
	(iv) Government Securities	- (-)
	(v) Others (Please Specify)	- (-)
	2. Unquoted:	- (-)
	(i) Shares:	
	(a) Equity	- (-)
	(b) Preference	- (-)
	(ii) Debentures and Bonds	- (-)
	(iii) Units of Mutual Funds	- (-)
	(iv) Government Securities	- (-)
	(v) Others (Please Specify)	- (-)
(b)	Long Term Investments:	
	1. Quoted:	
	(i) Shares:	
	(a) Equity	- (-)
	(b) Preference	- (-)
	(ii) Debentures and Bonds	- (-)
	(iii) Units of Mutual Funds	- (-)
	(iv) Government Securities	- (-)
	(v) Others (Please Specify)	- (-)
	2. Unquoted:	
	(i) Shares:	
	(a) Equity	- (-)
	(b) Preference	- (-)
	(ii) Debentures and Bonds	- (-)
	(iii) Units of Mutual Funds	- (-)
	(iv) Government Securities	- (-)
	(v) Others	- (-)

(V) Borrower group – wise classification of assets financed as in (II) and (III) above: **(Rs in lacs)**

		Amount net of provisions		
	Category	**Secured**	**Unsecured**	**Total**
(a)	Related Parties			
	(i) Subsidiaries	- (-)	- (-)	- (-)
	(ii) Companies in the same group	- (-)	- (-)	- (-)
	(iii) Other related parties	- (-)	- (-)	- (-)
(b)	Other than related parties	135,480.62 (158,636.62)	148,300.05 (137,067.08)	283,780.67 (295,703.69)
		135,480.62 (158,636.62)	**148,300.05** (137,067.08)	**283,780.67** (295,703.69)
	Less: Provision for non-performing assets	1,855.46 (979.55)	1,850.60 (717.14)	3,706.06 (1,696.69)
	Total	**133,625.16** (157,657.07)	**146,449.44** (136,349.93)	**280,074.61** (294,007.00)

AVANSE FINANCIAL SERVICES LIMITED
Notes to financial statement for the year ended March 31, 2020

(Rs. in Lacs)

(VI) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

	Category	Market Value/ Break-up or fair value or NAV	Book Value (Net of Provisions)
(a)	Related Parties		
	(i) Subsidiaries	- (-)	- (-)
	(ii) Companies in the same group		
	(iii) Other related parties	- (-)	- (-)
(b)	Other than related parties	12,500.68 (-)	12,500.00 (-)
	Total	**12,500.68** -	**12,500.00** -

(VII) Other Information:

	Particulars	Rs in lacs
(a)	Gross Non – Performing Assets	
	(i) Related Parties	- (-)
	(ii) Other than related parties	5,290.82 (478.71)
(b)	Net Non – Performing Assets	
	(i) Related Parties	- (-)
	(ii) Other than related parties	2,845.19 (145.89)
(c)	Assets acquired in satisfaction of debt	- (-)

(Previous years figures are denoted in brackets)

41.5 Disclosure on restructuring pursuant to Reserve Bank of India notification DNBS.CO. PD. No. 367/03.10.01/2013-14 dated 23rd January 2014 as on March 31, 2020 :

(Rs in lacs)

Type of restructuring				
Asset classification details		**Low credit risk & significant increase in credit risk**	**Credit Impaired**	**Total**
Restructured accounts as on April 01, 2019	No of borrowers	-	4	4
	Amount outstanding	-	111.53	111.53
	Provision thereon	-	2.98	2.98
Fresh resturcturing during the year	No of borrowers	-	-	-
	Amount outstanding	-	-	-
	Provision thereon	-	-	-
Upgradations to restructured standard category during the year	No of borrowers	-	-	-
	Amount outstanding	-	-	-
	Provision thereon	-	-	-
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No of borrowers	-	-	-
	Amount outstanding	-	-	-
	Provision thereon	-	-	-
Downgradation of restructured accounts during the year	No of borrowers	-	(4)	(4)
	Amount outstanding	-	(111.53)	(111.53)
	Provision thereon	-	(2.98)	(2.98)
Write offs of restructured accounts during the year	No of borrowers	-	-	-
	Amount outstanding	-	-	-
	Provision thereon	-	-	-
Restructured accounts as on March 31, 2020	No of borrowers	-	-	-
	Amount outstanding	-	-	-
	Provision thereon	-	-	-

AVANSE FINANCIAL SERVICES LIMITED
Notes to financial statement for the year ended March 31, 2020

(Rs. in Lacs)

41.6 Details of outstanding amount of securitised assets as per books of the SPVs sponsored by the Company and the total amount of exposures retained by the Company as on March 31, 2020 towards the Minimum Retention Requirements (MRR):

(Rs. in Lacs)

Sr.No.	Particulars	As at March 31, 2020	As at March 31, 2019
1	No of SPVs sponsored by the NBFC for securitisation transactions	3	2
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	**14,817.16**	**12,477.66**
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet	2,588.16	1,687.35
a	Off balance sheet exposures		
	* First Loss		
	* Others		
b	On Balance sheet exposures	**2,588.16**	**1,687.35**
	* First Loss	993.55	670.97
	* Others	1,594.61	1,016.38
4	Amount of exposures to securitisation transactions other than MRR		
a	Off-balance sheet exposures		
	i) Exposure to own securitisations		
	* First loss		
	* Others		
	ii) Exposure to third party securitisations		
	* First loss		
	* Others		
b	On Balance sheet exposures	**276.10**	**276.10**
	i) Exposure to own securitisations	**276.10**	**276.10**
	* First loss	276.10	276.10
	* Others		
	ii) Exposure to third party securitisations		
	* First loss		
	* Others		

41.7 Details of assignment transactions undertaken by NBFC:

(Rs. in Lacs)

Sr.No.	Particulars	As at March 31, 2020	As at March 31, 2019
1	No. of accounts	897	7
2	Aggregate value (net of provisions) of accounts sold	35,706.71	6,864.46
3	Aggregate consideration	31,042.55	5,998.01
4	Additional consideration realised in respect of accounts transferred in earlier years	-	-
5	Aggregate gain / loss over net book value	-	-

AVANSE FINANCIAL SERVICES LIMITED

Notes to financial statement for the year ended March 31, 2020

(Rs. in Lacs)

41.8 Investments

	Particulars	As at March 31, 2020	As at March 31, 2019
(a)	**Value of Investments**		
(i)	Gross Value of Investments		
	(a) in India	12,500.68	-
	(b) outside India	-	-
(ii)	Provision for depreciation		
	(a) in India	-	-
	(b) outside India	-	-
(iii)	Net Value of Investments		
	(a) in India	12,500.68	-
	(b) outside India	-	-
(b)	**Movement of provisions held towards depreciation on investments**		
(i)	Opening balances	-	-
(ii)	Add : Provisions made during the year	-	-
(iii)	Less : Write-off / write-back of excess provisions during the year	-	-
(iv)	Closing balance	-	-

41.9 Additional & Miscellaneous Disclosures:

(I) Registration obtained from other financial sector regulators

Company has not registered with other financial sector regulators except with Insurance Regulatory and Development Authority of India (IRDAI)

(II)	Disclosure of Penalties imposed by RBI and other regulators	Nil	Nil

(III) Ratings assigned by credit rating agencies and migration of ratings during the year:

FY 2019-20

Rating particulars	Rating Agency	Rating assigned
Short Term Debt Programme		
Commercial Paper	NA	NA
Long Term Debt Programme		
Non-Convertible Debentures	Brickwork Ratings India Pvt. Ltd.	BWR A+
	CARE Limited	CARE A+
Loan Facility	CARE Limited	CARE A+

FY 2018-19

Rating particulars	Rating Agency	Rating assigned
Short Term Debt Programme		
Commercial Paper	NA	NA
Long Term Debt Programme		
Non-Convertible Debentures	Brickwork Ratings India Pvt. Ltd.	BWR AA-(SO)
	CARE Limited	CARE A+(SO)
Loan Facility	CARE Limited	CARE A+(SO)

(IV) Net Profit or Loss for the period, prior period items and changes in accounting policies:

There are no prior period items and changes in accounting policies impacting net profit for the year.

(V) Revenue Recognition:

Revenue Recognition has not been postponed on account of pending resolution of significant uncertainties in respect of any revenue streams of the Company.

(VI) Provisions and Contingencies

(Rs in lacs)

Break up of 'Provisions and Contingencies' shown under the head expenses in the Statement of Profit and Loss	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
Provisions for depreciation on Investment	-	-
Provision towards NPA / ECL stage 3	2,112.81	180.70
Provision made towards Income tax	1,208.73	1,613.58
Other Provision and Contingencies (with details)	-	-
Provision for standard assets / ECL stage 1 & stage 2	(103.43)	499.05

AVANSE FINANCIAL SERVICES LIMITED
Notes to financial statement for the year ended March 31, 2020

(Rs. in Lacs)

(VII)	**Draw Down from Reserves**	Nil	Nil
(VIII)	**Concentration of Deposits, Advances, Exposures and NPAs**		
(a)	**Concentration of Deposits (for deposit taking NBFCs)**		
	Total Deposits of twenty largest depositors (Rupees in Lacs)	NA	NA
	Percentage of Deposits of twenty largest depositors to Total Deposits of the NBFC	NA	NA
(b)	**Concentration of Advances**		
	Total advances to twenty largest borrowers (Rupees in Lacs)	17,068.69	25,346.44
	Percentage of advances to twenty largest borrowers to total advances of the NBFC	6.01%	8.57%
(c)	**Concentration of Exposures**		
	Total exposure to twenty largest borrowers / customers (Rupees in Lacs)	20,956.34	28,214.79
	Percentage of Exposures to twenty largest borrowers / customers to total exposure of the NBFC on borrowers / customers	5.43%	7.59%
(d)	**Concentration of NPAs**		
	Total exposure to top four NPA accounts (Rupees in Lacs)	3,158.60	146.38
(e)	**Sector-wise NPAs**		
	Sector	**Percentage of NPAs to Total Advances in that sector**	**Percentage of NPAs to Total Advances in that sector**
	Agriculture & allied activities	-	-
	MSME	-	-
	Corporate borrowers		-
	Services	-	-
	Unsecured personal loans	-	-
	Auto loans	-	-
	Education infrastructure loans	3.83%	-
	Education loans	0.31%	0.10%
	Lending to small medium enterprises	16.46%	0.08%

(Rs in lacs)

(IX)	**Movement of NPAs**	**As at March 31, 2020**	**As at March 31, 2019**
(i)	Net NPAs to Net Advances (%)	1.02%	0.05%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	478.71	202.83
	(b) Additions during the year	4888.21	371.17
	(c) Reductions during the year	(76.10)	(95.29)
	(d) Closing balance	5290.82	478.71
(iii)	Movement of Net NPAs		
	(a) Opening balance	145.89	50.70
	(b) Additions during the year	2517.16	119.95
	(c) Reductions during the year	182.14	(24.76)
	(d) Closing balance	2845.19	145.89
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	(332.82)	(152.13)
	(b) Provisions made during the year	(2371.05)	(251.23)
	(c) Write-off / write-back of excess provisions	258	70.53
	(d) Closing balance	(2445.63)	(332.82)

(Rs. in Lacs)

(X) Disclosure of Customers Complaints

Particulars	As at March 31, 2020	As at March 31, 2019
No. of complaints pending at the beginning of the year	-	2
No. of complaints received during the year	205	880
No. of complaints redressed during the year	205	882
No. of complaints pending at the end of the year	-	-

(XI) Disclosure in respect of derivatives, securitisation transactions, consolidated financial statements, overseas assets (for those with joint ventures and subsidiaries abroad), off balance sheet SPV's sponsored are not applicable for the year to the Company.

2 (Disclosure requirements as per RBI circular dated November 04, 2019 having reference number RBI/2019-20/88, DOR.NBFC(PD) CC. No.102/03.10.001/2019-20 regarding Guidelines on Liquidity Risk Management Framework)

a Funding concentration based on significant counterparty (both deposits and borrowings)

Sr. No.	Number of significant counterparties	Rupees in Lakh	% of Total Deposits	% of Total Liabilities
1	25	230,789.51	Not Applicable	84.25%

b Top 20 large Deposits (Rupees in Lakh and % of total deposits)

Not applicable. The Company being a Systemically Important Non-Deposit taking Non-Banking Financial Company registered with Reserve Bank of India, does not accept public deposits.

c Top 10 borrowings (Rupees in Lakh and % of total borrowings)

Rupees in Lakh	149,127.15
% of total borrowiings	60.96%

d Funding concentration bases on significant instrument / product

Sr. No.	Name of the Instrument / Product	Rupees in lakh	% of Total liabilities
1	Term loans from banks	153,024.08	55.86%
2	Term loans from others	19,592.10	7.15%
3	Non-Convertible Debentures	72,000.00	26.28%

e Stock Ratios:

Sr. No.	Name of the Instrument / Product	% of Total Public Funds	% of Total Liabilities	% of Total Assets
a	Commercial Papers	Nil	Nil	Nil
b	Non Covertible Debentures	Nil	Nil	Nil
c	Other Short Term Liabilities	Nil	23.19%	17.46%
d	Long Term Assets	Nil	88.52%	66.63%

f Institutional set-up for liquidity risk management

The Board of Directors is responsible for establishing and reviewing the ALM & Risk management Policies. Towards this end, the Board has established an ALM Committee (ALCO), which has been delegated the authority to manage funds and to match the Assets and the Liabilities in terms of their maturities and interest rate sensitivities, so that the risk arising from such mismatches can be contained within the desired limit. Similarly, the Board has also constituted Risk Management Committee (RMC) for the effective supervision, evaluation, monitoring and review of various risks, including liquidity risk, faced by the Company. ALCO and RMC meetings are conducted at a frequency which is warranted from time to time with minimum frequency of once in a quarter. The board reviews the minutes of the ALCO & RMC meetings and additional summarized information on a quarterly basis. If necessary the Board also recommends the actions that are in the best interest of the company.

(Rs. in Lacs)

42 COVID

The outbreak of COVID-19 pandemic across the globe and in India has contributed to a significant decline and volatility in the global and Indian financial markets and slowdown in the economic activities. The Reserve Bank of India (RBI) has issued guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 23, 2020 and in accordance therewith, the Company have provided a moratorium on the payment of all principal amounts and/or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers classified as standard, even if the said amounts were overdue on February 29, 2020, excluding the collections already made in the month of March 2020. For all such accounts, where the moratorium is granted, the asset classification will remain standstill during the moratorium period (i.e., the number of days past due shall exclude the moratorium period for the purpose of asset classification as per the policy).

Further, the management of the Company, based on current available information, has estimated overlays based on the policy of the Company for the purpose of determination of the provision for impairment of financial assets carried at amortised cost. Given the uncertainty over the potential macro-economic impact, the management has considered internal and external information up to the date of approval of these financial statements.

Accordingly, the Statement of Profit and Loss for the year ended March 31, 2020 includes impairment provision aggregating Rs. 2,009.38 lacs which includes potential impact on account of the pandemic. Based on the current indicators of future economic conditions, the Company considers these provisions to be adequate.

The extent to which the COVID-19 pandemic will impact future results of the Company will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Company. Given the uncertainty over the potential macro-economic condition, the impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions, which will be given effect to in the respective future period.

43 Previous year's figures have been rearranged / regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosures.

44 The financial statements were approved for issue by the Board of Directors on June 25, 2020

The accompanying notes form an integral part of the financial statements 1 to 44

For Avanse Financial Services Limited

Neeraj Swaroop **Director** DIN - 00061170	**Vijayalakshmi Iyer** **Director** DIN - 05242960
Amit Gainda **Chief Executive Officer**	**Rahul Bhapkar** **Chief Financial Officer**

Rakesh Dhanuka
Company Secretary

Place : Mumbai
Date : June 25, 2020

CORPORATE INFORMATION

Board of Directors

Mr. Neeraj Swaroop	Chairperson & Independent Director	(Appointed w.e.f. July 30, 2019)
Ms. Vijayalakshmi Iyer	Independent Director	(Appointed w.e.f. July 30, 2019)
Mr. Narendra Ostawal	Non-executive Director	(Appointed w.e.f. July 30, 2019)
Ms. Savita Mahajan	Independent Director	

Key Managerial Personnel

Amit Gainda	Chief Executive Officer
Rahul Bhapkar	Chief Financial Officer
Rakesh Dhanuka	Company Secretary

Statutory Auditors

M/s Deloitte Haskins & Sells LLP
Chartered Accountants
Mumbai

Bankers / Financial Institutions

Axis Bank	Bank of Baroda	Indian Overseas Bank
Bank of India	Syndicate Bank	Shinhan Bank
Bank of Maharashtra	Union Bank of India	IndusInd Bank
HDFC Bank	Hinduja Leyland Finance Ltd	The South Indian Bank Ltd
Aditya Birla Finance Ltd	State Bank of India	Karur Vysya Bank
Indian Bank	UCO Bank	

Registrar and Transfer Agent

Link Intime India Pvt. Ltd.
C 101, 247 Park, L.B.S. Marg
Vikhroli West, Mumbai – 400 083
Tel: +91 22 4918 6000
Email: rnt.helpdesk@linkintime.co.in

Debenture Trustee

Catalyst Trusteeship Limited
GDA House, Plot No. 85
Paud Road, Pune – 411 038
Tel: +91 20 2528 0081 / +91 77200 15707
Email: dt@ctltrustee.com

Registered & Corporate Office

001 & 002 Fulcrum, A wing, Ground floor
Sahar Road, Next to Hyatt Regency
Andheri (East), Mumbai – 400 099
CIN No.: U67120MH1992PLC068060
Email: investorrelations@avanse.com
Website: www.avanse.com
Tel. No.: 022 6859 9999 Fax No.: 022 6859 9900