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**Business Finance Limited**  
**FIVE-STAR BUSINESS FINANCE LIMITED**  
Corporate Identity Number: U65991TN1984PLC010844

REGISTERED AND CORPORATE OFFICE	CONTACT PERSON	E-MAIL AND TELEPHONE	WEBSITE
New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai 600 010, Tamil Nadu, India	Shalini Baskaran, Company Secretary and Compliance Officer	<b>Email:</b> cs@fivestargroup.in <b>Registered Office Tel:</b> +91 44 4610 6260	www.fivestargroup.in

**OUR PROMOTERS: LAKSHMIPATHY DEENADAYALAN, HEMA LAKSHMIPATHY, SHRITHA LAKSHMIPATHY, MATRIX PARTNERS INDIA INVESTMENT HOLDINGS II, LLC AND SCI INVESTMENTS V**

**DETAILS OF OFFER**

TYPE	FRESH ISSUE	OFFER FOR SALE SIZE	TOTAL ISSUE SIZE	ELIGIBILITY AND SHARE RESERVATION AMONG QIBs, NIBs AND RIBs
Offer for Sale	Not applicable	Offer for Sale 33,617,061* Equity Shares aggregating to ₹ 15,934.49 million*	15,934.49* million	The Offer was made pursuant to Regulation 6(1) of the SEBI ICDR Regulations. For further details, see “Other Regulatory and Statutory Disclosures – Eligibility for the Offer” on page 393. For details in relation to share reservation among QIBs, NIBs and RIBs, see “Offer Structure” on page 413.

\*Subject to finalization of Basis of Allotment and it excludes multiple Bids and Bids not banked.

**DETAILS OF THE OFFER FOR SALE**

NAME OF THE SELLING SHAREHOLDER	TYPE	NUMBER OF EQUITY SHARES OFFERED/ AMOUNT (₹ IN MILLION)	WEIGHTED AVERAGE COST OF ACQUISITION ON A FULLY DILUTED BASIS (IN ₹)*
SCI Investments V	Promoter	2,859,873^ Equity Shares aggregating to ₹1,355.58 million^	81.72
Matrix Partners India Investment Holdings II, LLC	Promoter	12,339,051^ Equity Shares aggregating to ₹5,848.71 million^	14.18
Matrix Partners India Investments II Extension, LLC	Investor	207,321^ Equity Shares aggregating to ₹98.27 million^	32.68
Norwest Venture Partners X – Mauritius	Investor	6,199,367^ Equity Shares aggregating to ₹2,938.50 million^	115.83
TPG Asia VII SF Pte. Ltd.	Investor	12,011,449^ Equity Shares aggregating to ₹5,693.43 million^	186.04

\*As certified by R P S V & Co., Chartered Accountants, by way of certificate dated November 15, 2022.

^Subject to finalization of Basis of Allotment

### RISKS IN RELATION TO THE FIRST OFFER

The face value of the Equity Shares is ₹1 each. The Floor Price, Cap Price and Offer Price as determined and justified by our Company and Selling Shareholders, in consultation with the BRLMs, on the basis of the assessment of market demand of the Equity Shares by way of the book building process, as stated under “Basis for Offer Price” on page 106 should not be considered to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares nor regarding the price at which the Equity Shares will be traded after listing.

### GENERAL RISK

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in the Offer unless they can afford to take the risk of losing their entire investment. Investors are advised to read the risk factors carefully before taking an investment decision in the Offer. For taking an investment decision, investors must rely on their own examination of our Company and the Offer, including the risks involved. The Equity Shares in the Offer have not been recommended or approved by the Securities and Exchange Board of India (“SEBI”), nor does SEBI guarantee the accuracy or adequacy of the contents of this Prospectus. Specific attention of the investors is invited to “Risk Factors” on page 22.




### ISSUER’S AND SELLING SHAREHOLDERS’ ABSOLUTE RESPONSIBILITY

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

### LISTING

The Equity Shares to be offered through the Red Herring Prospectus and this Prospectus are proposed to be listed on the Stock Exchanges being BSE and NSE. Our Company has received ‘in-principle’ approvals from BSE and NSE for the listing of the Equity Shares pursuant to their letters dated December 2, 2021 and December 3, 2021, respectively. For the purposes of the Offer, the Designated Stock Exchange shall be NSE. A signed copy of the Red Herring Prospectus was delivered and this Prospectus has been delivered to the RoC in accordance with Sections 26(4) and 32 of the Companies Act, 2013. For details of the material contracts and documents that were made available for inspection from the date of the Red Herring Prospectus up to the Bid/ Offer Closing Date, see “Material Contracts and Documents for Inspection” on page 447.

### BOOK RUNNING LEAD MANAGERS

NAME OF BRLMS AND LOGO	CONTACT PERSON	E-MAIL AND TELEPHONE
<b>ICICI Securities Limited</b> 	Sumit Singh/ Rupesh Khant	<b>E-mail:</b> five-star.ipo@icicisecurities.com <b>Tel:</b> +91 22 6807 7100
<b>Edelweiss Financial Services Limited</b> 	Manish Tejwani	<b>E-mail:</b> fivestar.ipo@edelweissfin.com <b>Tel:</b> +91 22 4009 4400
<b>Kotak Mahindra Capital Company Limited</b> 	Ganesh Rane	<b>E-mail:</b> five-starbusinessfinance.ipo@kotak.com <b>Tel:</b> +91 22 4336 0000
<b>Nomura Financial Advisory and Securities (India) Private Limited</b> <b>NOMURA</b>	Vishal Kanjani / Radhika Shah	<b>E-mail:</b> fivestaripo@nomura.com <b>Tel:</b> +91 22 4037 4037

### REGISTRAR TO THE OFFER

NAME OF THE REGISTRAR	CONTACT PERSON	E-MAIL AND TELEPHONE
<b>KFin Technologies Limited</b>	M Murali Krishna	<b>E-mail:</b> fsbfl.ipo@kfintech.com; <b>Tel:</b> +91 40 6716 2222

### BID/OFFER PERIOD

<b>ANCHOR INVESTOR BIDDING DATE</b>	November 7, 2022	<b>BID/OFFER OPENED ON*</b>	November 9, 2022	<b>BID/OFFER CLOSED ON</b>	November 11, 2022
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\*The Anchor Investor Bid/Offer Period was one Working Day prior to the Bid/Offer Opening Date.



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## FIVE-STAR BUSINESS FINANCE LIMITED

Our Company was incorporated as Five-Star Business Credits Private Limited at Chennai, Tamil Nadu as a private limited company under the Companies Act, 1956, pursuant to a certificate of incorporation dated May 7, 1984, issued by the Registrar of Companies, Tamil Nadu at Chennai ("RoC"). Our Company was converted from a private limited company to a public limited company pursuant to board resolution dated September 7, 1988 and special resolution passed by the Shareholders at the EGM dated October 3, 1988. Consequently, the name of our Company was changed from 'Five-Star Business Credits Private Limited' to 'Five-Star Business Credits Limited' and the certificate of incorporation was amended on October 3, 1988. The name of our Company was subsequently changed to 'Five-Star Business Finance Limited' pursuant to board resolution dated March 25, 2015 and special resolution passed by our Shareholders at the EGM held on April 12, 2016, and a fresh certificate of incorporation consequent upon change of name was issued by the RoC on May 13, 2016. For further details see, "History and Certain Corporate Matters" on page 219. Our Company is registered with the Reserve Bank of India ("RBI") to carry on the business of non-banking financial institution without accepting public deposits (certificate of registration no. B-07.00286). For details, see "Government and Other Approvals" beginning on page 390.

**Registered and Corporate Office:** New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai 600 010, Tamil Nadu, India; **Tel:** +91 44 4610 6260;

**Website:** www.fivestargroup.in; **Contact Person:** Shalini Baskaran, Company Secretary and Compliance Officer; **E-mail:** cs@fivestargroup.in;

**Corporate Identity Number:** U65991TN1984PLC010844

**OUR PROMOTERS: LAKSHMIPATHY DEENADAYALAN, HEMA LAKSHMIPATHY, SHRITHA LAKSHMIPATHY, MATRIX PARTNERS INDIA INVESTMENT HOLDINGS II, LLC AND SCI INVESTMENTS V**

INITIAL PUBLIC OFFERING OF 33,617,061\* EQUITY SHARES OF FACE VALUE OF ₹ 1 EACH ("EQUITY SHARES") OF FIVE-STAR BUSINESS FINANCE LIMITED (OUR "COMPANY" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹474 PER EQUITY SHARE (INCLUDING A PREMIUM OF ₹473 PER EQUITY SHARE) ("OFFER PRICE") AGGREGATING TO ₹15,934.49 MILLION\* (THE "OFFER") THROUGH AN OFFER FOR SALE OF 33,617,061\* EQUITY SHARES (THE "OFFER FOR SALE"), CONSISTING OF 2,859,873\* EQUITY SHARES AGGREGATING TO ₹1,355.58 MILLION\* BY SCI INVESTMENTS V, 12,339,051\* EQUITY SHARES AGGREGATING TO ₹5,848.71 MILLION\* BY MATRIX PARTNERS INDIA INVESTMENT HOLDINGS II, LLC, 207,321\* EQUITY SHARES AGGREGATING TO ₹98.27\* MILLION BY MATRIX PARTNERS INDIA INVESTMENTS II EXTENSION, LLC, 6,199,367\* EQUITY SHARES AGGREGATING TO ₹2,938.50 MILLION\* BY NORTHWEST VENTURE PARTNERS X – MAURITIUS AND 12,011,449\* EQUITY SHARES AGGREGATING TO ₹5,693.43 MILLION\* BY TPG ASIA VII SF PTE. LTD. (COLLECTIVELY, THE "SELLING SHAREHOLDERS", AND SUCH EQUITY SHARES, THE "OFFERED SHARES").

\*Subject to finalisation of the Basis of Allotment and it excludes multiple Bids and Bids not banked.

The Offer was made through the Book Building Process, in terms of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended ("SCRR") read with Regulation 31 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the "SEBI ICDR Regulations"). This Offer is in compliance with Regulation 6(1) of the SEBI ICDR Regulations wherein not more than 50% of the Offer was made available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs") and such portion the "QIB Portion". Our Company and the Selling Shareholders, in consultation with the BRLMs, allocated up to 60% of the QIB Portion as per the RHP to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations ("Anchor Investor Portion"), of which one-third was reserved for domestic Mutual Funds, subject to valid Bids having been received from domestic Mutual Funds at or above the Anchor Investor Allocation Price, in accordance with the SEBI ICDR Regulations. Further, 5% of the Net QIB Portion was made available for allocation on a proportionate basis to Mutual Funds only and the remainder of the Net QIB Portion was made available for allocation on a proportionate basis to all QIBs (other than Anchor Investors) including Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, if the aggregate demand from Mutual Funds is less than 5% of the Net QIB Portion, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the remaining QIB Portion for proportionate allocation to QIBs. Further, not less than 15% of the Offer was made available for allocation to Non-Institutional Bidders out of which (a) one third of such portion was reserved for applicants with application size of more than ₹200,000 and up to ₹1,000,000; and (b) two third of such portion was reserved for applicants with application size of more than ₹1,000,000, provided that the unsubscribed portion in either of such sub-categories may be allocated to applicants in the other sub-category of Non-Institutional Bidders and not less than 35% of the Offer was made available for allocation to Retail Individual Bidders ("RIB") in accordance with the SEBI ICDR Regulations, subject to valid Bids being received from them at or above the Offer Price. All Bidders (except Anchor Investors) were required to mandatorily utilise the Application Supported by Blocked Amount ("ASBA") process by providing details of their respective ASBA accounts and UPI ID (in case of UPI Bidders) (as defined hereinafter), in which case the corresponding Bid Amount was blocked by the SCSBs or under the UPI Mechanism, as applicable to participate in the Offer. Anchor Investors were not permitted to participate in the Anchor Investor Portion of the Offer through the ASBA process. For details, see "Offer Procedure" on page 416.

### RISKS IN RELATION TO THE FIRST OFFER

This being the first public issue of our Company, there has been no formal market for the Equity Shares of our Company. The face value of the Equity Shares is ₹1. The Floor Price, Cap Price and Offer Price should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active or sustained trading in the Equity Shares nor regarding the price at which the Equity Shares will be traded after listing.

### GENERAL RISK

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in the Offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in the Offer. For taking an investment decision, investors must rely on their own examination of our Company and the Offer, including the risks involved. The Equity Shares in the Offer have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Prospectus. Specific attention of the investors is invited to "Risk Factors" on page 22.

### COMPANY'S AND SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY

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

### LISTING

The Equity Shares to be Allotted through the Red Herring Prospectus and this Prospectus are proposed to be listed on the Stock Exchanges. Our Company has received 'in-principle' approvals from BSE and NSE for the listing of the Equity Shares pursuant to their letters dated December 2, 2021 and December 3, 2021, respectively. For the purposes of the Offer, the Designated Stock Exchange shall be NSE. A signed copy of the Red Herring Prospectus has been delivered and this Prospectus shall be delivered to the RoC in accordance with Sections 26(4) and 32 of the Companies Act, 2013. For details of the material contracts and documents that were made available for inspection from the date of the Red Herring Prospectus up to the Bid/ Offer Closing Date, see "Material Contracts and Documents for Inspection" on page 447.

### BOOK RUNNING LEAD MANAGERS

### REGISTRAR TO THE OFFER

BOOK RUNNING LEAD MANAGERS				REGISTRAR TO THE OFFER
<b>ICICI Securities Limited</b> ICICI Venture House, Appasahab Marathe Marg, Prabhadevi, Mumbai 400 025 Maharashtra, India <b>Tel:</b> +91 22 6807 7100 <b>E-mail:</b> five-star.ipo@icicisecurities.com <b>Investor grievance e-mail:</b> customercare@icicisecurities.com <b>Website:</b> www.icicisecurities.com <b>Contact person:</b> Sumit Singh/ Rupesh Khant <b>SEBI registration no.:</b> INM00001179	<b>Edelweiss Financial Services Limited</b> Off CST Road, Kalina Mumbai 400 098 Maharashtra, India <b>Tel:</b> +91 22 4009 4400 <b>E-mail:</b> five.star.ipo@edelweissfn.com <b>Investor grievance e-mail:</b> customerservice.mb@edelweissfn.com <b>Website:</b> www.edelweissfn.com <b>Contact person:</b> Manish Tejwani <b>SEBI Registration No.:</b> INM0000010650	<b>Kotak Mahindra Capital Company Limited</b> 1st Floor, 27 BKC, Plot No. C-27 G Block, Bandra Kurla Complex Bandra (East) Mumbai 400 051 Maharashtra, India <b>Tel:</b> +91 22 4336 0000 <b>E-mail:</b> five-starbusinessfinance.ipo@kotak.com <b>Investor grievance e-mail:</b> kmccredressal@kotak.com <b>Website:</b> https://investmentbank.kotak.com/ <b>Contact person:</b> Ganesh Rane <b>SEBI Registration No.:</b> INM000008704	<b>Nomura Financial Advisory and Securities (India) Private Limited</b> Ceejay House, Level 11 Plot F, Shivsagar Estate Dr. Annie Besant Road, Worli Mumbai 400 018 Maharashtra, India <b>Tel:</b> +91 22 4037 4037 <b>E-mail:</b> fivestaripo@nomura.com <b>Investor grievance e-mail:</b> investorgrievances-in@nomura.com <b>Website:</b> www.nomuraholdings.com/company/group/asia/india/index.html <b>Contact person:</b> Vishal Kanjani / Radhika Shah <b>SEBI Registration No.:</b> INM000011419	<b>KFin Technologies Limited</b> (formerly known as KFin Technologies Private Limited) Selenium, Tower B, Plot No. 31 and 32 Financial District Nanakramguda, Serilingampally Hyderabad, Rangareddy 500 032 Telangana, India <b>Tel:</b> +91 40 6716 2222 <b>E-mail:</b> fsbfl.ipo@kfintech.com <b>Website:</b> www.kfintech.com <b>Investor grievance e-mail:</b> einward.ris@kfintech.com <b>Contact person:</b> M Murali Krishna <b>SEBI Registration Number:</b> INR000000221

BID / OFFER SCHEDULE	
BID / OFFER OPENED ON	BID / OFFER CLOSED ON
November 9, 2022 <sup>(1)</sup>	November 11, 2022

<sup>(1)</sup> The Anchor Investor Bid/Offer Period was one Working Day prior to the Bid/ Offer Opening Date.

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## SECTION I: GENERAL

### DEFINITIONS AND ABBREVIATIONS

*This Prospectus uses certain definitions and abbreviations which, unless the context otherwise indicates or implies, shall have the meaning as provided below. References to any legislation, act, regulation, rules, guidelines, or policies shall be to such legislation, act, regulation, rules, guidelines, circulars, notifications, clarifications or policies shall be deemed to include all amendments, supplements, re-enactments and modifications thereto, from time to time, and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision.*

*The words and expressions used in this Prospectus but not defined herein shall have, to the extent applicable, the same meaning ascribed to such terms under the SEBI ICDR Regulations, the Companies Act, the SCRA, the Depositories Act and the rules and regulations made thereunder, as applicable.*

*Notwithstanding the foregoing, the terms used in “Objects of the Offer”, “Basis for Offer Price”, “Statement of Special Tax Benefits”, “Industry Overview”, “Key Regulations and Policies”, “History and Certain Corporate Matters”, “Financial Statements”, “Financial Indebtedness”, “Outstanding Litigation and Material Developments”, “Other Regulatory and Statutory Disclosures”, and “Description of Equity Shares and Terms of Articles of Association” on pages 104, 106, 109, 115, 205, 219, 272, 383, 386, 393 and 436, respectively, shall have the meaning ascribed to them in the relevant section.*

#### General Terms

Term	Description
“our Company” or “the Company” or “Five-Star”	Five-Star Business Finance Limited, a company incorporated under the Companies Act, 1956 and having its Registered and Corporate Office at New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai 600 010, Tamil Nadu, India
“we”, “us” or “our”	Unless the context otherwise indicates or implies, refers to our Company

#### Company Related Terms

Term	Description
“Articles of Association” or “AoA”	Articles of association of our Company, as amended
ASOP 2015	Five Star Business Finance Limited Associate Stock Option Plan, 2015, as amended, as described in “Capital Structure” on page 66
ASOP 2018	Five Star Business Finance Limited Associate Stock Option Scheme, 2018, as amended, as described in “Capital Structure” on page 66
ASOPs	Collectively, ASOP 2015 and ASOP 2018
Audit Committee	The audit committee of our Board, constituted in accordance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations and as described in “Our Management” on page 227
“Auditors” or “Statutory Auditors” or “Independent Auditors”	The current statutory auditors of our Company, being S.R. Batliboi & Associates LLP, Chartered Accountants
“Board” or “Board of Directors”	The board of directors of our Company, as described in “Our Management” on page 227
Chairman and Managing Director	Chairman and managing director of our Company, namely, Lakshmipathy Deenadayalan
Company Secretary and Compliance Officer	Company secretary and compliance officer of our Company, namely, Shalini Baskaran
Corporate Promoters	Matrix Partners India Investment Holdings II, LLC and SCI Investments V
“Corporate Social Responsibility Committee” or “CSR Committee”	The corporate social responsibility committee of our Board constituted in accordance with the applicable provisions of the Companies Act, 2013 and as described in “Our Management” on page 227
Director(s)	The directors on our Board
Equity Shares	Equity shares of our Company bearing face value of ₹1 each
Executive Director	Executive director on our Board
Group Companies	Our group companies, namely NHPEA Chocolate Holding B.V. and TPG Asia VII SF Pte. Ltd. as described in “Our Group Companies” on page 251
Independent Directors	Independent directors on our Board
Individual Promoters	Lakshmipathy Deenadayalan, Hema Lakshmipathy and Shritha Lakshmipathy
IPO Committee	The IPO committee of our Board, as described in “Our Management” on page 227

Term	Description
“Key Managerial Personnel” or “KMP”	Key managerial personnel of our Company in accordance with Regulation 2(1)(bb) of the SEBI ICDR Regulations as described in “ <i>Our Management</i> ” on page 227
Matrix Extension	Matrix Partners India Investments II Extension, LLC
Matrix Holdings	Matrix Partners India Investment Holdings II, LLC
Matrix Partners	Together, Matrix Partners India Investment Holdings II, LLC and Matrix Partners India Investments II Extension, LLC
“Memorandum of Association” or “MoA”	Memorandum of association of our Company, as amended
Nomination and Remuneration Committee	The nomination and remuneration committee of our Board, constituted in accordance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations and as described in “ <i>Our Management</i> ” on page 227
Non-Executive Directors	Non-Executive directors on our Board
Previous Statutory Auditors	B S R & Co. LLP, Chartered Accountants
Promoters	Collectively, Individual Promoters and Corporate Promoters
Promoter Group	Individuals and entities constituting the promoter group of our Company in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, as described in “ <i>Our Promoters and Promoter Group</i> ” on page 245
Registered and Corporate Office	The registered and corporate office of our Company situated at New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai 600 010, Tamil Nadu, India
“Registrar of Companies” or “RoC”	Registrar of Companies, Tamil Nadu at Chennai
Restated Financial Information	Restated Financial Information of the Company comprising the Restated Statement of Assets and Liabilities as at June 30, 2022, June 30, 2021, and March 31, 2022, March 31, 2021 and March 31, 2020, the Restated Statement of Profit and Loss (including other comprehensive income), the Restated Statement of Cash Flows and the Restated Statement of Changes in Equity for the three months ended June 30, 2022 and June 30, 2021, and for the years ended March 31, 2022, March 31, 2021 and March 31, 2020, together with the Summary Statement of Significant Accounting Policies and other explanatory information thereon, derived from the audited financial statements (i) as at and for the three months period ended June 30, 2022 and June 30, 2021 prepared in accordance with Ind AS 34; and (ii) as at and for the financial years ended March 31, 2022, March 31, 2021 and March 31, 2020, prepared in accordance with Ind AS and restated in accordance with the requirements of Section 26 of Part I of Chapter III of the Companies Act, 2013, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended and The Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India, as amended from time to time
Scheme of Arrangement	The scheme of arrangement between Five-Star Housing Finance Private Limited and our Company and their respective shareholders, under Section 233 and certain other provisions of the Companies Act, 2013 approved by the Regional Director, Chennai on March 17, 2020, pursuant to which Five-Star Housing Finance Private Limited amalgamated with our Company, as described in “ <i>History and Certain Corporate Matters</i> ” on page 219
Selling Shareholders	Collectively, Matrix Partners India Investment Holdings II, LLC, Matrix Partners India Investments II Extension, LLC, Norwest Venture Partners X - Mauritius, TPG Asia VII SF Pte. Ltd. and SCI Investments V
Sequoia Capital	Together, SCI Investments V; SCI Growth Investments III; SCHF PV Mauritius Ltd.; EGCS Investment Holdings; and Sequoia Capital Growth Fund III- Endurance Partners L.P.
SCI	SCI Investments V
SHA	Amended and Restated shareholders’ agreement dated March 25, 2021 entered into amongst the Company, Sirius II Pte. Ltd., Matrix Partners India Investment Holdings II, LLC, Matrix Partners India Investments II Extension, LLC, SCI Investments V, SCI Growth Investments III, SCHF PV Mauritius Ltd., EGCS Investment Holdings, Sequoia Capital Global Growth Fund III – Endurance Partners, L.P., Norwest Venture Partners X – Mauritius, TPG Asia VII SF Pte. Ltd., Lakshmipathy Deenadayalan and certain of his family members
Shareholders	Shareholders of our Company
Stakeholders’ Relationship Committee	The stakeholders’ relationship committee of our Board, constituted in accordance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations and as described in “ <i>Our Management</i> ” on page 227
TPG	TPG Asia VII SF Pte. Ltd.
Termination Agreement	Waiver Cum Amendment Agreement dated October 8, 2021, read along with amendment agreement dated October 6, 2022 entered into amongst the Company, Sirius II Pte. Limited, Matrix Partners India Investment Holdings II, LLC, Matrix Partners India Investments II Extension, LLC, SCI Investments V, SCI Growth Investments III, SCHF PV Mauritius Limited, EGCS Investment Holdings, Sequoia

Term	Description
	Capital Global Growth Fund III – Endurance Partners, L.P., Norwest Venture Partners X – Mauritius, TPG Asia VII SF Pte. Ltd., Lakshminpathy Deenadayalan and certain of his family members

## Offer Related Terms

Term	Description
Acknowledgement Slip	The slip or document issued by a Designated Intermediary to a Bidder as proof of registration of the Bid cum Application Form
“Allot” or “Allotment” or “Allotted”	Unless the context otherwise requires, allotment of the Equity Shares pursuant to the transfer of the Offered Shares pursuant to the Offer for Sale to the successful Bidders
Allotment Advice	Note or advice or intimation of Allotment sent to the successful Bidders who have been or are to be Allotted the Equity Shares after the Basis of Allotment has been approved by the Designated Stock Exchange
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Anchor Investor	A Qualified Institutional Buyer, who applied under the Anchor Investor Portion in accordance with the requirements specified in the SEBI ICDR Regulations and the Red Herring Prospectus who had Bid for an amount of at least ₹100 million
Anchor Investor Allocation Price	₹ 474 per Equity Share
Anchor Investor Application Form	Application form used by an Anchor Investor to make a Bid in the Anchor Investor Portion and which will be considered as an application for Allotment in terms of the requirements specified under the SEBI ICDR Regulations and the Red Herring Prospectus and this Prospectus
Anchor Investor Bid/Offer Period	One Working Day prior to the Bid/ Offer Opening Date, on which Bids by Anchor Investors were submitted and allocation to Anchor Investors was completed
Anchor Investor Offer Price	₹ 474 per Equity Share. The Anchor Investor Offer Price has been decided by our Company and the Selling Shareholders, in consultation with the BRLMs
Anchor Investor Pay-in Date	With respect to Anchor Investor(s), the Anchor Investor Bid/Offer Period, and in the event the Anchor Investor Allocation Price is lower than the Anchor Investor Offer Price, not later than two Working Days after the Bid/ Offer Closing Date
Anchor Investor Portion	Up to 60% of the QIB Portion as per the RHP, which has been allocated by our Company and the Selling Shareholders, in consultation with the BRLMs, to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion was reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price, in accordance with the SEBI ICDR Regulations
“Application Supported by Blocked Amount” or “ASBA”	Application, whether physical or electronic, used by ASBA Bidders to make a Bid and to authorise an SCSB to block the Bid Amount in the relevant ASBA Account and which includes applications made by UPI Bidders using the UPI Mechanism where the Bid Amount was blocked upon acceptance of the UPI Mandate Request by UPI Bidders using the UPI Mechanism
ASBA Account	Bank account maintained with an SCSB by an ASBA Bidder, as specified in the ASBA Form submitted by ASBA Bidders for blocking the Bid Amount mentioned in the relevant ASBA Form and includes the account of a UPI Bidder which was blocked upon acceptance of a UPI Mandate Request made by the UPI Bidders using the UPI Mechanism
ASBA Bid	A Bid made by an ASBA Bidder
ASBA Bidders	All Bidders except Anchor Investors
ASBA Form	Application form, whether physical or electronic, used by ASBA Bidders to submit Bids, which will be considered as the application for Allotment in terms of the Red Herring Prospectus and this Prospectus
Banker(s) to the Offer	Collectively, Escrow Collection Bank(s), Public Offer Account Bank(s), Sponsor Bank(s) and Refund Bank(s), as the case may be
Basis of Allotment	Basis on which Equity Shares will be Allotted to successful Bidders under the Offer and which is described in “Offer Structure” on page 413
Bid	Indication to make an offer during the Bid/ Offer Period by an ASBA Bidder pursuant to submission of the ASBA Form, or during the Anchor Investor Bid/Offer Period by an Anchor Investor, pursuant to submission of the Anchor Investor Application Form, to subscribe to or purchase the Equity Shares at a price within the Price Band, including all revisions and modifications thereto in accordance with the SEBI ICDR Regulations and in terms of the Red Herring Prospectus and the relevant Bid cum Application Form. The term “Bidding” shall be construed accordingly
Bid Amount	In relation to each Bid, the highest value of Bids indicated in the Bid cum Application Form and, in the case of RIBs Bidding at the Cut off Price, the Cap Price multiplied by the number of Equity Shares Bid



Term	Description
	for by such Retail Individual Bidder and mentioned in the Bid cum Application Form and paid by the Bidder or blocked in the ASBA Account of the Bidder, as the case may be, upon submission of the Bid.
Bid cum Application Form	The Anchor Investor Application Form or the ASBA Form, as the context requires
Bid Lot	31 Equity Shares and in multiples of 31 Equity Shares thereafter
Bid/ Offer Closing Date	Except in relation to any Bids received from the Anchor Investors, Friday, November 11, 2022.
Bid/ Offer Opening Date	Except in relation to any Bids received from the Anchor Investors, Wednesday November 9, 2022.
Bid/ Offer Period	Except in relation to Anchor Investors, the period between Wednesday, November 9, 2022 and Friday, November 11, 2022 , inclusive of both days
Bidder	Any investor who made a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form and unless otherwise stated or implied, includes an Anchor Investor
Bidding Centres	Centres at which the Designated Intermediaries accepted the ASBA Forms, i.e., Designated Branches for SCSBs, Specified Locations for the Syndicate, Broker Centres for Registered Brokers, Designated RTA Locations for RTAs and Designated CDP Locations for CDPs
Book Building Process	Book building process, as provided in Part A of Schedule XIII of the SEBI ICDR Regulations, in terms of which the Offer was made
“Book Running Lead Managers” or “BRLMs”	Book running lead managers to the Offer, namely, ICICI Securities Limited, Edelweiss Financial Services Limited, Kotak Mahindra Capital Company Limited and Nomura Financial Advisory and Securities (India) Private Limited
Broker Centres	Centres notified by the Stock Exchanges where ASBA Bidders submitted the ASBA Forms to a Registered Broker  The details of such Broker Centres, along with the names and contact details of the Registered Brokers are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com)
“CAN” or “Confirmation of Allocation Note”	Notice or intimation of allocation of the Equity Shares sent to Anchor Investors, who have been allocated the Equity Shares, on or after the Anchor Investor Bid/ Offer Period
Cap Price	₹474 per Equity Share
Cash Escrow and Sponsor Bank Agreement	The agreement dated October 12, 2022 entered among our Company and the Selling Shareholders, the BRLMs, Syndicate Members, the Bankers to the Offer and Registrar to the Offer for, <i>inter alia</i> , collection of the Bid Amounts from Anchor Investors, transfer of funds to the Public Offer Account and where applicable, refunds of the amounts collected from Bidders, on the terms and conditions thereof
Client ID	Client identification number maintained with one of the Depositories in relation to dematerialised account
“Collecting Depository Participant” or “CDP”	A depository participant as defined under the Depositories Act, 1996 registered with SEBI and who is eligible to procure Bids at the Designated CDP Locations in terms of circular no. CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015 issued by SEBI as per the list available on the websites of the Stock Exchanges, as updated from time to time
CRISIL	CRISIL Limited
“CRISIL Report” or “Industry Report”	Report titled “ <i>Industry Report on Small Business Loans in India</i> ”, issued in November 2021, and as updated in September , 2022 by CRISIL Research, a division of CRISIL Limited
Cut-off Price	Offer Price that is ₹474 per Equity Share, finalised by our Company and the Selling Shareholders, in consultation with the BRLMs
Demographic Details	The demographic details of the Bidders including the Bidders’ address, name of the Bidders’ father/husband, investor status, occupation, bank account details and UPI ID, wherever applicable
Designated Branches	Such branches of the SCSBs which collected the ASBA Forms, a list of which is available on the website of SEBI at <a href="https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes">https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes</a> or at such other website as may be prescribed by SEBI from time to time
Designated CDP Locations	Such locations of the CDPs where ASBA Bidders submitted the ASBA Forms.  The details of such Designated CDP Locations, along with names and contact details of the Collecting Depository Participants eligible to accept ASBA Forms are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com), as updated from time to time
Designated Date	The date on which the Escrow Collection Bank(s) transfer funds from the Escrow Account to the Public Offer Account or the Refund Account, as the case may be, and/or the instructions are issued to the SCSBs (in case of UPI Bidders using the UPI Mechanism, instruction issued through the Sponsor Banks) for the transfer of amounts blocked by the SCSBs in the ASBA Accounts to the Public Offer Account or the Refund Account, as the case may be, in terms of the Red Herring Prospectus and this Prospectus

Term	Description
	after finalization of the Basis of Allotment in consultation with the Designated Stock Exchange, following which Equity Shares will be Allotted in the Offer
Designated Intermediary(ies)	In relation to ASBA Forms submitted by RIBs by authorising an SCSB to block the Bid Amount in the ASBA Account, Designated Intermediaries shall mean SCSBs.  In relation to ASBA Forms submitted by UPI Bidders where the Bid Amount was blocked upon acceptance of UPI Mandate Request by such UPI Bidder using the UPI Mechanism, Designated Intermediaries shall mean Syndicate, sub-syndicate/agents, Registered Brokers, CDPs and RTAs.  In relation to ASBA Forms submitted by QIBs and Non-Institutional Bidders, Designated Intermediaries shall mean Syndicate, sub-Syndicate/ agents, SCSBs, Registered Brokers, the CDPs and RTAs
Designated RTA Locations	Such locations of the RTAs where Bidders submitted the ASBA Forms to RTAs.  The details of such Designated RTA Locations, along with names and contact details of the RTAs eligible to accept ASBA Forms are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com)
Designated Stock Exchange	NSE
“Draft Red Herring Prospectus” or “DRHP”	The draft red herring prospectus dated November 9, 2021, read along with the addendum dated June 8, 2022, issued in accordance with the SEBI ICDR Regulations, which did not contain complete particulars of the price at which the Equity Shares will be Allotted and the size of the Offer
“Edel” or “Edelweiss”	Edelweiss Financial Services Limited
Eligible FPI(s)	FPI(s) from such jurisdictions outside India where it is not unlawful to make an offer/invitation under the Offer and in relation to whom the Bid cum Application Form and the Red Herring Prospectus constituted an invitation to subscribe to the Equity Shares offered thereby
Eligible NRI(s)	NRI(s) from jurisdictions outside India where it is not unlawful to make an offer or invitation under the Offer and in relation to whom the ASBA Form and the Red Herring Prospectus constituted an invitation to subscribe to or to purchase the Equity Shares
Escrow Account	The ‘no-lien’ and ‘non-interest bearing’ account(s) opened with the Escrow Collection Bank(s) and in whose favour the Bidders (excluding ASBA Bidders) transferred money through NACH/direct credit/NEFT/RTGS in respect of the Bid Amount when submitting a Bid
Escrow Collection Bank(s)	The bank(s) which are registered with SEBI as banker(s) to an issue and with whom the Escrow Account(s) were opened, in this case being ICICI Bank Limited
First or sole Bidder	Bidder whose name is mentioned in the Bid cum Application Form or the Revision Form and in case of joint Bids, whose name also appears as the first holder of the beneficiary account held in joint names
Floor Price	₹450 per Equity Share
General Information Document or GID	The General Information Document for investing in public issues prepared and issued in accordance with the SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/37 dated March 17, 2020, and the UPI Circulars, as amended from time to time. The General Information Document shall be available on the websites of the Stock Exchanges and the BRLMs
I-Sec	ICICI Securities Limited
Kotak	Kotak Mahindra Capital Company Limited
Mutual Fund Portion	5% of the Net QIB Portion which was available for allocation only to Mutual Funds on a proportionate basis, subject to valid Bids being received at or above the Offer Price
Net Proceeds	Proceeds of the Offer less Offer expenses. For further details regarding the use of the Net Proceeds and the Offer expenses, see “ <i>Objects of the Offer</i> ” on page 104
Net QIB Portion	The QIB Portion less the number of Equity Shares allocated to the Anchor Investors
Nomura	Nomura Financial Advisory and Securities (India) Private Limited
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders who have Bid for Equity Shares for an amount of more than ₹200,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	The portion of the Offer being not less than 15% of the Offer comprising 5,042,560* Equity Shares shall be available for allocation to Non-Institutional Bidders, subject to valid Bids being received at or above the Offer Price, in the following manner:  (a) one third of the portion available to Non-Institutional Bidders shall be reserved for applicants with application size of more than ₹200,000 and up to ₹1,000,000;  (b) two third of the portion available to Non-Institutional Bidders shall be reserved for applicants with application size of more than ₹1,000,000:  Provided that the unsubscribed portion in either of the sub-categories specified in clauses (a) or (b), may be allocated to applicants in the other sub-category of Non-Institutional Bidders  *Subject to finalisation of the Basis of Allotment

Term	Description
Non-Resident	Person resident outside India, as defined under FEMA
Offer	The initial public offer of Equity Shares comprising an Offer for Sale.
Offer Agreement	The agreement dated November 9, 2021, read along with amendment agreement dated October 6, 2022, entered into amongst our Company, the Selling Shareholders and the BRLMs, pursuant to which certain arrangements have been agreed to in relation to the Offer
Offer for Sale	An offer for sale of 33,617,061* Equity Shares aggregating to ₹15,934.49 million*, consisting of 2,859,873* Equity Shares aggregating to ₹1,355.58 million* by SCI Investments V, 12,339,051* Equity Shares aggregating to ₹5,848.71million* by Matrix Partners India Investment Holdings II, LLC, 207,321* Equity Shares aggregating to ₹98.27 million* by Matrix Partners India Investments II Extension, LLC, 6,199,367* Equity Shares aggregating to ₹2,938.50 million* by Norwest Venture Partners X – Mauritius and 12,011,449* Equity Shares aggregating to ₹5,693.43 million* by TPG Asia VII SF Pte. Ltd.  <i>*Subject to finalisation of the Basis of Allotment</i>
Offer Price	₹ 474 per Equity Share. The Offer Price has been decided by our Company and the Selling Shareholders, in consultation with the BRLMs on the Pricing Date in accordance with the Book Building Process and the Red Herring Prospectus.
Offer Proceeds	Our Company will not receive any proceeds from the Offer. For further information about use of the Offer Proceeds, see “ <i>Objects of the Offer</i> ” on page 104
Offered Shares	33,617,061* Equity Shares aggregating to ₹15,934.49million* being offered for sale by the Selling Shareholders in the Offer for Sale, comprising of an offer for sale of 2,859,873* Equity Shares aggregating to ₹1,355.58 million* by SCI Investments V, 12,339,051* Equity Shares aggregating to ₹5,848.71million* by Matrix Partners India Investment Holdings II, LLC, 207,321* Equity Shares aggregating to ₹98.27 million* by Matrix Partners India Investments II Extension, LLC, 6,199,367* Equity Shares aggregating to ₹2,938.50 million* by Norwest Venture Partners X – Mauritius and 12,011,449* Equity Shares aggregating to ₹5,693.43 million* by TPG Asia VII SF Pte. Ltd.  <i>*Subject to finalisation of the Basis of Allotment</i>
Price Band	Price band of a minimum price of ₹450 per Equity Share (i.e., the Floor Price) and the maximum price of ₹474 per Equity Share (i.e., the Cap Price).
Pricing Date	The date on which our Company and the Selling Shareholders, in consultation with the BRLMs finalised the Offer Price, being November 15, 2022
Prospectus	This Prospectus dated November 15, 2022 filed with the RoC on or after the Pricing Date in accordance with Section 26 of the Companies Act, 2013, and the SEBI ICDR Regulations containing, inter alia, the Offer Price that is determined at the end of the Book Building Process, the size of the Offer and certain other information, including any addenda or corrigenda hereto
Public Offer Account	The ‘no-lien’ and ‘non-interest bearing’ account to be opened with the Public Offer Account Bank, under Section 40(3) of the Companies Act, 2013 to receive monies from the Escrow Account and ASBA Accounts maintained with the SCSBs on the Designated Date
Public Offer Account Bank(s)	A bank which is registered with SEBI as a banker to an issue and with which the Public Offer Account will be opened, in this case being ICICI Bank Limited
QIB Portion	The portion of the Offer (including the Anchor Investor Portion) being not more than 50% of the Offer consisting of 16,808,529* Equity Shares which were made available for allocation to QIBs (including Anchor Investors in which allocation was on a discretionary basis, as determined by our Company and the Selling Shareholders, in consultation with the BRLMs), subject to valid Bids having been received at or above the Offer Price or the Anchor Investor Offer Price, as applicable  <i>*Subject to finalisation of the Basis of Allotment</i>
“Qualified Institutional Buyers” or “QIBs” or “QIB Bidders”	Qualified institutional buyers as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
“Red Herring Prospectus” or “RHP”	The red herring prospectus dated November 1, 2022 in accordance with Section 32 of the Companies Act, 2013 and the provisions of the SEBI ICDR Regulations, which did not have complete particulars of the Offer Price and the size of the Offer
Refund Account(s)	Account opened with the Refund Bank(s), from which refunds, if any, of the whole or part of the Bid Amount to the Bidders shall be made
Refund Bank(s)	Banker(s) to the Offer and with whom the Refund Account has been opened, in this case being ICICI Bank Limited
Registered Brokers	The stock brokers registered under the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992, as amended with the Stock Exchanges having nationwide terminals, other than the BRLMs and the Syndicate Members and eligible to procure Bids in terms of Circular No. CIR/ CFD/ 14/ 2012 dated October 4, 2012 issued by SEBI

Term	Description
Registrar Agreement	The agreement dated November 9, 2021 entered into amongst our Company, the Selling Shareholders and the Registrar to the Offer in relation to the responsibilities and obligations of the Registrar to the Offer pertaining to the Offer
“Registrar and Share Transfer Agents” or “RTAs”	Registrar and share transfer agents registered with SEBI and eligible to procure Bids at the Designated RTA Locations as per the list available on the websites of BSE and NSE, and the UPI Circulars
“Registrar to the Offer” or “Registrar”	KFin Technologies Limited ( <i>formerly known as KFin Technologies Private Limited</i> )
“Retail Individual Bidder(s)” or “RIB(s)”	Individual Bidders, who have Bid for the Equity Shares for an amount not more than ₹200,000 in any of the bidding options in the Offer (including HUFs applying through their Karta and Eligible NRIs)
Retail Portion	Portion of the Offer being not less than 35% of the Offer consisting of 11,765,972* Equity Shares which shall be made available for allocation to Retail Individual Bidders (subject to valid Bids having been received at or above the Offer Price)  *Subject to finalisation of the Basis of Allotment
Revision Form	Form used by the Bidders to modify the quantity of the Equity Shares or the Bid Amount in any of their ASBA Form(s) or any previous Revision Form(s), as applicable.  QIB Bidders and Non-Institutional Bidders were not allowed to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders could revise their Bids during the Bid/ Offer Period and withdraw their Bids until Bid/Offer Closing Date
Self-Certified Syndicate Bank(s) or SCSB(s)	The banks registered with SEBI, which offer the facility of ASBA services, (i) in relation to ASBA, where the Bid Amount will be blocked by authorising an SCSB, a list of which is available on the website of SEBI at <a href="https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=34">https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=34</a> and updated from time to time and at such other websites as may be prescribed by SEBI from time to time, (ii) in relation to UPI Bidders using the UPI Mechanism, a list of which is available on the website of SEBI at <a href="https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=40">https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=40</a> or such other website as may be prescribed by SEBI and updated from time to time.  Applications through UPI in the Offer can be made only through the SCSBs mobile applications (apps) whose name appears on the SEBI website. A list of SCSBs and mobile application, which, are live for applying in public issues using UPI Mechanism is provided as Annexure ‘A’ to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019. The list is available on the website of SEBI at <a href="https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=43">https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=43</a> and updated from time to time and at such other websites as may be prescribed by SEBI from time to time
Share Escrow Agent	Share escrow agent to be appointed pursuant to the Share Escrow Agreement, namely, Kfin Technologies Limited ( <i>formerly known as KFin Technologies Private Limited</i> )
Share Escrow Agreement	The agreement dated January 27, 2022, read along with the amendment agreement dated October 6, 2022, entered into amongst our Company, the Selling Shareholders, and the Share Escrow Agent in connection with the transfer of the Offered Shares by the Selling Shareholders and credit of such Equity Shares to the demat account of the Allottees
Specified Locations	Bidding Centres where the Syndicate accepted ASBA Forms from Bidders
Sponsor Banks	ICICI Bank Limited and HDFC Bank Limited, being a Bankers to the Offer, appointed by our Company to act as a conduit between the Stock Exchanges and NPCI in order to push the mandate collect requests and/or payment instructions of the UPI Bidders using the UPI and carry out other responsibilities, in terms of the UPI Circulars
“Syndicate” or “Members of the Syndicate”	Together, the BRLMs and the Syndicate Members
Syndicate Agreement	Agreement dated October 12, 2022 entered into amongst our Company, the Selling Shareholders, the BRLMs and the Syndicate Members, in relation to collection of Bids by the Syndicate
Syndicate Members	Intermediaries (other than BRLMs) registered with SEBI who are permitted to carry out activities in relation to collection of Bids and as underwriters, namely, Kotak Securities Limited and Nuvama Wealth Management Limited ( <i>formerly known as Edelweiss Securities Limited</i> )
Underwriters	ICICI Securities Limited, Edelweiss Financial Services Limited, Kotak Mahindra Capital Company Limited, Nomura Financial Advisory And Securities (India) Private Limited, Kotak Securities Limited and Nuvama Wealth Management Limited
Underwriting Agreement	Agreement dated November 15, 2022 entered into amongst our Company, the Selling Shareholders, and the Underwriters
UPI	Unified payments interface, which is an instant payment mechanism, developed by NPCI
UPI Bidder	Collectively, individual investors who applied as (i) RIBs in the Retail Portion, and (iii) Non-Institutional Bidders with an application size of up to ₹500,000 in the Non-Institutional Portion, and Bidding under the UPI Mechanism.  Pursuant to circular no. SEBI/HO/CFD/DIL2/P/CIR/P/2022/45 dated April 5, 2022 issued by SEBI, all individual investors applying in public issues where the application amount is up to ₹500,000 shall use

Term	Description
	the UPI Mechanism and shall provide their UPI ID in the Bid cum Application Form submitted with: (i) a syndicate member, (ii) a stock broker registered with a recognized stock exchange (whose name is mentioned on the website of the stock exchange as eligible for such activity), (iii) a depository participant (whose name is mentioned on the website of the stock exchange as eligible for such activity), and (iv) a registrar to an issue and share transfer agent (whose name is mentioned on the website of the stock exchange as eligible for such activity)
UPI Circulars	The SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019, SEBI circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021, SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, SEBI circular number SEBI/HO/CFD/DIL2/P/CIR/P/2022/45 dated April 5, 2022, SEBI circular number SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and any subsequent circulars or notifications issued by SEBI in this regard
UPI ID/ PIN	ID created on the UPI for single-window mobile payment system developed by the NPCI
UPI Mandate Request	A request (intimating the UPI Bidder by way of a notification on the UPI linked mobile application as disclosed by SCSBs on the website of SEBI and by way of an SMS on directing the UPI Bidder to such UPI linked mobile application) to the UPI Bidder initiated by the Sponsor Banks to authorise blocking of funds on the UPI application equivalent to Bid Amount and subsequent debit of funds in case of Allotment
UPI Mechanism	The bidding mechanism used by an UPI Bidder in accordance with the UPI Circulars to make an ASBA Bid in the Offer
Wilful Defaulter or a Fraudulent Borrower	An entity or person categorized as a wilful defaulter or a fraudulent borrower by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters or a fraudulent borrowers issued by the RBI and in terms of regulation 2(1)(III) of the SEBI ICDR Regulations
Working Day	All days on which commercial banks in Mumbai are open for business. In respect of announcement of Price Band and Bid/Offer Period, Working Day shall mean all days, excluding Saturdays, Sundays, and public holidays, on which commercial banks in Mumbai are open for business. In respect of the time period between the Bid/ Offer Closing Date and the listing of the Equity Shares on the Stock Exchanges, Working Day shall mean all trading days of the Stock Exchanges, excluding Sundays and bank holidays in India, as per circulars issued by SEBI

#### Technical/Industry Related Terms/Abbreviations

Term	Description
ALM	Asset liability management
AUM or Asset Under Management	AUM represents the aggregate of future principal outstanding and overdue principal outstanding, if any, and interest accrued and unpaid, if any, and interest accrued but not due, if any, for all loan assets under management which includes loan assets held by our Company as of the last day of the relevant period as well as loan assets which have been transferred by our Company by way of securitisation and are outstanding as of the last day of the relevant period
Average ticket size	Average amount of the loans given in a certain category
Collection efficiency	The proportion of actual collections (from billings for the period and overdues but excluding prepayments) during the period to scheduled billings during the period (assuming no moratorium during the months of April 2020 to August 2020).
CSR	Corporate social responsibility
CRAR	Capital to risk (weighted) assets ratio, or capital risk adequacy ratio
CRR	Cash reserve ratio
DPD	Days past due
ECL or Expected Credit Loss	Expected Credit Loss represents expected credit losses that result from possible default events over expected life of a financial asset
EMI	Equated monthly instalment
ESG	Environmental, Sustainability and Governance
GDP	Gross domestic product
HNI	High net worth individuals
Incremental Borrowings	Represents fresh borrowings during the period/year

<b>Term</b>	<b>Description</b>
IRAC	Income Recognition and Asset Classification
IRR	Internal rate of return
LAP	Loans against property
LOS	Loan origination system
LMS	Loan management system
LTV	Loan to value
MSME	Micro, small and medium enterprises
NTC	New to credit, i.e. customers who don't have any credit exposure to the formal financial ecosystem
Net AUM	Represents AUM less ECL on Stage 3 Assets / Stage 3 Gross Term Loans as of the last day of the relevant period
Net Worth	Equivalent to Total Equity, and is the sum of Equity share capital and Other equity as contained in our Restated Financial Information
NPA	Non-performing asset
Normal Branch	The initial form of the branches of our Company
NII	Net interest income
NIM	Net interest margin
PCI	Per capita income
PCR	Provision coverage ratio
PCG	Partial credit guarantee
POS	Principal Outstanding
PSB	Public sector bank
PSL	Priority sector lending
SCB	Scheduled commercial banks
SORP	Self-Occupied Residential Property
Stage 1 Gross term loans	Gross Term Loans where credit risk has not increased significantly since initial recognition and includes loans which are not overdue or overdue for not more than thirty days
Stage 2 Gross term loans	Gross Term Loans where credit risk has increased significantly since initial recognition and includes loans which are overdue for more than 30 days but overdue for not more than 90 days
Stage 3 Gross term loans	Gross Term Loans, which are credit impaired and includes loans which are overdue for more than 90 days
Stage 3 Gross term loans (net)	Represents Stage 3 Gross term loans reduced by Impairment Loss Allowance against these loans as of the last day of relevant reporting period
Gross term loans (net)	Represents Gross term loans reduced by Impairment Loss Allowance against these loans as of the last day of relevant reporting period
Stage 3 Gross term loans to Gross term loans	Represents the Stage 3 Gross term loans as of the last day of the relevant reporting period to the Gross term loans as of the last day of the relevant reporting period, represented as a percentage
Stage 3 Gross term loans (net) to Gross term loans	Represents the Stage 3 Gross term loans (net) as of the last day of the relevant reporting period to the Gross term loans as of the last day of the relevant reporting period, represented as a percentage
Small business loan	Loans which are given for Business purposes, typically with ticket size between ₹0.1 million and ₹1 million
Super Branch	A Super Branch of our Company operates effectively as two branches in areas where we see consistently positive branch performance and good business potential
Total Assets	Total Assets represents the total of our financial assets and non-financial assets
Total Borrowings	Total Borrowings represents the aggregate of debt securities and borrowings (other than debt securities), as of the last day of the relevant year or period
Total Equity	The sum of Equity share capital and Other equity
UPI	Unified Payments Interface

### Conventional and General Terms or Abbreviations

<b>Term</b>	<b>Description</b>
₹/Rs./Rupees/INR	Indian Rupees

Term	Description
AIFs	Alternative Investment Funds
BSE	BSE Limited
Category I AIF	AIFs who are registered as “Category I Alternative Investment Funds” under the SEBI AIF Regulations
Category I FPIs	FPIs who are registered as “Category I Foreign Portfolio Investors” under the SEBI FPI Regulations
Category II AIF	AIFs who are registered as “Category II Alternative Investment Funds” under the SEBI AIF Regulations
Category III AIF	AIFs who are registered as “Category III Alternative Investment Funds” under the SEBI AIF Regulations
CDSL	Central Depository Services (India) Limited
CFO	Chief Financial Officer
CIN	Corporate Identity Number
Companies Act, 1956	Companies Act, 1956, along with the relevant rules made thereunder
“Companies Act, 2013” or “Companies Act”	Companies Act, 2013, along with the relevant rules made thereunder
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996
DIN	Director Identification Number
DPIIT	Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India ( <i>earlier known as the Department of Industrial Policy and Promotion</i> )
DP ID	Depository Participant Identification
DP/ Depository Participant	Depository participant as defined under the Depositories Act
EBITDA	EBITDA is calculated as restated profit for the period /year plus total tax expenses, depreciation and amortisation expenses, and finance costs
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FCNR	Foreign Currency Non-Resident
FDI	Foreign direct investment
FDI Policy	Consolidated Foreign Direct Investment Policy notified by the DPIIT through notification dated October 15, 2020 effective from October 15, 2020
FEMA	Foreign Exchange Management Act, 1999, read with rules and regulations thereunder
FEMA Non-debt Instruments Rules	Foreign Exchange Management (Non-debt Instruments) Rules, 2019
Financial Year/ Fiscal/ FY	Unless stated otherwise, the period of 12 months ending March 31 of that particular year
FPI(s)	Foreign portfolio investors as defined under the SEBI FPI Regulations
FVCI(s)	Foreign venture capital investors as defined and registered under the SEBI FVCI Regulations
“GoI” or “Government” or “Central Government”	Government of India
GST	Goods and Services Tax
HFC	Housing Finance Company
HUF	Hindu Undivided Family
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
Ind AS/ Indian Accounting Standards	Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended
India	Republic of India
IPO	Initial public offering
IST	Indian Standard Time
IT Act	The Income Tax Act, 1961
“Listing Regulations” or “SEBI Listing Regulations”	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

<b>Term</b>	<b>Description</b>
Mutual Fund (s)	Mutual funds registered under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
N/A	Not applicable
NACH	National Automated Clearing House
NEFT	National Electronic Funds Transfer
NBFC	Non-Banking Financial Company
NBFC-ND-SI	Non-Banking Financial Company - Systemically Important Non-Deposit taking Company
NBFC-SI Master Directions	Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (Master Direction DNBR. PD. 008/03.10.119/2016-17) dated September 1, 2016 (updated on February 17, 2020)
NPCI	National Payments Corporation of India
NRI	Individual resident outside India, who is a citizen of India
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB	An entity de-recognised through Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. OCBs are not allowed to invest in the Offer
P/E	Price/earnings
P/E Ratio	Price/earnings ratio
PAN	Permanent account number
RBI	The Reserve Bank of India
Regulation S	Regulation S under the U.S. Securities Act
RTGS	Real Time Gross Settlement
Rule 144A	Rule 144A under the U.S. Securities Act
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investments Funds) Regulations, 2012
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI Merchant Bankers Regulations	Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992
SEBI SBEB & SE Regulations	Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
SEBI VCF Regulations	Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996 as repealed pursuant to the SEBI AIF Regulations
State Government	The government of a state in India
Stock Exchanges	BSE and NSE
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
U.S./USA/United States	United States of America, its territories and possessions, any State of the United States, and the District of Columbia
USD/US\$	United States Dollars
U.S. Securities Act	U.S. Securities Act of 1933, as amended
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations



## OFFER DOCUMENT SUMMARY

The following is a general summary of certain disclosures included in this Prospectus and is neither exhaustive, nor purports to contain a summary of all the disclosures in the Draft Red Herring Prospectus or the Red Herring Prospectus or this Prospectus when filed, or all details relevant to prospective investors. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Prospectus, including “Risk Factors”, “The Offer”, “Capital Structure”, “Objects of the Offer”, “Industry Overview”, “Our Business”, “Financial Statements”, “Outstanding Litigation and Material Developments”, “Offer Procedure” and “Description of Equity Shares and Terms of Articles of Association” on pages 22, 52, 66, 104, 115, 173, 272, 386, 416 and 436, respectively.

<b>Summary of the primary business of our Company</b>	<p>We are an NBFC providing secured business loans to micro-entrepreneurs and self-employed individuals, each of whom are largely excluded by traditional financing institutions. We are headquartered in Chennai, Tamil Nadu with a strong presence in south India and all of our loans are secured by our borrowers’ property, predominantly being self-occupied residential property.</p> <p>We have developed a business model that is predicated on arriving at an appropriate risk framework, with the optimal instalment to income ratio to ensure that our customers have the necessary means to repay the loan after meeting their regular obligations and other event-based capital requirements.</p>																								
<b>Summary of the industry in which our Company operates</b>	<p>We operate in the small business finance industry. Customers in small business finance segment are generally self-employed non-professionals (carpenter, plumber, vegetable vendor, small shop keepers, etc.) and micro-entrepreneurs, people who may not have income proofs. Given the lack of income proofs, the underwriting process typically requires detailed personal discussion with the borrower as well as acquaintances and neighbours to assess the source of income and pattern of cash inflows and outflows as well as the stability and behavioural aspects of the customer.</p>																								
<b>Name of our Promoters</b>	Lakshmipathy Deenadayalan, Hema Lakshmipathy, Shritha Lakshmipathy, Matrix Partners India Investment Holdings II, LLC and SCI Investments V																								
<b>Offer size</b>	<p>Offer for sale of 33,617,061* Equity Shares aggregating to ₹ 15,934.49 million*, comprising of an offer for sale as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">S. No.</th> <th style="text-align: center;">Selling Shareholder</th> <th style="text-align: center;">Number of Equity Shares offered in the Offer for Sale</th> <th style="text-align: center;">Aggregate proceeds from the sale of Equity Shares forming part of the Offer for Sale (in ₹ million)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.</td> <td>Matrix Partners India Investment Holdings II, LLC</td> <td style="text-align: center;">12,339,051* Equity Shares</td> <td style="text-align: center;">₹5,848.71*</td> </tr> <tr> <td style="text-align: center;">2.</td> <td>SCI Investments V</td> <td style="text-align: center;">2,859,873* Equity Shares</td> <td style="text-align: center;">₹1,355.58*</td> </tr> <tr> <td style="text-align: center;">3.</td> <td>Matrix Partners India Investments II Extension, LLC</td> <td style="text-align: center;">207,321* Equity Shares</td> <td style="text-align: center;">₹98.27*</td> </tr> <tr> <td style="text-align: center;">4.</td> <td>Norwest Venture Partners X - Mauritius</td> <td style="text-align: center;">6,199,367* Equity Shares</td> <td style="text-align: center;">₹2,938.50*</td> </tr> <tr> <td style="text-align: center;">5.</td> <td>TPG Asia VII SF Pte. Ltd.</td> <td style="text-align: center;">12,011,449* Equity Shares</td> <td style="text-align: center;">₹5,693.43*</td> </tr> </tbody> </table> <p><i>*Subject to finalisation of Basis of Allotment</i></p> <p>The Offer shall constitute 11.54% of the post-Offer paid-up Equity Share capital of our Company.</p>	S. No.	Selling Shareholder	Number of Equity Shares offered in the Offer for Sale	Aggregate proceeds from the sale of Equity Shares forming part of the Offer for Sale (in ₹ million)	1.	Matrix Partners India Investment Holdings II, LLC	12,339,051* Equity Shares	₹5,848.71*	2.	SCI Investments V	2,859,873* Equity Shares	₹1,355.58*	3.	Matrix Partners India Investments II Extension, LLC	207,321* Equity Shares	₹98.27*	4.	Norwest Venture Partners X - Mauritius	6,199,367* Equity Shares	₹2,938.50*	5.	TPG Asia VII SF Pte. Ltd.	12,011,449* Equity Shares	₹5,693.43*
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5.	TPG Asia VII SF Pte. Ltd.	12,011,449* Equity Shares	₹5,693.43*																						
<b>Objects of the Offer</b>	<p>The objects of the Offer are to (i) carry out the Offer for Sale of up to 33,617,061 Equity Shares by the Selling Shareholders aggregating to ₹15,934.49 million*; and (ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges. For further details, see “Objects of the Offer” on page 104.</p> <p><i>*Subject to finalisation of Basis of Allotment</i></p>																								
<b>Aggregate pre-Offer shareholding of our Promoters, members of our Promoter Group, and the Selling Shareholders as a percentage of our issued and paid-up Equity Share capital</b>	<p>(a) The aggregate pre-Offer shareholding, as on the date of this Prospectus, of our Promoters and members of our Promoter Group as a percentage of the pre-Offer issued and paid-up Equity Share capital of our Company on a fully diluted basis is set out below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Name</th> <th style="text-align: center;">Number of Equity Shares held on a fully diluted basis*</th> <th style="text-align: center;">Percentage of the pre-Offer Equity Share Capital on a fully diluted basis (%)*</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Promoters</b></td> </tr> <tr> <td>Lakshmipathy Deenadayalan</td> <td style="text-align: center;">30,690,678</td> <td style="text-align: center;">10.49%</td> </tr> <tr> <td>Hema Lakshmipathy</td> <td style="text-align: center;">20,890,600</td> <td style="text-align: center;">7.14%</td> </tr> <tr> <td>Shritha Lakshmipathy</td> <td style="text-align: center;">200,000</td> <td style="text-align: center;">0.07%</td> </tr> <tr> <td>Matrix Partners India Investment Holdings II, LLC</td> <td style="text-align: center;">36,447,465</td> <td style="text-align: center;">12.46%</td> </tr> <tr> <td>SCI Investments V</td> <td style="text-align: center;">25,696,500</td> <td style="text-align: center;">8.79%</td> </tr> </tbody> </table>	Name	Number of Equity Shares held on a fully diluted basis*	Percentage of the pre-Offer Equity Share Capital on a fully diluted basis (%)*	<b>Promoters</b>			Lakshmipathy Deenadayalan	30,690,678	10.49%	Hema Lakshmipathy	20,890,600	7.14%	Shritha Lakshmipathy	200,000	0.07%	Matrix Partners India Investment Holdings II, LLC	36,447,465	12.46%	SCI Investments V	25,696,500	8.79%			
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Matrix Partners India Investment Holdings II, LLC	36,447,465	12.46%																							
SCI Investments V	25,696,500	8.79%																							

<b>Promoter Group</b>		
Deenadayalan Rangasamy	1,632,000	0.56%
Varalakshmi Deenadayalan	461,700	0.16%
Ranganathan Vasireddy Kuppuswamy	10,000	0.00%
Suguna Ranganathan	508,500	0.17%
Sujatha Janarthanan	215,050	0.07%
<b>Total</b>	<b>116,752,493</b>	<b>39.92%</b>

\* This takes into account vested options under ASOPs.

- (b) The aggregate pre-Offer shareholding, as on the date of this Prospectus, of the Selling Shareholders as a percentage of the pre-Offer issued and paid-up Equity Share capital of our Company on a fully diluted basis is set out below:

<b>Name</b>	<b>Number of Equity Shares held on a fully diluted basis*</b>	<b>Percentage of the pre-Offer Equity Share Capital on a fully diluted basis (%)*</b>
Matrix Partners India Investment Holdings II, LLC	36,447,465	12.46%
SCI Investments V	25,696,500	8.79%
Matrix Partners India Investments II Extension, LLC	612,319	0.21%
Norwest Venture Partners X - Mauritius	29,748,060	10.17%
TPG Asia VII SF Pte. Ltd.	62,726,964	21.45%
<b>Total</b>	<b>155,231,308</b>	<b>53.07%</b>

\* This takes into account vested options under ASOPs.

**Summary of Restated Financial Information**

The summary details derived from the Restated Financial Information are as follows:

*(₹ in million, except per share data)*

<b>Particulars</b>	<b>As at / For the three months ended June 30,</b>		<b>As at / For the year ended March 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
(A) Equity Share capital	291.37	271.17	291.34	256.45	255.82
(B) Net Worth <sup>(1)</sup>	38,569.75	29,444.13	37,103.51	23,181.72	19,445.80
(C) Total Revenue from operations	3,379.71	3,005.15	12,540.64	10,497.42	7,867.15
(D) Profit for the period / year	1,394.33	1,015.71	4,535.45	3,589.94	2,619.51
(E) Earnings per equity share <sup>(2)</sup>					
Basic <sup>(2)</sup>	4.79*	3.80*	16.09	14.01	10.32
Diluted <sup>(2)</sup>	4.74*	3.66*	15.92	13.61	10.07
(F) Net asset value per share <sup>(3)</sup>	132.38	102.73	127.35	85.26	71.68
(G) Total Borrowings <sup>(4)</sup>	25,203.19	31,212.18	25,588.31	34,251.97	23,636.93

\*Earnings per Equity Share not annualised for the periods ended June 30, 2022 and June 30, 2021.

Notes:

- (1) Net Worth is equivalent to the sum of Equity share capital and Other equity
- (2) Basic and diluted earnings per equity share: Basic and diluted earnings per equity share are computed in accordance with Indian Accounting Standard 33 notified under the Companies (Indian Accounting Standards) Rules of 2015 (as amended). Pursuant to our board resolution dated September 8, 2021, and shareholders' resolution dated October 8, 2021, our equity shares of face value of ₹10 each were sub-divided into equity shares of face value of ₹1 each. Consequently, our issued, subscribed and paid up share capital, comprising 29,013,512 equity shares of face value of ₹10 each, was sub-divided into 290,135,120 equity shares of face value of ₹1 each. The sub-division of equity shares is retrospectively considered for the computation of basic and diluted earnings per equity share in accordance with Ind AS 33 for all years presented.
- (3) Net asset value per share represents Net Worth as at the end of the period/year divided by number of equity shares outstanding at the end of the relevant period/year. This is computed after giving effect to the subdivision of each equity share of face value of ₹10, each fully paid up into 10 equity shares of face value ₹1, each fully paid up, in accordance with Ind AS 33 principles for all years presented.
- (4) Total Borrowings represents the aggregate of debt securities and borrowings (other than debt securities) outstanding as of the last day of the relevant period/year.

**Auditor's qualifications which have not been given effect to in the Restated Financial Information**

There are no auditor qualifications which have not been given effect to in the Restated Financial Information.

<p><b>Summary table of outstanding litigations</b></p>	<p>A summary of outstanding litigation proceedings involving our Company, Directors and Promoters, as disclosed in “<i>Outstanding Litigation and Material Developments</i>” on page 386, in terms of the SEBI ICDR Regulations and the materiality policy approved by our Board pursuant to a resolution dated November 8, 2021, as of the date of this Prospectus is provided below:</p> <p style="text-align: right;">(in ₹ million)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Nature of cases</th> <th style="width: 20%;">Number of cases</th> <th style="width: 30%;">Total amount involved<sup>^</sup></th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Litigation involving our Company</b></td> </tr> <tr> <td colspan="3"><b>Against our Company</b></td> </tr> <tr> <td>Material civil litigation proceedings</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Criminal cases</td> <td style="text-align: center;">6</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Action taken by statutory and regulatory authorities</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Tax proceedings</td> <td style="text-align: center;">2</td> <td style="text-align: center;">4.04</td> </tr> <tr> <td colspan="3"><b>By our Company</b></td> </tr> <tr> <td>Material civil cases</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Criminal cases</td> <td style="text-align: center;">48</td> <td style="text-align: center;">42.43</td> </tr> <tr> <td colspan="3"><b>Litigation involving our Directors</b></td> </tr> <tr> <td>Criminal cases</td> <td style="text-align: center;">1</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Material civil cases</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Action taken by statutory and regulatory authorities</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td colspan="3"><b>Litigation involving our Promoters</b></td> </tr> <tr> <td>Criminal cases</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Material civil cases</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Action taken by statutory and regulatory authorities</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Tax Proceedings</td> <td style="text-align: center;">1</td> <td style="text-align: center;">Not ascertainable</td> </tr> </tbody> </table> <p><sup>^</sup> To the extent ascertainable</p> <p>Our Group Companies are not party to any pending litigation which will have a material impact on our Company.</p> <p>For further details, see “<i>Outstanding Litigation and Material Developments</i>” on page 386.</p>	Nature of cases	Number of cases	Total amount involved <sup>^</sup>	<b>Litigation involving our Company</b>			<b>Against our Company</b>			Material civil litigation proceedings	Nil	Nil	Criminal cases	6	Nil	Action taken by statutory and regulatory authorities	Nil	Nil	Tax proceedings	2	4.04	<b>By our Company</b>			Material civil cases	Nil	Nil	Criminal cases	48	42.43	<b>Litigation involving our Directors</b>			Criminal cases	1	Nil	Material civil cases	Nil	Nil	Action taken by statutory and regulatory authorities	Nil	Nil	<b>Litigation involving our Promoters</b>			Criminal cases	Nil	Nil	Material civil cases	Nil	Nil	Action taken by statutory and regulatory authorities	Nil	Nil	Tax Proceedings	1	Not ascertainable
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<p><b>Risk Factors</b></p>	<p>For details of the risks applicable to us, see “<i>Risk Factors</i>” on page 22. Investors are advised to read the risk factors carefully before making an investment decision in the Offer.</p>																																																									
<p><b>Summary table of contingent liabilities</b></p>	<p>The following is a summary table of our contingent liabilities as at June 30, 2022 and March 31, 2022 as per Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets:</p> <p style="text-align: right;">(₹ in million)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Particulars</th> <th style="width: 20%;">As at June 30, 2022</th> <th style="width: 30%;">As at March 31, 2022</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Claims against the Company not acknowledged as debt</b></td> </tr> <tr> <td>Income Tax Related Matters (excluding Penalties and Interest)</td> <td style="text-align: center;">0.67</td> <td style="text-align: center;">0.67</td> </tr> <tr> <td>Provident Fund (Refer below)</td> <td style="text-align: center;">-*</td> <td style="text-align: center;">-*</td> </tr> </tbody> </table> <p><i>* In light of judgment of Honorable Supreme Court dated February 28, 2019 on the definition of “Basic Wages” under the Employees Provident Funds &amp; Misc. Provisions Act, 1952 and based on the legal advice received, the Company has aligned the manner of computation of liability for Provident Fund effective the date of the order. There are significant uncertainties in determining the liability including, period of assessment, application for present and past employees and assessment of interest and penalties. The amount of the obligation therefore cannot be measured with sufficient reliability for past periods and hence disclosed as a contingent liability.</i></p>	Particulars	As at June 30, 2022	As at March 31, 2022	<b>Claims against the Company not acknowledged as debt</b>			Income Tax Related Matters (excluding Penalties and Interest)	0.67	0.67	Provident Fund (Refer below)	-*	-*																																													
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<b>Claims against the Company not acknowledged as debt</b>																																																										
Income Tax Related Matters (excluding Penalties and Interest)	0.67	0.67																																																								
Provident Fund (Refer below)	-*	-*																																																								
<p><b>Summary of related party transactions for last three Financial Years and for the three months ended June 30, 2022</b></p>	<p>The summary of related party transactions of our Company for the three months ended June 30, 2022, June 30, 2021 and financial years ended March 31, 2022, 2021 and 2020, as per Ind AS 24 – Related Party Disclosures read with SEBI ICDR Regulations, derived from the Restated Financial Information are set forth in the table below:</p> <p style="text-align: right;">(₹ in million)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Particulars</th> <th style="width: 15%;">For the three months ended June 30, 2022</th> <th style="width: 15%;">For the three months ended June 30, 2021</th> <th style="width: 15%;">For the Financial Year ended March 31, 2022</th> <th style="width: 15%;">For the Financial Year ended March 31, 2021</th> <th style="width: 15%;">For the Financial Year ended March 31, 2020</th> </tr> </thead> <tbody> <tr> <td>Short Term Employee Benefits*</td> <td style="text-align: center;">30.61</td> <td style="text-align: center;">25.96</td> <td style="text-align: center;">110.98</td> <td style="text-align: center;">81.42</td> <td style="text-align: center;">78.85</td> </tr> <tr> <td>Post-Employment Benefits*</td> <td style="text-align: center;">0.04</td> <td style="text-align: center;">0.04</td> <td style="text-align: center;">0.10</td> <td style="text-align: center;">0.08</td> <td style="text-align: center;">0.08</td> </tr> </tbody> </table>	Particulars	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the Financial Year ended March 31, 2022	For the Financial Year ended March 31, 2021	For the Financial Year ended March 31, 2020	Short Term Employee Benefits*	30.61	25.96	110.98	81.42	78.85	Post-Employment Benefits*	0.04	0.04	0.10	0.08	0.08																																							
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	Share Based Payments	50.64	91.67	297.13	129.79	1.43																																				
	Director's Sitting Fees and Commission	1.86	2.02	7.11	3.20	3.06																																				
	Interest expenses	-	-	-	-	0.05																																				
	Issue of equity shares**	-	-	3.93	0.52	16.71																																				
	Receipt of pending call money of partly paid up shares	-	-	14.71	-	-																																				
	Receipt of securities premium**	0.39	-	3,767.04	-	3,151.39																																				
	Loans repaid	-	-	-	-	6.57																																				
	<p><i>*Managerial remuneration above does not include gratuity and compensated absences, since the same are provided on actuarial basis for the company as a whole and the amount attributable to the key managerial personnel cannot be ascertained separately.</i></p> <p><i>**Excludes shares issued pursuant to employee stock options.</i></p> <p>The arithmetic aggregated absolute totals of our related party transactions were 2.46%, 3.98%, 33.44%, 2.04% and 41.38% of our total revenue for the three months ended June 30, 2022, June 30, 2021 and Financial Years 2022, 2021 and 2020, respectively.</p>																																									
<b>Details of all financing arrangements whereby our Promoters, members of our Promoter Group, the directors of our Corporate Promoters, our Directors and their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of the Red Herring Prospectus and this Prospectus</b>	<p>Our Promoters, members of our Promoter Group, the directors of our Corporate Promoters, our Directors and their relatives have not financed the purchase by any person of securities of our Company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of the Draft Red Herring Prospectus, the Red Herring Prospectus and this Prospectus.</p>																																									
<b>Weighted average price at which the specified securities were acquired by our Promoters, the Selling Shareholders, Promoter Group and entities holding Shares with rights have acquired Equity Shares, in the last one year</b>	<p>Except as disclosed below, no Promoters, Selling Shareholders, Promoter Group and entities holding Shares with rights have acquired Equity Shares in the one year preceding the date of this Prospectus. The weighted average price at which Equity Shares were acquired by the Promoters, Selling Shareholders, Promoter Group and entities holding Shares with rights in the one year preceding the date of this Prospectus is as follows:</p> <table border="1"> <thead> <tr> <th>S. No.</th> <th>Name of the Shareholder</th> <th>Number of Equity Shares acquired in the one year preceding the date of this Prospectus</th> <th>Weighted average price per Equity Share (in ₹)*</th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>Promoters</b></td> </tr> <tr> <td>1.</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td colspan="4"><b>Selling Shareholders</b></td> </tr> <tr> <td>1.</td> <td>TPG Asia VII SF Pte. Ltd.</td> <td>1,620,234</td> <td>490.67</td> </tr> <tr> <td colspan="4"><b>Promoter Group</b></td> </tr> <tr> <td>1.</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td colspan="4"><b>Entity holding shares with rights</b></td> </tr> <tr> <td>1.</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> </tbody> </table> <p><i>*As certified by R P S V &amp; Co., Chartered Accountants, by way of certificate dated November 15, 2022.</i></p> <p>See "Risk Factors – Our Company has issued Equity Shares during the preceding one year at a price that may be below the Offer Price." on page 44.</p>						S. No.	Name of the Shareholder	Number of Equity Shares acquired in the one year preceding the date of this Prospectus	Weighted average price per Equity Share (in ₹)*	<b>Promoters</b>				1.	Nil	Nil	Nil	<b>Selling Shareholders</b>				1.	TPG Asia VII SF Pte. Ltd.	1,620,234	490.67	<b>Promoter Group</b>				1.	Nil	Nil	Nil	<b>Entity holding shares with rights</b>				1.	Nil	Nil	Nil
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<p><b>Weighted average price at which the specified securities were acquired by our Promoters, the Selling Shareholders, Promoter Group and entities holding Shares with rights have acquired Equity Shares, in the last three years</b></p>	<p>Except as disclosed below, no Promoters, Selling Shareholders, Promoter Group and entities holding Shares with rights has acquired Equity Shares in the three years preceding the date of this Prospectus. The weighted average price at which Equity Shares were acquired by the Promoters, Selling Shareholders, Promoter Group and entities holding Shares with rights in the three years preceding the date of this Prospectus is as follows:</p> <table border="1" data-bbox="499 264 1433 846"> <thead> <tr> <th>S. No.</th> <th>Name of the Shareholder</th> <th>Number of Equity Shares acquired in the three year preceding the date of this Prospectus</th> <th>Weighted average price per Equity Share (in ₹)*</th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>Promoters</b></td> </tr> <tr> <td>1.</td> <td>Lakshmipathy Deenadayalan</td> <td>19,032,940</td> <td>203.66</td> </tr> <tr> <td colspan="4"><b>Selling Shareholders</b></td> </tr> <tr> <td>1.</td> <td>TPG Asia VII SF Pte. Ltd.</td> <td>2,906,904</td> <td>378.14</td> </tr> <tr> <td>2.</td> <td>Norwest Venture Partners X – Mauritius</td> <td>4,051,560</td> <td>332.15</td> </tr> <tr> <td colspan="4"><b>Promoter Group</b></td> </tr> <tr> <td>1.</td> <td>Varalakshmi Deenadayalan</td> <td>14,000</td> <td>250.00</td> </tr> <tr> <td>2.</td> <td>Suguna Ranganathan</td> <td>200,000</td> <td>54.74</td> </tr> <tr> <td colspan="4"><b>Entity holding shares with rights</b></td> </tr> <tr> <td>1.</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> </tbody> </table> <p><i>*As certified by R P S V &amp; Co., Chartered Accountants, by way of certificate dated November 15, 2022</i></p>	S. No.	Name of the Shareholder	Number of Equity Shares acquired in the three year preceding the date of this Prospectus	Weighted average price per Equity Share (in ₹)*	<b>Promoters</b>				1.	Lakshmipathy Deenadayalan	19,032,940	203.66	<b>Selling Shareholders</b>				1.	TPG Asia VII SF Pte. Ltd.	2,906,904	378.14	2.	Norwest Venture Partners X – Mauritius	4,051,560	332.15	<b>Promoter Group</b>				1.	Varalakshmi Deenadayalan	14,000	250.00	2.	Suguna Ranganathan	200,000	54.74	<b>Entity holding shares with rights</b>				1.	Nil	Nil	Nil
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<p><b>Average cost of acquisition of Equity Shares of our Promoters and the Selling Shareholders</b></p>	<p>The average cost of acquisition per Equity Share by our Promoters and the Selling Shareholders as on date of this Prospectus is as follows:</p> <table border="1" data-bbox="448 981 1487 1406"> <thead> <tr> <th>Name</th> <th>Number of Equity Shares</th> <th>Average cost of acquisition per Equity Share* (in ₹)</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Promoters</b></td> </tr> <tr> <td>Lakshmipathy Deenadayalan</td> <td>30,690,678</td> <td>131.84</td> </tr> <tr> <td>Hema Lakshmipathy</td> <td>20,890,600</td> <td>6.10</td> </tr> <tr> <td>Shritha Lakshmipathy</td> <td>200,000</td> <td>0.50</td> </tr> <tr> <td>Matrix Partners India Investment Holdings II, LLC</td> <td>36,447,465</td> <td>14.18</td> </tr> <tr> <td>SCI Investments V</td> <td>25,696,500</td> <td>81.72</td> </tr> <tr> <td colspan="3"><b>Selling Shareholders</b></td> </tr> <tr> <td>Matrix Partners India Investments II Extension, LLC</td> <td>612,319</td> <td>32.68</td> </tr> <tr> <td>Norwest Venture Partners X – Mauritius</td> <td>29,748,060</td> <td>115.83</td> </tr> <tr> <td>TPG Asia VII SF Pte. Ltd.</td> <td>62,726,964</td> <td>186.04</td> </tr> </tbody> </table> <p><i>* As certified by R P S V &amp; Co., Chartered Accountants, by way of certificate dated November 15, 2022</i></p>	Name	Number of Equity Shares	Average cost of acquisition per Equity Share* (in ₹)	<b>Promoters</b>			Lakshmipathy Deenadayalan	30,690,678	131.84	Hema Lakshmipathy	20,890,600	6.10	Shritha Lakshmipathy	200,000	0.50	Matrix Partners India Investment Holdings II, LLC	36,447,465	14.18	SCI Investments V	25,696,500	81.72	<b>Selling Shareholders</b>			Matrix Partners India Investments II Extension, LLC	612,319	32.68	Norwest Venture Partners X – Mauritius	29,748,060	115.83	TPG Asia VII SF Pte. Ltd.	62,726,964	186.04											
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<p><b>Details of the pre-IPO placement</b></p>	<p>Our Company does not contemplate any issuance or placement of Equity Shares from the date of this Prospectus until the listing and commencement of trading of the Equity Shares.</p>																																												
<p><b>Any issuance of Equity Shares in the last one year for consideration other than cash or bonus issue</b></p>	<p>Our Company has not issued any Equity Shares for consideration other than cash or bonus issue in the one year preceding the date of this Prospectus.</p>																																												
<p><b>Any split/consolidation of Equity Shares in the last one year</b></p>	<p>Our Company has, pursuant to a Board resolution dated September 8, 2021 and Shareholders resolution dated October 8, 2021, sub-divided the equity shares of face value of ₹10 each to Equity Shares of face value of ₹1 each.</p>																																												
<p><b>Exemption from complying with any provisions of SEBI ICDR Regulations</b></p>	<p>SEBI has granted an exemption vide letter dated January 7, 2022 in response to our exemption application dated November 9, 2021 under Regulation 300(1)(c) of the SEBI ICDR Regulations seeking an exemption from identifying a body corporate, Inasra Technologies Private Limited, in which one of our Corporate Promoters, i.e. Matrix Holdings, holds 20% or more of the equity share capital, as a member of the promoter group in terms of Regulation 2(1)(pp)(iii)(B) of the SEBI ICDR Regulations in the Offer Documents, and from including any confirmations or disclosures required from a member of the promoter group under the SEBI ICDR Regulations, in respect of such body corporate in the Offer Documents and in connection with the Offer.</p>																																												

## **CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA AND CURRENCY OF PRESENTATION**

### **Certain Conventions**

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

Unless otherwise specified, any time mentioned in this Prospectus is in Indian Standard Time (“IST”). Unless indicated otherwise, all references to a year in this Prospectus are to a calendar year.

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

### **Financial Data**

Our Company’s financial year commences on April 1 of the immediately preceding calendar year and ends on March 31 of that particular calendar year. Unless stated otherwise, all references in this Prospectus to the terms Fiscal or Fiscal Year or Financial Year, are to the 12 month period commencing on April 1 of the immediately preceding calendar year and ending on March 31 of that particular calendar year. Unless stated otherwise, or the context requires otherwise, all references to a “year” in this Prospectus are to a calendar year.

Unless stated otherwise or where the context otherwise requires, the financial data in this Prospectus is derived from the Restated Financial Information of the Company and comprises the Restated Statement of Assets and Liabilities as at June 30, 2022, June 30, 2021, and March 31, 2022, March 31, 2021 and March 31, 2020, the Restated Statements of Profit and Loss (including other comprehensive income), the Restated Statement of Cash Flows and the Restated Statement of changes in Equity for the three months ended June 30, 2022 and June 30, 2021, and for the years ended March 31, 2022, March 31, 2021 and March 31, 2020, together with the summary statement of significant accounting policies, notes and other explanatory information thereon, derived from the audited financial statements (i) as at and for the three months period ended June 30, 2022 and June 30, 2021 prepared in accordance with Ind AS 34; and (ii) as at and for the financial years ended March 31, 2022, March 31, 2021 and March 31, 2020, prepared in accordance with Ind AS and restated in accordance with requirements of Section 26 of Part I of Chapter III of the Companies Act, 2013, the SEBI ICDR Regulations and the Guidance Note on “Reports in Company Prospectuses (Revised 2019)” issued by the ICAI, as amended from time to time.

The financial statements of our Company as at and for the year ended March 31, 2022, and as at and for the three months period ended June 30, 2022 and June 30, 2021 were audited by the current Statutory Auditors, being S.R. Batliboi & Associates LLP, Chartered Accountants. The financial statements of our Company as at and for the year ended March 31, 2021 and March 31, 2020 were audited by the Previous Statutory Auditors.

Financial information for the three months period ended June 30, 2022 and June 30, 2021 is not indicative of the financial information for the full year and are not comparable with financial information the years ended March 31, 2022, March 31, 2021 and March 31, 2020.

In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. All figures in decimals have been rounded off to the second decimal and all percentage figures have been rounded off to two decimal places.

Unless the context otherwise indicates, any percentage amounts, or ratios as set forth in “*Risk Factors*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 22, 173 and 346, respectively, and elsewhere in this Prospectus have been calculated on the basis of amounts derived from our Restated Financial Information.

### ***Non-GAAP financial measures and certain other statistical information***

Certain non-Generally Accepted Accounting Principles (“GAAP”) financial measures and certain other statistical information relating to our operations and financial performance have been included in this Prospectus. We compute and disclose such non-GAAP financial measures and such other statistical information as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results.

Such non-GAAP measures include, but are not limited to EBITDA, EBITDA Margin, Average Cost of Borrowing, Stage 3 Gross term loans (net), Stage 3 Gross term loans to Gross term loans, Net Worth, Return on Equity, Total Borrowings to Total Equity Ratio, AUM to Net Worth Ratio and Operating Expenses to Average Total Assets, and are supplemental measures of

our performance and liquidity that are not required by, or presented in accordance with, Ind AS, Indian GAAP, or IFRS. Further, these Non-GAAP Measures are not a measurement of our financial performance or liquidity under Ind AS, Indian GAAP, or IFRS and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the years/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Ind AS, Indian GAAP, or IFRS. In addition, these Non-GAAP measures are not standardised terms, hence may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other financial services companies. Other companies may calculate the Non-GAAP Measures differently from us, limiting its utility as a comparative measure. Although the Non-GAAP Measures are not a measure of performance calculated in accordance with applicable accounting standards, our Company's management believes that it is useful to an investor in evaluating us because it is a widely used measure to evaluate a company's operating performance. See *“Risk Factors – We have included certain non-GAAP financial measures and other selected statistical information related to our operations in this Prospectus. Such non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry and may not be comparable with financial or statistical information of similar nomenclature computed and presented by other companies”* on page 43.

Further, except as otherwise specified in this Prospectus:

- AUM represents the aggregate of future principal outstanding and overdue principal outstanding, if any, and interest accrued and unpaid, if any, and interest accrued but not due, if any, for all loan assets under management which includes loan assets held by our Company as of the last day of the relevant period as well as loan assets which have been transferred by our Company by way of securitisation and are outstanding as of the last day of the relevant period;
- Expected Credit Loss represents expected credit losses that results from possible default events over expected life of a financial asset.;
- Stage 3 Gross term loans represents Gross Term Loans, which are credit impaired and includes loans which are overdue for more than 90 days.;
- Stage 3 Gross term loans (net) represents Stage 3 Gross term loans reduced by Impairment Loss Allowance against these loans as of the last day of relevant reporting period ;
- Our AUM and Stage 3 Gross term loans are gross of ECLs;
- Total Borrowings is the aggregate of our debt securities and borrowings (other than debt securities) outstanding as of the last day of the relevant period/year; and
- Net Worth is the sum of Equity share capital and Other equity.

See also *“Definitions and Abbreviations – Technical/Industry Related Terms/Abbreviations”* on page 8.

### **Currency and Units of Presentation**

All references to:

- “Rupees” or “₹” or “INR” or “Rs.” are to Indian Rupee, the official currency of the Republic of India; and
- “USD” or “US\$” or “\$” are to United States Dollar, the official currency of the United States of America

Our Company has presented certain numerical information in this Prospectus in “lakh”, “million” and “crore” units or in whole numbers where the numbers have been too small to represent in such units. One million represents 1,000,000, one billion represents 1,000,000,000 and one trillion represents 1,000,000,000,000. One lakh represents 100,000 and one crore represents 10,000,000.

Figures sourced from third-party industry sources may be expressed in denominations other than millions or may be rounded off to other than two decimal points in the respective sources, and such figures have been expressed in this Prospectus in such denominations or rounded-off to such number of decimal points as provided in such respective sources.

### **Exchange Rates**

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

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and other foreign currencies:

Currency	As at*				
	June 30, 2022	June 30, 2021	March 31, 2022	March 31, 2021	March 29, 2020
1 USD	78.94	74.35	75.81	73.50	75.39

Source: [www.fbil.org.in](http://www.fbil.org.in)

Note: Exchange rate is rounded off to two decimal places

\* In case March 31 of any of the respective years is a public holiday, the previous working day, not being a public holiday, has been considered.

## Industry and Market Data

Unless otherwise indicated, industry and market data used throughout this Prospectus has been obtained or derived from the report titled “*Industry Report on Small Business Loans in India*”, November 2021, as updated in September, 2022 by CRISIL Research, a division of CRISIL Limited, available on <https://fivestargroup.in/investors/>, which has been exclusively commissioned and paid for by our Company. We appointed CRISIL Limited to prepare the CRISIL Report on July 30, 2021. For risks in this regard, see “*Risk Factors – We have referred to the data derived from industry reports commissioned and paid for by our Company from CRISIL Limited exclusively for the purpose of the Offer.*” on page 42. Other than the engagement described above, CRISIL Limited is independent and has no direct or indirect association with the Company, its Directors or Promoters.

Industry publications generally state that the information contained in such publications has been obtained from publicly available documents from various sources believed to be reliable but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. The data used in these sources may have been re-classified by us for the purposes of presentation. Data from these sources may also not be comparable. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates and assumptions that may prove to be incorrect.

The extent to which the market and industry data presented in this Prospectus is meaningful depends upon the reader’s familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which business of our Company is conducted, and methodologies and assumptions may vary widely among different industry sources.

The sections “*Offer Document Summary*”, “*Industry Overview*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations*” of this Prospectus contain data and statistics from the report titled “*Industry Report on Small Business Loans in India*” prepared by CRISIL dated November 2021, as updated in September, 2022, and commissioned and paid by our Company specifically for the purposes of the Offer, which is subject to the following disclaimer:

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

Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those disclosed in “*Risk Factors – We have referred to the data derived from industry reports commissioned and paid for by our Company from CRISIL Limited exclusively for the purpose of the Offer.*” on page 42. Accordingly, no investment decision should be made solely on the basis of such information.



## FORWARD-LOOKING STATEMENTS

This Prospectus contains certain “forward-looking statements”. All statements contained in this Prospectus that are not statements of historical fact constitute “forward-looking statements”. All statements regarding our expected financial condition and results of operations, business, plans and prospects are “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “likely to”, “seek to”, “shall”, “objective”, “plan”, “project”, “propose” “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our expected financial condition, results of operations, business, prospects, strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements whether made by us or any third parties in this Prospectus are based on our current plans, estimates, presumptions and expectations and are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement, including but not limited to, regulatory changes pertaining to the retail industry and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions, in India and globally, which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in the retail industry, incidence of natural calamities and/or acts of violence. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- We require substantial capital for our business and any disruption in our sources of capital could have an adverse effect on our business, results of operations and financial condition;
- The risk of non-payment or default by our borrowers may adversely affect our business, results of operations and financial condition;
- Our inability to meet our obligations, including financial and other covenants under our debt financing arrangements could adversely affect our business, results of operations and financial condition;
- Any deterioration in the performance of any pool of receivables securitized to banks and other institutions may adversely impact our results of operations; and
- Non-compliance with the RBI’s observations made pursuant to its periodic inspections and violations of regulations prescribed by the RBI, could expose us to certain penalties and restrictions.

For further discussion of factors that could cause the actual results to differ from the expectations, see “*Risk Factors*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 22, 173 and 346, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated and are not a guarantee of future performance.

Forward-looking statements reflect current views as of the date of this Prospectus and are not a guarantee of future performance. There can be no assurance to investors that the expectations reflected in these forward-looking statements will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements and not to regard such statements to be a guarantee of our future performance.

These statements are based on our management’s belief and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based on are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements and not to regard such statements as a guarantee of future performance. Neither our Company, the Selling Shareholders, our Promoters, our Directors, the BRLMs nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with the requirements of SEBI, our Company shall ensure that investors in India are informed of material developments from the date of this Prospectus until the time of the grant of listing and trading permission by the Stock Exchanges for the Offer. Further, each of the Selling Shareholders shall, severally and not jointly, ensure that investors in India are informed of material developments in relation to the statements and undertakings specifically made or confirmed by such Selling Shareholder in the Red Herring Prospectus and this Prospectus until the time of the grant of listing and trading permission by the Stock Exchanges for this Offer.

## SECTION II: RISK FACTORS

*An investment in our Equity Shares involves a high degree of risk. You should carefully consider all the information in this Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. The risks described below are not the only ones relevant to us or our Equity Shares and the industry in which we currently operate or propose to operate in India. Additional risks and uncertainties, not presently known to us or that we currently deem immaterial may also occur and adversely impact our businesses, prospects, results of operations, financial condition and cash flows. If any of the following risks, some combination of the following risks, or other risks that are not currently known or are currently deemed immaterial, actually occur, our business, results of operations, financial condition and cash flows could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment. To obtain a complete understanding of our Company, prospective investors should read this section in conjunction with “Industry Overview”, “Our Business”, “Selected Statistical Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 115, 173, 254 and 346, respectively, as well as the financial, statistical and other information contained in this Prospectus.*

*In making an investment decision, prospective investors must rely on their own examination of our Company and the terms of the Offer including the merits and risks involved. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in our Equity Shares.*

*Prospective investors should also pay particular attention to the fact that our Company is incorporated under the laws of India and is subject to a legal and regulatory environment, which may differ in certain respects from that of other countries.*

*This Prospectus also contains forward-looking statements that involve risks, assumptions, estimates and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to the considerations described below and elsewhere in this Prospectus. See “Forward-Looking Statements” on page 21.*

*Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any of the risks described in this section. Unless the context requires otherwise, the financial information of our Company has been derived from our Restated Financial Information. In addition, certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Prospectus. Such non-GAAP financial measures should be read together with the nearest GAAP measure. See “Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Financial Data – Non-GAAP financial measures and certain other statistical information” on page 18.*

*The industry-related information contained in this section is derived from a report titled “Industry Report on Small Business Loans in India” issued in November 2021, and as updated in September, 2022 prepared and issued by CRISIL Limited (the “CRISIL Report”) (extracts of which have been appropriately incorporated as part of “Industry Overview” on page 115), and exclusively commissioned and paid for by the Company only for the purposes of confirming our understanding of the industry in connection with the Offer. We appointed CRISIL Limited to prepare the CRISIL Report on July 30, 2021, and subsequently entered into an addendum amending the agreement for services on September 5, 2022.*

### **Internal Risk Factors**

#### ***Risks Relating to our Business***

- 1. We require substantial capital for our business and any disruption in our sources of capital could have an adverse effect on our business, results of operations and financial condition.***

Our business and results of operations depend on our ability to raise both, debt and equity from various external sources on suitable terms and in a timely manner. Our financing requirements historically have been met from several sources, including term loans and working capital facilities; proceeds from loans securitized; proceeds from the issuance of NCDs; and principal protected market linked debentures from banks, financial institutions, mutual funds, and other domestic and international development financial institutions to meet our capital requirements. See “Financial Indebtedness” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting our Results of Operations — Availability of Cost Effective Sources of Capital” on pages 383 and 348, respectively. Our business thus depends on, and will continue to depend on, our ability to continually access these sources of capital and secure low cost funding at rates lower than the interest rates at which we lend to our customers.

Our ability to raise funds on acceptable terms, at competitive rates and in a timely manner, depends on various factors including our current and future results of operations and financial condition, our risk management policies, our credit ratings, our brand equity, the regulatory environment and policy initiatives in India and developments in the domestic markets including capital markets and international markets affecting the Indian economy including the effect of events such as the COVID-19 pandemic, macro and micro economic and financial conditions or continuing lack of liquidity

in the market. The terms of any additional financing may also place limits on our financial and operational flexibility. We cannot assure you that our business will continue to generate sufficient cash to enable us to service our existing and future debt or to fund our other liquidity needs. Recently, certain NBFCs in India have defaulted in the repayment of their borrowings, which has adversely affected the availability and cost of funds to NBFCs in general. Any such events in the future may lead to adverse perceptions about the finance sector as a whole and affect our ability to obtain financing at commercially reasonable terms.

Further, changes in economic, regulatory and financial conditions or any lack of liquidity in the market could adversely affect our ability to access funds at competitive rates, which could adversely affect our liquidity and financial condition. Our ability to raise debt to meet our financing requirements is also restricted by the limits prescribed under applicable regulations. If we are unable to obtain adequate financing in a timely manner and on acceptable terms, our business, results of operations and financial condition may be adversely affected.

**2. *The risk of non-payment or default by our borrowers may adversely affect our business, results of operations and financial condition.***

We primarily serve customers in the low and middle-income groups with majority of our borrowers being small business owners and self-employed individuals. As of June 30, 2022, March 31, 2022, March 31, 2021, March 31, 2020, ₹37,157.15 million, or 70.15% of our Gross Term Loans, ₹36,666.84 million, or 72.36% of our Gross Term Loans, ₹29,407.41 million, or 66.15% of our Gross Term Loans and ₹22,704.62 million, or 58.33% of our Gross Term Loans, respectively, were from customers who belonged to the low-income group, earning not more than ₹25,000 per month. Our customers may delay and/or default on their repayment obligations due to various reasons including business failure, insolvency, lack of liquidity, loss of employment or personal emergencies such as the death of an income-generating family member, including on account of events such as the COVID-19 pandemic. In addition, our customers often may not have credit histories, or may not have formal income proofs such as tax returns and other documents that would enable us to assess their creditworthiness. For our customers who earned not more than ₹25,000 per month, during the three months ended June 30, 2022 and the Financial Years 2022, 2021 and 2020, ₹309.58 million, 0.58% of our total Gross Term Loans, ₹259.40 million, 0.51% of our total Gross Term Loans, ₹150.79 million, 0.34% of our total Gross Term Loans, ₹162.30 million and 0.42% of our total Gross Term Loans of our total Gross Term Loans, respectively, experienced default in repayment obligations, (i.e. were in the 90+ DPD category). Further, we may not receive updated information regarding any change in the financial condition of our customers or may receive inaccurate or incomplete information as a result of any misrepresentation by our customers or employees. It may therefore be difficult for us to carry out the necessary credit risk analysis on all of our customers. Although we follow procedures to evaluate the credit profiles of our customers prior to sanctioning a loan, we also rely on the value of the property provided as underlying collateral. For details of our process for customer credit evaluation and monitoring, see “*Business – Description of our Business*” on page 188.

We also provide loans to customers who are self-employed. During the period between April 1, 2019 and June 30, 2022, 27.60% of the loans disbursed (in terms of count of loans) were to self-employed customers. Self-employed customers are often considered to be higher credit risk customers due to their increased exposure to fluctuations in cash flows due to adverse economic conditions. To the extent we are unable to successfully manage the risks associated with lending to self-employed customers, it may become difficult for us to recover outstanding loan amounts provided to such customers. We cannot assure you that our risk management controls will be sufficient to prevent future losses on account of customer defaults, which may adversely affect our business, results of operations and financial condition.

Our ability to manage the credit quality of our loans, which we measure in part through Stage 3 Gross Term Loans (i.e., loans that are 90+ DPD or NPAs), is a key driver of our results of operations. Our total loan portfolio has grown during the three months ended June 30, 2022 and the Financial Years 2022, 2021 and 2020, and we anticipate that the size of our loan portfolio will continue to grow in the future as we pursue our expansion strategy. We classify loans that are 90+ DPD as “Stage 3 Gross Term Loans” (in accordance with Ind-AS). As of June 30, 2022, March 31, 2022, March 31, 2021 and March 31, 2020, our Stage 3 Gross Term Loans were ₹591.37 million, ₹530.50 million, ₹451.93 million and ₹532.26 million, respectively, while our Stage 3 Gross Term Loans to Gross Term Loans were 1.12%, 1.05%, 1.02% and 1.37%, respectively. As of June 30, 2022, March 31, 2022, March 31, 2021 and March 31, 2020, our Stage 3 Gross Term Loans (net) were ₹359.43 million, ₹345.40 million, ₹370.74 million and ₹438.05 million, respectively, while our Stage 3 Gross Term Loans (net) to Gross Term Loans were 0.68%, 0.68%, 0.83% and 1.13%, respectively. In addition, on account of our recent growth, a significant portion of our loan portfolio is relatively new and was disbursed during the last 36 months. We believe that the risk of delinquency in our loans typically emerges 18 to 36 months from disbursement. We cannot assure you that we will be able to maintain or reduce our current levels of Stage 3 Gross Term Loans in the future.

Further, as an NBFC, we are regulated by the RBI and are required to adhere to the prudential norm on income recognition, asset classification and provisioning (“**IRACP**”) notified by the RBI from time to time. For instance, on November 12, 2021, the RBI issued a circular titled “*Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications*” (“**November 12 Circular**”) with a view to ensuring

uniformity in the implementation of IRACP norms across all lending institutions. The November 12 Circular, amongst other matters, requires borrower accounts to be flagged as overdue by lending institutions as part of their day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as special mention accounts (“SMA”) as well as NPA is required to be undertaken as part of day-end processes for the relevant date, such that the date of SMA/ NPA shall reflect the asset classification status of an account at the day-end of that calendar date. The November 12 Circular clarifies that the SMA classification requirement for borrower accounts is applicable to all loans, including retail loans, irrespective of size of exposure of the lending institution. Further, the November 12 Circular provides that accounts classified as NPAs may be upgraded to ‘standard’ only if the entire arrears of interest and principal are paid by the borrower, as opposed to such upgrade being undertaken upon payment of only interest overdues. In this regard, the RBI has stipulated, through their clarifications dated February 15, 2022 (in relation to prudential norms on income recognition, asset classification and provisioning pertaining to advances), that NBFCs shall have until September 30, 2022 to put in place the necessary systems to implement such upgrading of NPAs. The exact and full extent of the impact of the November 12 Circular on the credit quality of our loans is not ascertainable at this stage, and we cannot assure you that it will not impact our current levels of NPAs in the future. Further, as our loan portfolio grows, our NPAs may increase and the current level of our provisions may not adequately cover any such increases. Negative trends or financial difficulties or a general economic slowdown could unexpectedly increase delinquency rates. We cannot assure you that there will not be a significant increase in the portion of our loans that are classified as NPAs (based on November 12 Circular) as our loan portfolio matures or that any of the steps taken by us in avoiding repeat delay and/or default of loan repayments by our borrowers will be sufficient. Increases in our NPAs in the future could also impact our profitability, as it would entail us making higher loan provisions. If our Net NPA Ratio exceeds a certain threshold, the RBI could also impose certain measures as described in the RBI’s circular titled “*Prompt Corrective Action (PCA) Framework for Non-Banking Financial Companies (NBFCs)*” (“**PCA Framework Circular**”), such as restrictions on dividend distribution or remittance of profits and branch expansion. The RBI issued the PCA Framework Circular on December 14, 2021, which provides for supervisory intervention and the imposition of remedial measures by the RBI in relation to NBFCs, including NBFC-NDs, on the basis of tracking certain indicators, such as CRAR, Tier I Capital Ratio and Net NPA Ratio. The PCA Framework Circular will come into effect from October 1, 2022, based on the financial position of NBFCs on or after March 31, 2022. We cannot assure you that in the future, we will be able to maintain the thresholds prescribed by the RBI under the PCA Framework Circular. Any inability to do so could result in the RBI imposing restrictions on us, such as dividend distribution or remittance of profits and branch expansion. See also “– *The Coronavirus pandemic (COVID-19) has had certain adverse effects on our business, operations, cash flows and financial condition and the extent to which it or the effect of outbreaks of any other severe communicable disease may continue to do so in the future; is uncertain and cannot be predicted*” and “*Business – Description of our Business – Collections, Asset Quality and Monitoring*” on pages 26 and 194, respectively.

**3. *Our inability to meet our obligations, including financial and other covenants under our debt financing arrangements, could adversely affect our business, results of operations and financial condition.***

As of June 30, 2022, our Total Borrowings were ₹25,203.19 million. For details in relation to our outstanding indebtedness and certain indicative terms of our borrowing facilities, see “*Financial Indebtedness – Key terms of our borrowings*” on page 383. Our ability to meet our debt service obligations and repay our outstanding borrowings will depend primarily on the cash generated by our business, which depends on the timely repayment by our customers. In particular, our lending and treasury operations may be affected by volatility in interest rates, which could adversely affect our cash flows, financial condition and results of operations.

Our financing agreements contain several restrictive covenants and we are required to obtain prior approval from our lenders for undertaking various actions, including:

- make any amendments to the memorandum of association and articles of association;
- effect any changes to or alter our capital structure, including by way of a buyback;
- effect any change in the constitution, including shareholding pattern, ownership, controlling interest and control;
- effect any changes in our management, including changes in the composition of the Board of Directors and change in the practice with regard to remuneration of directors;
- undertake guarantee obligations on behalf of any other person or provide any loan/advance to any third party;
- incur further indebtedness;
- make any prepayment of amounts due under the facilities;

- dilute the shareholding of the Promoter(s) and members of the Promoter Group;
- expansion or diversification of our business;
- opening of current accounts with banks not part of the lending consortium; and
- enter into long term contractual obligations directly affecting our financial position.

Under some of these agreements, certain lenders require us to maintain certain financial ratios at the end of certain reporting periods, including end of fiscal quarters and fiscal years, as required under such borrowing arrangements. Some of our financing agreements also contain cross-default and cross-acceleration clauses, which are triggered in the event of a default by us under our respective financing agreements. After the provisions of the November 12 Circular relating to the upgrading of NPAs take effect on October 1, 2022, there could be an increase in our NPAs, which could cause breaches of certain covenants stipulated under our respective financing agreements. For details of the indicative events of default and the consequences of events of default under our borrowing arrangements, see “*Financial Indebtedness – Key terms of our borrowings*” on page 383. Our failure to meet our obligations under our financing agreements could have an adverse effect on our business, results of operations and financial condition. For instance, in September 2021, we received a waiver on an NPA covenant under an NCD agreement, wherein loans restructured in accordance with the RBI Circular dated May 5, 2021, would be excluded from the definition of Portfolio at Risk (PAR) 90, which earlier included restructured loans. For details in relation to our outstanding indebtedness and certain indicative terms of our borrowing facilities, see “*Financial Indebtedness – Key terms of our borrowings*” on page 383.

Our future borrowings may also contain similar restrictive provisions. If we fail to meet our debt service obligations or covenants provided under the financing agreements, the relevant lenders could declare us to be in default under the terms of our agreements or accelerate the maturity of our obligations. We cannot assure you that, in the event of any such acceleration, we will have sufficient resources to repay the borrowings.

The negative covenants as mentioned in this risk factor and in the section “*Financial Indebtedness – Key terms of our borrowings*” on page 383, and other clause/covenants of a similar nature under the financing arrangements entered into by us with our lenders are in the ordinary course of business as a small business finance company and will continue post listing of the Equity Shares, as is customary for borrowing arrangements entered into in the ordinary course of business for listed and unlisted companies. Further, there will be no direct/indirect impact of such restrictive clauses/covenants present under our financing arrangements on our public shareholders post listing of the Equity Shares.

**4. Any deterioration in the performance of any pool of receivables securitized to banks and other institutions may adversely impact our results of operations.**

We securitize a portion of our receivables to banks and other financial institutions. Such securitization is undertaken by us on the basis of our internal estimates of funding requirements and availability of other sources of funds, and may vary from time to time. During the three months ended June 30, 2022 and 2021 the Financial Year 2022, we did not securitize any assets, and during the Financial Years 2021 and 2020, we securitized assets worth ₹7,857.90 million and ₹3,988.63 million, respectively. As of June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021, March 31, 2020, our receivables securitized were ₹3,910.87 million, ₹7,461.13 million, ₹4,840.10 million, ₹8,181.56 million and ₹3,339.60 million, constituting 7.38%, 16.30%, 9.55%, 18.40% and 8.58% of our Gross Term Loans, respectively. Any change in RBI or other regulators in relation to securitizations by NBFCs could have an adverse impact on our securitization program. In the event the bank or financial institution with whom we have securitized our receivables does not realize the receivables due under loans that have been securitized, the relevant bank or financial institution could enforce the underlying credit enhancements provided by our Company. Should such banks or financial institutions seek to enforce the underlying credit enhancements, such as fixed deposits, provided up to a specified percentage of the underlying loan, it could have an adverse effect on our results of operations.

The following table sets forth, for the periods indicated, certain securitization data for our Company:

Particulars	As of				
	June 30,		March 31,		
	2022	2021	2022	2021	2020
	(₹ in millions)				
Assets securitized	-	-	-	7,857.90	3,988.63
Outstanding on securitisation transactions	3,910.87	7,461.13	4,840.10	8,181.56	3,339.60
90+ DPD (Gross) on securitised loans	55.46	46.44	44.48	11.36	2.35
90+ DPD (Gross) as a % of outstanding on securitisation transactions	1.42%	0.62%	0.92%	0.14%	0.07%

**5. *Non-compliance with the RBI's observations made pursuant to its periodic inspections and violations of regulations prescribed by the RBI, could expose us to certain penalties and restrictions.***

As an NBFC-ND-SI, we are subject to periodic inspections by the RBI under Section 45N of the RBI Act, wherein the RBI inspects our books of accounts and other records for the purpose of verifying the correctness or completeness of any statement, information or particulars furnished to the RBI or for obtaining any information, which we may have failed to furnish when called upon to do so. In its past inspection reports, the RBI has (a) identified certain deficiencies in our operations, (b) made certain observations in relation to our operations during its periodic inspections and (c) sought certain clarifications on our operations, including but not limited to:

- inadequate institutional risk management structure in light of significant business growth during Financial Year 2019, including few Risk Management Committee meetings during the period, despite inherent risks; no risk profile had been prepared considering the business and external environment in which our Company operates;
- low level seasoning of loan portfolio, that is as of March 31, 2019, the RBI observed that nearly 55.58% of the gross loans comprised loans which were recently originated and had run for a period of less than one year; the RBI noted that such an unseasoned loan book would carry higher risks, requiring the enhanced attention of risk management, which was not found adequate in the risk processes of our Company;
- Stage 3 Gross Term Loans to total advances were only 0.88% as of March 31, 2019, however, there were higher delinquencies in 1 – 30 DPD, 31 – 60 DPD and 61 – 90 DPD categories, which represents inherent stress in the credit portfolio; the RBI noted that the aggregate stressed accounts in the time categories up to 90 DPD category aggregated to 19.56% which was significantly on the higher side; and
- the borrower profile of our Company comprised mainly customers with marginal credit profile, mostly first time borrowers; despite the RBI noting financial inclusion, the concentration of the entire loan book on such loans (nearly 97% of total loan book as of March 31, 2019), is fraught with various facets of credit risks;
- adherence to mandatory disclosures on frauds;
- exposure of our entire portfolio to the sensitivities of the real estate sector and the consequent product concentration risk;
- linking interest rates to the tenor of the relevant loan disbursed as opposed to the risk profile of the borrower;
- failing to disclose loans provided against commercial properties in the return filing at the time;
- failing to specifically disclose certain information, such as the gradations of risks, rationales for charging different rates of interest to different categories of borrowers and details of processing fee and various charges collected by us, in our loan application forms at the prevailing time;
- failing to include certain components, such as the requirement for verification of the borrower's bank account statements and the mechanism for verification of the borrower's rental income, in our credit policies at the prevailing time;
- observations around unique customer identification code, where same customer was given multiple unique codes and customers in the group / family given the same unique code;
- failing to include specific criteria for selection of assets to be transferred under securitization in our credit and securitization policies;
- an increase in Net NPAs (as reported to the RBI) from 0.84% as of March 31, 2021 to 7.75% as of December 31, 2021, exceeding the requisite thresholds that may trigger the imposition of restrictions set out in the PCA Framework Circular, and was a case of supervisory concern for the RBI;
- failing to have sufficiently formal policies on decisions to send legal notices to borrowers;
- having inadequate customer care personnel in proportion to the number of customers;
- certain inadequacies of our IT framework, such as IT service provider agreements not authorizing the RBI to access our documents, failing to migrate to specified platforms and conduct business continuity plans and disaster recovery drills.

While we attempt to comply with all regulatory provisions, directions or observations applicable to us, including in connection with the RBI inspection reports described immediately above (all of which have been responded to by us), if we are unable to comply with the RBI's observations or directions, we could be subject to penalties and restrictions which may be imposed by the RBI. Further, as per the Banking Regulation Act, in the event that the RBI is of the opinion that the affairs of the Company are being conducted in a manner detrimental to the interest of the depositors, it holds a right to supersede the decision of the Board. Imposition of any penalty or adverse finding by the RBI during any future inspection may have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

**6. *The Coronavirus pandemic (COVID-19) has had certain adverse effects on our business, operations, cash flows and financial condition, and the extent to which it, or the effect of outbreaks of any other severe communicable disease, may continue to do so in the future is uncertain and cannot be predicted.***

In response to the global impact of the COVID-19 pandemic, public health officials and governmental authorities

took measures, including in India where our operations are based, such as prohibiting people from assembling in large numbers, instituting quarantines, restricting travel, issuing “stay-at-home” and curfew orders and restricting the types of businesses that could continue to operate. In India, lockdowns, curfews and other restrictions were imposed, extended and lifted to varying degrees since March 2020. Despite the lifting of such restrictions in general, there remains uncertainty regarding the duration and long-term impact of the COVID-19 pandemic, as well as possible future responses by the Government, which makes it impossible for us to predict with certainty the impact that COVID-19 may have on our business and operations in the future.

The COVID-19 pandemic has affected and may continue to affect our business, results of operations and financial condition in a number of ways such as:

- the closure of all our offices and branches for April 2020 and part of May 2020 and transition to work-from-home models. We resumed operations at our offices and branches in a staggered manner by September 2020 in compliance with the lockdown restrictions and central and state government guidelines, and have since returned to full-scale operations;
- the RBI, pursuant to its circulars dated March 27, 2020, April 17, 2020 and May 23, 2020 announced certain regulatory measures, including, among others, to mitigate the burden of debt servicing brought about by disruptions on account of the COVID-19 pandemic and to ensure the continuity of viable businesses; in furtherance of these circulars and in line with our Board approved policy, we granted a five-month moratorium to all customers who were less than or equal to 90 days-past-due (“**DPD**”) as of March 31, 2020 (i.e., to those customers who were not 90+ DPD, which is deemed a Stage 3 Asset, in respect of instalments falling due between April 1, 2020 and August 31, 2020; the RBI also clarified that for all standard accounts as on February 29, 2020, moratorium period will be excluded from DPD calculation for the purpose of asset classification under the IRAC norms; the moratorium was granted by us to 141,251 loans with a principal outstanding as of March 31, 2020 of ₹38,387.5 million (or 98.63% of the total principal outstanding as of March 31, 2020). During the period of moratorium, there was a DPD standstill and the moratorium period was excluded from DPD calculation for the purpose of asset classification. Post the end of the moratorium period on August 31, 2020, the DPD movement re-commenced and the borrowers moved buckets depending on their payment behaviour;
- a decline in general economic and business activity during the Financial Year 2021, which resulted in a reduction in our disbursements from ₹24,086.69 million for the Financial Year 2020 to ₹12,450.54 million for the Financial Year 2021. In addition, during the months of March, April and May of 2020, our collection efficiency was 84.86%, 50.95% and 73.19%, respectively (collection efficiency for April and May 2020 computed assuming monthly instalment dues for all borrowers despite the grant of moratorium by us to all our customers who were standard as at March 31, 2020);
- to support micro, small and medium enterprises (“**MSMEs**”), the Government of India announced an Emergency Credit Line Guarantee Scheme (“**ECLGS**”) under which banks and NBFCs were allowed to extend incremental credit of up to 20% of the loans outstanding of MSMEs as on February 29, 2020, subject to these accounts not being delinquent as on February 29, 2020. Such incremental credit was fully guaranteed by the government. This scheme was amended to enhance the limits under the scheme and to include additional sectors under the ambit of the scheme. Our borrowers preferred moratorium on instalment dues over incremental credit to endure their temporary cash flow issues and as such, we chose to grant moratorium benefit to all our customers who were “standard” as of March 31, 2020. We have not provided any incremental credit under ECLGS to any of our borrowers;
- the RBI, pursuant to its circular dated August 6, 2020, had also allowed a one-time restructuring of loans impacted by COVID-19 to help lenders and customers reschedule repayment of instalments based on customers’ present income and restoration of income in subsequent months; the restructuring will limit the potential increase in Stage 3 Gross Term Loans out of restructured loan accounts till a revised repayment schedule is agreed with such customers; these restructured accounts might become Stage 3 Gross Term Loans if customers fail to make payments as per the restructured schedule; we have not granted any restructuring of loans to any of our customers as part of this restructuring plan;
- the Government of India, Ministry of Finance, through its notification dated October 23, 2020, announced COVID-19 Relief Scheme for grant of ex-gratia payment of difference between the compound interest and simple interest for six months to borrowers in specified loan accounts (the “**Scheme**”), as per the eligibility criteria and other aspects specified therein and irrespective of whether RBI moratorium was availed or not. We implemented the Scheme in accordance with the requirements of the notification and credited to the accounts of or remitted amounts to the eligible borrowers as per the Scheme. Accordingly, we credited an amount of ₹93.53 million to the borrower accounts and claimed the same amount from the Government of

India;

- by way of a circular dated April 7, 2021 on ‘Asset Classification and Income Recognition following the Expiry of COVID-19 regulatory Package’, the RBI advised that all lending institutions were required to put in place a board-approved policy to refund / adjust the ‘interest on interest’ charged to the borrowers during the moratorium period, i.e., March 1, 2020 to August 31, 2020; the above reliefs were applicable to all borrowers, including those who availed working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Further, lending institutions were to disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ending March 31, 2021; pursuant to these guidelines, we formulated a Board-approved policy for the refund of ‘interest on interest’, in line with which an amount of ₹114.43 million was credited to borrower accounts, which was disclosed in our financial statements;
- by way of circulars dated May 5, 2021 on ‘Resolution Framework 2.0 – Resolution of COVID-19 Related Stress of Individuals and Small Businesses’ (the “**May 5 Circular**”), RBI advised that banks and NBFCs could restructure loans up to ₹250 million under the resolution framework 2.0. Individuals and small businesses with a ‘standard asset’ classification as of March 31, 2021, could approach the lenders to help ease the parameters of repayment provided, *inter alia*, that the borrower’s account had not been restructured in terms of the circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020; DOR.No.BP.BC. 34/21.04.048/ 2019-20 dated February 11, 2020; or DBR.No.BP.BC. 18/21.04.048/ 2018-19 dated January 1, 2019 (collectively, the “**Restructuring Circulars**”). Upon implementation of the restructuring plan, lenders were required to maintain a provision of 10% of the residual debt of the borrower. The last day for the invocation of the resolution process was September 30, 2021. Thereafter, the resolution plan was implemented within 90 days. Further, through a circular dated June 4, 2021, the RBI enhanced the above limit of ₹250 million to ₹500 million, provided that the borrower’s account had not been restructured in terms of the May 5 Circular or the Restructuring Circulars. No resolution plan was granted to any of our borrowers for the Financial Year 2021. However, as of June 30, 2021, the resolution plan was implemented on 1.87% of our loan portfolio, computed as the value of restructured loans as of March 31, 2021 as a percentage of the total Gross Term Loans, as of March 31, 2021 (or in absolute amount, the value of restructured loans was ₹830.52 million as of March 31, 2021), as compared to 1.34% or ₹710.62 million and 1.46% or ₹738.02 million as of June 30, 2022 and March 31, 2022, respectively;
- with the onset of the “second wave” of COVID-19 during the first quarter of Financial Year 2022, we experienced an adverse impact on our business and collections operations, with our disbursements during the first quarter of Financial Year 2022 reducing to ₹3,331.60 million compared to ₹6,618.81 million during the fourth quarter of Financial Year 2021. Furthermore, due to impact of the “second wave” on borrower cashflows leading to a temporary inability on their part to make payment of their EMI dues, during the first half of Financial Year 2022, in line with our Board approved policy, we restructured 1.87% of our loan portfolio, computed as the Gross Term Loans of restructured loans as of March 31, 2021 as a percentage of the total Gross Term Loans, as of March 31, 2021 (2,655 borrowers in the first quarter of Financial Year 2022; and 45 borrowers in the second quarter of Financial Year 2022). We restructured such loans based on borrowers requesting assistance and also based on us contacting certain borrowers that showed early signs of overdues. Restructuring was provided in the form of moratorium for all dues falling between April 1, 2021 and September 30, 2021. For the first quarter of Financial Year 2022, our average monthly collection efficiency dropped to 89.33% (calculated using instalment dues for non-restructured loans only) and our Stage 3 Gross Term Loans and Stage 3 Gross Term Loans (net) increased during the same period from 1.02% and 0.83%, respectively as of March 31, 2021, to 1.64% and 1.03%, respectively, as of June 30, 2021. However, with the easing of the impact of “second wave” and a consequent improvement in borrower cashflows, our collections efficiency has improved, and we recorded collections efficiency of 102.04%\*, 98.22%\*, 101.45%\* and 99.17%\* for the quarters ended September 30, 2021, December 31, 2021, March 31, 2022 and June 30, 2022, respectively (\*As certified by R P S V & Co., Independent Chartered Accountant, pursuant to their certificate dated November 15, 2022);
- our customers, who are individuals primarily belonging to low and middle-income groups, typically lack traditional evidence of income, may have less financial wherewithal than other borrowers and may default on their repayment obligations;
- the effects of the COVID-19 pandemic on our future results of operations, cash flows and financial condition could adversely impact our ability to service our debt obligations and comply with the covenants in our credit facilities and other financing agreements and could result in events of default and the acceleration of indebtedness, which could adversely affect our results of operations and financial condition and our ability to make additional borrowings; and



- our Previous Statutory Auditor included an emphasis of matter in their auditor’s report on the financial statements for the Financial Years 2021 and 2020 in this regard.

Our inability to access debt and equity capital on acceptable terms, or at all, may affect our access to capital and other sources of capital necessary to fund our operations or address maturing liabilities on a timely basis. For instance, the “first wave” of COVID-19 had an impact on our ability to procure capital from banks and financial institutions putting all of our borrowing proposals on hold and resulting in a reduction in our liquidity position as of March 31, 2020.

Since the initial impact of the COVID-19 pandemic on our business and operations, our overall operational and financial metrics have improved and we are of the view that the COVID-19 pandemic no longer has a material impact on our business and operations. Moreover, in light of the dynamic nature of the COVID-19 pandemic, we continue to monitor future events and developments that may result in an adverse effect on our business. The impact of any future waves of COVID-19 pandemic, including the “third wave” and new variants, on our operations and financial metrics will depend on the future developments of, which are uncertain and cannot be predicted, including: (i) any new information as to the scope, severity, and duration of the pandemic or the efficacy of vaccines in relation to subsequent waves or variants; (ii) any actions taken by governments, the RBI and other authorities, businesses and individuals in response to any future waves or developments of the COVID-19 pandemic; and (iii) the effect on customer demand, and their ability to repay the principal amount or interest, for our products; and therefore, our prior financial results are not necessarily indicative of results to be expected for future periods. Any intensification of the COVID-19 pandemic or any future outbreak of another highly infectious or contagious disease may adversely affect our business, results of operations and financial condition.

Further, as COVID-19 had adversely affected our business and results of operations, it may have follow-on effects of exacerbating many of the other risks described in this “*Risk Factors*” section, such as those relating to non-payment or default by borrowers, our levels of indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness. Further, the outbreak, or threatened outbreak, of any severe communicable disease or pandemic, as seen in the recent outbreak and aftermath of COVID-19, could adversely affect overall business sentiment and environment across industries.

**7. *Any failure or significant weakness of our internal processes or systems could cause operational errors or incidents of fraud, which would adversely affect our business, profitability and reputation.***

We are responsible for establishing and maintaining adequate internal controls commensurate with the size and complexity of operations. In addition to the operational and process controls, we have also built necessary controls over financial reporting to ensure that our financial statements reflect a true and fair view of the state of affairs of the company. Such controls over financial reporting are also tested by an Independent Chartered Accountant on a periodic basis. Additionally, our internal audit functions make an evaluation of the adequacy and effectiveness of internal systems on an ongoing basis so that business units adhere to our policies, compliance requirements and internal guidelines. While we periodically test and update our internal processes and systems, following internal and external reviews, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to ensure effective internal checks and balances in all circumstances. For example, in 2019, the RBI, in its inspection report for Financial Year 2019, identified an inadequate institutional risk management structure in light of our business growth during Financial Year 2019. Such inadequacies included too few Risk Management Committee meetings during the period and the fact we had not prepared a risk profile considering the business and external environment in which we operate, among others. Moreover, on May 9, 2022, in its inspection report for Financial Year 2021, the RBI imposed a risk mitigation plan which included processes to address observations in its inspection reports such as comprehensively reviewing our credit policy, post sanction monitoring of borrowers, and categorizing our customers according to their risk. In addition, the RBI identified an instance of fraud at one of our branches being reported to the RBI with a delay of 45 days instead of the stipulated timeline of 21 days.

Our management information systems and internal procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal system or process weaknesses are identified, our actions may not be sufficient to correct such weakness. Failures or material errors in our internal systems may lead to deal errors, pricing errors, inaccurate financial reporting, fraud and failure of critical systems and infrastructure. During the three months ended June 30, 2022, and in the Financial Years 2022, 2021 and 2020, we recorded one, three, one and three instances of frauds, respectively, for values of ₹3.11 million, ₹1.13 million, ₹0.10 million and ₹3.30 million, respectively. Such instances may also adversely affect our reputation, business and results of operations. While we have been able to detect and recover all these amounts, we cannot assure you that that we would be able to prevent frauds in the future or that our existing internal mechanisms to detect or prevent fraud will be sufficient. Any fraud discovered in the future may have an adverse effect on our business, profitability and reputation.

**8. Any downgrade in our credit ratings could increase our borrowing costs, affect our ability to obtain financing, and adversely affect our business, results of operations and financial condition.**

The cost and availability of capital depends in part on our short-term and long-term credit ratings. Credit ratings reflect the opinions of ratings agencies on our financial strength, operating performance, strategic position and ability to meet our obligations. For details of our current credit ratings, see “*Our Business – Credit Ratings*” on page 196. Any downgrade in our credit ratings could increase borrowing costs, result in an event of default under certain of our financing arrangements and adversely affect our access to capital and debt markets, which could in turn adversely affect our interest margins, our business, results of operations, financial condition and cash flows. In addition, any downgrade in our credit ratings could result in a recall of existing facilities, increase the probability that our lenders impose additional terms and conditions to any financing or refinancing arrangements we enter into in the future, impair our future issuances of debt and equity, and our ability to raise new capital on a competitive basis, which may adversely affect our business, results of operations and financial condition.

In addition, our borrowing costs and our access to the debt capital markets depend significantly on the credit ratings of India. While S&P Global Ratings (“**S&P**”) and Moody’s currently have a stable outlook, Fitch has a negative outlook on their sovereign rating for India. The ratings agencies may lower their sovereign ratings for India or the outlook on such ratings, which would also impact our ratings. India’s sovereign rating improved from Baa3 with a “negative” outlook to Baa3 with a “stable” outlook by Moody’s in October 2021 and was affirmed to be BBB- with a “negative” outlook by Fitch in November 2021; and DBRS confirmed India’s rating as BBB “low” in May 2022. India’s sovereign rating from S&P is BBB- with a “stable” outlook.

There can be no assurance that these ratings will not be further revised or changed by S&P, Fitch or Moody’s or that any of the other global rating agencies will not downgrade India’s credit rating. Any adverse revisions to India’s credit ratings for domestic and international debt by international rating agencies may adversely affect the Company’s ratings or terms on which the Company is able to finance future capital expenditure. This could have an adverse effect on our ability to fund our growth on favorable terms or at all and consequently adversely affect our business and financial performance and the price of the Equity Shares.

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

Certain of our corporate records in relation to certain allotments of Equity Shares, namely the Form-2 filed with the Registrar of Companies in relation to each such allotments made by our Company since incorporation until July 31, 2009, along with the relevant attachments including approvals obtained from the statutory authorities, where applicable, and the memorandum of association filed at the time of incorporation of the Company, are not traceable in the historical records maintained by our Company, or at the MCA Portal maintained by the Ministry of Corporate Affairs and the Registrar of Companies, despite conducting internal searches and engaging an independent practicing company secretary to conduct the search. The details of our document-wise search and status report is as follows:

1. Form 1 for allotment dated May 7, 1984;
2. Form 2 for the allotments between July 16, 1984 and July 31, 2009; and
3. Form 5 for sub division of equity shares from ₹100 each to equity shares of face value of ₹10 each dated July 29, 1992.

For details, see “*Capital Structure*” on page 66.

Accordingly, reliance has been placed on confirmations provided by us in respect of the missing corporate records and appropriate disclosures have been made in this Prospectus pursuant to the due diligence of the other relevant corporate records available with our Company including the minutes of meetings of the Board and Shareholders (to the extent available), register of members and register of transfer of equity shares to ascertain the information sought from the missing corporate records.

While no legal proceedings or regulatory action has been initiated against us in relation to the unavailable filings and statutory lapses as of the date of this Prospectus, we cannot assure you that such proceedings or regulatory actions will not be initiated against us in the future in relation to the missing filings and corporate records. The actual amount of the penalty which may be imposed or loss which may be suffered by us cannot be ascertained at this stage and depends on the circumstances of any potential action which may be brought against us. We cannot assure you that any such proceedings will not have a material adverse effect on our financial condition or reputation.

**10. *A substantial portion of our customers are first time borrowers which increases risks of non-payment or default for us.***

We have customers who are first-time borrowers from the formal secured lending ecosystem. As of June 30, 2022, 30.42% of our customers were new to the lending ecosystem. Such customers generally may have higher risk of non-payment or default due to a number of reasons such as not having the experience of payment of interest and repayment of principal, as well as other reasons applicable to our other customers such as business failure, insolvency, lack of liquidity, loss of employment or personal emergencies such as the death of an income-generating family member, including on account of events such as the COVID-19 pandemic. Of such first-time borrowers, during the three months ended June 30, 2022 and the Financial Years 2022, ₹123.00 million, or 0.23% of our total Gross Term Loans and ₹109.92 million, or 0.22% of our total Gross Term Loans experienced default (i.e. were in the 90+ DPD category), respectively. To the extent we are unable to successfully manage the risks associated with lending to customers new to credit, it may become difficult for us to recover outstanding loan amounts (including interest) provided to such customers. We cannot assure you that our risk management controls will be sufficient to prevent future losses on account of customer defaults and hence increasing our Stage 3 Gross Term Loans (net) and adversely affecting our business, results of operations and financial condition.

**11. *Our liquidity may be affected by the COVID-19 pandemic which may affect our ability to continue to operate and grow our business.***

There is no guarantee that we and the Indian financial services industry in general, notwithstanding measures taken by the Government, will be able to maintain sufficient liquidity given the uncertain scope and duration of the COVID-19 pandemic. We fund substantially all of the loans through borrowings under our several financial facilities. As of June 30, 2022, our fixed interest rate financial liabilities and floating interest rate financial liabilities were ₹15,289.10 million and ₹9,914.09 million, representing 60.66% and 39.34% of our Total Borrowings, respectively. Given the broad impact of COVID-19 on the financial markets, our ability to borrow money to fund our current and future customer demand is uncertain. Our liquidity could also be affected as our lenders reassess their exposure to NBFCs and either curtail access to financing facilities or impose higher costs to access such facilities. Our liquidity may be further constrained as there may be less demand by investors to acquire our loans in the secondary market. Even if such demand exists, we face a higher risk as a result of the COVID-19 pandemic stemming from our customers inability to repay the underlying loans. Our average daily disbursement (calculated as total disbursements during the period divided by days in the period/year, day convention being 360 days in a year) during the three months ended June 30, 2022 and 2021 and the Financial Years 2022, 2021 and 2020 was ₹63.16 million, ₹37.02 million, ₹48.78 million, ₹34.58 million and ₹66.91 million, respectively, while our average daily collections (calculated as total collections during the period inclusive of EMI collections, prepayments and collection of other charges, divided by days in the period) during the same periods was ₹70.23 million, ₹50.97 million, ₹61.07 million, ₹45.69 million and ₹33.64 million, respectively. Further, if as a consequence of COVID-19, banks and NBFCs are unable to meet their market commitments, this could affect investor confidence in NBFCs generally and result in a loss of investors in NBFCs. A liquidity shortage for the industry as a whole may adversely affect our cash flows.

**12. *We are affected by volatility in interest rates for both our lending and treasury operations, which could cause our net interest income ("NII") and net interest margin ("NIM") to vary and consequently affect our profitability, result of operations and cash flows.***

Our results of operations depend substantially on the level of our net interest income, which is the difference between our interest income and our finance cost. Any change in interest rates would affect our interest expense on our floating interest-bearing liabilities as well as our NII and NIM. Any increase in our cost of funds may lead to a reduction in our NIM, or require us to increase interest rates on loans disbursed to customers in the future to maintain our NIM. For the three months ended June 30, 2022 and 2021 and the Financial Years 2022, 2021 and 2020, our NIM was 19.17%, 16.63%, 17.68%, 16.00% and 16.69%, respectively.

Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other macro and micro economic factors, which have historically resulted in changes in interest rates in India. Moreover, if there is an increase in the interest rates we pay on our borrowings that we are unable to pass to our customers, we may find it difficult to compete with our competitors, who may have access to low-cost funds. As of June 30, 2022, our fixed interest rate financial liabilities and floating interest rate financial liabilities were ₹15,289.10 million and ₹9,914.09 million, representing 60.66% and 39.34% of our Total Borrowings, respectively. All of our loan portfolio is at fixed rates of interest and we may be unable to pass on any increase in our cost of borrowings to our customers. Further, to the extent our borrowings are linked to market interest rates, we may have to pay interest at a higher rate than our competitors that may borrow at fixed interest rates. An increase in general interest rates in the economy could also reduce the overall demand for small business finance, increase our Stage 3 Gross Term Loans and impact our growth. An increase in interest rates could result in a reduction in our NII and NIM since we will not be able to pass

on the increased interest rate to our existing borrowers. In a declining interest rate environment, some of our customers may prepay their loans to take advantage of such a declining interest rate environment.

The following table sets forth, for the periods indicated, financial liabilities according to fixed and floating interest rates, for the Company:

Particulars	Fixed Rate Financial Liabilities					Floating Rate Financial Liabilities				
	As of and for the									
	Three months ended June 30,		Financial Year			Three months ended June 30,		Financial Year		
	2022	2021	2022	2021	2020	2022	2021	2022	2021	2020
	(₹ in millions)									
Private sector banks	2,469.93	4,357.40	2,819.76	4,868.11	2,104.76	4,830.36	3,625.36	4,498.82	4,213.13	2,603.78
Public sector banks	1,425.24	3,866.42	1,683.34	5,205.71	—	4,427.71	4,565.97	3,587.05	3,572.16	3,638.99
NBFCs	3,000.98	6,451.97	3,570.41	7,311.86	4,473.75	656.02	382.91	726.59	1,193.54	535.35
Mutual Funds	1,501.27	2,001.69	2,002.26	2,002.02	6,918.10	—	—	—	—	—
Insurance Companies	—	—	—	—	—	—	—	—	—	—
Others	6,891.68	5,960.46	6,700.08	5,850.56	3,362.05	—	—	—	34.88	0.15
<b>Total</b>	<b>15,289.10</b>	<b>22,637.94</b>	<b>16,775.85</b>	<b>25,238.26</b>	<b>16,858.66</b>	<b>9,914.09</b>	<b>8,574.24</b>	<b>8,812.46</b>	<b>9,013.71</b>	<b>6,778.27</b>

Particulars	Fixed Rate Borrowings					Floating rate borrowings				
	As of and for the									
	Three months ended June 30,		Financial Year			Three months ended June 30,		Financial Year		
	2022	2021	2022	2021	2020	2022	2021	2022	2021	2020
<b>Debt Securities</b>										
NCDs	9,474.05	12,238.38	10,085.34	13,037.78	10,788.64	—	—	—	—	—
<i>Borrowings (other than Debt Securities)</i>										
<b>Fund based facilities</b>										
Term Loans from Banks	875.76	1,758.07	995.14	1,990.65	1,462.95	8,495.86	6,924.88	7,143.22	7,769.93	6,242.92
Term Loans from NBFCs	748.87	2,401.62	873.67	1,846.75	1,229.78	656.02	382.91	726.59	1,243.78	535.35
Cash Credit	—	—	—	—	—	15.37	—	75.77	—	—
Securitization	3,402.52	6,239.87	4,074.60	8,363.08	3,377.29	746.84	1,266.45	866.88	—	—
Others	787.90	—	747.10	—	—	—	—	—	—	—
<b>Total indebtedness (on a consolidated basis)</b>	<b>15,289.10</b>	<b>22,637.94</b>	<b>16,775.85</b>	<b>25,238.26</b>	<b>16,858.66</b>	<b>9,914.09</b>	<b>8,574.24</b>	<b>8,812.46</b>	<b>9,013.71</b>	<b>6,778.27</b>

Fluctuations in interest rates may also adversely affect our treasury operations. In a rising interest rate environment, especially if the rise is sudden or sharp, we could be adversely affected by the decline in the market value of our fixed income investments. However, in a declining interest rate environment, our NII could decline due to a reduction in yield from our fixed income investments. Our inability to effectively and efficiently manage interest rate variations and our failure to pass on increased interest rates on our borrowings may cause our NII to decline, which would decrease our return on assets and could adversely affect our business, result of operations and financial condition.

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

We face potential liquidity risks because our assets and liabilities mature over different periods. Asset and liability mismatch (“ALM”), which represents a situation when the financial terms of an institution’s assets and liabilities do not match, is a key financial parameter for us. We carefully monitor the contractual maturity periods of our assets and liabilities and categorize them on the basis of the number of years in which they mature. Although we had a positive asset-liability position as of June 30, 2022 across various maturities and had no cumulative ALM up to the five years maturity, we cannot assure you that we will be able to continue to maintain a favourable asset-liability maturity profile in the future. We meet a significant portion of our financing requirements through term loans and working capital facilities; proceeds from loans securitized; proceeds from the issuance of NCDs; and principal protected market linked debentures from banks, financial institutions, mutual funds, and other domestic and international development financial institutions. Any ALM in the maturity profile may lead to a liquidity risk and have an adverse effect on our business, cash flows and results of operations. See “Selected Statistical Information” on page 254.

**14. Our operations are primarily focused in the states of Tamil Nadu, Andhra Pradesh, Telangana and Karnataka and any adverse developments in these regions could have an adverse effect on our business, cash flows and results of operations.**

Our operations are primarily focused in the states of Tamil Nadu, Andhra Pradesh, Telangana and Karnataka. Such key states collectively account for approximately 85% of our branch network as of June 30, 2022. As of June 30, 2022,

₹20,172.11 million, or 38.09% of our Gross Term Loans, ₹15,770.01 million, or 29.77% of our Gross Term Loans, ₹10,325.80 million, or 19.50% of our Gross Term Loans, and ₹3,793.47 million, or 7.16% of our Gross Term Loans were attributable to Tamil Nadu, Andhra Pradesh, Telangana and Karnataka, respectively. As of March 31, 2022, ₹19,676.87 million, or 38.84%, ₹14,843.29 million, or 29.29% of our Gross Term Loans, ₹9,734.44 million, or 19.22% of our Gross Term Loans, ₹3,680.78 million, or 7.26% of our Gross Term Loans were attributable to Tamil Nadu, Andhra Pradesh, Telangana and Karnataka, respectively. Any significant social, political or economic disruption, or natural calamities or civil disruptions in these regions, or changes in the policies of the state or local governments of these regions or the Government of India, could disrupt our business operations, require us to incur significant expenditure and/or change our business strategies. The occurrence of, or our inability to, effectively respond to any such event, could have an adverse effect on our business, cash flows and results of operations.

**15. *Our inability to recover the full value of collateral, or amounts outstanding under defaulted loans in a timely manner, or at all, could adversely affect our business, cash flows, results of operations and financial condition.***

We provide secured loans to small business owners and self-employed individuals, as well as small mortgage loans to fund certain significant economic events in our customers lives, where the primary collateral is typically land and building of between ₹0.1 million to ₹1.0 million in value. While all of our loans are secured, as of June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021 and March 31, 2020, the average loan-to-value ratio of our loans (weighted for the loans outstanding) was 36.66%, 36.05%, 36.45%, 36.02% and 36.15%, respectively. The value of the collateral, however, may decline during the term of the loan for a variety of reasons, including due to adverse market conditions prevalent in the real estate sector. As a result, although we have not repossessed and sold any property for the three months ended June 30, 2022 and 2021, and the Financial Years 2022, 2021 and 2020, and generally have not had to do so, if our customers default in future, we may not be able to fully recover the outstanding loan balance by liquidating the collateral under the relevant financing facility, and, in turn, incur losses, even where we are able to successfully repossess and liquidate the collateral.

While we have been able to recover principal and interest from a majority of our defaulting customers in the past without having to repossess their collateral, we cannot assure you that we will be able to continue to recover principal and interest in the future without having to repossess collateral, and even if we do, we cannot assure you that we will be able to liquidate the collateral to recover the full amounts due to us. Any failure to recover the expected value of collateral security could expose us to a potential loss.

We may also encounter difficulties in repossessing and liquidating collateral. We cannot assure you that we will be able to successfully repossess and sell the collateral in the event of default under a loan agreement. We may also face challenges in title verification of the collateral provided by the customer, as there is no central land registry in India and title to the property can be disputed, including on account of local land records not being duly updated, or not being maintained in a legible manner, or only being available in the local vernacular languages, as well as on account of actual or alleged short payment of stamp duty or registration fees (which may render the title documents inadmissible in evidence, unless stamped prior to enforcement with payment of requisite penalties). Moreover, we may also not be able to sell the collateral at a price sufficient to cover the amount owed under the financing facility, or at all. We may face additional delay and expense in conducting an auction to sell the collateral and may face significant delay in repossessing collateral, as litigation against defaulting customers, even if governed by an arbitration clause, can be slow and expensive in India. In the event of any inability or delay in the repossession and liquidation of the collateral securing loans in default, we may incur losses, which could adversely affect our business, cash flows, results of operations and financial condition.

**16. *Our inability to maintain our capital adequacy ratio could adversely affect our business.***

The RBI Master Directions currently require NBFCs to comply with a capital to risk (weighted) assets ratio, or capital risk adequacy ratio (“**CRAR**”), consisting of Tier I and Tier II capital. Under these requirements, Tier I and Tier II capital should not be less than 15% of the sum of the NBFC’s risk-weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items, as applicable. Further, we are required to maintain a CRAR consisting of Tier I and Tier II capital, which shall not be less than 15% of our aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items. In addition, our Tier I capital, at any point in time, shall not be less than 10%. For details, see “*Key Regulations and Policies*” on page 205.

As of June 30, 2022, our CRAR as derived from the Restated Financial Information was 69.93%, with Tier I capital comprising 69.93% and Tier II capital comprising NIL%. For a comparison of our CRAR versus our compared peers according to CRISIL, see “*Industry Overview — Peer Benchmarking — Five Star has the second highest Capital Adequacy ratio amongst the compared peers as of March 2022*” on page 171. As we continue to grow our loan portfolio and asset base we will be required to raise additional Tier I and Tier II capital in order to remain in compliance with the applicable CRARs. Further, the RBI may increase its minimum CRAR threshold, which may require us to raise additional capital.

We cannot assure you that we will be able to raise adequate additional capital in the future on terms favorable to us, or at all, which may adversely affect the growth of our business. Further, the RBI may also in the future require compliance with other prudential norms and standards, which may require us to alter our business and accounting practices or take other actions that could adversely affect our business and operating results.

**17. We have experienced significant growth in recent years and we may not be able to sustain such growth in the future.**

We have experienced considerable growth in recent years and we have significantly expanded our operations and branch network. Our total income grew from ₹7,873.47 million for the Financial Year 2020 to ₹12,561.69 million for the Financial Year 2022, and was ₹3,390.59 million for the three months ended June 30, 2022, while our profit for the period / year grew from ₹2,619.51 million for the Financial Year 2020 to ₹4,535.45 million for the Financial Year 2022, and was ₹1,394.33 million for the three months ended June 30, 2022. Our Gross Term Loans grew from ₹38,922.28 million as of March 31, 2020 to ₹52,965.35 million as of June 30, 2022 and the number of our branches has grown from 252 to 311 as of the same dates. However, we cannot assure you that our growth strategy will continue to be successful or that we will be able to continue to grow further, or at the same rate.

Our inability to manage our expansion effectively and execute our growth strategy in a timely manner, or within budget estimates could have an adverse effect on our business and results of operations. Our ability to execute our growth strategies will depend, among other things, on our ability to identify key target markets correctly, manage our pricing to compete effectively, and scale up and grow our network efficiently. We will also need to manage relationships with a greater number of customers, service providers, lenders and other parties as we expand.

In order to manage our growth effectively, we must implement, upgrade and improve our operational systems, processes, procedures and controls in a timely manner. If we fail to implement these systems, processes, procedures and controls in a timely manner, we may not be able to meet our customers' needs, hire and retain new employees or operate our business effectively. Our ability to sustain our rate of growth also depends significantly upon our ability to select and retain key managerial personnel ("KMP"), maintaining effective risk management policies and training managerial personnel to address emerging challenges. Further, a number of external factors beyond our control could also affect our ability to continue to grow our business and loan portfolio, such as demand for small business loans in India, business and domestic economic growth, the RBI's monetary and regulatory policies, RBI Master Directions, inflation, competition and availability of cost-effective debt and equity capital.

We cannot assure you that our existing or future management, operational and financial systems, processes, procedures and controls will be adequate to support future operations, or establish or develop business relationships beneficial to future operations. Failure to manage growth effectively could have an adverse effect on our business and results of operations.

**18. We have had negative net cash flows in the past and may continue to have negative cash flows in the future.**

The following table sets forth our net cash flows for the periods / years indicated:

	For the three months ended June 30,		For the Financial Year		
	2022	2021	2022	2021	2020
	(₹ in millions)				
Net cash from / (used in) operating activities	(1,745.69)	58.86	(2,771.59)	(1,572.67)	(15,232.80)
Net cash from / (used in) investing activities	306.31	(4,775.50)	(3,838.85)	1,021.41	(1,319.34)
Net cash from / (used in) financing activities	(596.59)	1,882.19	70.24	10,325.30	17,253.36
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,035.97)</b>	<b>(2,834.45)</b>	<b>(6,540.20)</b>	<b>9,774.04</b>	<b>701.22</b>

Negative cash flows represent net decrease in cash and cash equivalents, as it is deployed in assets such as Gross Term Loans or investments. Negative cash flows in relation to operating activities are primarily attributable to increases in term loans on account of increased loan disbursements for each of the relevant periods. Negative cash flows in relation to investing activities are primarily attributable to amounts deployed in investments, including fixed deposits with original maturity of more than three months.

For further details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 346. We cannot assure you that our net cash flow will be positive in the future.

**19. The Indian small business finance industry is highly competitive and our inability to compete effectively could adversely affect our business and results of operations.**

The small business finance industry in India is highly competitive and we compete with unorganized money lenders, friends and family members, certain larger NBFCs and HFCs, NBFCs that also offer loans for business purposes but backed for property (in particular self-occupied residential property ("SORP")), as well as certain microfinance entities

and small finance banks, in geographies in which we operate. Consistent with developments over the years, we may also see the entrance of new competitors. Our competitors may have more resources, a wider branch and distribution network, access to cheaper capital, superior technology and may have a better understanding of and relationships with customers in these markets. This may make it easier for competitors to expand and to achieve economies of scale to a greater extent. In addition, our competitors may be able to rely on the reach of affiliated group companies or other banks. Competition in our industry also depends on, among other things, the evolution of government policies relating to the industry (including interest rate deregulation and other liberalization measures), the entry of new participants, and the extent to which there is a consolidation among banks and financial institutions in India and we expect competition to intensify in the future. See “*Our Business – Description of our Business – Competition*” on page 202.

Our ability to compete effectively will depend, in part, on our ability to maintain or increase our margins. Our margins are affected in part by our ability to continue to secure low-cost capital, and charge optimum interest rates at which we lend to our customers. Consequently, our ability to maintain or increase our margins will be dependent on our ability to pass on increases in the interest rates on our interest-bearing liabilities to our customers. Moreover, any increases in the interest rates on the loans we extend may also result in a decrease in business. We cannot assure you that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive small business finance industry. If we are unable to compete effectively, our business and results of operations may be adversely affected.

**20. *Our lack of success in expanding our business into new regions and markets in India or the sub-optimal performance of our new branches could adversely affect our business, results of operations, financial condition and cash flows.***

As part of our growth strategy, we continue to evaluate opportunities to expand our business into new markets in India such as Madhya Pradesh, Chhattisgarh, Maharashtra and Uttar Pradesh. Factors such as competition, customer requirements, regulatory regimes, business practices and customs in these new markets may differ from those in our existing markets, and our experience in our existing markets may not be applicable or relevant to these new markets. In addition, as we enter new markets and geographical regions, we are likely to compete with not only other banks and financial institutions but also the local unorganized or semi-organized private financiers, who may be more familiar with local regulations, business practices and customs, and may have stronger relationships with target customers.

**21. *We may not be able to identify, monitor and manage risks or effectively implement our risk management policies.***

The effectiveness of our risk management is affected by the quality and timeliness of available data. We have devoted significant resources to develop and implement our risk management policies and procedures and intend to continue doing so in the future. We have policies and procedures in place to measure, manage and control the various risks to which we are exposed, which include our resource planning and asset management policy, credit policy, collateral management policy, whistle blower and vigilance mechanism, fair practices code, grievance redressal policy, internal guidelines on corporate governance, investment policy, risk management policy, IT policies and procedures, policy on resolution framework and KYC and anti-money laundering policy. Our Board of Directors, Chief Risk Officer, the Asset Liability Management Committee and Risk Management Committee review our risk management policies from time to time. We also depend on our information technology systems to assist us with our risk management functions including carrying out periodic IT audits.

However, our policies and procedures to identify, monitor and manage risks may not be fully effective. Some of our risk management processes may not be automated and subject to human error, such as the process required to assess an applicant’s cash income. Some of our methods of managing risks are based on the use of observed historical market behavior and may not accurately predict future risk exposures, which could be significantly greater than those indicated by the historical measures. In addition, as we seek to expand the scope of our operations, we also face the risk of inability to develop commensurate risk management policies and procedures. Other risk management methods depend upon an evaluation of information regarding the markets we operate in, the customers we service and certain other matters, which may not be accurate, complete, up-to-date or properly evaluated in all cases. Management of operational, legal or regulatory risks requires, among other things, policies and procedures to properly record and verify a number of transactions and events. Although we have established these policies and procedures, they may not be fully effective.

**22. *Our Company is involved in certain legal and other proceedings. Any adverse outcome in such proceedings may have an adverse effect on our business, results of operations and financial condition.***

In the ordinary course of business, our Company is involved in certain legal proceedings, at different levels of adjudication before various courts, tribunals and statutory, regulatory and other judicial authorities in India, and, if determined adversely, could adversely affect our reputation, business, results of operations and financial condition. We cannot assure you that the currently outstanding legal proceedings will be decided favorably or that no further liability will arise from these claims in the future. The amounts claimed in these proceedings have been disclosed to

the extent ascertainable and include amounts claimed jointly and severally. For details, see “*Outstanding Litigation and Material Developments*” on page 386.

Brief details of material outstanding litigation that have been initiated by and against our Company are set forth below:

Nature of cases	No. of cases	Total amount involved <sup>^</sup> (₹ in millions)
<b>Litigation involving our Company</b>		
<b>By our Company</b>		
<i>Criminal cases</i>	48	42.43
<i>Tax proceedings</i>	2	4.04
<b>Against our Company</b>		
<i>Criminal cases</i>	6	Nil
<b>Litigation involving our Directors</b>		
<b>Against our Directors</b>		
<i>Criminal cases</i>	1	Nil
<i>Action taken by statutory and regulatory authorities</i>	Nil	Nil
<b>Litigation involving our Promoters</b>		
<b>Against our Promoters</b>		
<i>Criminal cases</i>	Nil	Nil
<i>Action taken by statutory and regulatory authorities</i>	Nil	Nil
<i>Tax proceedings</i>	1	Not ascertainable

Involvement in such proceedings could divert our management’s time and attention. Further, an adverse judgment in these proceedings could have an adverse impact on our business, results of operations and financial condition. Further, one of our Individual Promoters, Lakshmiopathy Deenadayalan, transferred 578,679 Equity Shares on December 10, 2021, however, intimation to the Stock Exchanges within 24 hours of such transfer, as required under SEBI ICDR Regulations, was delayed. In addition, the RBI identified an instance of fraud at one of our branches which was reported to the RBI after 45 days, which exceeded the stipulated timeline of 21 days. While there has been no regulatory or statutory action for such non-compliance, we cannot assure that in the future there will not be any adverse penalty or regulatory action that could have an adverse impact on our business, results of operations and financial condition.

If any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase our expenses and current liabilities. Any adverse decision in any of these proceedings may have an adverse effect on our business, results of operations and financial condition.

**23. *We may face difficulties and incur additional expenses in operating in semi-urban and rural markets, where infrastructure may be limited.***

We primarily serve low and middle income small business customers and self-employed customers in urban and semi-urban areas in India and are increasingly serving those in rural areas where CRISIL expects faster growth in bank credit activity as financial awareness increases. In semi-urban and rural locations, infrastructure may be limited, particularly for transportation, electricity and internet bandwidth. At some of our branch offices in remote markets, we may face difficulties in conducting operations, such as accessing power facilities, transporting people and equipment, and implementing technology measures. We may also face increased costs in conducting our business and operations and implementing security measures. We cannot assure you that such costs will not increase in the future as we expand our branch network further into semi urban markets and also into rural markets, which could adversely affect our profitability.

**24. *The Indian small business finance industry is extensively regulated by the RBI and any changes in laws and regulations applicable to NBFCs such as us could have an adverse effect on our business.***

We are registered with and our business is regulated by the RBI as an NBFC-ND-SI. As a registered NBFC-ND-SI, we are subject to stringent regulatory guidelines. We therefore require certain statutory and regulatory approvals, licenses and, registrations for operating and expanding our business.

Applicable laws and regulations impose numerous requirements on us, including those relating to asset classification and prescribed levels of capital adequacy, reserves and provisioning. The laws and regulations governing the banking and financial services industry in India have become increasingly complex and cover a wide variety of issues, such as interest rates, liquidity, investments, ethical issues, money laundering and privacy. These laws and regulations can be amended, supplemented or changed at any time such that we may be required to redesign our activities and incur additional expenses to comply with such laws and regulations, which could adversely affect our business and our financial performance. For details, see “*Key Regulations and Policies*” beginning on page 205.



We are also required to maintain certain statutory and regulatory permits and approvals for our business. From time to time, we will be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. There can be no assurance that the relevant authorities will issue any of such permits or approvals in the time frame anticipated by us, or at all. For details, see “*Government and Other Approvals*” beginning on page 390.

**25. *We are exposed to certain operational risks, in particular due to a significant portion of our collections from customers being undertaken in cash.***

Operational risks can result from a variety of factors, including failure to obtain proper internal authorisations, improperly documented transactions, failure to adequately deal with the risks associated with significant cash collections, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. These risks are exacerbated by the high levels of responsibility we delegate to our employees and the geographically-dispersed nature of our network.

Certain of our customers are from the semi-urban and rural markets, which carry additional risks due to limitations on infrastructure and technology. For instance, our target customers primarily deal in cash only and their income levels can vary significantly on a monthly basis, particularly around local events and festivals, and as such we have tailored our systems to accept high cash collections. For the three months ended June 30, 2022 and the Financial Years 2022, 2021 and 2020, 61.90%, 62.60%, 64.98% and 69.60% of our total collections, respectively, were in cash of which 100% were cash collections at our branches. Although we have been the subject of few instances of not material cash related fraud in the past, amounting to ₹5.11 million across 12 instances, between April 1, 2018 and June 30, 2022 (as has been reported to RBI), cash collections expose us to the risk of theft, fraud, misappropriation or unauthorized transactions by employees responsible for dealing with such cash collections. While we may endeavor to increase our non-cash collections, we cannot guarantee that we will be successful in our efforts to move towards digital collections, or that such non-cash collections would not also be subject to certain risks, such as transfers of money to incorrect loan accounts due to the lack of the requisite identifying information. Also, while we retain insurance to mitigate cash-related risks including office protection and fidelity policies, we cannot assure you that the insurance obtained by us adequately covers all risks involved or will be paid in relation to the entire amount involved, or at all. Further, we may be subject to regulatory or other proceedings in connection with any unauthorized transactions, fraud or misappropriation by our representatives and employees, which could adversely affect our goodwill. We may also be party to criminal proceedings and civil litigation related to our cash collections.

**26. *We rely significantly on our information technology systems for our business and operations and any failure, inadequacy or security breach in such systems could adversely affect our business, results of operations and reputation.***

We use our technology platforms to assist with functions such as credit underwriting, risk management, collections, loan management and to perform data analytics. Our operations depend on our ability to process a high volume of transactions across our network of branches, which are connected through computer systems and servers to our data centre where our data is stored. As part of our growth strategy, we intend to continue to invest in technology and data analytics to build a scalable and efficient operating model / to improve customer experience, increase productivity and decrease costs. The size and complexity of our computer systems may make them potentially vulnerable to breakdowns, system integration problems, cyber-security threats such as malicious intrusion, ransomware, phishing emails, unauthorized data revision and other such computer viruses. Although we have not experienced any significant disruptions to our information technology systems in the past, including failures, data breaches, data theft, data loss, denial of service, unauthorized data revision, or failure in data integrity that led to non-compliance of regulatory directions, and a third party agency conducts an audit on our information technology systems annually, we cannot assure you that we will not encounter disruptions in the future.

In addition, as part of our business, we store and have access to customers’ bank information, credit information and other sensitive data. Our systems are potentially vulnerable to data security breaches and other such cyber-security threats, whether by employees, or others, that could lead to the loss of trade secrets or other intellectual property, or the public exposure of sensitive or confidential data and personal information (including sensitive financial, private and personal information) of our customers and employees, which could result in breaches of applicable data security and privacy laws and resultant imposition of monetary penalties. Security measures could be breached by third-party actions, intrusion into our software by hackers due to software flaws or due to employee error and malfeasance. We may be required under applicable regulations to notify individuals of data security breaches involving their personal data. Although we have not experienced any data security breaches in the past (including breaches leading to compromised customer bank information, credit information and other sensitive data), any such security breaches or compromises of technology systems in the future could result in institution of legal proceedings against us and potential imposition of penalties, as well as cause our customers to lose confidence in the effectiveness of our data security measures, and in turn may have an adverse effect on our business, results of operations and reputation.

**27. *Our Previous Statutory Auditor has included an emphasis of matter paragraph in their report on our financial statements for the Financial Years 2021 and 2020.***

Our Previous Statutory Auditor included emphasis of matters in their report on our financial statements for the Financial Years 2021 and 2020, which describes uncertainties relating to the effects of COVID-19 pandemic on our operations. While there was no emphasis of matter in our Statutory Auditor's report on our financial statements for the three months ended June 30, 2022 and the Financial Year 2022, we cannot assure you that our Previous Statutory Auditor's observations for any future financial period will not contain similar remarks, emphasis of matters or other matters including any matters required to be reported under Companies (Auditors Report) Order 2020, which could adversely affect our results of operations.

**28. *Our inability to detect money-laundering and other illegal activities fully and on a timely basis may expose us to additional liability and adversely affect our business and reputation.***

We are required to comply with applicable anti-money-laundering ("AML") and anti-terrorism laws and other regulations in India. In the ordinary course of our operations, we run the risk of failing to comply with the prescribed KYC procedures and the consequent risk of fraud and money laundering by dishonest customers and assessment of penalties or imposition of sanctions against us for such compliance failures despite having implemented systems and controls designed to prevent the occurrence of these risks. For instance, in its inspection report dated May 9, 2022, the RBI observed that we had not carried out risk categorization for 25,923 customers as on March 31, 2021, as required by law. We have responded to this observation and have completed this activity before October 31, 2022.

Although we believe that we have adequate internal policies, processes and systems in place to prevent and detect any AML activity and ensure KYC compliance, we cannot assure you that we will be able to fully control instances of any potential or attempted violation by other parties.

Any inability on our part to detect such activities fully and on a timely basis, may subject us to regulatory actions including imposition of fines and penalties and adversely affect our business and reputation.

**29. *We require certain statutory and regulatory approvals for conducting our business and our inability to obtain, retain or renew them in a timely manner, or at all, may adversely affect our operations.***

Our operations are subject to extensive government regulation and we are required to obtain and maintain a number of statutory and regulatory permits and approvals under central, state and local government rules in India, generally for carrying out our business. For further details, see "*Government and Other Approvals*" on page 390. In addition, we may apply for more approvals, including the renewal of approvals, which may expire from time to time, and approvals in the ordinary course of business.

Some of these approvals are granted for a limited duration and are subject to numerous conditions. We cannot assure you that these approvals would not be suspended or revoked in the event of non-compliance or alleged non-compliance with any terms or conditions thereof, or pursuant to any regulatory action. If there is any failure by us to comply with the applicable regulations, or if the regulations governing our business are amended, we may incur increased costs, be subject to penalties, have our approvals and permits revoked or suffer a disruption in our operations, any of which could adversely affect our business.

**30. *We depend on the accuracy and completeness of information provided by our customers and our reliance on any misleading information may affect our judgment of their credit worthiness, as well as the value of and title to the collateral.***

While deciding whether to extend credit to customers, we rely, to a significant extent, on the information furnished to us by the customers for certain key elements of the credit assessment process, including their income, assets, financial transactions and credit history. We follow the KYC guidelines prescribed by the RBI for potential customers, verify their place of business, employment and residence and also value of the proposed collateral. We may also rely on certain representations from customers as to the accuracy and completeness of that information. For ascertaining the creditworthiness of the customers and the encumbrances on the collateral provided, we may depend on the respective registrars and sub-registrars of assurances, credit information companies or credit bureaus. Our reliance on any misleading information may affect our judgement of credit worthiness of potential customers, and the value of and title to the collateral. Our risk management measures may not be adequate to prevent or deter such activities in all cases, or our employees may incorrectly assess information that has been provided, all of which may adversely affect our business, results of operations and financial condition.

Further, we target self-employed small business owners who primarily belong to low and middle-income groups and such customers may not have credit histories supported by sufficient documentary evidence such as tax returns, that would enable us to accurately assess their creditworthiness. We may also not receive updated information regarding any change in the financial condition of our customers or may receive inaccurate or incomplete information as a result

of any fraudulent misrepresentation by our customers or employees. Moreover, the availability of accurate and comprehensive credit information on retail customers in India is limited, which can reduce our ability to accurately assess the credit risk. Although as part of our credit policy, we conduct credit checks of all our customers, including with credit bureaus, conduct site-visits and personal discussions, we cannot assure you that such credit information will be accurate or comprehensive. Difficulties in assessing credit risks associated with our day-to-day lending operations may lead to an increase in the level of our Stage 3 Gross Term Loans. Increases in Stage 3 Gross Term Loans could adversely affect our business and results of operations.

**31. *We are dependent on a number of Key Managerial Personnel and our senior management, and the loss of, or our inability to attract or retain such persons could adversely affect our business, results of operations and financial condition.***

Our performance depends largely on the efforts and abilities of our Key Managerial Personnel, senior management, and our operational personnel. We believe that the inputs and experience of our senior management are valuable for the development of our business, operations and the strategic directions taken by our Company. We cannot assure you that these individuals will not leave us or join a competitor or that we will be able to retain such personnel or find adequate replacements in a timely manner, or at all. As of June 30, 2022, and March 31, 2022, 2021 and 2020, we employed 6,077, 5,675, 3,938 and 3,734 personnel, respectively, and had employee attrition rates for the three months ended June 30, 2022 and the Financial Years 2022, 2021 and 2020 of 11.16%, 40.25%, 28.06% and 28.80%, respectively, with minimal attrition within our senior management. We may require a long period of time to hire and train replacement personnel when qualified personnel terminate their employment with our Company. We may also be required to increase our levels of employee compensation more rapidly than in the past to remain competitive in attracting employees that our business requires. The loss of, or inability to attract or retain such persons may have an adverse effect on our business, results of operations and financial condition. For details in relation to our Key Managerial Personnel, see “*Our management – Key Managerial Personnel*” on page 243.

**32. *Our operations could be adversely affected by strikes or increased wage demands by our employees or any other kind of disputes with our employees, as well as changes in labour laws.***

As of June 30, 2022, we employed 6,077 personnel across our operations. Although we have not experienced any material employee unrest in the past, we cannot assure you that we will not experience disruptions in work due to disputes or other problems with our work force, which may adversely affect our ability to continue our business operations. Any employee unrest directed against us, could directly or indirectly prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could lead to disruptions in our operations. Such employee actions are difficult or impossible for us to predict or control and any such event could adversely affect our business, results of operations and financial condition.

None of our workforce is currently unionized. However, there is a risk that our employees may choose to unionize in the future. Labour unions for banking employees organize strikes, and we may in the future be affected by strikes, work stoppages or other labour disputes if any portion of our workforce were to become part of a union in the future. In the event of a labour dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations and, if not resolved in a timely manner, could adversely affect our business, financial condition, results of operations, cash flows and prospects.

We are subject to several labour laws and regulations that change periodically, and we cannot assure you we will continue to be able to comply with such laws and regulations in the future. Any non-compliance by us in the future may adversely affect our business, financial condition and results of operations.

**33. *Our insurance coverage may not be sufficient or may not adequately protect us against all material hazards, which may adversely affect our business, results of operations and financial condition.***

We believe that the insurance coverage we maintain is reasonably adequate to cover the normal risks associated with the operation of our businesses. Our insurance policies, however, may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverage. Even if we have insurance for the incident giving rise to the loss, we may be required to pay a significant deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss. We cannot assure you that any claim under the insurance policies maintained by us will be honored fully, in part or on time, or that we have obtained sufficient insurance to cover all potential losses. For instance, we have in the past had one minor claim rejected in connection with the theft of cash in an office. In addition, our insurance coverage expires from time to time. We apply for the renewal of our insurance coverage in the normal course of our business, but we cannot assure you that such renewals will be granted in a timely manner, or at acceptable cost, or at all. To the extent that we suffer loss or damage, or successful assertion of one or more large claims against us for events for which we are not insured, or for which we did not obtain or maintain insurance, or which is not covered by insurance, exceeds our insurance coverage or where our insurance claims are rejected, the loss would have to be borne by us and our results of operations, financial

condition and cash flows could be adversely affected. For details in relation to our insurance coverage, see “*Our Business – Insurance*” on page 203.

**34. *Fluctuations in the market values of our investments could adversely affect our results of operations and financial condition.***

As part of our treasury management, we have formulated a board-approved investment policy in accordance with the RBI Master Directions. Our investment policy prescribes policies for investments in Government Securities/ treasury bills, liquid/ liquid plus mutual funds and fixed deposits with banks and small finance banks, subject to the overall investment limit fixed by the Board. The value of these investments depends on several factors beyond our control, including the domestic and international economic and political scenario, inflationary expectations and monetary policies. Any decline in the value of these investments may have an adverse effect on our results of operations and financial condition.

**35. *We do not own all our branch offices, including our Registered Office and Corporate Office. Any termination or failure by us to renew the lease and license agreements in a favorable and timely manner, or at all, could adversely affect our business and results of operations. Moreover, many of the lease and license agreements entered into by us may not be duly registered or adequately stamped.***

All of our branch offices including our Registered and Corporate Office are located on leased or licensed premises. The lease deed for the Registered Office and Corporate Office is valid till November 30, 2024 and April 30, 2025 for the first floor and ground floor, respectively. The terms of the lease deed for the Registered and Corporate Office include among others rent payment, rent escalation, security deposit payment, maintenance charges, property tax and bar on sub-letting. The typical period for which leases are generally entered into by our Company for its branches ranges from eleven months to nine years. The lease agreements can be terminated, and any such termination could result in any of our offices being shifted or shut down. Some of the lease and license agreements may have expired in the ordinary course of business and we are currently involved in negotiations for the renewal of these lease and license agreements. While we have not faced major issues renewing the leases of our branch offices in the past, if these lease and license agreements are not renewed or not renewed on terms favorable to us, we may suffer a disruption in our operations or increased costs, or both, which may affect our business and results of operations. Further, our lease and license agreements are required to be adequately stamped and duly registered. Unless such documents are adequately stamped or duly registered, such documents may be rendered inadmissible as evidence in a court in India or may not be authenticated by any public officer and the same may attract penalty as prescribed under applicable law or may impact our ability to enforce these agreements legally, which may result in an adverse effect on the continuance of our operations and business. For details in relation to our premises, see “*Our Business – Properties*” on page 204.

**36. *We have in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest with the equity shareholders.***

We have entered into various transactions with related parties. While all such transactions have been conducted on an arm’s length basis, in accordance with our related party transactions policy and contain commercially reasonable terms, we cannot assure you that we could not have achieved more favourable terms had such transactions been entered into with unrelated parties. It is likely that we may enter into related party transactions in the future. Although all related party transactions that we may enter into post-listing, will be subject to Board or Shareholder approval, as necessary under the Companies Act and the SEBI Listing Regulations, we cannot assure you that such future transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations or that we could not have achieved more favourable terms if such transactions had not been entered into with related parties.

The summary of related party transactions of our Company for the three months ended June 30, 2022 and 2021 and the Financial Years 2022, 2021 and 2020, as per Ind AS 24 – Related Party Disclosures and as derived from our Restated Financial information, are set forth in the table below:

Particulars	Three months ended June 30,		Financial Year		
	2022	2021	2022	2021	2020
	(₹ in millions, except for percentages)				
Short Term Employee Benefits*	30.61	25.96	110.98	81.42	78.85
Post-Employment Benefits*	0.04	0.04	0.10	0.08	0.08
Share Based Payments	50.64	91.67	297.13	129.79	1.43
Director's Sitting Fees and Commission	1.86	2.02	7.11	3.20	3.05
Interest expenses	-	-	-	-	0.05
Issue of equity shares**	-	-	3.93	0.52	16.71
Receipt of pending call money of partly paid up shares	-	-	14.71	-	-
Receipt of share premium**	0.39	-	3,767.04	-	3,151.39

Particulars	Three months ended June 30,		Financial Year		
	2022	2021	2022	2021	2020
	(₹ in millions, except for percentages)				
Loans repaid	-	-	-	-	6.57
<b>Arithmetic aggregate absolute total (A)</b>	<b>83.54</b>	<b>119.69</b>	<b>4,201.00</b>	<b>215.01</b>	<b>3,258.13</b>
<b>Total Income (B)</b>	<b>3,390.59</b>	<b>3,007.55</b>	<b>12,561.69</b>	<b>10,512.55</b>	<b>7,873.47</b>
<b>Arithmetic aggregate absolute total to Total Income (A/B) (%)</b>	<b>2.46%</b>	<b>3.98%</b>	<b>33.44%</b>	<b>2.04%</b>	<b>41.38%</b>

\*Managerial remuneration above does not include gratuity and compensated absences, since the same are provided on actuarial basis for the company as a whole and the amount attributable to the key managerial personnel cannot be ascertained separately.

\*\*Excludes shares issued pursuant to employee stock options.

The above table has been derived from the table titled “Summary of Related Party Transactions for last three Financial Years and for the three months ended June 30, 2022” set out in the section titled “Offer Document Summary” on page 13. For details of the related party transactions see “Other Financial Information –Related Party Transactions” on page 345.

**37. Our Promoters, Directors and KMPs have interests in us other than the reimbursement of expenses incurred (in the ordinary course of business to the nature of their duties in their capacity as Promoters, Directors and Key Managerial Personnel of the Company) and normal remuneration and benefits.**

Our Promoters, Directors and KMP may be deemed to be interested to the extent of Equity Shares held by them, their relatives or any entity, directly or indirectly, in our Company, as well as to the extent of any dividends, bonuses or other distributions on such shareholding. Additionally, some of our Key Managerial Personnel may also be regarded as interested to the extent of associate stock options granted by our Company and which may be granted to them from time to time pursuant to the ASOPs, as applicable. For details, see “Capital Structure”, “Our Management – Interests of Directors” and “Our Management – Interests of Key Managerial Personnel” on pages 66, 232 and 243, respectively.

**38. Our Promoters will be able to exercise significant influence and control over our Company after this Offer and may have interests that are different from those of our other shareholders.**

As on the date of this Prospectus, our Promoters, Lakshmipathy Deenadayalan, Hema Lakshmipathy, Shrittha Lakshmipathy, Matrix and SCI hold 113,925,243 Equity Shares in the aggregate, representing 38.95% of the pre-Offer equity paid up share capital, considered on a fully-diluted basis, of our Company. By virtue of their shareholding, our Promoters will have the ability to exercise significant influence over our Company and our affairs and business, including the election of our Directors, the timing and payment of dividends, the adoption of and amendments to our Memorandum and Articles of Association, the approval of a merger, amalgamation or sale of our assets and the approval of most other actions requiring the approval of our Shareholders. For details in relation to nomination rights available to our Shareholders, see “History and Certain Corporate Matters – Waiver Cum Amendment Agreement dated October 8, 2021, read along with amendment agreement dated October 6, 2022, entered into amongst the Company, Sirius II Pte. Limited, Matrix Partners India Investment Holdings II, LLC, Matrix Partners India Investments II Extension, LLC, SCI Investments V, SCI Growth Investments III, SCHF PV Mauritius Limited, EGCS Investment Holdings, Sequoia Capital Global Growth Fund III – Endurance Partners, L.P., Norwest Venture Partners X – Mauritius, TPG Asia VII SF Pte. Ltd., Lakshmipathy Deenadayalan and certain of his family members (as detailed under part A of Schedule 1 of the agreement) (“Termination Agreement”)” on page 226. The trading price of our Equity Shares could be adversely affected if potential new investors are disinclined to invest in Equity Shares because they perceive there to be disadvantages in our Promoters holding a significant percentage of our Equity Shares.

**39. We may be unable to protect our brand name and other intellectual property rights which are critical to our business.**



Our trademark name and logo “Five Star Business Finance Limited” is registered with the Trade Marks Registry of India. There can be no assurance that we will be able to successfully renew the registration in a timely manner or at all. As a result, we may not be able to prevent infringement of our trademarks and a passing off action may not provide sufficient protection until such time that this registration is granted. We may also be harmed by the actions of or negative press relating to entities which have similar names. Any unauthorized or inappropriate use of our only brand, being the ‘Five-Star’ brand, trademarks and other related intellectual property rights by others in their corporate names or product brands or otherwise could harm our brand image, competitive advantages and business, and dilute or harm our reputation and brand recognition.

While we are not aware of any instances of infringement of our brand names or intellectual property rights, if a dispute arises with respect to any of our intellectual property rights or proprietary information, we will be required to produce

evidence to defend or enforce our claims, and we may become party to litigation, which may strain our resources and divert the attention of our management. We cannot assure you that any infringement claims that are material will not arise in the future or that we will be successful in defending any such claims when they arise. Our efforts to protect our intellectual property or proprietary information and the measures we take to identify potential infringement of our intellectual property may not be adequate to detect or prevent infringement, misappropriation or unauthorized use. Further, the application of laws governing intellectual property rights in India is continuously evolving and there may be instances of infringement or passing-off of our brand in Indian markets. Our failure to adequately protect our 'Five-Star' brand, trademarks and other related intellectual property rights may adversely affect our business, financial condition, results of operations and cash flows. We may also be subject to claims by third parties, both inside and outside India, if we breach their intellectual property rights by using taglines, names, designs, software or other such subjects, which are of a similar nature to the intellectual property these third parties may have registered. Any legal proceedings that result in a finding that we have breached third party intellectual property rights, or any settlements concerning such claims, may require us to provide financial compensation to such third parties or make changes to our marketing strategies or to the brand names of our products and services, which may have an adverse effect on our 'Five-Star' brand, business, prospects, financial condition, results of operations and cash flows. For details in relation to our intellectual property, see "*Our Business – Intellectual Property*" on page 202.

**40. *Our ability to pay dividends in the future will depend on our earnings, financial condition, working capital requirements, capital expenditures and restrictive covenants of our financing arrangements.***

Our ability to pay dividends in the future will depend on our earnings, financial condition, cash flow, working capital requirements, capital expenditure, compliance with RBI guidelines and restrictions on payment of dividends by NBFCs, such as the possibility of the RBI imposing restrictions on us declaring dividends due to our inability to maintain certain stipulated ratios in the future, and restrictive covenants of our financing arrangements. Any future determination as to the declaration and payment of dividends will be at the discretion of our Board and will depend on factors that our Board deems relevant, including among others, our future earnings, financial condition, Articles of Association, cash requirements, business prospects and any other financing arrangements, and receipt of requisite corporate authorizations. Additionally, our ability to pay dividends may also be restricted by the terms of financing arrangements that we may enter into. For details, see "*Financial Indebtedness*" on page 383. Dividends distributed by us will attract dividend distribution tax at rates applicable from time to time and may be subject to other requirements prescribed by the RBI. We may retain all future earnings, if any, for use in the operations and expansion of the business. As a result, we cannot assure you that we will be able to pay dividends in the future. For further details, see "*Dividend Policy*" on page 253.

**41. *We are exposed to risks that may arise if our customers opt for balance transfers to other banks or financial institutions.***

We offer our customers fixed interest rate loans, the rate for which is determined primarily on the basis of our cost of borrowings, tenor of the loan sought and current market conditions. It is possible that interest rates on loans for some of our customers may be higher than the interest rates on loans being offered to these customers by our competitors. Some such customers may seek to refinance their loans through balance transfer to other banks and financial institutions. While refinancing of loans by other lenders could in certain circumstances be beneficial for our customers, it results in a loss of interest income expected from such loans over the course of their tenure and may cause us to incur increased origination costs. As competition in the small business finance sector intensifies, some of our customers may be able to find balance transfer options at comparably lower interest rates or other financing alternatives which could have an adverse effect on our business, results of operations and financial condition.

**41. *We have referred to the data derived from industry reports commissioned and paid for by our Company from CRISIL Limited exclusively for the purpose of the Offer.***

We have exclusively commissioned and paid for the services of an independent third party research agency CRISIL Limited and have relied on the report titled "Industry Report on Small Business Loans in India" for industry-related data in this Prospectus, including in the sections "*Offer Document Summary*", "*Industry Overview*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 13, 115, 173 and 346, respectively. We appointed CRISIL Limited to prepare the CRISIL Report on July 30, 2021, and subsequently entered into an addendum amending the agreement for services on September 5, 2022. We have no direct or indirect association with CRISIL Limited other than as a consequence of such an engagement. The CRISIL Report is not exhaustive and is based on certain assumptions, parameters and conditions made and identified by CRISIL. It also uses certain methodologies for market sizing and forecasting. While we believe such data to be true, we cannot assure you that they are complete or reliable. Accordingly, investors should read the industry related disclosure in this Prospectus in this context. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect.

You should consult your own advisors and undertake an independent assessment of information in this Prospectus based on, or derived from, the CRISIL Report before making any investment decision regarding the Offer. See “*Industry Overview*” on page 115. For the disclaimer associated with the CRISIL Report, see “*Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation*” on page 18.

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

Certain non-GAAP measures, such as EBITDA, EBITDA Margin, Average Cost of Borrowing, Stage 3 Gross term loans (net), Stage 3 Gross term loans to Gross term loans, Net Worth, Return on Equity, Total Borrowings to Total Equity Ratio, Gross Term Loans to Net Worth and Operating Expenses to Average Total Assets presented in this Prospectus are a supplemental measure of our performance and liquidity that are not required by, or presented in accordance with, Ind AS, Indian GAAP, or IFRS. Further, these Non-GAAP measures are not a measurement of our financial performance or liquidity under Ind AS, Indian GAAP, or IFRS and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the periods/years or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Ind AS, Indian GAAP, or IFRS. In addition, these Non-GAAP measures are not a standardised term, hence a direct comparison of similarly titled Non-GAAP Measures between companies may not be possible. Other companies may calculate the Non-GAAP Measures differently from us, limiting its utility as a comparative measure. Although the Non-GAAP measures are not a measure of performance calculated in accordance with applicable accounting standards, our Company’s management believes that it is useful to an investor in evaluating us because it is a widely used measure to evaluate a company’s operating performance.

- 43. *Negative publicity could damage our reputation and adversely impact our business and financial results.***

Reputational risk, or the risk to our business, earnings and capital from negative publicity, is inherent in our business. The reputation of the banking and financial services industry in general has been closely monitored as a result of the global financial crisis and other matters affecting the financial services industry. Negative public opinion about the banking and financial services industry generally or us specifically could adversely affect our ability to attract and retain customers and may expose us to litigation and regulatory action. While we have developed our brand and reputation over our history, and although we have been subject to minor adverse publicity in localised media outlets, any negative incidents or adverse publicity could rapidly erode customer trust and confidence in us, particularly if such incidents receive widespread adverse mainstream and social media publicity or attract regulatory investigations. Negative publicity can result from our own or our third-party service providers’ actual or alleged conduct in any number of activities, including lending practices, mortgage servicing and foreclosure practices, technological practices, corporate governance, regulatory compliance, mergers and acquisitions, and related disclosure, sharing or inadequate protection of customer information, and actions taken by government regulators and community organizations in response to that conduct. Although we take steps to minimize reputational risk in dealing with customers and other constituencies, we, as a financial services organization with a high industry profile, are inherently exposed to this risk.

In recent years, there has been a marked increase in the use of social media platforms in India, including blogs, social media websites and applications, and other forms of internet-based communications which allow individuals access to a broad audience of customers and other interested persons. Many social media platforms immediately publish the content that their subscribers and participants post, often without filters or checks on accuracy of the content posted. The dissemination of inaccurate information online could harm our business, reputation, prospects, financial condition and operating results, regardless of the information’s accuracy. The damage may be immediate without affording us an opportunity for redress or correction. Other risks associated with the use of social media include negative comments about us, fraud, hoaxes or malicious exposure of false information. Such inappropriate, unverifiable or false information regarding us may be published online or on social media by third parties, or any other such damage to our brand or our reputation may result in withdrawal of business by our existing customers and loss of new business from potential customers, could increase our costs, lead to litigation or result in negative publicity that could damage our reputation and adversely affect our business, results of operations and financial condition.

- 44. *Our Promoter, Lakshmi Pathy Deenadayalan, has provided personal guarantees for loan facilities obtained by us, and any failure or default by us to repay such loans could trigger repayment obligations on our Promoter, which may impact our Promoter’s ability to effectively service his obligations as our Promoter and thereby, adversely impact our business and operations.***

As of June 30, 2022, ₹8,435.80 million or 33.47% of our Total Borrowings are backed by personal guarantees provided by our Promoter, Lakshmi Pathy Deenadayalan. For details, see “*Our Promoter and Promoter Group*” on page 245.

Any default or failure by us to repay our loans in a timely manner or at all could trigger repayment obligations on the part of our Promoter in respect of such loans. This, in turn, could have an impact on their ability to effectively service their obligations as Promoters of our Company, thereby having an adverse effect on our business, results of operation and financial condition. Further, in the event that our Promoter withdraws or terminates the guarantees, our lenders for such facilities may ask for alternate guarantees, repayment of amounts outstanding under such facilities, or even terminate such facilities. We may not be successful in procuring guarantees satisfactory to the lenders, and as a result may need to repay outstanding amounts under such facilities or seek additional sources of capital, which could affect our business prospects, financial condition, results of operations and cash flows.

**45. *The proceeds from this Offer will not be available to us.***

As this Offer is a complete Offer for Sale of Equity Shares by the Selling Shareholders (after deducting applicable Offer expenses), the proceeds from the Offer for Sale will be remitted to the Selling Shareholders and our Company will not benefit from such proceeds. For details in relation to the Offer, see “*The Offer*” and “*Objects of the Offer*” on page 52 and 104, respectively.

**46. *We have certain contingent liabilities that have not been provided for in our financial statements, which, if they materialize, may adversely affect our results of operations, financial condition and cash flows.***

As of June 30, 2022, our contingent liabilities as per Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets are as set out in the table below:

Particulars	Amount
	(₹ in millions)
<b>Claims against the Company not acknowledged as debt</b>	
— Income tax related matters (excluding penalties and interest)	0.67
— Provident Fund (Refer below)	.*

*\* In light of judgment of Honorable Supreme Court dated February 28, 2019 on the definition of Basic Wages under the Employees Provident Funds & Misc. Provisions Act, 1952 and based on the legal advice received, the Company has aligned the manner of computation of liability for Provident Fund effective the date of the order. There are significant uncertainties in determining the liability including, period of assessment, application for present and past employees and assessment of interest and penalties. The amount of the obligation therefore cannot be measured with sufficient reliability for past periods and hence disclosed as a contingent liability.*

We have not made provisions for the above contingent liabilities, as they are either probable obligations whose existence will be confirmed only by future uncertain events outside the control of our Company, or are present obligations where the outflow of economic resources may not be probable or cannot be measured reliably.

**47. *Certain of our Directors are on the board of directors of companies engaged in a line of business similar to that of ours. Further, certain of our Promoters may also be interested in other companies which are engaged in similar line of business as ours, by virtue of their shareholding in such companies. Any conflict of interest that may occur as a result could adversely affect our business, financial condition, results of operations and cash flows.***

Certain of our Directors are on the board of directors of companies engaged in a line of business similar to that of ours. For instance, our Directors, Anand Raghavan, Ravishankar Ganapathyagraharam Venkataraman, Bhama Krishnamurthy, Srinivasaraghavan Thiruvallur Thattai, Ramkumar Ramamoorthy and Vikram Vaidyanathan are directors on the board of certain companies which are in a line of business similar to ours. For further details, see “*Our Management – Interests of Directors*” on page 232. Further, our Promoters, Matrix and SCI are also involved in ventures that are involved in activities similar to those conducted by our Company. For further details, see “*Our Promoters and Promoter Group*” on page 245. These entities may provide comparable services, expand their presence, solicit our employees or acquire interests in competing ventures in the locations or segments in which we operate. A conflict of interest may occur between our business and the business of such entities, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

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

We have, in the preceding one year prior to filing this Prospectus, issued Equity Shares pursuant to exercise of ASOP 2015 and ASOP 2018. The price at which the Equity Shares have been issued by our Company in the preceding one year is not indicative of the Offer Price, or the price at which the Equity Shares will be traded going forward. Further, our Company may, in the future, continue to issue Equity Shares at prices that may be lower than the Offer Price, subject to compliance with applicable law. Any issuances of Equity Shares by our Company may dilute your shareholding in the Company, thereby adversely affecting the trading price of the Equity Shares and our ability to raise capital through any issuance of new securities. For further details, see “*Capital Structure – Notes to the Capital Structure – Equity share capital history of our Company*” on page 66.



## External Risk Factors

### *Risks Related to India*

**49. *Political, economic or other factors that are beyond our control may have an adverse effect on our business and results of operations.***

The Indian economy and capital markets are influenced by economic, political and market conditions in India and globally. Our Company is incorporated in India, and all of our assets and employees are located in India. As a result, we are dependent on prevailing economic conditions in India and our results of operations are affected by factors influencing the Indian economy. Further, the following external risks may have an adverse impact on our business and results of operations, should any of them materialize:

- increase in interest rates may adversely affect our access to capital and increase our borrowing costs, which may constrain our ability to grow our business and operate profitably;
- downgrade of India's sovereign debt rating by an independent agency;
- political instability, resulting from a change in governmental or economic and fiscal policies, may adversely affect economic conditions in India. In recent years, India has implemented various economic and political reforms. Reforms in relation to land acquisition policies and trade barriers have led to increased incidents of social unrest in India over which we have no control;
- change in the government or a change in the economic and deregulation policies could adversely affect economic conditions prevalent in the areas in which we operate in general and our business in particular;
- civil unrest, acts of violence, terrorist attacks, regional conflicts or situations of war;
- India has experienced epidemics, and natural calamities such as earthquakes, tsunamis, floods, and drought in recent years;
- high rates of inflation in India could increase our costs without proportionately increasing our revenues, and as such decrease our operating margins; and
- contagious diseases such as the COVID-19 pandemic, the highly pathogenic H7N9, H5N1 and H1N1 strains of influenza in birds and swine. A worsening of the current COVID-19 pandemic or any similar future outbreaks of COVID-19, avian or swine influenza or a similar contagious disease could adversely affect the Indian economy and economic activity in the region.

Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could adversely affect our business, results of operations and financial condition and the price of the Equity Shares. Our performance and the growth of our business depend on the overall performance of the Indian economy as well as the economies of the regional markets in which we operate.

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

We conduct all of our business activities in India, and rely primarily on interest income from loans, income from investments, and fee income (which includes login fees and processing fees) to generate our revenues. These revenue streams have historically been affected by key macroeconomic conditions in India, and are likely to continue being affected by them in the future. In addition, our ECL models take into account macroeconomic factors such as India's prevailing GDP and interest rates, which could adversely affect our ECLs and, in turn, our profitability.

Consumer confidence, consumer spending, unemployment and overall economic growth rates are among the main factors that often impact the demand for credit. Poor economic conditions and regulatory forbearances or relaxations tend to adversely affect our end-customers' ability and willingness to repay the amounts borrowed, thus increasing delinquencies, charge-offs and provisions for credit losses, and decreasing recoveries.

Economic growth in India is influenced by, among other things, inflation, unemployment rates, interest rates, foreign trade and capital flows, as well as the monsoon season. The level of inflation or depreciation of the Indian rupee may limit monetary easing or cause monetary tightening by the RBI. Any increase in inflation, due to increases in domestic food prices or global prices of commodities, including crude oil, the impact of currency depreciation on the prices of

imported commodities and additional pass-through of higher fuel prices to consumers, or otherwise, may result in a tightening of monetary policy.

While our results may not necessarily track India's economic growth figures, the Indian economy's performance affects the environment in which we operate. These factors could have a material adverse effect on our business, financial condition and results of operations.

**51. *Financial instability in other countries may cause increased volatility in Indian financial markets.***

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm our business, our future financial performance and the prices of the Equity Shares. Concerns related to a trade war between large economies may lead to increased risk aversion and volatility in global capital markets and consequently have an impact on the Indian economy.

In addition, China is one of India's major trading partners and there are rising concerns of a possible slowdown in the Chinese economy as well as a strained relationship with India, which could have an adverse impact on the trade relations between the two countries. In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including India, implemented a number of policy measures designed to add stability to the financial markets. However, the overall long-term effect of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilizing effects. Any significant financial disruption could have a material adverse effect on our business, financial condition and results of operation. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets and may significantly reduce global market liquidity, restrict the ability of key market participants to operate in certain financial markets or restrict our access to capital. This could have a material adverse effect on our business, financial condition and results of operations and reduce the price of the Equity Shares.

**52. *If inflation were to rise in India, we might not be able to increase the prices of our services at a proportional rate in order to pass costs on to our customers and our profits might decline.***

Inflation rates could be volatile, and we may face high inflation in the future as India had witnessed in the past. Increased inflation can contribute to an increase in interest rates and increased costs to our business, including increased costs of transportation, salaries, and other expenses relevant to our business. Further, high inflation leading to higher interest rates may also lead to a slowdown in the economy and adversely impact credit growth. Consequently, we may also be affected and fall short of business growth and profitability.

High fluctuations in inflation rates may make it more difficult for us to accurately estimate or control our costs. Any increase in inflation in India can increase our operating expenses, which we may not be able to pass on to our customers, whether entirely or in part, and the same may adversely affect our business and financial condition. In particular, we might not be able to reduce our costs or pass the increase in costs on to our customers. In such case, our business, results of operations, cash flows and financial condition may be adversely affected.

While the Government of India through the RBI has previously initiated economic measures to combat high inflation rates, it is unclear whether these measures will remain in effect, and there can be no assurance that Indian inflation levels will not rise in the future.

**53. *The growth rate of India's small business finance industry may not be sustainable.***

We expect the small business finance industry in India to continue to grow as a result of anticipated growth in India's economy, increases in household income and demographic changes. In addition, the Government of India is pursuing various schemes and initiatives to create an enabling and supportive environment to enhance the flow of credit to the small business sector in India. Initiatives such as the "Credit Guarantee Fund Trust Scheme for Micro and Small Enterprises" scheme have reinforced the flow of credit to the small business finance sector. However, it is not clear how certain trends and events, such as the pace of India's economic growth, the development of domestic capital markets and the on-going reform will affect India's small business finance industry. In addition, there can be no assurance that the Government policies and initiatives for the small business finance industry will continue at the same or expected pace in the future. Consequently, there can be no assurance that the growth and development of India's small business finance industry will be sustainable.

**54. *Changing laws, rules and regulations and legal uncertainties, including adverse application of corporate and tax laws, may adversely affect our business, results of operations and prospects and could lead to new compliance requirements that are uncertain.***

The regulatory and policy environment in which we operate is evolving and subject to change. Such changes, including the instances mentioned below, may adversely affect our business, results of operations and prospects, to the extent that we are unable to suitably respond to and comply with any such changes in applicable law and policy. For example:

- The Government of India has announced the union budget for Fiscal 2022 and the Finance Act, 2021 has received the President's assent on March 28, 2021. There is no certainty on the impact that the Finance Act, 2021 may have on our business and operations or on the industry in which we operate. We cannot predict whether any amendments made pursuant to the Finance Act, 2021 would have an adverse effect on our business, financial condition and results of operations. Further, the Government of India has announced the Union Budget for the Financial Year 2023 pursuant to which the Finance Act of 2022 has introduced various amendments. Unfavorable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment and stamp duty laws governing our business and operations could result in us being deemed to be in contravention of such laws and may require us to apply for additional approvals.
- In India, the Supreme Court, in a judgment delivered on 24 August 2017, has held that the right to privacy is a fundamental right. Following this judgment, the Government of India is considering enactment of a bill on personal data protection for implementing organizational and technical measures in processing personal data and lays down norms for cross-border transfer of personal data and to ensure the accountability of entities processing personal data. The enactment of the aforesaid bill may introduce stricter data protection norms for a company such as us and may impact our processes.
- On September 7, 2021, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 were notified, pursuant to which the SEBI Listing Regulations stand amended. The amended SEBI Listing Regulations, amongst other matters, require entities that have listed non-convertible securities to disclose financial results on a quarterly basis (as opposed to a half yearly basis), including assets and liabilities, and cash flows. This will impose additional compliance requirements on companies such as us, which have listed their non-convertible debentures on the debt segments of the stock exchanges.

Unfavourable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment and stamp duty laws governing our business and operations could result in us being deemed to be in contravention of such laws and may require us to apply for additional approvals. We may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Uncertainty in the application, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may impact the viability of our current business or restrict our ability to grow our businesses in the future.

**55. *Investors may not be able to enforce a judgment of a foreign court against our Company outside India.***

Our Company is incorporated under the laws of India. Our Company's assets are located in India and all of our Company's Directors and all of the Key Managerial Personnel are residents of India. As a result, it may not be possible for investors to effect service of process upon our Company or such persons in jurisdictions outside India, or to enforce against them judgments obtained in courts outside India. Moreover, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with Indian public policy.

India has reciprocal recognition and enforcement of judgments in civil and commercial matters with a limited number of jurisdictions, which includes, the United Kingdom, Singapore and Hong Kong. A judgment from certain specified courts located in a jurisdiction with reciprocity must meet certain requirements of the Civil Code. The United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in a non-reciprocating territory, such as the United States, for civil liability, whether or not predicated solely upon the general securities laws of the United States, would not be enforceable in India under the Civil Code as a decree of an Indian court.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. The United Kingdom, Singapore, UAE and Hong Kong have been declared by the Government of India to be reciprocating territories for purposes of Section 44A of the Civil Code. A judgment of a court of a country which is not a

reciprocating territory may be enforced in India only by a suit on the judgment under Section 13 of the Civil Code, and not by proceedings in execution. Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated on except (i) where the judgment has not been pronounced by a court of competent jurisdiction, (ii) where the judgment has not been given on the merits of the case, (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or refusal to recognize the law of India in cases to which such law is applicable, (iv) where the proceedings in which the judgment was obtained were opposed to natural justice, (v) where the judgment has been obtained by fraud or (vi) where the judgment sustains a claim founded on a breach of any law then in force in India. Under the Civil Code, a court in India shall, on the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record. The Civil Code only permits the enforcement of monetary decrees, not being in the nature of any amounts payable in respect of taxes, other charges, fines or penalties. Judgments or decrees from jurisdictions which do not have reciprocal recognition with India cannot be enforced by proceedings in execution in India. Therefore, a final judgment for the payment of money rendered by any court in a non-reciprocating territory for civil liability, whether or not predicated solely upon the general laws of the non-reciprocating territory, would not be enforceable in India. Even if an investor obtained a judgment in such a jurisdiction against us, our officers or directors, it may be required to institute a new proceeding in India and obtain a decree from an Indian court.

However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment that has been obtained in the United States or other such jurisdiction within three years of obtaining such final judgment. It is unlikely that an Indian court would award damages on the same basis as a foreign court if an action is brought in India. Moreover, it is unlikely that an Indian court would award damages to the extent awarded in a final judgment rendered outside India if it believes that the amount of damages awarded were excessive or inconsistent with Indian practice. In addition, any person seeking to enforce a foreign judgment in India is required to obtain the prior approval of the RBI to repatriate any amount recovered.

**56. *Under Indian law, foreign investors are subject to investment restrictions that limit our ability to attract foreign investors, which may adversely affect the trading price of the Equity Shares.***

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Foreign ownership of Indian securities is subject to Government regulation. Under foreign exchange regulations currently in force in India, transfer of shares between non-residents and residents are freely permitted (subject to certain exceptions), if they comply with the pricing and reporting requirements specified by the RBI. If a transfer of shares is not in compliance with such requirements and does not fall under any of the exceptions specified by the RBI, then RBI's prior approval is required. Additionally, shareholders who seek to convert Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India require a no-objection or a tax clearance certificate from the Indian income tax authorities. Further, this conversion is subject to the shares having been held on a repatriation basis and, either the security having been sold in compliance with the pricing guidelines or, the relevant regulatory approval having been obtained for the sale of shares and corresponding remittance of the sale proceeds. The RBI and the concerned ministries/departments are responsible for granting approval for foreign investment. We cannot assure you that any required regulatory approvals for borrowing in foreign currencies will be granted to us without onerous conditions, or at all.

As provided in the foreign exchange controls currently in effect in India, the RBI has provided that the price at which the Equity Shares are transferred be calculated in accordance with internationally accepted pricing methodology for the valuation of shares at an arm's length basis, and a higher (or lower, as applicable) price per share may not be permitted. Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020 issued by the DPIIT and the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020 which came into effect from April 22, 2020, any investment, subscription, purchase or sale of equity instruments by entities of a country which shares a land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country, will require prior approval of the Government of India, as prescribed in the Consolidated FDI Policy and the FEMA Rules. These investment restrictions shall also apply to subscribers of offshore derivative instruments. Furthermore, on April 22, 2020, the Ministry of Finance has also made similar amendment to the FEMA Rules. While the term "beneficial owner" is defined under the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 and the General Financial Rules, 2017, neither the foreign direct investment policy nor the FEMA Rules provide a definition of the term "beneficial owner". The interpretation of "beneficial owner" and enforcement of this regulatory change involves certain uncertainties, which may have an adverse effect on our ability to raise foreign capital. We cannot assure you that any required approval from the RBI or any other governmental agency can be obtained on any particular term or at all. For further details, see "*Restrictions on Foreign Ownership of Indian Securities*" on page 434.

**57. *Significant differences exist between Indian Accounting Standards and other accounting principles, such as Indian Generally Accepted Accounting Principles, United States Generally Accepted Accounting Principles and***

***International Financial Reporting Standards, which may be material to investors' assessments of our financial condition, results of operations and cash flows.***

The Restated Summary Information included in this Prospectus have been derived from our audited financial statements and restated in accordance with SEBI ICDR Regulations and the Guidance Note. There are significant differences between Ind AS, Indian Generally Accepted Accounting Principles, United States Generally Accepted Accounting Principles and International Financial Reporting Standards. Our Company does not provide reconciliation of its financial information to International Financial Reporting Standards or United States Generally Accepted Accounting Principles. Our Company has not attempted to explain those differences or quantify their impact on the financial data included in this Prospectus and it is urged that you consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the financial information included in this Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting policies and practices, the Companies Act, Ind AS, Indian Generally Accepted Accounting Principles and the SEBI ICDR Regulations. Any reliance by persons not familiar with Indian accounting policies and practices on the financial disclosures presented in this Prospectus should, accordingly, be limited.

**58. *Rights of shareholders under Indian laws may differ to those under the laws of other jurisdictions.***

Indian legal principles related to corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights including in relation to class actions, under Indian law may not be similar to the shareholders' rights under the laws of other countries or jurisdictions. Investors may face challenges in asserting their rights as shareholder in an Indian company than as a shareholder of an entity in another jurisdiction.

***Risks Related to the Offer***

**59. *The Offer Price of the Equity Shares may not be indicative of the market price of the Equity Shares after the Offer.***

The Offer Price of the Equity Shares was determined by our Company, and the Selling Shareholders, in consultation with the BRLMs, and through the Book Building Process. This price was based on numerous factors, as described under "*Basis for Offer Price*" on page 106 and may not be indicative of the market price for the Equity Shares after the Offer. The market price of the Equity Shares could be subject to significant fluctuations after the Offer and may decline below the Offer Price owing to various factors including quarterly variations in our results of operations, results of operations that vary from the expectations of securities analysts and investors and results of operations that vary from those of our competitors. We cannot assure you that the investor will be able to resell their Equity Shares at or above the Offer Price.

**60. *Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.***

Under current Indian tax laws, unless specifically exempted, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. The Income Tax Act levies taxes on such long-term capital gains exceeding ₹100,000 arising from sale of equity shares on or after April 1, 2018, while continuing to exempt the unrealized capital gains earned up to January 31, 2018 on such equity shares subject to specific conditions. Accordingly, you may be subject to payment of long-term capital gains tax in India, in addition to payment of a securities transaction tax ("*STT*"), on the sale of any Equity Shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Any gain realized on the sale of Equity Shares held for more than 12 months, which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India.

Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Equity Shares. Additionally, the Finance Act, 2020 does not require dividend distribution tax ("*DDT*") to be payable in respect of dividends declared, distributed or paid by a domestic company after March 31, 2020, and accordingly, such dividends would not be exempt in the hands of the shareholders, both resident as well as non-resident.

Earlier, the Finance Act, 2019, had clarified that in the absence of a specific provision under an agreement, the liability to pay stamp duty in case of sale of securities through stock exchanges will be on the buyer, while in other cases of transfer for consideration through a depository, the onus will be on the transferor. The stamp duty for transfer of securities other than debentures, on a delivery basis is specified at 0.015% and on a non-delivery basis is specified at 0.003% of the consideration amount. These provisions have been notified with effect from July 1, 2020. Further, the Government of India recently proposed additional tax measures in Finance Bill, 2022 and Union Budget for Fiscal

2023 which, among others, require the taxpayers to explain sources of cash credits, introduce a separate 30% tax on income from virtual digital assets, extend the anti-tax avoidance provision to bonus stripping of securities and repeal the 15% concessional rate on foreign dividends. The Finance Bill has received assent from the President of India on March 30, 2022, and has been enacted as the Finance Act, 2022.

**61. *The Equity Shares have never been publicly traded, and, after the Offer, the Equity Shares may experience price and volume fluctuations. Further, the Offer may not result in an active trading market for the Equity Shares and the investors may be unable to resell the Equity Shares at or above the Offer Price, or at all.***

Prior to the Offer, there has been no public market for the Equity Shares, and an active trading market on the Stock Exchanges may not develop or be sustained after the Offer. Listing and quotation does not guarantee that a market for the Equity Shares will develop, or if developed, the liquidity of such market for the Equity Shares. The Offer Price of the Equity Shares was determined through a book-building process and may not be indicative of the market price of the Equity Shares at the time of commencement of trading of the Equity Shares or at any time thereafter. The market price of the Equity Shares may be subject to significant fluctuations in response to, among other factors, variations in our operating results of our Company, market conditions specific to the industry we operate in, developments relating to India, volatility in securities markets in jurisdictions other than India, variations in the growth rate of financial indicators, variations in revenue or earnings estimates by research publications, and changes in economic, legal and other regulatory factors. Consequently, the price of our Equity Shares may be volatile, and you may be unable to resell your Equity Shares at or above the Offer Price, or at all, and may as a result lose all or a part of your investment.

Our Equity Shares are expected to trade on the Stock Exchanges after the Offer, but there can be no assurance that active trading in our Equity Shares will develop after the Offer, or if such trading develops, that it will continue. Investors may not be able to sell our Equity Shares at the quoted price if there is no active trading in our Equity Shares.

There has been significant volatility in the Indian stock markets in the recent past, and our Equity Share price could fluctuate significantly because of market volatility. A decrease in the market price of our Equity Shares could cause investors to lose some or all of their investment.

**62. *Fluctuation in the exchange rate between the Indian Rupee and foreign currencies may have an adverse effect on the value of our Equity Shares, independent of our operating results.***

On listing, our Equity Shares will be quoted in Indian Rupees on the Stock Exchanges. Any dividends in respect of our Equity Shares will also be paid in Indian Rupees and subsequently converted into the relevant foreign currency for repatriation, if required. Any adverse movement in currency exchange rates during the time that it takes to undertake such conversion may reduce the net dividend to foreign investors. In addition, any adverse movement in currency exchange rates during a delay in repatriating outside India the proceeds from a sale of Equity Shares, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares may reduce the proceeds received by the Shareholders. For example, the exchange rate between the Rupee and the U.S. dollar has fluctuated in recent years and may continue to fluctuate substantially in the future, which may have an adverse effect on the returns on our Equity Shares, independent of our operating results.

**63. *Any future issuance of Equity Shares, or convertible securities or other equity-linked securities by us may dilute your shareholding and adversely affect the trading price of the Equity Shares and sale of Equity Shares by the Promoter(s) may adversely affect the trading price of the Equity Shares.***

Any future issuance of the Equity Shares, convertible securities or securities linked to the Equity Shares by us, including through exercise of employee stock options may dilute your shareholding in our Company, adversely affect the trading price of the Equity Shares and our ability to raise capital through an issue of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares. We cannot assure you that we will not issue additional Equity Shares. The disposal of Equity Shares by any of our Promoters, Promoter Group or other significant Shareholders, or the perception that such sales may occur may significantly affect the trading price of the Equity Shares. We cannot assure you that our Promoters and Promoter Group will not dispose of, pledge or encumber their Equity Shares in the future. Such securities may also be issued at prices below the Offer Price. We may also issue convertible debt securities to finance our future growth or fund our business activities.

**64. *Holder(s) of Equity Shares may be restricted in their ability to exercise pre-emptive rights under Indian law and thereby suffer future dilution of their ownership position.***

A public company incorporated in India must offer its equity shareholders pre-emptive rights to subscribe and pay for a proportionate number of equity shares to maintain their existing ownership percentages prior to issuance of any new equity shares, unless the pre-emptive rights have been waived by the adoption of a special resolution by holders of three-fourths of the equity shares voting on such resolution.

However, if the law of the jurisdiction that you are in does not permit the exercise of such pre-emptive rights without our filing an offering document or registration statement with the applicable authority in such jurisdiction, you will be unable to exercise such pre-emptive rights, unless we make such a filing. If we elect not to file a registration statement, the new securities may be issued to a custodian, who may sell the securities for your benefit. The value such custodian receives on the sale of any such securities and the related transaction costs cannot be predicted. To the extent that you are unable to exercise pre-emptive rights granted in respect of our Equity Shares, your proportional interests in our Company would be diluted.

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

The Equity Shares will be listed on the Stock Exchanges. Pursuant to applicable Indian laws, certain actions must be completed before the Equity Shares can be listed and trading in the Equity Shares may commence. Investors' book entry, or 'demat' accounts with depository participants in India, are expected to be credited within one working day of the date on which the Basis of Allotment is approved by the Stock Exchanges or such period as may be prescribed under applicable law. The Allotment of Equity Shares in this Offer and the credit of such Equity Shares to the applicant's demat account with depository participant could take approximately five Working Days from the Bid/Offer Closing Date and trading in the Equity Shares upon receipt of final listing and trading approvals from the Stock Exchanges is expected to commence within six Working Days of the Bid/Offer Closing Date or such period as may be prescribed under applicable law. There could be a failure or delay in listing of the Equity Shares on the Stock Exchanges. Any failure or delay in obtaining the approval or otherwise commence trading in the Equity Shares would restrict investors' ability to dispose of their Equity Shares. There can be no assurance that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified in this risk factor. We could also be required to pay interest at the applicable rates if allotment is not made, refund orders are not dispatched or demat credits are not made to investors within the prescribed time periods.

## SECTION III: INTRODUCTION

### THE OFFER

The following table sets forth details of the Offer:

<b>Offer of Equity Shares<sup>(1)(2)</sup></b>	33,617,061* Equity Shares, aggregating to ₹15,934.49 million*
<i>of which:</i>	
Offer for Sale <sup>(2)</sup>	33,617,061* Equity Shares, aggregating to ₹15,934.49 million*
QIB Portion <sup>(5)(6)</sup>	Not more than 16,808,529* Equity Shares aggregating to ₹ 7,967.24 million*
<i>of which:</i>	
(i) Anchor Investor Portion	12,405,094* Equity Shares
(ii) Net QIB Portion (assuming the Anchor Investor Portion is fully subscribed)	4,403,435* Equity Shares
<i>of which:</i>	
(iii) Mutual Fund Portion	220,172* Equity Shares
(iv) Balance for all QIBs including Mutual Funds	4,183,263* Equity Shares
Non-Institutional Portion <sup>(5)</sup>	Not less than 5,042,560* Equity Shares aggregating to ₹2,390.17 million*
Retail Portion	Not less than 11,765,972* Equity Shares aggregating to ₹5,577.07 million*
<b>Pre and post-Offer Equity Shares</b>	
Equity Shares outstanding prior to the Offer (as on the date of this Prospectus)	291,366,120 Equity Shares*
Equity Shares outstanding after the Offer	291,366,120 Equity Shares*
<b>Use of Net Proceeds of the Offer</b>	See “ <i>Objects of the Offer</i> ” on page 104 for information about the use of the Net Proceeds. Our Company will not receive any proceeds from the Offer.

\* Subject to finalisation of the Basis of Allotment and it excludes multiple Bids and Bids not banked.

<sup>(1)</sup> The Offer has been authorised by our Board of Directors pursuant to the resolution passed at their meeting dated September 8, 2021 and November 8, 2021 and by our Shareholders pursuant to the special resolution passed at their extraordinary general meeting dated October 8, 2021. Further, the Board of Directors pursuant to the resolution passed at their meeting dated November 8, 2021, October 6, 2022 and October 21, 2022 noted the participation of the Selling Shareholders.

<sup>(2)</sup> Each of the Selling Shareholder has confirmed and approved its participation in the Offer for Sale as set out below:

S. No.	Selling Shareholder	Number of Equity Shares offered in the Offer for Sale	Aggregate proceeds from the sale of Equity Shares forming part of the Offer for Sale (in ₹ million)	Date of consent	Date of corporate action / board resolution / power of attorney
1.	Matrix Partners India Investment Holdings II, LLC	12,339,051* Equity Shares	₹5,848.71*	October 20, 2022	October 20, 2022
2.	SCI Investments V	2,859,873* Equity Shares	₹1,355.58*	October 20, 2022	November 5, 2021
3.	Matrix Partners India Investments II Extension, LLC	207,321* Equity Shares	₹98.27*	October 20, 2022	October 20, 2022
4.	Norwest Venture Partners X - Mauritius	6,199,367* Equity Shares	₹2,938.50*	October 20, 2022	September 29, 2022
5.	TPG Asia VII SF Pte. Ltd.	12,011,449* Equity Shares	₹5,693.43*	October 20, 2022	October 20, 2021

\* Subject to finalisation of the Basis of Allotment.

Each of the Selling Shareholders has severally and not jointly confirmed that its respective Offered Shares have been held by such shareholder for a period of at least one year prior to the date of filing of the Draft Red Herring Prospectus with SEBI or have resulted from a bonus issue on Equity Shares held for a period of at least one year prior to the date of filing of the Draft Red Herring Prospectus, and are eligible for being offered for sale in the Offer, in terms of Regulation 8 of the SEBI ICDR Regulations.

<sup>(3)</sup> Our Company and the Selling Shareholders, in consultation with the BRLMs, allocated up to 60% of the QIB Portion as per the RHP to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion was reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription in the Anchor Investor Portion, the remaining Equity Shares was added to the Net QIB Portion. For details, see “Offer Procedure” on page 416.

<sup>(4)</sup> Subject to valid Bids being received at or above the Offer Price, under-subscription, if any, in any category except the QIB Portion, would be allowed to be met with spill over from any other category or combination of categories at the discretion of our Company, and the Selling Shareholders in consultation with the BRLMs and the Designated Stock Exchange. Under-subscription, if any, in the QIB Portion would not be allowed to be met with spill-over from other categories or a combination of categories. For further details, see “Offer Structure” on page 413. In case of an undersubscription in the Offer, the Equity Shares proposed for sale by each Selling Shareholder was in proportion to the Offered Shares by such Selling Shareholder.

<sup>(5)</sup> The Equity Shares available for allocation to Non-Institutional Bidders under the Non-Institutional Portion, shall be subject to the following: (i) one-third of the portion available to Non-Institutional Bidders shall be reserved for applicants with an application size of more than ₹200,000 and up to ₹1,000,000, and (ii) two-third of the portion available to Non-Institutional Bidders shall be reserved for applicants with application size of more than ₹1,000,000, provided that the unsubscribed portion in either of the aforementioned sub-categories may be allocated to applicants in the other sub-category of Non-Institutional Bidders. The allotment to each Non-Institutional Bidder shall not be less than the minimum application size, subject to the availability of Equity Shares in the Non- Institutional Portion, and the remaining Equity Shares, if any, shall be allotted on a proportionate basis.

Allocation to all categories of Bidders, except the Anchor Investor Portion, if any, Non Institutional Portion and the Retail Portion, were made available on a proportionate basis subject to valid Bids received at or above the Offer Price, as applicable. The allocation to each Retail Individual Bidder and Non- Institutional Bidder was not less than the minimum Bid Lot, subject to availability of Equity Shares in the Retail Portion and the Non-Institutional Portion and the remaining available Equity Shares, if any, were made available for allocation on a proportionate basis. Allocation to Anchor Investors was on a



discretionary basis in accordance with the SEBI ICDR Regulations. For further details, see “*Offer Procedure*” on page 416. For details of the terms of the Offer, see “*Terms of the Offer*” on page 408.

## SUMMARY OF FINANCIAL INFORMATION

The following tables set forth the summary financial information derived from the Restated Financial Information for the three months ended June 30, 2022 and June 30, 2021 and financial years ended March 31, 2022, March 31, 2021 and March 31, 2020. The summary financial information presented below should be read in conjunction with “*Financial Statements*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 272 and 346.

*[The remainder of this page has intentionally been left blank]*

**SUMMARY OF RESTATED STATEMENT OF ASSETS AND LIABILITIES**

*(₹ in million)*

Particulars	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
<b>ASSETS</b>					
Financial Assets					
Cash and cash equivalents	4,095.66	9,837.38	6,131.63	12,671.83	2,897.79
Bank Balance other than cash and cash equivalents	3,036.44	4,289.73	2,667.75	885.40	1,613.49
Loans	54,543.53	44,834.72	51,024.11	43,587.49	38,308.04
Investments	1,891.60	1,500.00	2,481.84	-	-
Derivative Financial Instruments	4.08	-	-	-	-
Other Financial assets	187.02	55.65	179.79	47.43	52.47
<b>Total Financial Assets</b>	<b>63,758.33</b>	<b>60,517.48</b>	<b>62,485.12</b>	<b>57,192.15</b>	<b>42,871.79</b>
Non-financial Assets					
Current tax assets (Net)	31.64	55.79	22.01	79.58	43.55
Deferred tax assets (Net)	471.29	419.49	466.67	369.89	282.30
Investment property	0.36	0.36	0.36	0.36	0.36
Property, plant and equipment	129.92	80.43	121.45	84.56	110.61
Right of use assets	207.96	165.31	197.81	145.26	148.80
Other intangible assets	9.95	17.74	8.87	19.03	19.28
Other non-financial assets	106.03	34.43	128.37	45.28	54.85
<b>Total Non-Financial Assets</b>	<b>957.15</b>	<b>773.55</b>	<b>945.54</b>	<b>743.96</b>	<b>659.75</b>
<b>Total Assets</b>	<b>64,715.48</b>	<b>61,291.03</b>	<b>63,430.66</b>	<b>57,936.11</b>	<b>43,531.54</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Financial Liabilities					
Derivative financial instruments	-	-	13.89	-	-
Payables					
Trade Payables					
total outstanding dues of micro and small enterprises	-	-	-	-	-
total outstanding dues of creditors other than micro and small enterprises	109.30	69.41	130.04	86.72	66.24
Debt Securities	9,474.05	12,238.38	10,085.34	13,037.86	10,788.64
Borrowings (Other than Debt Securities)	15,729.14	18,973.80	15,502.97	21,214.11	12,848.29
Other financial liabilities	535.44	397.99	414.68	171.69	156.81
<b>Total Financial Liabilities</b>	<b>25,847.93</b>	<b>31,679.58</b>	<b>26,146.92</b>	<b>34,510.38</b>	<b>23,859.98</b>
Non-Financial Liabilities					
Current tax liabilities (Net)	109.44	29.54	-	-	7.48
Provisions	134.92	111.12	90.00	71.98	57.76
Other non-financial liabilities	53.44	26.66	90.23	172.03	160.52
<b>Total Non-Financial Liabilities</b>	<b>297.80</b>	<b>167.32</b>	<b>180.23</b>	<b>244.01</b>	<b>225.76</b>
<b>Total Liabilities</b>	<b>26,145.73</b>	<b>31,846.90</b>	<b>26,327.15</b>	<b>34,754.39</b>	<b>24,085.74</b>
<b>EQUITY</b>					
Equity Share capital	291.37	271.17	291.34	256.45	255.82
Other Equity	38,278.38	29,172.96	36,812.17	22,925.27	19,189.98
<b>Total Equity</b>	<b>38,569.75</b>	<b>29,444.13</b>	<b>37,103.51</b>	<b>23,181.72</b>	<b>19,445.80</b>
<b>Total Liabilities and Equity</b>	<b>64,715.48</b>	<b>61,291.03</b>	<b>63,430.66</b>	<b>57,936.11</b>	<b>43,531.54</b>

## SUMMARY OF RESTATED STATEMENT OF PROFIT AND LOSS

(₹ in million, except per share data)

Particulars	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from operations					
Interest Income	3,352.20	2902.29	12037.66	10,148.76	7,468.25
Fees income	12.33	42.81	293.96	216.76	297.08
Net gain on fair value changes	15.18	60.05	209.02	131.90	101.82
<b>Total Revenue from operations</b>	<b>3,379.71</b>	<b>3,005.15</b>	<b>12,540.64</b>	<b>10,497.42</b>	<b>7,867.15</b>
Other income	10.88	2.40	21.05	15.13	6.32
<b>Total Income</b>	<b>3,390.59</b>	<b>3,007.55</b>	<b>12,561.69</b>	<b>10,512.55</b>	<b>7,873.47</b>
Expenses					
Finance costs	647.98	864.14	3,006.00	3,251.91	2,169.35
Fees expenses	-	-	-	26.68	4.25
Employee benefits expense	718.90	520.19	2361.15	1,637.18	1,271.07
Depreciation and amortisation expense	36.19	26.08	122.45	113.85	100.68
Impairment on Financial Instruments	(4.11)	165.38	455.18	351.76	493.42
Other expenses	130.02	78.23	574.82	366.77	341.69
<b>Total expenses</b>	<b>1,528.98</b>	<b>1,654.02</b>	<b>6,519.60</b>	<b>5,748.15</b>	<b>4,380.46</b>
<b>Profit before tax</b>	<b>1,861.61</b>	<b>1,353.53</b>	<b>6,042.09</b>	<b>4,764.40</b>	<b>3,493.01</b>
Tax expense					
- Current tax	469.42	382.95	1595.91	1,259.41	1,005.61
- Deferred tax (net)	(2.14)	(45.13)	(89.27)	(84.95)	(132.11)
Tax expense	467.28	337.82	1,506.64	1174.46	873.50
<b>Profit for the period / year</b>	<b>1,394.33</b>	<b>1,015.71</b>	<b>4,535.45</b>	<b>3,589.94</b>	<b>2,619.51</b>
Other Comprehensive Income					
Items that will not be reclassified to profit or loss					
Re-measurement of the defined benefit plan	(4.29)	(17.75)	(17.16)	(10.53)	(14.88)
Income tax relating to items that will not be reclassified to profit or loss	1.08	4.47	4.32	2.65	3.74
Net other Comprehensive Income/(deficit) not to be reclassified subsequently to profit or loss	(3.21)	(13.28)	(12.84)	(7.88)	(11.14)
Items that will be reclassified to profit or loss					
Net movement on effective portion of cash flow hedge	(5.58)	-	(12.69)	-	-
Income tax relating to items that will be reclassified subsequently to profit or loss	1.40	-	3.18	-	-
Net other Comprehensive Income to be reclassified subsequently to profit or loss	(4.18)	-	(9.51)	-	-
Other Comprehensive Income/(deficit) for the period/year, net of income tax	(7.39)	(13.28)	(22.35)	-	-
<b>Total Comprehensive Income</b>	<b>1,386.94</b>	<b>1,002.43</b>	<b>4,513.10</b>	<b>3,582.06</b>	<b>2,608.37</b>
Earnings per equity share (Face value ₹1 each)					
(a) Basic (in ₹)	4.79*	3.80*	16.09	14.01	10.32
(b) Diluted (in ₹)	4.74*	3.66*	15.92	13.61	10.07

\*Earnings per equity share not annualised for the periods ended June 30, 2022 and June 30, 2021.

**SUMMARY OF RESTATED STATEMENT OF CASH FLOWS**

(₹ in million)

Particulars	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Cash flow from operating activities</b>					
<b>Profit before tax</b>	<b>1861.61</b>	<b>1,353.53</b>	<b>6,042.09</b>	<b>4,764.40</b>	<b>3,493.01</b>
<i>Adjustments for:</i>					
Depreciation and amortisation expense	36.19	26.08	122.45	113.85	100.68
Impairment on financial instruments	(4.11)	165.38	455.18	351.76	493.42
Loss on sale/retirement of property, plant and equipment (net)	-	-	0.13	0.23	0.08
Profit on sale of current investments (net)	(15.18)	(60.05)	(209.02)	(131.90)	(101.82)
Interest income on deposits with banks / others	(95.51)	(74.33)	(270.34)	(193.75)	(288.67)
Interest on loans	(3256.69)	(2,827.95)	(11,767.32)	(9,955.01)	(7,179.58)
Finance costs	647.98	864.14	3006.00	3,251.91	2,169.35
Gain recognised on derecognition of leases	(1.25)	(0.33)	(2.17)	(4.23)	(0.66)
Employee stock option expenses	76.73	98.24	354.42	150.94	16.80
<b>Operating cashflow before working capital changes</b>	<b>(750.23)</b>	<b>(455.29)</b>	<b>(2,268.57)</b>	<b>(1,651.80)</b>	<b>(1,297.39)</b>
<i>Changes in Working Capital</i>					
Adjustments for (Increase) / Decrease in operating assets:					
Loans	(3508.52)	(1101.40)	(7,722.71)	(5,597.21)	(17,688.98)
Other non- financial assets	22.35	10.85	(83.10)	9.59	(18.26)
Other financial assets	(7.23)	(8.20)	(132.36)	5.02	(23.87)
<i>Adjustments for Increase / (Decrease) in operating liabilities:</i>					
Trade payables	(20.73)	(17.31)	43.31	20.48	36.97
Provisions	40.63	21.39	0.86	3.69	5.26
Other financial liabilities	109.63	205.04	184.59	17.49	0.59
Other non financial liabilities	(36.78)	(145.37)	(81.81)	11.51	3.37
<b>Net Cash (used in) operations</b>	<b>(4,150.88)</b>	<b>(1,490.29)</b>	<b>(10,059.79)</b>	<b>(7,181.23)</b>	<b>(18,982.31)</b>
Finance cost paid	(475.10)	(637.97)	(2,739.51)	(3,009.53)	(2,254.33)
Interest income received	3,249.90	2516.74	11,566.05	9,921.02	7,025.73
Direct taxes paid (net)	(369.61)	(329.62)	(1,538.34)	(1,302.93)	(1,021.89)
<b>Net cash from / (used in) operating activities (A)</b>	<b>(1,745.69)</b>	<b>58.86</b>	<b>(2,771.59)</b>	<b>(1,572.67)</b>	<b>(15,232.80)</b>
<b>Cash flow from investing activities</b>					
Purchase of property, plant and equipment	(25.95)	(5.55)	(86.29)	(32.44)	(97.10)
Proceeds from sale of property, plant and equipment	0.03	0.00	0.09	0.10	0.08
(Purchase)/redemption of mutual funds (Net)	15.18	(1,439.95)	209.02	131.90	101.82
(Purchase)/redemption of investments (Net)	590.23	-	(2,481.84)	-	-
Interest income on deposits with banks / others	95.51	51.89	215.53	177.88	266.29
Movement in bank balances other than cash and cash equivalents	(368.69)	(3381.89)	(1,695.36)	743.97	(1,590.43)
<b>Net cash from / (used in) investing activities (B)</b>	<b>306.31</b>	<b>(4,775.50)</b>	<b>(3,838.85)</b>	<b>1,021.41</b>	<b>(1,319.34)</b>
<b>Cash flow from financing activities</b>					
Proceeds from issue of equity shares	0.02	14.72	34.89	0.63	16.83
Proceeds from securities premium (net off utilisation)	2.54	5147.03	9019.38	2.28	3,152.53
Fresh borrowings during the period / year	2150.00	0.00	3154.10	23,617.90	17,816.63
Repayments of borrowings during the period / year	(2731.55)	(3265.96)	(12083.04)	(13,245.25)	(3,695.02)
Payment towards leases (excluding interest)	(17.60)	(13.60)	(55.09)	(50.26)	(37.61)
<b>Net cash from / (used in) financing activities (C)</b>	<b>(596.59)</b>	<b>1,882.19</b>	<b>70.24</b>	<b>10,325.30</b>	<b>17,253.36</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(2035.97)</b>	<b>(2,834.45)</b>	<b>(6,540.20)</b>	<b>9,774.04</b>	<b>701.22</b>
<b>Cash and cash equivalents at the beginning of the period/year</b>	<b>6,131.63</b>	<b>12,671.83</b>	<b>12,671.83</b>	<b>2,897.79</b>	<b>2,196.57</b>
<b>Cash and cash equivalents at the end of the period/year</b>	<b>4,095.66</b>	<b>9,837.38</b>	<b>6,131.63</b>	<b>12,671.83</b>	<b>2,897.79</b>

## GENERAL INFORMATION

Our Company was incorporated as Five-Star Business Credits Private Limited at Chennai, Tamil Nadu as a private limited company under the Companies Act, 1956, pursuant to a certificate of incorporation dated May 7, 1984, issued by the RoC. Our Company was converted from a private limited company to a public limited company pursuant to board resolution dated September 7, 1988 and special resolution passed by the Shareholders at the EGM dated October 3, 1988. Consequently, the name of our Company was changed from 'Five-Star Business Credits Private Limited' to 'Five-Star Business Credits Limited' and the certificate of incorporation was amended on October 3, 1988. The name of our Company was subsequently changed to 'Five-Star Business Finance Limited' pursuant to board resolution dated March 25, 2015 and special resolution passed by our Shareholders at the EGM held on April 12, 2016, and a fresh certificate of incorporation consequent upon change of name was issued by the RoC on May 13, 2016. For further details see, "*History and Certain Corporate Matters*" on page 219. Our Company is registered with the RBI to carry on the business of non-banking financial institution without accepting public deposits (certificate of registration no. B-07.00286). For details, see "*Government and Other Approvals*" beginning on page 390.

### Registered and Corporate Office

#### Five-Star Business Finance Limited

New No. 27, Old No. 4  
Taylor's Road, Kilpauk  
Chennai 600 010  
Tamil Nadu, India  
Registration No.: 010844

Corporate Identity Number: U65991TN1984PLC010844

### Address of the RoC

Our Company is registered with the RoC situated at the following address:

#### Registrar of Companies, Chennai at Tamil Nadu

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

### Board of Directors

As on the date of this Prospectus, our Board comprises the following:

Name	Designation	DIN	Address
Lakshmipathy Deenadayalan	Chairman & Managing Director	01723269	No. 39, Outer Circular Road, Kilpauk Garden Colony, Kilpauk, Chennai 600 010, Tamil Nadu, India
Anand Raghavan	Independent Director	00243485	22/1, Warren Road, Mylapore, Chennai 600 004, Tamil Nadu, India
Srinivasaraghavan Thiruvallur Thattai	Independent Director	00018247	New No. 9, Old No. 5, III Street Kasturi Estates, Chennai 600 086, Tamil Nadu, India
Bhama Krishnamurthy	Independent Director	02196839	401, Fourth Floor, Avarsekars Srushti, Old Prabhadevi Road, Prabhadevi, Mumbai 400 025, Maharashtra, India
Ramkumar Ramamoorthy	Independent Director	07936844	Flat B-13, Chaitanya Nest, Ratna Nagar, Teynampet, Chennai – 600 018
Ravishankar Ganapathyagraharam Venkataraman	Non-Executive Director*	02604007	Villa No. 2, Cluster No. 24, Jumeirah Islands, Dubai, United Arab Emirates
Vikram Vaidyanathan	Non-Executive Director**	06764019	GW 45, Divyasree 77, East Yemalur Main Road, Yemalur, Bangaluru 560 037, Karnataka, India
Thirulokchand Vasana	Non-Executive Director	07679930	1/143/1C, Thilak Street, Paneer Nagar, Mogappair East, Tiruvallur 600 037, Tamil Nadu, India

\* As a nominee of SCI Investments V

\*\* As a nominee of Matrix Partners India Investment Holdings II, LLC

For further details of our Board, see "*Our Management*" on page 227.

### Company Secretary and Compliance Officer

**Shalini Baskaran**

New No. 27, Old No. 4  
Taylor's Road, Kilpauk  
Chennai 600 010  
Tamil Nadu, India  
**Tel:** +91 44 4610 6260  
**E-mail:** cs@fivestargroup.in

**Investor Grievances**

Investors may contact the Company Secretary and Compliance Officer or the Registrar to the Offer in case of any pre-Offer or post-Offer related grievances including non-receipt of letters of Allotment, non-credit of Allotted Equity Shares in the respective beneficiary account, non-receipt of refund orders or non-receipt of funds by electronic mode, etc. For all Offer related queries and for redressal of complaints, investors may also write to the BRLMs.

All offer-related grievances, other than of Anchor Investors, may be addressed to the Registrar to the Offer with a copy to the relevant Designated Intermediary(ies) with whom the Bid cum Application Form was submitted, giving full details such as name of the sole or First Bidder, Bid cum Application Form number, Bidder's DP ID, Client ID, PAN, address of Bidder, number of Equity Shares applied for, ASBA Account number in which the amount equivalent to the Bid Amount was blocked or the UPI ID (for UPI Bidders who make the payment of Bid Amount through the UPI Mechanism), date of Bid cum Application Form and the name and address of the relevant Designated Intermediary(ies) where the Bid was submitted. Further, the Bidder shall enclose the Acknowledgment Slip or the application number from the Designated Intermediaries in addition to the documents or information mentioned hereinabove. All grievances relating to Bids submitted through Registered Brokers may be addressed to the Stock Exchanges with a copy to the Registrar to the Offer.

All offer-related grievances of the Anchor Investors may be addressed to the Registrar to the Offer, giving full details such as the name of the sole or First Bidder, Anchor Investor Application Form number, Bidders' DP ID, Client ID, PAN, date of the Anchor Investor Application Form, address of the Bidder, number of the Equity Shares applied for, Bid Amount paid on submission of the Anchor Investor Application Form and the name and address of the BRLMs where the Anchor Investor Application Form was submitted by the Anchor Investor.

**Filing of the Offer Document**

A copy of the Draft Red Herring Prospectus has been filed electronically with SEBI on SEBI's online portal and emailed to cfddil@sebi.gov.in, in accordance with the instructions issued by the SEBI on March 27, 2020, in relation to "Easing of Operational Procedure – Division of Issues and Listing – CFD" and has also been uploaded on the platform provided by SEBI at <https://siportal.sebi.gov.in>, in accordance with Regulation 25(8) of the SEBI ICDR Regulations and the SEBI circular bearing reference SEBI/HO/CFD/DIL1/CIR/P/2018/011 dated January 19, 2018.

A copy of the Red Herring Prospectus, along with the material contracts and documents required to be filed under Section 32 of the Companies Act, 2013 was filed with the RoC and a copy of this Prospectus shall be delivered for filing under Section 26 of the Companies Act, 2013 to the RoC situated at Registrar of Companies, Chennai at Tamil Nadu, Block No.6, B Wing, 2nd Floor, Shastri Bhawan, 26, Haddows Road, Chennai 600 034, Tamil Nadu, India and through the electronic portal at <http://www.mca.gov.in/mcafoportal/logininvalidateuser.do>.

**Book Running Lead Managers****ICICI Securities Limited**

ICICI Venture House,  
Appasaheb Marathe Marg,  
Prabhadevi, Mumbai 400 025  
Maharashtra, India  
**Tel:** +91 22 6807 7100

**E-mail:** five-star.ipo@icicisecurities.com

**Investor grievance e-mail:**

customercare@icicisecurities.com

**Website:** www.icicisecurities.com

**Contact person:** Sumit Singh/ Rupesh Khant

**SEBI Registration No:** INM000011179

**Edelweiss Financial Services Limited**

6th Floor, Edelweiss House  
Off CST Road, Kalina  
Mumbai 400 098  
Maharashtra, India  
**Tel:** +91 22 4009 4400

**E-mail:** fivestar.ipo@edelweissfin.com

**Investor grievance e-mail:** customerservice.mb@edelweissfin.com

**Website:** www.edelweissfin.com

**Contact person:** Manish Tejwani

**SEBI Registration No.:** INM0000010650

**Kotak Mahindra Capital Company Limited**

27 BKC, 1st Floor, Plot No. C – 27  
"G" Block, Bandra Kurla Complex  
Bandra (East)  
Mumbai 400 051

**Nomura Financial Advisory and Securities (India) Private Limited**

Ceejay House, Level 11 Plot F, Shivsagar Estate  
Dr. Annie Besant Road, Worli  
Mumbai 400 018  
Maharashtra, India

Maharashtra, India  
**Tel:** +91 22 4336 0000  
**E-mail:** five-starbusinessfinance.ipo@kotak.com  
**Investor grievance e-mail:**  
kmccredressal@kotak.com  
**Website:** <https://investmentbank.kotak.com/>  
**Contact person:** Ganesh Rane  
**SEBI Registration No:** INM000008704

**Tel:** +91 22 4037 4037  
**E-mail:** fivestariipo@nomura.com  
**Investor grievance e-mail:** investorgrievances-in@nomura.com  
**Website:**  
[www.nomuraholdings.com/company/group/asia/india/index.html](http://www.nomuraholdings.com/company/group/asia/india/index.html)  
**Contact person:** Vishal Kanjani / Radhika Shah  
**SEBI Registration No:** INM000011419

#### **Transaction Advisor to the Company and the Individual Promoters**

##### **Spark Financial Holdings Private Limited**

'Reflections', New No. 2  
Leith Castle Center Street  
Santhome High Road,  
Chennai 600 028  
Tamil Nadu, India  
**Tel:** +91 44 4344 0000

#### **Syndicate Members**

##### **Nuvama Wealth Management Limited (formerly known as Edelweiss Securities Limited)**

Edelweiss House, Off C.S.T. Road, Kalina  
Mumbai 400 098  
Maharashtra India  
**Tel:** +91-22-40635569  
**E-mail:** prakash.boricha@edelweissfin.com  
**Website:** [www.edelweissfin.com](http://www.edelweissfin.com)  
**Contact Person:** Prakash Boricha  
**SEBI Registration No.:** INZ000166136

##### **Kotak Securities Limited**

4<sup>th</sup> Floor, 12 BKC, G Block  
Bandra Kurla Complex, Bandra (East)  
Mumbai 400 051, India  
**Tel:** +91 22 6218 5470  
**E-mail:** umesh.gupta@kotak.com  
**Website:** [www.kotak.com](http://www.kotak.com)  
**Contact Person:** Umesh Gupta  
**SEBI Registration No.:** INZ000200137

#### **Legal Counsel to the Company as to Indian Law**

##### **Cyril Amarchand Mangaldas**

3rd Floor, Prestige Falcon Towers  
19, Brunton Road  
Bengaluru 560 025, Karnataka  
India  
**Tel:** +91 80 6792 2000

#### **Legal Counsel to the BRLMs as to Indian Law**

##### **Shardul Amarchand Mangaldas & Co**

Amarchand Towers  
216, Okhla Industrial Estate  
Phase III  
New Delhi 110 020  
India  
**Tel:** +91 11 4159 0700

#### **International Legal Counsel to the BRLMs**

##### **Sidley Austin LLP**

Level 31, Six Battery Road



Singapore 049 909  
Tel: +65 6230 3900

**Legal Counsel to the Corporate Promoters and Matrix Partners India Investments II Extension, LLC as to Indian Law**

**Khaitan & Co.**

3<sup>rd</sup> floor, Embassy Quest  
45/1, Magrath Road, Richmond Town  
Bengaluru 560025, Karnataka  
Tel.: +91 80 4339 7000

**Legal Counsel to TPG Asia VII SF Pte. Ltd., and Norwest Venture Partners X - Mauritius as to Indian Law**

**AZB & Partners**

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

**Statutory Auditors to our Company**

**S.R. Batliboi & Associates, LLP, Chartered Accountants**

6th Floor – “A” Block Tidel Park  
No. 4, Rajiv Gandhi Salai  
Taramani, Chennai – 600 113  
Tamil Nadu, India  
Tel: 044-61179000  
Firm registration number: 101049W/E300004  
Email: srba@srb.in  
Peer review number: 013325

**Changes in auditors**

Except as disclosed below, there have been no changes in the statutory auditors of the Company in the last three years preceding the date of this Prospectus.

S. No.	Auditor	Date of change	Reasons
1.	<b>S.R. Batliboi &amp; Associates, LLP, Chartered Accountants</b> 6 <sup>th</sup> Floor A Block, Tidel Park, No. 4 Rajiv Gandhi Salai, Taramani Chennai, Tamil Nadu 600 113 Tel: 044-61179000 Firm registration number: 101049W/E300004 Peer review number: 013325	March 11, 2022	Appointment as the Statutory Auditors of the Company by the Board and the Shareholders for the period from April 1, 2021 to March 31, 2024.
2.	<b>B S R &amp; Co. LLP</b> KRM Tower No. 1, Harrington Road, Chetpet Chennai 600 031 Tamil Nadu, India Tel: +91 44 4608 3100 Firm registration no.: 101248W/W-100022 Peer review certificate no.: 011748	February 11, 2022	Resignation pursuant to guidelines issued by the RBI for appointment of statutory auditors for certain categories of commercial banks, primary co-operative banks, NBFCs and HFCs

**Registrar to the Offer**

**KFin Technologies Limited**

(Formerly known as KFin Technologies Private Limited)

Selenium, Tower B  
Plot No- 31 and 32, Financial District  
Nanakramguda, Serilingampally  
Hyderabad, Rangareddi 500 032  
Telangana, India  
**Tel:** +91 40 6716 2222  
**E-mail:** fsbfl.ipo@kfintech.com  
**Investor grievance e-mail:** einward.ris@kfintech.com  
**Website:** www.kfintech.com  
**Contact Person:** M Murali Krishna  
**SEBI Registration No.:** INR000000221

#### **Bankers to the Offer**

#### **Escrow Collection Bank(s), Refund Bank(s) and Public Offer Bank(s)**

##### **ICICI Bank Limited**

Capital Market Division, 1<sup>st</sup> Floor  
122 Mistry Bhavan, DinshawVachha Road  
Backbay Reclamation, Churchgate  
Mumbai 400 020  
Maharashtra, India  
**Tel:** +91 22 66818911/23/24  
**Email:** sagar.welekar@icicibank.com  
**Website:** www.icicibank.com  
**Contact Person:** Sagar Welekar

#### **Sponsor Banks**

##### **ICICI Bank Limited**

Capital Market Division, 1<sup>st</sup> Floor  
122 Mistry Bhavan, DinshawVachha Road  
Backbay Reclamation, Churchgate  
Mumbai 400 020  
Maharashtra, India  
**Tel:** +91 22 66818911/23/24  
**Email:** sagar.welekar@icicibank.com  
**Website:** www.icicibank.com  
**Contact Person:** Sagar Welekar

##### **HDFC Bank Limited**

HDFC Bank Limited, FIG- OPS Department- Lodha  
I Think Techno Campus O-3 Level  
Next to Kanjurmarg, Railway Station, Kanjurmarg (East)  
Mumbai – 400042  
Maharashtra, India  
**Tel:** +91 22 30752914/28/29  
**Fax:** +91 22 25799801  
**Email:** eric.bacha@hdfcbank.com,  
siddharth.jadhav@hdfcbank.com,  
sachin.gawade@hdfcbank.com,  
tushar.gavankar@hdfcbank.com  
**Website:** www.hdfcbank.com  
**Contact Person:** Eric Bacha/Siddharth Jadhav/Sachin  
Gawade/Tushar Gavankar

#### **Bankers to the Company**

##### **Yes Bank Limited**

7th Floor, Lancor Westminister  
108, Dr R K Salai, Chennai 600 004  
Tamil Nadu, India  
**Tel:** +91 62 8219 2593  
**Email:** abin.paul2@yesbank.in  
**Website:** www.yesbank.in  
**Contact Person:** Abin Paul

##### **DCB Bank Limited**

No. 6, Rajaji Road  
Nungambakkam, Chennai 600 034  
Tamil Nadu, India  
**Tel:** +91 44 4050 0355  
**Email:** muralik@dcbbank.com  
**Website:** www.dcbbank.com  
**Contact Person:** K. Murali

**Indusind Bank Limited**

G N Chetty Road Office,  
New No. 34, (Old No. 115-116)  
G.N. Chetty Road, T. Nagar  
Chennai 600 017  
Tamil Nadu, India  
**Tel:** +91 44 2834 6300, +91 91769 25311  
**Email:** parthiban.velusamy@indusind.com  
**Website:** www.indusind.com  
**Contact Person:** Parthiban Velusamy

**RBL Bank Limited**

One World Center, Tower 2B  
6<sup>th</sup> Floor, 841, Senapati Bapat Marg  
Lower Parel (W)  
Mumbai 400 013  
**Tel:** +91 22 4302 0600  
**Email:** atish.mulay@rblbank.com  
**Website:** www.rblbank.com  
**Contact Person:** Atish Mulay

**State Bank of India Limited**

No. 86, Rajaji Salai  
Chennai 600 001  
**Tel:** +91 44 2525 5731  
**Email:** rm3.04804@sbi.co.in  
**Website:** www.sbi.co.in  
**Contact Person:** CM & Relationship Manager - III

**Designated Intermediaries****Self-Certified Syndicate Banks**

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

**SCSBs enabled for UPI Mechanism**

In accordance with SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, and SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019, UPI Bidders Bidding using the UPI Mechanism may apply through the SCSBs and mobile applications whose names appears on the website of the SEBI (<https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40>) and updated from time to time. A list of SCSBs and mobile applications, which are live for applying in public issues using UPI mechanism is provided as 'Annexure A' for the SEBI circular number SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019.

**Syndicate SCSB Branches**

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

**Registered Brokers**

The list of the Registered Brokers eligible to accept ASBA forms, including details such as postal address, telephone number and e-mail address, is provided on the websites of the BSE and the NSE at [www.bseindia.com/Markets/PublicIssues/brokercentres\\_new.aspx](http://www.bseindia.com/Markets/PublicIssues/brokercentres_new.aspx) and [www.nseindia.com/products/content/equities/ipo/ipo\\_mem\\_terminal.htm](http://www.nseindia.com/products/content/equities/ipo/ipo_mem_terminal.htm), respectively, as updated from time to time.

**Registrar and Share Transfer Agents**

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

**Collecting Depository Participants**

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

## Experts

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

Our Company has received written consent dated November 15, 2022 from S.R. Batliboi & Associates LLP, Chartered Accountants to include their name as required under Section 26(1) of the Companies Act, 2013 read with SEBI ICDR Regulations, in this Prospectus and as an “expert” as defined under Section 2(38) of the Companies Act, 2013 to the extent and in their capacity as our Statutory Auditors, and in respect of their (i) examination report, dated October 6, 2022, on our Restated Financial Information; and (ii) their report dated October 6, 2022 on the statement of special tax benefits in this Prospectus and such consent has not been withdrawn as on the date of this Prospectus. However, the term “expert” shall not be construed to mean an “expert” as defined under the U.S. Securities Act.

Our Company has received written consent dated November 9, 2021 from R P S V & Co., Chartered Accountants, independent chartered accountants, to include their name as an “expert” as defined under section 2(38) of the Companies Act and such consent has not been withdrawn as on the date of this Prospectus.

## Monitoring Agency

As the Offer is an offer for sale of Equity Shares, our Company is not required to appoint a monitoring agency for this Offer.

## Appraising Entity

As the Offer is an offer for sale of Equity Shares, our Company will not receive any proceeds from the Offer. Accordingly, no appraising entity has been appointed for the Offer.

## Credit Rating

As this is an Offer of Equity Shares, there is no credit rating required for the Offer.

## IPO Grading

As the Offer is an offer for sale of Equity Shares, no credit agency registered with SEBI has been appointed in respect of obtaining grading for the Offer.

## Debenture Trustees

As the Offer is an offer for sale of Equity Shares, the appointment of debenture trustees is not required.

## Green Shoe Option

No green shoe option is contemplated under the Offer.

## Inter-se allocation of responsibilities

The following table sets forth the inter-se allocation of responsibilities for various activities among the Book Running Lead Managers:

S. No.	Activity	Responsibility	Coordinator
1.	Capital structuring, due diligence of the Company including its operations/management/business plans/legal etc. Drafting and design of the Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus, abridged prospectus and application form. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing	I-Sec, Edel, Nomura, Kotak	I-Sec
2.	Drafting and approval of all statutory advertisement	I-Sec, Edel, Nomura, Kotak	I-Sec
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertising, brochure, etc. and filing of media compliance report	I-Sec, Edel, Nomura, Kotak	Kotak
4.	Appointment of intermediaries - Registrar to the Offer, advertising agency and printer, including coordination of all agreements to be entered into with such intermediaries	I-Sec, Edel, Nomura, Kotak	I-Sec
5.	Appointment of intermediaries - Banker(s) to the Offer, Sponsor Banks, and other intermediaries, including coordination of all agreements to be entered into with such intermediaries	I-Sec, Edel, Nomura, Kotak	Kotak
6.	International institutional marketing of the Offer, which will cover, <i>inter alia</i> : <ul style="list-style-type: none"> <li>• Marketing strategy;</li> <li>• Preparation of road show presentation and frequently asked questions</li> <li>• Finalizing the list and division of investors for one-to-one meetings; and</li> </ul>	I-Sec, Edel, Nomura, Kotak	Nomura

S. No.	Activity	Responsibility	Coordinator
	<ul style="list-style-type: none"> <li>Finalizing road show and investor meeting schedule</li> </ul>		
7.	Domestic institutional marketing of the Offer, which will cover, <i>inter alia</i> : <ul style="list-style-type: none"> <li>Marketing strategy;</li> <li>Finalizing the list and division of investors for one-to-one meetings; and</li> <li>Finalizing road show and investor meeting schedule</li> </ul>	I-Sec, Edel, Nomura, Kotak	I-Sec
8.	Conduct non-institutional marketing of the Offer, which will cover, inter-alia: <ul style="list-style-type: none"> <li>Finalising media, marketing and public relations strategy;</li> <li>Formulating strategies for marketing to Non-Institutional Investors</li> </ul>	I-Sec, Edel, Nomura, Kotak	Kotak
9.	Retail marketing of the Offer, which will cover, <i>inter alia</i> , <ul style="list-style-type: none"> <li>Finalising media, marketing and public relations strategy including list of frequently asked questions at retail road shows;</li> <li>Finalising centres for holding conferences for brokers, etc.;</li> <li>Follow-up on distribution of publicity and Offer material including application form, this Prospectus and deciding on the quantum of the Offer material; and</li> <li>Finalising collection centres</li> </ul>	I-Sec, Edel, Nomura, Kotak	Edel
10.	Coordination with Stock Exchanges for book building software, bidding terminals, mock trading, payment of 1% security deposit, anchor coordination, anchor CAN and intimation of anchor allocation	I-Sec, Edel, Nomura, Kotak	Edel
11.	Managing the book and finalization of pricing in consultation with the Company	I-Sec, Edel, Nomura, Kotak	Nomura
12.	Post-Offer activities, which shall involve essential follow-up with Bankers to the Offer and SCSBs to get quick estimates of collection and advising Company about the closure of the Offer, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, dispatch of certificates or demat credit and refunds, payment of STT on behalf of the Selling Shareholders and coordination with various agencies connected with the post-Offer activity such as Registrar to the Offer, Bankers to the Offer, Sponsor Banks, SCSBs including responsibility for underwriting arrangements, as applicable. Coordinating with Stock Exchanges and SEBI for submission of all post-Offer reports including the initial and final post-Offer report to SEBI, release of 1% security deposit post closure of the Offer	I-Sec, Edel, Nomura, Kotak	Edel

### Book Building Process

Book Building Process, in the context of the Offer, refers to the process of collection of Bids from investors on the basis of the Red Herring Prospectus, the Bid cum Application Forms and the Revision Forms within the Price Band. The Price Band, and minimum Bid Lot size were decided by our Company and the Selling Shareholders, in consultation with the BRLMs, and were advertised in all editions of Financial Express, an English national daily newspaper and all editions of Jansatta, a Hindi national daily newspaper and Chennai edition of Makkal Kural, a Tamil daily newspaper (Tamil being the regional language of Tamil Nadu, where our Registered and Corporate Office is located), each with wide circulation, at least two Working Days prior to the Bid/Offer Opening Date and was made available to the Stock Exchanges for the purpose of uploading on their respective websites. The Offer Price was determined by our Company and the Selling Shareholders, in consultation with the BRLMs after the Bid/Offer Closing Date.

**All Bidders, except Anchor Investors, were mandatorily required to use the ASBA process for participating in the Offer by providing details of their respective ASBA Account in which the corresponding Bid Amount was blocked by SCSBs. Anchor Investors were not permitted to participate in the Offer through the ASBA process.**

**In accordance with the SEBI ICDR Regulations, QIBs and Non-Institutional Bidders were not allowed to withdraw or lower the size of their Bids (in terms of the quantity of the Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders (subject to the Bid Amount being up to ₹200,000) could revise their Bids during the Bid/Offer Period and withdraw their Bids on or before the Bid/Offer Closing Date. Further, Anchor Investors could not withdraw their Bids after the Anchor Investor Bid/Offer Period. Allocation to the Anchor Investors was on a discretionary basis. Except for Allocation to RIBs, NIBs and the Anchor Investors, allocation in the Offer was on a proportionate basis.**

For further details on the method and procedure for Bidding, see “Offer Structure” and “Offer Procedure” on pages 413 and 416, respectively.

**Each Bidder by submitting a Bid in the Offer, was deemed to have acknowledged the above restrictions and the terms of the Offer.**

**The process of Book Building under the SEBI ICDR Regulations and the Bidding Process are subject to change from time to time and the Bidders are advised to make their own judgment about investment through this process prior to submitting a Bid in the Offer.**

Bidders should note that, the Offer is also subject to obtaining (i) the final approval of the RoC after this Prospectus is filed with the RoC; and (ii) final listing and trading approvals of the Stock Exchanges, which our Company shall apply for, after Allotment within six Working Days of the Bid/Offer Closing Date or such other time period as prescribed under applicable law.

### Explanation of Book Building and Price Discovery Process

For an explanation of the Book Building Process and the price discovery process, see “Offer Procedure” on page 416.

## Underwriting Agreement

Our Company and the Selling Shareholders have entered into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued and offered in the Offer. The Underwriting Agreement is dated November 15, 2022. Pursuant to the terms of the Underwriting Agreement, the obligations of each of the Underwriters are several and are subject to certain conditions specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Name, Address, Telephone Number and Email Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (in ₹ million)
<b>ICICI Securities Limited</b> ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025 Maharashtra, India Tel: +91 22 6807 7100 E-mail: five-star.ipo@icicisecurities.com	8,404,266	3,983.62
<b>Edelweiss Financial Services Limited</b> 6th Floor, Edelweiss House Off CST Road, Kalina Mumbai 400 098 Maharashtra, India Tel: +91 22 4009 4400 E-mail: fivestar.ipo@edelweissfin.com	8,404,165	3,983.57
<b>Kotak Mahindra Capital Company Limited</b> 1st Floor, 27 BKC, Plot No. C-27 G Block, Bandra Kurla Complex Bandra (East) Mumbai 400 051 Maharashtra, India Tel: +91 22 4336 0000 E-mail: five-starbusinessfinance.ipo@kotak.com	8,404,165	3,983.57
<b>Nomura Financial Advisory and Securities (India) Private Limited</b> Ceejay House, Level 11 Plot F, Shivsagar Estate Dr. Annie Besant Road, Worli Mumbai 400 018 Maharashtra, India Tel: +91 22 4037 4037 E-mail: fivestaripo@nomura.com	8,404,265	3,983.62
<b>Kotak Securities Limited</b> 4 <sup>th</sup> Floor, 12 BKC, G Block Bandra Kurla Complex, Bandra (East) Mumbai 400 051, India Tel: +91 22 6218 5470 E-mail: umesh.gupta@kotak.com	100	0.05
<b>Nuvama Wealth Management Limited (formerly known as Edelweiss Securities Limited)</b> Edelweiss House, Off C.S.T. Road, Kalina Mumbai 400 098 Maharashtra India Tel: +91-22-40635569 E-mail: prakash.boricha@edelweissfin.com	100	0.05
<b>Total</b>	<b>33,617,061</b>	<b>15,934.49</b>

The abovementioned underwriting commitments are indicative and will be finalised after finalisation of the Basis of Allotment and actual allocation in accordance with provisions of the SEBI ICDR Regulations.

In the opinion of our Board, the resources of the abovementioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with the SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. Our Board, at its meeting held on November 15, 2022, has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

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

Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors respectively procured by them in accordance with the Underwriting Agreement. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure subscribers for or subscribe to the Equity Shares to the extent of the defaulted amount in accordance with the Underwriting Agreement. The extent of underwriting obligations and the Bids to be underwritten in the Offer shall be as per the Underwriting Agreement.

## CAPITAL STRUCTURE

The equity share capital of our Company as at the date of this Prospectus is set forth below:

*(in ₹, except share data or as stated otherwise)*

		Aggregate value at face value	Aggregate value at Offer Price
<b>A</b>	<b>AUTHORISED SHARE CAPITAL<sup>(1)</sup></b>		
	550,000,000 Equity Shares	550,000,000	
<b>B</b>	<b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE OFFER</b>		
	291,366,120 Equity Shares	291,366,120	-
<b>C</b>	<b>PRESENT OFFER</b>		
	Offer for Sale of 33,617,061* Equity Shares <sup>(3)</sup>	33,617,061	15,934.49 million
<b>D</b>	<b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE OFFER</b>		
	291,366,120 Equity Shares	291,366,120	138,107.54 million
<b>E</b>	<b>SECURITIES PREMIUM ACCOUNT</b>		
	Before the Offer (in ₹ million)		23,143.69
	After the Offer (in ₹ million)		23,143.69

\* Subject to finalisation of the Basis of Allotment

- (1) For details in relation to the changes in the authorised share capital of our Company, see "History and Certain Corporate Matters – Amendments to our Memorandum of Association in the last 10 years" on page 219.
- (2) The Offer has been authorised by our Board of Directors pursuant to the resolution passed at their meeting dated September 8, 2021 and November 8, 2021 and by our Shareholders pursuant to the special resolution passed at their extraordinary general meeting dated October 8, 2021. Further, our Board has taken on record the approval for the Offer for Sale by the Selling Shareholders pursuant to its resolution dated November 8, 2021, October 6, 2022 and October 21, 2022. The Selling Shareholders have confirmed and authorised their participation in the Offer for Sale. For further details, see "Other Regulatory and Statutory Disclosures" on page 393.
- (3) The Equity Shares being offered by the Selling Shareholders have been held by the Selling Shareholders for a period of at least one year prior to the date of filing of the Draft Red Herring Prospectus in accordance with Regulation 8 of the SEBI ICDR Regulations and accordingly, are eligible for the Offer in accordance with the provisions of the SEBI ICDR Regulations. For details of authorisations for the Offer for Sale, see "Other Regulatory and Statutory Disclosures" on page 393.

### Notes to the Capital Structure

#### I. Equity share capital history of our Company

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

Date of allotment of equity shares	Nature of allotment	Nature of consideration	Number of equity shares	Face value per equity share (in ₹)	Issue price per equity share (in ₹)	Name of allottees/ shareholder
May 7, 1984	Subscription to MoA	Cash	90	100.00	100.00	Allotment of 10 equity shares each to R. Varalakshmi, R. Baskaran, D.Meera, R. Suguna , M.K. Mohan, S.D.V Chandru, K.Dhinakaran, C.Kalavathy, and C.Suguanthi.
July 16, 1984	Further Issue	Cash	1,210	100.00	100.00	Allotment of 240 equity shares to R. Varalakshmi, 240 equity shares to R. Baskaran, 40 equity shares to M.K. Mohan, 30 equity shares to S.D.V. Chandra, 40 equity shares to K. Dhinakaran, 250 equity shares to C. Suganthi, 40 equity shares to R. Suguna, 40 equity shares to C. Kalavathy, 40 equity shares to D. Meera, 50 equity shares to S.D.V. Dinakar and 200 equity shares to M. Geetha.*
September 20, 1984	Further Issue	Cash	450	100.00	100.00	Allotment of 50 equity shares each to V.K. Ranganathan, A. Chitrarasu, J. Vanitha, Y. Jamuna, S.D.V. Prakash, S.D.V. Nagesh, S.D.V. Jayakumar, D. Saroj and K. Dayalan.*
October 4, 1984	Further Issue	Cash	300	100.00	100.00	Allotment of 50 equity shares each to C. Appavu Naidu, V.K. Padmanaban, D. Meera, A. Balammal, P. Usha and B.C. Deenadayalan.*
November 20, 1984	Further Issue	Cash	100	100.00	100.00	Allotment of 50 equity shares each to B.C. Deenadayalan and D. Meera.*
December 18, 1984	Further Issue	Cash	100	100.00	100.00	Allotment of 50 equity shares each to C. Lakshmi and A. Rani.*

Date of allotment of equity shares	Nature of allotment	Nature of consideration	Number of equity shares	Face value per equity share (in ₹)	Issue price per equity share (in ₹)	Name of allottees/ shareholder
April 24, 1985	Further Issue	Cash	250	100.00	100.00	Allotment of 250 equity shares to M.K. Ganesh Ram.*
March 20, 1986	Further Issue	Cash	500	100.00	100.00	Allotment of 250 equity shares to S. Kunjithapatham, 100 equity shares to S. Jothi, 50 equity shares to T. Janardhanan, 50 equity shares to D. Radhakrishnan and 50 equity shares to R. Sreeramulu.*
May 14, 1986	Further Issue	Cash	200	100.00	100.00	Allotment of 50 equity shares each to T. Vijaya Babu, T. Hemlatha, T. Ganesh Kumar and T.B. Rao.*
February 25, 1987	Further Issue	Cash	50	100.00	100.00	Allotment of 50 equity shares to T.B. Rao.*
April 10, 1987	Further Issue	Cash	250	100.00	100.00	Allotment of 250 equity shares to V. Komalavatti.*
July 15, 1987	Further Issue	Cash	250	100.00	100.00	Allotment of 250 equity shares to L. Krishnan.*
June 29, 1988	Further Issue	Cash	600	100.00	100.00	Allotment of 50 equity shares to M.K. Ganesh Ram, 50 equity shares to R. Varalakshmi, 50 equity shares to S. Kunjithapatham, 50 equity shares to V.K. Ranganathan, 50 equity shares to A. Chitraraju, 50 equity shares to S. Jothi, 50 equity shares to S. Chandru, 20 equity shares to T. Vijaya Babu, 20 equity shares to T. Ganesh Kumar, 10 equity shares to T. Hemalatha, 50 equity shares to L. Krishnan, 50 equity shares to M.K. Mohan, 10 equity shares to K. Dinakaran, 10 equity shares to Y. Jamuna, 10 equity shares to J. Vanitha, 10 equity shares to D.Saroja, 10 equity shares to K. Dayalan, 50 equity shares to D. Meera.*
February 1, 1989	Further Issue	Cash	3,980	100.00	100.00	—*
March 8, 1989	Further Issue	Cash	1,126	100.00	100.00	—*
March 31, 1989	Further Issue	Cash	3,533	100.00	100.00	—*
November 22, 1989	Further Issue	Cash	2,691	100.00	100.00	—*
March 31, 1990	Further Issue	Cash	6,535	100.00	100.00	—*
September 7, 1990	Further Issue	Cash	2,955	100.00	100.00	—*
October 15, 1990	Further Issue	Cash	1,105	100.00	100.00	—*
November 21, 1990	Further Issue	Cash	1,175	100.00	100.00	—*
December 12, 1990	Further Issue	Cash	535	100.00	100.00	—*
January 12, 1991	Further Issue	Cash	740	100.00	100.00	—*
February 20, 1991	Further Issue	Cash	670	100.00	100.00	—*
March 15, 1991	Further Issue	Cash	485	100.00	100.00	—*
March 30, 1991	Further Issue	Cash	930	100.00	100.00	—*
April 17, 1991	Further Issue	Cash	460	100.00	100.00	—*
September 4, 1991	Further Issue	Cash	865	100.00	100.00	—*
October 1, 1991	Further Issue	Cash	720	100.00	100.00	—*
November 7, 1991	Further Issue	Cash	1,305	100.00	100.00	—*



Date of allotment of equity shares	Nature of allotment	Nature of consideration	Number of equity shares	Face value per equity share (in ₹)	Issue price per equity share (in ₹)	Name of allottees/ shareholder
December 4, 1991	Further Issue	Cash	420	100.00	100.00	—*
January 6, 1992	Further Issue	Cash	230	100.00	100.00	—*
February 5, 1992	Further Issue	Cash	550	100.00	100.00	—*
March 4, 1992	Further Issue	Cash	1,700	100.00	100.00	—*
March 31, 1992	Further Issue	Cash	8,930	100.00	100.00	—*
July 29, 1992	Sub-division of equity shares of face value of ₹100 each to equity shares of face value of ₹10 each					
August 12, 1992	Further Issue	Cash	14,300	10.00	10.00	—*
October 6, 1992	Further Issue	Cash	8,000	10.00	10.00	—*
November 18, 1992	Further Issue	Cash	28,000	10.00	10.00	—*
January 13, 1993	Further Issue	Cash	32,300	10.00	10.00	—*
February 3, 1993	Further Issue	Cash	13,000	10.00	10.00	—*
March 3, 1993	Further Issue	Cash	16,600	10.00	10.00	—*
March 31, 1993	Further Issue	Cash	31,900	10.00	10.00	—*
July 28, 1993	Further Issue	Cash	16,000	10.00	10.00	—*
September 15, 1993	Further Issue	Cash	19,400	10.00	10.00	—*
October 6, 1993	Further Issue	Cash	6,100	10.00	10.00	—*
November 10, 1993	Further Issue	Cash	5,100	10.00	10.00	—*
December 1, 1993	Further Issue	Cash	4,400	10.00	10.00	—*
February 9, 1994	Further Issue	Cash	17,800	10.00	10.00	—*
March 31, 1994	Further Issue	Cash	37,800	10.00	10.00	—*
August 31, 1994	Further Issue	Cash	51,100	10.00	10.00	—*
October 19, 1994	Further Issue	Cash	24,700	10.00	10.00	—*
November 16, 1994	Further Issue	Cash	7,800	10.00	10.00	—*
December 14, 1994	Further Issue	Cash	8,400	10.00	10.00	—*
January 11, 1995	Further Issue	Cash	28,300	10.00	10.00	—*
March 3, 1995	Further Issue	Cash	9,69,100	10.00	10.00	—*
March 31, 2001	Further Issue	Cash	1,98,500	10.00	10.00	—*
June 21, 2002	Issuance of equity shares to the shareholders of RKV Finance Limited	Share swap	7,81,800	10.00	10.00	-

Date of allotment of equity shares	Nature of allotment	Nature of consideration	Number of equity shares	Face value per equity share (in ₹)	Issue price per equity share (in ₹)	Name of allottees/ shareholder
	pursuant to the merger					
November 30, 2007	Preferential allotment	Cash	26,000	10.00	10.00	Allotment of 15,000 equity shares to R.Jayachandran, 1,000 equity shares to V.Rajaram and 10,000 equity shares to P.Vidhya.
March 31, 2008	Preferential allotment	Cash	160,000	10.00	10.00	Allotment of 18,000 equity shares to Hema Lakshmipathy, 32,000 equity shares to Lakshmipathy Deenadayalan, 2,500 equity shares to Deenadayalan Rangasamy, 10,000 equity shares to J.Sujatha, 2,500 equity shares to Vishnuvardhan Ravi, 2,500 equity shares to Naveen Ravi, 2,500 equity shares to Shivanth Bhaskaran, 2,500 equity shares to Prashanth Bhaskaran, 30,000 equity shares to R. Sugna, 20,000 equity shares to V.K. Ranganathan, 2,500 equity shares to G.R. Lavanya, 2,500 equity shares to Sujitha Ramgopal, 7,500 equity shares to N. Ramkumar, 15,000 equity shares to Swathi Priya and 10,000 equity shares to K.Venkatesan.
September 1, 2008	Preferential allotment	Cash	200,000	10.00	10.00	Allotment of 200,000 equity shares to D.Gouthaman.
September 30, 2008	Preferential allotment	Cash	280,000	10.00	10.00	Allotment of 92,000 equity shares to Lakshmipathy Deenadayalan, 138,000 equity shares to Hema Lakshmipathy, and 50,000 equity shares to Varalakshmi Deenadayalan.
November 30, 2008	Preferential allotment	Cash	6,000	10.00	10.00	Allotment of 2,000 equity shares to V.Balachandran, 2,000 equity shares to B.Sugna and 2,000 equity shares to C.Kavitha.
February 28, 2009	Preferential allotment	Cash	50,000	10.00	10.00	Allotment of 50,000 equity shares to V.Magesh Raman.
July 31, 2009	Preferential allotment	Cash	1,500	10.00	10.00	Allotment of 1,500 equity shares to Vidya Sasiraman.
June 18, 2010	Rights issue	Cash	700,000	10.00	12.50	Allotment of 40 equity shares to Murugappan N, 50 equity shares to Tiruvadanan B.S., 60 equity shares to Gajapathy V, 40 equity shares to Shermistah G, 20 equity shares to Vasantha A, 200 equity shares to Raajaram V, 120 equity shares to Ashoka Pathy G, 20 equity shares to Kanakaraj C, 20 equity shares to Ranji Prakash, 100 equity shares to Padma Haran, 40 equity shares to Venkatramani S, 240 equity shares to Vatchala A, 200 equity shares to Mohan A, 200 equity shares to Lakshmi A, 20 equity shares to Nagarajan D, 50 equity shares to Alwar A.K, 50 equity shares to Prabhakar A.K, 20 equity shares to Pitchandi H, 20 equity shares to Jayashree Sridharan, 20 equity shares to Sridharan R, 26,630 equity shares to Jayachandran R, 60 equity shares to Vasanthi Amma P.R, 40 equity shares to Sujaya C.K, 60 equity shares to Pavithran P.N, 60 equity shares to Krishnamoorthy M, 860 equity shares to Dinakar S.D.V, 200 equity shares to Goutam. D, 500 equity shares to Padmavathy D, 40 equity shares to Saraswathi V, 40 equity shares to Venkattachalam V, 20 equity shares to Asokan P, 40 equity shares to Gnanamoorthy S, 20 equity shares to Dandapani S, 1,080 equity shares to Subha Sankaran, 660 equity shares to Premakumari S, 710 equity shares to B.C Deenadayalan, 260 equity shares to Meera D, 20 equity shares to Jayarajan K, 100 equity shares to Prabha R, 250,000 equity shares jointly to R Anu Anand and Padma Anandan, 20 equity shares to Appadurai T, 60 equity shares to Suriyanarayan B, 20 equity shares to Dandapani S, 40 equity shares to Ramassamy S, 80 equity shares to Nandagopal M.N., 60 equity shares to Vijayalakshmi C, 20 equity shares to Arunkumar K, 40 equity shares to

Date of allotment of equity shares	Nature of allotment	Nature of consideration	Number of equity shares	Face value per equity share (in ₹)	Issue price per equity share (in ₹)	Name of allottees/ shareholder
						Thenaruvi V, 40 equity shares to Kuppusamy A, 80 equity shares to Nedumaran K, 1,400 equity shares to Nedunchezihian R.C., 1,000 equity shares to Chandra Nedunchezian, 20 equity shares to Radhakrishnan R, 4,790 equity shares jointly to R Anu Anand and Padma Anandan, 100 equity shares to Viswanathan S, 20 equity shares to Ambujam V, 20 equity shares to Viswanathan S, 80 equity shares to Nandakumar K, 40 equity shares to Kalyanakrishnan V, 20 equity shares to Lakshminarayanan B, 7,200 equity shares to Deenadayalan Rangasamy, 96,220 equity shares to Varalakshmi Deenadayalan,, 40 equity shares to Sathish Kumar. P, 40 equity shares to Selvaraj C, 296,500 equity shares jointly to R Anu Anand and Padma Anandan, 9,060 equity shares to Lakshmi pathy Deenadayalan and 60 equity shares to Somasundaram A. R.
July 31, 2010	Preferential allotment	Cash	700,000	10.00	12.50	Allotment of 700,000 equity shares jointly to Deepthi Anand and Padma Anandan.
March 28, 2011	Preferential allotment	Cash	1,577,000	10.00	35.00	Allotment of 1,050,000 equity shares jointly to V P Nandakumar and Sushama Nanadakumar, 457,000 equity shares to Lakshmi pathy Deenadayalan and 70,000 equity shares jointly to Varalakshmi Deenadayalan and Lakshmi pathy Deenadayalan.
July 18, 2011	Preferential allotment	Cash	235,000	10.00	35.00	Allotment of 65,000 equity shares jointly to M.Anandan and Anu Anandan, 110,000 equity shares to Lakshmi pathy Deenadayalan, 50,000 equity shares jointly to Hema Lakshmi pathy and Lakshmi pathy Deenadayalan and 10,000 equity shares jointly to Varalakshmi Deenadayalan and Lakshmi pathy Deenadayalan.
September 14, 2011	Preferential allotment	Cash	284,200	10.00	35.00	Allotment of 15,000 equity shares jointly to Hema Lakshmi pathy and Lakshmi pathy Deenadayalan, 204,200 equity shares to Lakshmi pathy Deenadayalan and 65,000 equity shares jointly to M Anandan and Anu Anand.
February 21, 2014	Preferential allotment	Cash	2,000,000	10.00	85.00	Allotment of 2,000,000 equity shares to Matrix Partners India Investment Holdings II, LLC.
February 3, 2015	Preferential allotment	Cash	1,200,000	10.00	130.00	Allotment of 1,200,000 equity shares to Matrix Partners India Investment Holdings II LLC.
September 29, 2015	Preferential allotment	Cash	350,000	10.00	130.00	Allotment of 350,000 equity shares to Lakshmi pathy Deenadayalan.
November 30, 2015	Preferential allotment	Cash	150,000	10.00	130.00	Allotment of 150,000 equity shares to Lakshmi pathy Deenadayalan.
June 30, 2016	Preferential allotment	Cash	3,565,052	10.00	319.63	Allotment of 3,565,052 equity shares to NHPEA Chocolate Holding B.V.
June 09, 2017	Exercise of ASOP 2015	Cash	188,000	10.00	10.00	Allotment of 128,000 equity shares to Rangarajan Krishnan, 40,000 equity shares to Srikanth Gopalakrishnan, 10,000 equity shares to S M Seshadri and 10,000 equity shares to K Arun Kumar.
August 18, 2017	Preferential allotment	Cash	4,715,302	10.00	674.40	Allotment of 1,890,569 equity shares to Norwest Venture Partners X – Mauritius, 1,890,569 equity shares to SCI Investments V, 904,508 equity shares to NHPEA Chocolate Holding B.V., 20,759 equity shares to Matrix Partners India Investment Holdings II, LLC and 8,897 equity shares to Matrix Partners Indian Investment II Extension, LLC.
September 25, 2017	Exercise of ASOP 2015	Cash	500	10.00	85.00	Allotment of 500 equity shares to R M Veerappan.
July 24, 2018	Exercise of ASOP 2015	Cash	8,000	10.00	130.00	Allotment of 8,000 equity shares to J Vishnuram.
August 3, 2018	Preferential allotment	Cash	46,86,828	10.00	1,320.72	Allotment of 2,884,784 equity shares to TPG Asia VII SF Pte. Ltd., 567,871 equity shares to Norwest Venture Partners X- Mauritius, 567,871 equity shares to SCI Investments V

Date of allotment of equity shares	Nature of allotment	Nature of consideration	Number of equity shares	Face value per equity share (in ₹)	Issue price per equity share (in ₹)	Name of allottees/ shareholder
						and 666,302 equity shares to NHPEA Chocolate Holdings B.V.
September 12, 2018	Exercise of ASOP 2015	Cash	500	10.00	85.00	Allotment of 500 equity shares to R M Veerappan.
December 12, 2018	Exercise of ASOP2015	Cash	1,000	10.00	130.00	Allotment of 1,000 equity shares to S Prashanth.
December 27, 2018	Exercise of ASOP 2015	Cash	25,000	10.00	10.00	Allotment of 25,000 equity shares to Srikanth Gopalakrishnan.
February 8, 2019	Exercise of ASOP 2015	Cash	1,600	10.00	130.00	Allotment of 1,000 equity shares to S M Seshathri and 600 equity shares to K Arunkumar.
February 28, 2019	Exercise of ASOP 2015	Cash	7,000	10.00	130.00	Allotment of 7,000 equity shares to S Parthasarathy.
March 29, 2019	Exercise of ASOP 2015	Cash	800	10.00	130.00	Allotment of 800 equity shares to Venkatesh Badrinarayanan.
May 16, 2019	Exercise of ASOP 2015	Cash	1,400	10.00	130.00	Allotment of 1,400 equity shares to Mahesh Gourishetty.
June 28, 2019	Exercise of ASOP 2015	Cash	200	10.00	130.00	Allotment of 200 equity shares to Venkatesh Badrinarayanan.
July 11, 2019	Exercise of ASOP 2015	Cash	50	10.00	130.00	Allotment of 50 equity shares to C Vishnu Prasad.
July 22, 2019	Preferential allotment	Cash	1,332,262	10.00	2,364.40	Allotment of 1,332,262 equity shares to TPG Asia VII SF Pte. Ltd.
August 8, 2019	Exercise of ASOP 2015	Cash	1,200	10.00	130.00	Allotment of 1,200 equity shares to S Prashanth.
September 24, 2019	Exercise of ASOP 2015	Cash	100	10.00	130.00	Allotment of 100 equity shares to Vishnuram Jagannathan.
September 24, 2019	Exercise of ASOP 2015	Cash	500	10.00	85.00	Allotment of 500 equity shares to R M Veerappan.
December 6, 2019	Exercise of ASOP 2015	Cash	119,238	10.00	10.00	Allotment of 100,000 equity shares to Rangarajan Krishnan and 19,238 equity shares to Srikanth Gopalakrishnan.
December 12, 2019	Exercise of ASOP 2015	Cash	55,762	10.00	10.00	Allotment of 50,000 equity shares to Rangarajan Krishnan and 5,762 equity shares to Srikanth Gopalakrishnan.
February 25, 2020	Issue of partly paid up equity shares - preferential allotment	Cash	750,000	10.00	2,364.40	Allotment of 725,000 equity shares to Lakshmiopathy Deenadayalan, 12,500 equity shares to Rangarajan Krishnan, 7,500 equity shares to Srikanth Gopalakrishnan and 5,000 equity shares to J Vishnuram. Such shares were partly paid and ₹1 per equity share was paid at the time of allotment of such equity shares, which were issued at an issue price of ₹2,364.40 ("Partly Paid-up Shares"). The Partly Paid-up Shares were made fully paid up on August 25, 2021, for the first and final call for the balance amount of ₹2,354.40 per equity share of face value of ₹10 each being made on the Partly Paid-up Shares.
March 21, 2020	Issue of partly paid up equity shares - Rights issue in the ratio of 7:45	Cash	967,597	10.00	1,037.94	Allotment of 800,000 equity shares, to Lakshmiopathy Deenadayalan, 51,522 equity shares to Rangarajan Krishnan, 37,284 equity shares to Srikanth Gopalakrishnan, 28,588 equity shares to R Jayachandran, 14,239 equity shares to J Vishnuram, 10,455 equity shares to Suguna R, 5,444 equity shares to V Magesh Raman, 3,500 equity shares to Ramkumar Nammalvar, 2,224 equity shares to Vidya P, 2,023 equity shares to Nikhil Jain, 1,960 equity shares to MAA Annamalai, 1,882 equity shares to Divya P, 1,556 equity shares to Vijayasathy, 1,556 equity shares to Venkatesan K, 856 equity shares to D P Jayakumar, 507 equity shares to Bogapathy Chakrapani Deenadayalan, 500 equity shares to G Bhaskaran, 389 equity shares to Gopalakrishnan Sridhar, 389 equity shares to Vijayakumari, 234 equity shares to Shreyans Jain, 224 equity shares to A Vatchala, 187 equity shares to Mohan Adikesavalu, 187

Date of allotment of equity shares	Nature of allotment	Nature of consideration	Number of equity shares	Face value per equity share (in ₹)	Issue price per equity share (in ₹)	Name of allottees/ shareholder
						equity shares to Adikesavalu Lakshmi, 173 equity shares to A Meyyappan, 171 equity shares to Sekar T Kuchelar, 171 equity shares to C Rajendra Raju, 171 equity shares to JL Property Holdings Private Limited, 156 equity shares to Bharatkumar C Jain, 93 equity shares to Ashok Kumar, 87 equity shares to Meera Deenadayalan, 78 equity shares to Meenakumari K R, 78 equity shares to K R Shakuntala, 78 equity shares to Venugopla Shanthi, 78 equity shares to S Mathiyalagan, 62 equity shares to P Jagannadham, 56 equity shares to Vasanthamma P R, 50 equity shares to Lakshmi V, 47 equity shares to V Aridhasan, 37 equity shares to Santosh D Surana, 31 equity shares to Saraswathy Mohan, 31 equity shares to Santosh Menon, 31 equity shares to Meenakshi, 31 equity shares to Parthasarathy Karunakaran, 31 equity shares to Raj Prakash Govindarajan, 19 equity shares to Dhanush D Surana, 19 equity shares to Suraj Kanwar, 16 equity shares to M Yashotha, 16 equity shares to Usha S, 16 equity shares to R Dillibabu, 16 equity shares to D Jaganaathan, 16 equity shares to Ramakrishnan D, 16 equity shares to K Vasundaradevi and 16 equity shares to C.G Venkatesan. Such shares were partly paid and ₹1 per equity share was paid at the time of allotment of such equity shares, which were issued at an issue price of ₹1,037.94 ("Partly Paid-up Shares"). The Partly Paid-up Shares were made fully paid up on August 25, 2021, for the first and final call for the balance amount of ₹1,027.94 per equity share of face value of ₹10 each being made on the Partly Paid-up Shares.
August 17, 2020	Exercise of ASOP 2015	Cash	52,000	10.00	10.00	Allotment of 42,000 equity shares to Rangarajan Krishnan and 10,000 equity shares to Srikanth Gopalakrishnan.
September 30, 2020	Exercise of ASOP 2015	Cash	1,400	10.00	130.00	Allotment of 1,400 equity shares to Mahesh Gourishetty.
October 22, 2020	Exercise of ASOP 2015	Cash	2,600	10.00	130.00	Allotment of 1,000 equity shares to Venkatesh Badrinarayanan, 1,000 equity shares to S M Seshathri and 600 equity shares to K Arunkumar.
November 10, 2020	Exercise of ASOP 2015	Cash	2,800	10.00	130.00	Allotment of 1,200 equity shares to S Prashanth, 1,000 equity shares to S M Seshathri and 600 equity shares to K Arunkumar.
November 30, 2020	Exercise of ASOP 2018	Cash	1,800	10.00	674.40	Allotment of 1,800 equity shares to Sanjay Chaturvedi.
December 4, 2020	Exercise of ASOP 2015	Cash	1,000	10.00	130.00	Allotment of 1,000 equity shares to T Sathya Ganesh.
March 5, 2021	Exercise of ASOP 2015	Cash	1,250	10.00	130.00	Allotment of 800 equity shares to Venkatesh Badrinarayanan and 450 equity shares to Vishnu Prasad.
April 26, 2021	Preferential allotment	Cash	1,471,771	10.00	3,518.71	Allotment of 1,015,729 equity shares to Sequoia Capital Global Growth Fund III- Endurance Partners L.P., 26,741 equity shares to Norwest Venture Partners X- Mauritius, 145,104 equity shares to Sirius II Pte. Ltd. and 284, 197 equity shares to TVS Shriram Growth Fund 3.
June 18, 2021	Exercise of ASOP 2015	Cash	200	10.00	130.00	Allotment of 200 equity shares to Venkatesh Badrinarayanan.
July 23, 2021	Exercise of ASOP 2015	Cash	2,600	10.00	130.00	Allotment of 1,400 equity shares to Mahesh Gourishetty and 1,200 equity shares to S Prashanth.
August 4, 2021	Exercise of ASOP 2015	Cash	5,570	10.00	130.00	Allotment of 5,570 equity shares to S Parthasarathy.
August 9, 2021	Preferential allotment	Cash	300,000	10.00	3,518.71	Allotment of 300,000 equity shares to Lakshmi Deenadayalan.
August 13, 2021	Exercise of ASOP 2015	Cash	3,800	10.00	130.00	Allotment of 3,800 equity shares to C Vishnu Prasad.

Date of allotment of equity shares	Nature of allotment	Nature of consideration	Number of equity shares	Face value per equity share (in ₹)	Issue price per equity share (in ₹)	Name of allottees/ shareholder
August 25, 2021	750,000 partly paid up equity shares allotted pursuant to preferential allotment dated February 25, 2020 were made fully paid up.					Allotment of 725,000 equity shares, to Lakshmi pathy Deenadayalan, 12,500 equity shares to Rangarajan Krishnan, 7,500 equity shares to Srikanth Gopalakrishnan and 5,000 equity shares to J Vishnuram. Such shares were partly paid and ₹1 per equity share was paid at the time of allotment of such equity shares, which were issued at an issue price of ₹2,364.40 ("Partly Paid-up Shares"). The Partly Paid-up Shares were made fully paid up on August 25, 2021, for the first and final call for the balance amount of ₹2,354.40 per equity share of face value of ₹10 each being made on the Partly Paid-up Shares.
August 25, 2021	967,597 partly paid up equity shares allotted pursuant to rights issue dated March 21, 2020 were made fully paid up.					Allotment of 800,000 equity shares, to Lakshmi pathy Deenadayalan, 51,522 equity shares to Rangarajan Krishnan, 37,284 equity shares to Srikanth Gopalakrishnan, 28,588 equity shares to R Jayachandran, 14,239 equity shares to J Vishnuram, 10,455 equity shares to Suguna R, 5,444 equity shares to V Magesh Raman, 3,500 equity shares to Ramkumar Nammalvar, 2,224 equity shares to Vidya P, 2,023 equity shares to Nikhil Jain, 1,960 equity shares to MAA Annamalai, 1,882 equity shares to Divya P, 1,556 equity shares to Vijayarathy, 1,556 equity shares to Venkatesan K, 856 equity shares to D P Jayakumar, 507 equity shares to Bogapathy Chakrapani Deenadayalan, 500 equity shares to G Bhaskaran, 389 equity shares to Gopalakrishnan Sridhar, 389 equity shares to Vijayakumari, 234 equity shares to Shreyans Jain, 224 equity shares to A Vatchala, 187 equity shares to Mohan Adikesavalu, 187 equity shares to Adikesavalu Lakshmi, 173 equity shares to A Meyyappan, 171 equity shares to Sekar T Kuchelar, 171 equity shares to C Rajendra Raju, 171 equity shares to JL Property Holdings Private Limited, 156 equity shares to Bharatkumar C Jain, 93 equity shares to Ashok Kumar, 87 equity shares to Meera Deenadayalan, 78 equity shares to Meenakumari K R, 78 equity shares to K R Shakuntala, 78 equity shares to Venugopla Shanthi, 78 equity shares to S Mathiyalagan, 62 equity shares to P Jagannadham, 56 equity shares to Vasanthamma P R, 50 equity shares to Lakshmi V, 47 equity shares to V Aridhasan, 37 equity shares to Santosh D Surana, 31 equity shares to Saraswathy Mohan, 31 equity shares to Santosh Menon, 31 equity shares to Meenakshi, 31 equity shares to Parthasarathy Karunakaran, 31 equity shares to Raj Prakash Govindarajan, 19 equity shares to Dhanush D Surana, 19 equity shares to Suraj Kanwar, 16 equity shares to M Yashotha, 16 equity shares to Usha S, 16 equity shares to R Dillibabu, 16 equity shares to D Jaganaathan, 16 equity shares to Ramakrishnan D, 16 equity shares to K Vasundaradevi and 16 equity shares to C.G Venkatesan. Such shares were partly paid and ₹1 per equity share was paid at the time of allotment of such equity shares, which were issued at an issue price of ₹1,037.94 ("Partly Paid-up Shares"). The Partly Paid-up Shares were made fully paid up on August 25, 2021, for the first and final call for the balance amount of ₹1,027.94 per equity share of face value of ₹10 each being made on the Partly Paid-up Shares.
August 30, 2021	Exercise of ASOP 2015	Cash	38,830	10.00	130.00	Allotment of 8,430 equity shares to S Parthasarathy, 6,500 equity shares to C Vishnu Prasad and 23,900 equity shares to J Vishnuram.

Date of allotment of equity shares	Nature of allotment	Nature of consideration	Number of equity shares	Face value per equity share (in ₹)	Issue price per equity share (in ₹)	Name of allottees/ shareholder
October 8, 2021	Sub-division of equity shares of face value of ₹10 each to equity shares of face value of ₹1 each. The issued, subscribed and paid-up capital of the Company after the sub-division is ₹290,135,120 comprising of 290,135,120 Equity Shares of face value of ₹1 each					
<b>Issuance of equity shares during the period of one year preceding the date of this Prospectus</b>						
December 22, 2021	Exercise of ASOP 2015	Cash	16,000	1.00	13.00	Allotment of 6,000 Equity Shares to K Arun Kumar and 10,000 Equity Shares to S M Seshathri.
December 22, 2021	Exercise of ASOP 2018	Cash	20,000	1.00	67.44	Allotment of 18,000 Equity Shares to Sanjay Chaturvedi and 2,000 Equity Shares to S Jayaraman.
January 12, 2022	Exercise of ASOP 2015	Cash	75,000	1.00	13.00	Allotment of 70,000 Equity Shares to S Parthasarathy and 5,000 Equity Shares to T Sathya Ganesh.
January 12, 2022	Exercise of ASOP 2018	Cash	50,000	1.00	67.44	Allotment of 50,000 Equity Shares to Vishnuram Jagannathan.
January 17, 2022	Exercise of ASOP 2018	Cash	925,000	1.00	67.44	Allotment of 6,75,000 Equity Shares to Rangarajan Krishnan and 2,50,000 Equity Shares to Srikanth Gopalakrishnan.
March 08, 2022	Exercise of ASOP 2015	Cash	34,000	1.00	13.00	Allotment of 34,000 Equity Shares to C Vishnu Prasad.
March 29, 2022	Exercise of ASOP 2015	Cash	88,000	1.00	13.00	Allotment of 80,000 Equity Shares to Vishnuram Jagannathan and 8,000 Equity Shares to Venkatesh Badrinarayanan.
June 08, 2022	Exercise of ASOP 2015	Cash	4,000	1.00	13.00	Allotment of 2,000 Equity Shares to Venkatesh Badrinarayanan and 2,000 Equity Shares to S Prashanth.
June 08, 2022	Exercise of ASOP 2018	Cash	19,000	1.00	132.072	Allotment of 3,000 Equity Shares to Shalini B and 16,000 Equity Shares to Sridharan V.

\* Certain corporate and secretarial records of our Company, including the shareholder minutes and RoC filings, are not traceable by our Company, or with the RoC, in connection with the allotment of equity shares between the date of incorporation of our Company and July 31, 2009. For further details, see "Risk Factors – Some of our corporate records, including those relating to allotments of our equity shares in the past, are not traceable" on page 30. Accordingly, certain details in relation to the allotments made during this period, including the list of allottees, cannot be ascertained.

Our Company does not have any outstanding preference shares as on the date of this Prospectus.

## 2. Equity Shares issued for consideration other than cash or out of revaluation reserves

Except as disclosed in the equity share capital history of our Company in relation to the allotment by our Company in lieu of shares of RKV Finance Limited, our Company has not issued any Equity Shares for consideration other than cash or out of revaluation of reserves since its incorporation. For further details, see "- Equity share capital history of our Company" on page 66.

## 3. Offer of Equity Shares pursuant to schemes of arrangement

Except as disclosed in the equity share capital history of our Company in relation to the allotment by our Company in lieu of shares of RKV Finance Limited, our Company has not allotted any Equity Shares pursuant to any scheme approved under Sections 391 to 394 of the Companies Act, 1956 or Sections 230 to 234 of the Companies Act, 2013. For further details, see "- Equity share capital history of our Company" on page 66.

## 4. Equity Shares issued in the preceding one year below the Offer Price

Except as disclosed in the equity share capital history of our Company, our Company has not issued any Equity Shares at a price that may be lower than the Offer Price during the last one year preceding the date of this Prospectus. For further details, see "- Equity share capital history of our Company" on page 66 and "Risk Factors - Our Company has issued Equity Shares during the preceding one year at a price that may be below the Offer Price." On page 44.

## 5. History of the Equity Share capital held by our Promoters

As on the date of this Prospectus, our Promoters hold in aggregate 113,925,243 Equity Shares, constituting 38.95% of the issued, subscribed and paid-up Equity Share capital of our Company. The details regarding our Promoters' shareholding is set forth below.

### a) Build-up of our Promoter's Equity shareholding in our Company

The build-up of the Equity shareholding of our Promoters since incorporation of our Company is set forth below:

Date of allotment/ transfer	Nature of transaction	Number of Equity Shares allotted/ transferred	Nature of consideration	Face value per Equity Share (₹)	Issue price/ Transfer price per Equity Share (₹)	Percentage of the pre-Offer capital (%)*	Percentage of the post-Offer capital (%)
<b>Lakshmiopathy Deenadayalan</b>							
March 22, 1999	Transfer from K. Premavathy	1,000	Cash	10.00	10.00	0.00%	0.00%
September 20, 2000	Transfer from G Pushpa & G Madhusudhanan	1,100	Cash	10.00	9.80	0.00%	0.00%
September 20, 2000	Transfer from N Mythili & N Rosi Naidu	1,000	Cash	10.00	9.80	0.00%	0.00%
September 20, 2000	Transfer from M/s RKV Finance Limited	32,600	Cash	10.00	5.00	0.11%	0.11%
March 21, 2001	Transfer from M/s RKV Finance Limited	16,000	Cash	10.00	5.00	0.05%	0.05%
March 31, 2001	Preferential allotment <sup>#</sup>	50,000	Cash	10.00	10.00	0.17%	0.17%
July 23, 2001	Transfer from M/s Sukam Enterprises	40,000	Cash	10.00	5.00	0.14%	0.14%
June 21, 2002	Preferential allotment <sup>#</sup>	163,500	Cash	10.00	10.00	0.56%	0.56%
June 21, 2002	Transfer from Kumari Anitha Krishnan jointly held with A Ravindran	100	Cash	10.00	7.50	0.00%	0.00%
June 21, 2002	Transfer from R Balaraman	100	Cash	10.00	7.50	0.00%	0.00%
June 21, 2002	Transfer from A Govinda Rao jointly held with N Mukhta	300	Cash	10.00	7.50	0.00%	0.00%
June 21, 2002	Transfer from K Sankaran	100	Cash	10.00	7.50	0.00%	0.00%
June 21, 2002	Transfer from T C Parai	100	Cash	10.00	7.50	0.00%	0.00%
June 21, 2002	Transfer from K Jayanthi	100	Cash	10.00	7.50	0.00%	0.00%
June 21, 2002	Transfer from M Gopalakrishna Chetty jointly held with M Sudhamani	100	Cash	10.00	5.00	0.00%	0.00%
June 21, 2002	Transfer from M Gopalakrishna Chetty jointly held with M Sudhamani	100	Cash	10.00	5.00	0.00%	0.00%
June 21, 2002	Transfer from K Janardhanan	150	Cash	10.00	7.50	0.00%	0.00%
June 21, 2002	Transfer from K J Vijayakumar	100	Cash	10.00	7.50	0.00%	0.00%
June 21, 2002	Transfer from N Ramasamy	500	Cash	10.00	7.50	0.00%	0.00%
June 21, 2002	Transfer from R Manoharan	200	Cash	10.00	7.50	0.00%	0.00%
June 21, 2002	Transfer from T T Arivuchelvi	100	Cash	10.00	7.50	0.00%	0.00%
December 30, 2002	Transfer from J Natarajan	100	Cash	10.00	7.50	0.00%	0.00%
December 30, 2002	Transfer from P Damodaran	100	Cash	10.00	7.50	0.00%	0.00%
December	Transfer from V	300	Cash	10.00	7.50	0.00%	0.00%



Date of allotment/ transfer	Nature of transaction	Number of Equity Shares allotted/ transferred	Nature of consideration	Face value per Equity Share (₹)	Issue price/ Transfer price per Equity Share (₹)	Percentage of the pre- Offer capital (%)*	Percentage of the post- Offer capital (%)
30, 2002	Gajendran						
December 30, 2002	Transfer from A Rathinam	100	Cash	10.00	7.50	0.00%	0.00%
December 30, 2002	Transfer from Rajamannar G	100	Cash	10.00	7.50	0.00%	0.00%
March 26, 2003	Transfer from P Usha	12,000	Cash	10.00	1.00	0.04%	0.04%
March 26, 2003	Transfer from V K Padmanabhan	8,000	Cash	10.00	1.00	0.03%	0.03%
September 12, 2003	Transfer from B Masilamani	500	Cash	10.00	7.50	0.00%	0.00%
March 22, 2004	Transfer from M/s Sukam Enterprises	17,500	Cash	10.00	10.00	0.06%	0.06%
September 6, 2006	Transfer from M. Kanagawalli	700	Cash	10.00	10.00	0.00%	0.00%
April 18, 2007	Transfer from R Sudhakar	100	Cash	10.00	10.00	0.00%	0.00%
September 3, 2007	Transfer from C. Sukumar	50,000	Cash	10.00	10.00	0.17%	0.17%
September 3, 2007	Transfer from A S P Ayyar	17,400	Cash	10.00	10.00	0.06%	0.06%
September 3, 2007	Transfer from B Ravi	10,000	Cash	10.00	10.00	0.03%	0.03%
September 3, 2007	Transfer from M/s Sukam Financial Services	20,400	Cash	10.00	10.00	0.07%	0.07%
November 30, 2007	Transfer from R Devi	125,550	Cash	10.00	10.00	0.43%	0.43%
November 30, 2007	Transfer from D Ramakrishnan	71,100	Cash	10.00	10.00	0.24%	0.24%
March 31, 2008	Preferential allotment	32,000	Cash	10.00	10.00	0.11%	0.11%
September 30, 2008	Preferential allotment	92,000	Cash	10.00	10.00	0.31%	0.31%
August 10, 2009	Transfer from S Soundari jointly held with G R Sundararajan	45,000	Cash	10.00	10.00	0.15%	0.15%
August 10, 2009	Transfer from G R Sundararajan jointly held with S Soundari	45,000	Cash	10.00	10.00	0.15%	0.15%
November 2, 2009	Transfer from D Srinivasan	700	Cash	10.00	10.00	0.00%	0.00%
November 2, 2009	Transfer from D Kavidha	150	Cash	10.00	10.00	0.00%	0.00%
November 2, 2009	Transfer from S Dhanasree	500	Cash	10.00	10.00	0.00%	0.00%
November 2, 2009	Transfer from R Sridhar	500	Cash	10.00	10.00	0.00%	0.00%
November 2, 2009	Transfer from S Jayakodi	300	Cash	10.00	10.00	0.00%	0.00%
November 2, 2009	Transfer from N Vijayakumar	100	Cash	10.00	10.00	0.00%	0.00%
November 2, 2009	Transfer from B Sudha	13,600	Cash	10.00	10.00	0.05%	0.05%
November 2, 2009	Transfer from K Boopathi	10,000	Cash	10.00	10.00	0.03%	0.03%
January 25, 2010	Transfer from T Kasthuri	100	Cash	10.00	11.50	0.00%	0.00%
January 25, 2010	Transfer from V Ganesan	100	Cash	10.00	11.50	0.00%	0.00%
January 25, 2010	Transfer from	100	Cash	10.00	11.50	0.00%	0.00%

Date of allotment/ transfer	Nature of transaction	Number of Equity Shares allotted/ transferred	Nature of consideration	Face value per Equity Share (₹)	Issue price/ Transfer price per Equity Share (₹)	Percentage of the pre- Offer capital (%)*	Percentage of the post- Offer capital (%)
2010	Subramanian						
January 25, 2010	Transfer from S Vijayalakshmi	100	Cash	10.00	11.50	0.00%	0.00%
January 25, 2010	Transfer from Gouthaman D	200,000	Cash	10.00	10.00	0.68%	0.68%
January 25, 2010	Transfer from D Kothai	30,000	Cash	10.00	10.00	0.10%	0.10%
January 25, 2010	Transfer from C R Shreenivas	400	Cash	10.00	11.50	0.00%	0.00%
June 18, 2010	Rights issue	9,060	Cash	10.00	12.50	0.03%	0.03%
June 18, 2010	Transfer from K Gajendran	300	Cash	10.00	12.50	0.00%	0.00%
June 18, 2010	Transfer to Deenadayalan Rangasamy	(120,000)	Cash	10.00	10.00	(0.41)%	(0.41)%
December 10, 2010	Transfer from S Rathana	100	Cash	10.00	12.50	0.00%	0.00%
April 9, 2011	Transfer from Ramesh T Lalwani jointly held with Sajni R Lalwani	500	Cash	10.00	35.00	0.00%	0.00%
April 9, 2011	Transfer from S Sudarshan	600	Cash	10.00	35.00	0.00%	0.00%
March 28, 2011	Preferential allotment	457,000	Cash	10.00	35.00	1.56%	1.56%
May 6, 2011	Transfer from P Packiasamy	500	Cash	10.00	35.00	0.00%	0.00%
July 18, 2011	Preferential allotment	110,000	Cash	10.00	35.00	0.38%	0.38%
August 18, 2011	Transfer from B Vijayaradhan	1,100	Cash	10.00	35.00	0.00%	0.00%
August 18, 2011	Transfer from Revathy Chandramohan	600	Cash	10.00	35.00	0.00%	0.00%
August 18, 2011	Transfer from A Umopathy & U Manimekalai	2,500	Cash	10.00	35.0	0.01%	0.01%
August 18, 2011	Transfer from K Dhanalakshmi	2,500	Cash	10.00	35.00	0.01%	0.01%
August 18, 2011	Transfer from Sulochana Venkatesan	2,500	Cash	10.00	35.00	0.01%	0.01%
September 14, 2011	Preferential allotment	204,200	Cash	10.00	35.00	0.70%	0.70%
December 5, 2011	Transfer from Selina Venkatesan	750	Cash	10.00	35.00	0.00%	0.00%
December 5, 2011	Transfer from Subha Sankaran	1,180	Cash	10.00	35.00	0.00%	0.00%
December 5, 2011	Transfer from R Sankaran	300	Cash	10.00	35.00	0.00%	0.00%
December 5, 2011	Transfer from C A Narasimhan	1,200	Cash	10.00	35.00	0.00%	0.00%
December 5, 2011	Transfer from N Maragatham	1,100	Cash	10.00	35.00	0.00%	0.00%
June 1, 2012	Transfer from K Saraswathi	1,000	Cash	10.00	35.00	0.00%	0.00%
November 5, 2012	Transfer from P Manohar	300	Cash	10.00	35.00	0.00%	0.00%
November 5, 2012	Transfer from R Mathanagopal	1,000	Cash	10.00	35.00	0.00%	0.00%
November 5, 2012	Transfer from S D V Thilakavathy	2,500	Cash	10.00	35.00	0.01%	0.01%

Date of allotment/ transfer	Nature of transaction	Number of Equity Shares allotted/ transferred	Nature of consideration	Face value per Equity Share (₹)	Issue price/ Transfer price per Equity Share (₹)	Percentage of the pre- Offer capital (%)*	Percentage of the post- Offer capital (%)
January 17, 2013	Transfer from R Geetha	500	Cash	10.00	35.00	0.00%	0.00%
March 5, 2013	Transfer from M Uma	300	Cash	10.00	35.00	0.00%	0.00%
March 5, 2013	Transfer from Ethirasammal	300	Cash	10.00	35.00	0.00%	0.00%
March 5, 2013	Transfer from S R Shridevi	2,500	Cash	10.00	35.00	0.01%	0.01%
September 3, 2014	Transfer from Veeralakshmi Vasantha	1,600	Cash	10.00	75.00	0.01%	0.01%
September 3, 2014	Transfer from C Prabhakar	300	Cash	10.00	75.00	0.00%	0.00%
September 30, 2014	Transfer from S Gokulakrishnan	100	Cash	10.00	75.00	0.00%	0.00%
September 30, 2014	Transfer from S Meera	100	Cash	10.00	75.00	0.00%	0.00%
February 28, 2015	Transfer from M Anandan	136,790	Cash	10.00	84.50	0.47%	0.47%
February 28, 2015	Transfer from D Goutham	1,200	Cash	10.00	100.00	0.00%	0.00%
March 18, 2015	Transfer from T V Prema	500	Cash	10.00	100.00	0.00%	0.00%
March 18, 2015	Transfer from C Premalatha	1,000	Cash	10.00	100.00	0.00%	0.00%
June 1, 2015	Transfer from S D V Dinakar	250	Cash	10.00	100.00	0.00%	0.00%
June 1, 2015	Transfer from R Uma	200	Cash	10.00	100.00	0.00%	0.00%
June 1, 2015	Transfer from R Rani	300	Cash	10.00	100.00	0.00%	0.00%
September 29, 2015	Preferential allotment	350,000	Cash	10.00	130.00	1.20%	1.20%
September 29, 2015	Transfer from L R Deepak Krishna	75,650	Cash	10.00	130.00	0.26%	0.26%
November 6, 2015	Transfer from S D V Prakash	4,500	Cash	10.00	130.00	0.02%	0.02%
November 30, 2015	Preferential allotment	150,000	Cash	10.00	130.00	0.51%	0.51%
August 1, 2016	Transfer from K Dayalan	3,400	Cash	10.00	150.00	0.01%	0.01%
August 4, 2016	Transfer from K Dhinakaran	4,300	Cash	10.00	150.00	0.01%	0.01%
August 4, 2016	Transfer from K Dayalan	1,400	Cash	10.00	150.00	0.00%	0.00%
August 4, 2016	Transfer from S D V Jayakumar	4,300	Cash	10.00	150.00	0.01%	0.01%
August 31, 2016	Transfer from D Saroja	1,200	Cash	10.00	150.00	0.00%	0.00%
September 23, 2016	Transfer from Haribabu B	55,750	Cash	10.00	150.00	0.19%	0.19%
September 23, 2016	Transfer from Haribabu B	6,750	Cash	10.00	150.00	0.02%	0.02%
August 28, 2017	Transfer from A K Alwar	300	Cash	10.00	300.00	0.00%	0.00%
August 28, 2017	Transfer from A K Prabhakar	300	Cash	10.00	300.00	0.00%	0.00%
September 15, 2017	Transfer from O R Venkatesan	500	Cash	10.00	300.00	0.00%	0.00%
September 15, 2017	Transfer from K M Lekshmi	1,000	Cash	10.00	300.00	0.00%	0.00%
September 25, 2017	Transfer from Latha G	200	Cash	10.00	300.00	0.00%	0.00%

Date of allotment/ transfer	Nature of transaction	Number of Equity Shares allotted/ transferred	Nature of consideration	Face value per Equity Share (₹)	Issue price/ Transfer price per Equity Share (₹)	Percentage of the pre- Offer capital (%)*	Percentage of the post- Offer capital (%)
September 25, 2017	Transfer from Murugappan N	240	Cash	10.00	300.00	0.00%	0.00%
October 17, 2017	Transfer to Norwest Venture Partners X - Mauritius	(111,210)	Cash	10.00	674.40	(0.38)%	(0.38)%
October 17, 2017	Transfer to SCI Investments V	(111,210)	Cash	10.00	674.40	(0.38)%	(0.38)%
November 15, 2017	Transfer from Sanjeevi Babu	200	Cash	10.00	300.00	0.00%	0.00%
May 8, 2018	Transfer from Chandrasekar N	300	Cash	10.00	600.00	0.00%	0.00%
May 8, 2018	Transfer from Uma Chandrasekar	800	Cash	10.00	600.00	0.00%	0.00%
May 8, 2018	Transfer from Vathsala Viswanathan	500	Cash	10.00	600.00	0.00%	0.00%
May 8, 2018	Transfer from Viswanathan L	1,200	Cash	10.00	600.00	0.00%	0.00%
May 8, 2018	Transfer from Haribabu B	50,000	Cash	10.00	750.00	0.17%	0.17%
August 3, 2018	Transfer to TPG Asia VII SF Pte. Ltd.	(142,449)	Cash	10.00	1,320.72	(0.49)%	(0.49)%
September 21, 2018	Transfer from Jayakumar D	300	Cash	10.00	1,000.00	0.00%	0.00%
September 29, 2018	Transfer from Dhanalakshmi S	100	Cash	10.00	1,000.00	0.00%	0.00%
September 29, 2018	Transfer from Krishnamurthy K	200	Cash	10.00	1,000.00	0.00%	0.00%
September 29, 2018	Transfer from Navaneetha Krishnan H	250	Cash	10.00	1,000.00	0.00%	0.00%
March 25, 2019	Transfer from Rajagopalan G	200	Cash	10.00	1,100.00	0.00%	0.00%
April 8, 2019	Transfer from P Vasuki	2,800	Cash	10.00	1,100.00	0.01%	0.01%
April 9, 2019	Transfer from Suguna Balachandran	2,000	Cash	10.00	1,100.00	0.01%	0.01%
April 15, 2019	Transfer from Sumathi S	100	Cash	10.00	1,100.00	0.00%	0.00%
May 22, 2019	Transfer from V Balachandran	2,000	Cash	10.00	1,100.00	0.01%	0.01%
May 22, 2019	Transfer from Sudhakar J	300	Cash	10.00	1,100.00	0.00%	0.00%
May 31, 2019	Transfer from Sumathi S	100	Cash	10.00	1,100.00	0.00%	0.00%
May 31, 2019	Transfer from U Sanjeevi	100	Cash	10.00	1,100.00	0.00%	0.00%
June 14, 2019	Transfer from Usha Srinivasan	500	Cash	10.00	1,100.00	0.00%	0.00%
August 7, 2019	Transfer from Sankaran S V	5,000	Cash	10.00	1,100.00	0.02%	0.02%
August 7, 2019	Transfer from Lalitha Sankaran	5,000	Cash	10.00	1,100.00	0.02%	0.02%
August 16, 2019	Transfer to Atma Ram Builders (P) Ltd.	(120,000)	Cash	10.00	1,250.00	(0.41)%	(0.41)%
November 29, 2019	Transfer from Ashokan Parasuraman	120	Cash	10.00	1,100.00	0.00%	0.00%

Date of allotment/ transfer	Nature of transaction	Number of Equity Shares allotted/ transferred	Nature of consideration	Face value per Equity Share (₹)	Issue price/ Transfer price per Equity Share (₹)	Percentage of the pre- Offer capital (%)*	Percentage of the post- Offer capital (%)
December 27, 2019	Transfer from Padmanabhan R S	100	Cash	10.00	1,100.00	0.00%	0.00%
February 25, 2020	Preferential allotment	725,000	Cash	10.00	2,364.40	2.48%	2.48%
March 16, 2020	Transfer from Nalini T	100	Cash	10.00	1,100.00	0.00%	0.00%
March 21, 2020	Preferential allotment	800,000	Cash	10.00	1,037.94	2.74%	2.74%
June 30, 2021	Transfer from Haribabu B	1,050	Cash	10.00	2,500.00	0.00%	0.00%
August 9, 2021	Preferential allotment	300,000	Cash	10.00	3,518.71	1.03%	1.03%
August 10, 2021	Transfer to Sirius II Pte. Ltd.	(225,000)	Cash	10.00	5,076.00	(0.77)%	(0.77)%
August 10, 2021	Transfer to TVS Shriram Growth Fund 3	(75,000)	Cash	10.00	5,076.00	(0.26)%	(0.26)%
September 2, 2021	Transfer from Atma Ram Builders (P) Ltd.	76,924	Cash	10.00	3,550.00	0.26%	0.26%
October 8, 2021	Sub-division of equity shares of face value of ₹10 each to equity shares of face value of ₹1 each						
December 10, 2021	Transfer to Bay Capital Holdings Limited	(578,679)	Cash	1.00	744.46	(0.20)%	(0.20)%
January 11, 2022	Transfer to Alpha Wave Ventures II, LP	(1,271,321)	Cash	1.00	744.46	(0.43)%	(0.43)%
August 30, 2022	Transfer to TPG Asia VII SF Pte. Ltd.	(1,620,234)	Cash	1.00	490.67	(0.55)%	(0.55)%
September 8, 2022	Transfer to Catalyst Trusteeship Limited acting as trustee of MICP Trust	(6,550)	Cash	1.00	490.67	0.00%	0.00%
September 8, 2022	Transfer to Catalyst Trusteeship Limited acting as trustee of MITF Trust	(209,626)	Cash	1.00	490.67	(0.07)%	(0.07)%
September 12, 2022	Transfer to Duro One Investments Limited	(1,712,587)	Cash	1.00	490.67	(0.59)%	(0.59)%
September 12, 2022	Transfer to Duro India Opportunities Fund Pte. Ltd.	(555,741)	Cash	1.00	490.67	(0.19)%	(0.19)%
September 13, 2022	Transfer to Spirit Capital	(1,242,034)	Cash	1.00	490.67	(0.42)%	(0.42)%
<b>Sub Total (A)</b>		<b>30,690,678</b>				<b>10.49%</b>	<b>10.49%</b>
<b>Hema Lakshmi</b>							
November 22, 1989	Preferential allotment <sup>#</sup>	45	Cash	100.00	100.00	0.00%	0.00%
September 7, 1990	Preferential allotment <sup>#</sup>	25	Cash	100.00	100.00	0.00%	0.00%
October 6, 1992	Preferential allotment <sup>#</sup>	700	Cash	10.00	10.00	0.00%	0.00%
March 3, 1993	Preferential allotment <sup>#</sup>	400	Cash	10.00	10.00	0.00%	0.00%
March 31, 1993	Preferential allotment <sup>#</sup>	700	Cash	10.00	10.00	0.00%	0.00%

Date of allotment/ transfer	Nature of transaction	Number of Equity Shares allotted/ transferred	Nature of consideration	Face value per Equity Share (₹)	Issue price/ Transfer price per Equity Share (₹)	Percentage of the pre- Offer capital (%)*	Percentage of the post- Offer capital (%)
June 24, 1993	Transfer from Rajagopal S	100	Cash	10.00	10.00	0.00%	0.00%
June 24, 1993	Transfer from Ponnambalam M	100	Cash	10.00	10.00	0.00%	0.00%
June 24, 1993	Transfer from Simon	100	Cash	10.00	10.00	0.00%	0.00%
June 24, 1993	Transfer from Vanaja S	100	Cash	10.00	10.00	0.00%	0.00%
June 24, 1993	Transfer from Arunachalam V	100	Cash	10.00	10.00	0.00%	0.00%
February 9, 1994	Preferential allotment <sup>#</sup>	2,000	Cash	10.00	10.00	0.01%	0.01%
January 11, 1995	Transfer from Seetha R.	1000	Cash	10.00	10.00	0.00%	0.00%
January 11, 1995	Transfer from Latha R	1,000	Cash	10.00	10.00	0.00%	0.00%
January 11, 1995	Transfer from Ramalingam N,	300	Cash	10.00	10.00	0.00%	0.00%
March 3, 1995	Preferential allotment <sup>#</sup>	2,700	Cash	10.00	10.00	0.01%	0.01%
June 19, 1999	Transfer from J Krishnamurthy	5,000	Cash	10.00	5.00	0.02%	0.02%
June 19, 1999	Transfer from K Venkatesan	5,000	Cash	10.00	5.00	0.02%	0.02%
September 20, 2000	Transfer from R Kasthuri	100	Cash	10.00	8.00	0.00%	0.00%
September 20, 2000	Transfer from T Selvi	500	Cash	10.00	8.00	0.00%	0.00%
September 20, 2000	Transfer from K Jayapal	800	Cash	10.00	8.00	0.00%	0.00%
September 20, 2000	Transfer from G J Radhakrishnan	100	Cash	10.00	10.00	0.00%	0.00%
September 20, 2000	Transfer from R Gomathi G J Radhakrishnan	100	Cash	10.00	8.50	0.00%	0.00%
September 20, 2000	Transfer from D Banumathi	100	Cash	10.00	8.00	0.00%	0.00%
September 20, 2000	Transfer from V Eswaran	100	Cash	10.00	8.00	0.00%	0.00%
September 20, 2000	Transfer from G Narasimalu	100	Cash	10.00	8.00	0.00%	0.00%
September 20, 2000	Transfer from B Jayanthi	300	Cash	10.00	8.50	0.00%	0.00%
September 20, 2000	Transfer from S Rajendran jointly held with Thangam Rajendran	100	Cash	10.00	10.00	0.00%	0.00%
September 20, 2000	Transfer from Annadurai P Kuppuswamy	200	Cash	10.00	10.00	0.00%	0.00%
September 20, 2000	Transfer from R K V Finance	22,000	Cash	10.00	5.00	0.08%	0.08%
March 21, 2001	Transfer from R K V Finance	14,000	Cash	10.00	5.00	0.05%	0.05%
March 21, 2001	Transfer from Veekay Investments	2,500	Cash	10.00	8.00	0.01%	0.01%
March 29, 2002	Transfer from B. Santhalakshmi	10,000	Cash	10.00	5.00	0.03%	0.03%
June 21, 2002	Preferential allotment <sup>#</sup>	214,650	Cash	10.00	10.00	0.73%	0.73%

Date of allotment/ transfer	Nature of transaction	Number of Equity Shares allotted/ transferred	Nature of consideration	Face value per Equity Share (₹)	Issue price/ Transfer price per Equity Share (₹)	Percentage of the pre- Offer capital (%)*	Percentage of the post- Offer capital (%)
December 30, 2002	Transfer from B Dayalan	100	Cash	10.00	7.50	0.00%	0.00%
June 30, 2004	Transfer from R Rajendran	50,000	Cash	10.00	10.00	0.17%	0.17%
June 30, 2004	Transfer from Sukam Financial Service Pvt. Ltd	20,000	Cash	10.00	10.00	0.07%	0.07%
December 13, 2004	Transfer from N Gopalkrishnan	5,000	Cash	10.00	7.50	0.02%	0.02%
March 11, 2005	Transfer to M. R Bakthavachalu	(7,800)	Cash	10.00	10.00	(0.03)%	(0.03)%
June 6, 2005	Transfer from Jayaseelan,	100	Cash	10.00	10.00	0.00%	0.00%
June 6, 2005	Transfer from D Padmavathi,	100	Cash	10.00	10.00	0.00%	0.00%
June 6, 2005	Transfer from Satish	100	Cash	10.00	10.00	0.00%	0.00%
June 6, 2005	Transfer from Suresh	100	Cash	10.00	10.00	0.00%	0.00%
June 6, 2005	Transfer from E Rajesh	100	Cash	10.00	10.00	0.00%	0.00%
June 6, 2005	Transfer from Satish Kumar	200	Cash	10.00	10.00	0.00%	0.00%
June 6, 2005	Transfer to S V Sankaran	(2500)	Cash	10.00	10.00	(0.01)%	(0.01)%
June 6, 2005	Transfer to C. Suganthi	(1,600)	Cash	10.00	10.00	(0.01)%	(0.01)%
June 6, 2005	Transfer to Devadoss	(200)	Cash	10.00	10.00	0.00%	0.00%
September 5, 2005	Transfer from H.K Haridass	300	Cash	10.00	7.50	0.00%	0.00%
September 5, 2005	Transfer to K. Karvanan	(100)	Cash	10.00	10.00	0.00%	0.00%
December 2, 2005	Transfer from K. Kumudhavalli	600	Cash	10.00	10.00	0.00%	0.00%
March 1, 2006	Transfer to M.K Ganeshram	(2,500)	Cash	10.00	10.00	(0.01)%	(0.01)%
May 29, 2006	Transfer to S.V Sankaran	(2,500)	Cash	10.00	10.00	(0.01)%	(0.01)%
January 20, 2007	Transfer from L. Janarthanan	17,500	Cash	10.00	10.00	0.06%	0.06%
January 20, 2007	Transfer from Umadevi	500	Cash	10.00	9.50	0.00%	0.00%
April 18, 2007	Transfer from Subburathinam	1,700	Cash	10.00	9.00	0.01%	0.01%
February 25, 2008	Transfer from K Induvasini	700	Cash	10.00	10.00	0.00%	0.00%
March 31, 2008	Preferential Allotment	18,000	Cash	10.00	10.00	0.06%	0.06%
June 23, 2008	Transfer from L Subramanian	500	Cash	10.00	10.00	0.00%	0.00%
June 23, 2008	Transfer from S. Asokan	1,000	Cash	10.00	10.00	0.00%	0.00%
June 23, 2008	Transfer from A. Ramalakshmi	100	Cash	10.00	10.00	0.00%	0.00%
September 1, 2008	Transfer from D. Ravichandranan,	500	Cash	10.00	10.00	0.00%	0.00%
September 1, 2008	Transfer from N. Ramu	100	Cash	10.00	10.00	0.00%	0.00%
September 30, 2008	Preferential Allotment	138,000	Cash	10.00	10.00	0.47%	0.47%
August 10, 2009	Transfer from D. Rajasekar	1000	Cash	10.00	10.00	0.00%	0.00%

Date of allotment/ transfer	Nature of transaction	Number of Equity Shares allotted/ transferred	Nature of consideration	Face value per Equity Share (₹)	Issue price/ Transfer price per Equity Share (₹)	Percentage of the pre- Offer capital (%)*	Percentage of the post- Offer capital (%)
August 10, 2009	Transfer from G. Banumathy	1,000	Cash	10.00	10.00	0.00%	0.00%
August 10, 2009	Transfer from D Chandrasekar	3,900	Cash	10.00	10.00	0.01%	0.01%
August 10, 2009	Transfer from N.Damodaran	3,000	Cash	10.00	10.00	0.01%	0.01%
August 10, 2009	Transfer from R.Kasthuri	1,000	Cash	10.00	10.00	0.00%	0.00%
June 18, 2010	Transfer from M. Manoham	100	Cash	10.00	12.50	0.00%	0.00%
December 1, 2010	Transfer from Vijayakumari D	100	Cash	10.00	12.50	0.00%	0.00%
July 18, 2011	Preferential Allotment	50,000	Cash	10.00	35.00	0.17%	0.17%
September 14, 2011	Preferential Allotment	15,000	Cash	10.00	35.00	0.05%	0.05%
September 19, 2011	Transfer from V SwathyPriya	15,000	Cash	10.00	35.00	0.05%	0.05%
October 10, 2011	Transfer from V. Srinivasan	3,000	Cash	10.00	35.00	0.01%	0.01%
October 10, 2011	Transfer from S. Brahadhambal	2,000	Cash	10.00	35.00	0.01%	0.01%
September 1, 2012	Transfer from K Jayasingh	4,700	Cash	10.00	35.00	0.02%	0.02%
December 29, 2012	Transfer from V.P. Nandakumar jointly held with Sushama Nandakumar	840,000	Cash	10.00	37.00	2.87%	2.87%
February 28, 2015	Transfer from Deepthi Anand	140,660	Cash	10.00	84.50	0.48%	0.48%
February 28, 2015	Transfer from R. Anu Anand	562,550	Cash	10.00	84.50	1.92%	1.92%
April 21, 2015	Transfer from M.K Ganeshram	16,000	Cash	10.00	130.00	0.05%	0.05%
Mach 15, 2017	Transfer from Lankupalli Raviprasad Raghavan	42,000	Cash	10.00	375.00	0.14%	0.14%
April 19, 2017	Transfer from G. Gopal	2,000	Cash	10.00	200.00	0.01%	0.01%
June 29, 2017	Transfer to M/s Matrix Partners India Investment Holdings II, LLC	(140,000)	Cash	10.00	319.63	(0.48)%	(0.48)%
June 29, 2017	Transfer to M/s Matrix Partners India Investment II, Extension, LLC	(11,000)	Cash	10.00	319.63	(0.04)%	(0.04)%
February 15, 2018	Transfer from Gunasekaran R, Geetha Sekar, Selvakumar N, Muralikrishnan N and Sivakumar G	5,300	Cash	10.00	675.00	0.02%	0.02%
May 28, 2015	Transfer from B C Deendayalan and D Meera	2,000	Cash	10.00	825.00	0.01%	0.01%
August 20, 2019	Transfer from Prathima Ganesh Ram	6,000	Cash	10.00	1,100.00	0.02%	0.02%
October 8, 2021	Sub-division of equity shares of face value of ₹10 each to equity shares of face value of ₹1 each						



Date of allotment/ transfer	Nature of transaction	Number of Equity Shares allotted/ transferred	Nature of consideration	Face value per Equity Share (₹)	Issue price/ Transfer price per Equity Share (₹)	Percentage of the pre- Offer capital (%)*	Percentage of the post- Offer capital (%)
<b>Sub Total (B)</b>		<b>20,890,600</b>				<b>7.14%</b>	<b>7.14%</b>
<b>Shritha Lakshmipathy</b>							
March 29, 2002	Transfer from T Lakshminarayanan	10,000	Cash	10.00	5	0.03%	0.03%
March 29, 2002	Transfer from B Santhalakshmi	10,000	Cash	10.00	5	0.03%	0.03%
<b>Sub Total (C)</b>		<b>200,000</b>				<b>0.07%</b>	<b>0.07%</b>
<b>SCI Investments V</b>							
August 18, 2017	Preferential Allotment	1,890,569	Cash	10.00	674.40	6.46%	6.46%
October 17, 2017	Transfer from Lakshmipathy Deenadayalan	111,210	Cash	10.00	674.40	0.38%	0.38%
August 3, 2018	Preferential Allotment	567,871	Cash	10.00	1,320.72	1.94%	1.94%
October 8, 2021	Sub-division of equity shares of face value of ₹10 each to equity shares of face value of ₹1 each						
<b>Sub Total (D)</b>		<b>25,696,500</b>				<b>8.79%</b>	<b>8.79%</b>
<b>Matrix Partners India Investment Holdings II, LLC</b>							
February 21, 2014	Preferential Allotment	2,000,000	Cash	10.00	85.00	6.84%	6.84%
May 21, 2014	Transfer from M K Ganesh Ram	20,000	Cash	10.00	76.00	0.07%	0.07%
February 3, 2015	Preferential Allotment	1,200,000	Cash	10.00	130.00	4.10%	4.10%
March 31, 2015	Transfer from R. Deepthi Anand jointly held with Padma Anandan	565,240	Cash	10.00	235.00	1.93%	1.93%
March 31, 2015	Transfer from Varalakshmi Deenadayalan	155,000	Cash	10.00	235.00	0.53%	0.53%
June 29, 2017	Transfer from Hema Lakshmipathy	140,000	Cash	10.00	319.63	0.48%	0.48%
August 18, 2017	Preferential Allotment	20,759	Cash	10.00	674.40	0.07%	0.07%
October 8, 2021	Sub-division of equity shares of face value of ₹10 each to equity shares of face value of ₹1 each						
September 16, 2022	Transfer to IIFL Special Opportunities Fund – Series 9	(3,653,210)	Cash	1.00	516.05	(1.25)%	(1.25)%
September 16, 2022	Transfer to IIFL Special Opportunities Fund – Series 10	(909,315)	Cash	1.00	516.05	(0.31)%	(0.31)%
<b>Sub Total (E)</b>		<b>36,447,465</b>				<b>12.46%</b>	<b>12.46%</b>
<b>Total (A+B+C+D+E)</b>		<b>113,925,243</b>				<b>38.95%</b>	<b>38.95%</b>

\* Our pre- Offer paid up share capital has been considered on a fully diluted basis, considering the vested stock options as on the date of this Prospectus.

# Certain corporate and secretarial records of our Company, including the shareholder minutes and Roc filings, are not traceable by our Company, or with the RoC, in connection with the allotment of equity shares between the date of incorporation of our Company and July 31, 2009. For further details, see "Risk Factors – Some of our corporate records, including those relating to allotments of our Equity Shares in the past, are not traceable" on page 30. Accordingly, certain details in relation to the allotments made during this period, including the list of allottees, cannot be ascertained.

#### b) Details of Promoters' Contribution and Lock-in

- (i) In accordance with Regulation 14 and Regulation 16 of the SEBI ICDR Regulations, an aggregate of 20% of the fully diluted post-Offer Equity Share capital of our Company held by our Promoters (assuming exercise of vested options, if any, under the ASOP), shall be locked in for a period of eighteen months from the date of Allotment or any other date as may be specified by SEBI and the shareholding of our Promoters in excess of

20% of the fully diluted post-Offer Equity Share capital shall be locked in for a period of six months from the date of Allotment or any other date as may be specified by SEBI.

- (ii) The details of the Equity Shares held by our Promoters, which shall be locked-in for a period of eighteen months from the date of Allotment, are set forth below:

Name of the Promoter	Number of equity shares locked-in <sup>(1)(2)</sup>	Date of allotment/transfer*	Nature of transaction	Face value (₹)	Issue/ Acquisition price per equity share (₹)	Percentage of pre-Offer paid-up equity share capital <sup>^</sup>	Percentage of post-Offer paid-up equity share Capital <sup>^</sup>
SCI Investments V	877,498	August 18, 2017	Preferential Allotment	10	674.4	3.00%	3.00%
		October 8, 2021	<i>Sub-division of equity shares of face value of ₹10 each to equity shares of face value of ₹1 each</i>				
<b>Sub Total (A)</b>	<b>8,774,980</b>					<b>3.00%</b>	<b>3.00%</b>
Matrix Partners India Investment Holdings II, LLC	438,749	February 21, 2014	Preferential Allotment	10	85	1.50%	1.50%
		October 8, 2021	<i>Sub-division of equity shares of face value of ₹10 each to equity shares of face value of ₹1 each</i>				
<b>Sub Total (B)</b>	<b>4,387,490</b>					<b>1.50%</b>	<b>1.50%</b>
Lakshmipathy Deenadayalan	65,363	July 18, 2011	Preferential allotment	10	35	0.22%	0.22%
Lakshmipathy Deenadayalan	1,100	August 18, 2011	Transfer from B Vijayaradhana	10	35	0.00%	0.00%
Lakshmipathy Deenadayalan	600	August 18, 2011	Transfer from Revathy Chandramohan	10	35	0.00%	0.00%
Lakshmipathy Deenadayalan	2,500	August 18, 2011	Transfer from A Umopathy & U Manimekalai	10	35	0.01%	0.01%
Lakshmipathy Deenadayalan	2,500	August 18, 2011	Transfer from K Dhanalakshmi	10	35	0.01%	0.01%
Lakshmipathy Deenadayalan	2,500	August 18, 2011	Transfer from Sulochana Venkatesan	10	35	0.01%	0.01%
Lakshmipathy Deenadayalan	204,200	September 14, 2011	Preferential allotment	10	35	0.70%	0.70%
Lakshmipathy Deenadayalan	750	December 5, 2011	Transfer from Selina Venkatesan	10	35	0.00%	0.00%
Lakshmipathy Deenadayalan	1,180	December 5, 2011	Transfer from Subha Sankaran	10	35	0.00%	0.00%
Lakshmipathy Deenadayalan	300	December 5, 2011	Transfer from R Sankaran	10	35	0.00%	0.00%
Lakshmipathy Deenadayalan	1,200	December 5, 2011	Transfer from C A Narasimhan	10	35	0.00%	0.00%
Lakshmipathy Deenadayalan	1,100	December 5, 2011	Transfer from N Maragatham	10	35	0.00%	0.00%
Lakshmipathy Deenadayalan	1,000	June 1, 2012	Transfer from K Saraswathi	10	35	0.00%	0.00%
Lakshmipathy Deenadayalan	300	November 5, 2012	Transfer from P Manohar	10	35	0.00%	0.00%
Lakshmipathy Deenadayalan	1,000	November 5, 2012	Transfer from R	10	35	0.00%	0.00%

			Mathanagopal				
Lakshmiipathy Deenadayalan	2,500	November 5, 2012	Transfer from S D V Thilakavathy	10	35	0.01%	0.01%
Lakshmiipathy Deenadayalan	500	January 17, 2013	Transfer from R Geetha	10	35	0.00%	0.00%
Lakshmiipathy Deenadayalan	300	March 5, 2013	Transfer from M Uma	10	35	0.00%	0.00%
Lakshmiipathy Deenadayalan	300	March 5, 2013	Transfer from Ethirasammal	10	35	0.00%	0.00%
Lakshmiipathy Deenadayalan	2,500	March 5, 2013	Transfer from S R Shridevi	10	35	0.01%	0.01%
Lakshmiipathy Deenadayalan	1,600	September 3, 2014	Transfer from Veeralakshmi Vasantha	10	75	0.01%	0.01%
Lakshmiipathy Deenadayalan	300	September 3, 2014	Transfer from C Prabhakar	10	75	0.00%	0.00%
Lakshmiipathy Deenadayalan	100	September 30, 2014	Transfer from S Gokulakrishna	10	75	0.00%	0.00%
Lakshmiipathy Deenadayalan	100	September 30, 2014	Transfer from S Meera	10	75	0.00%	0.00%
Lakshmiipathy Deenadayalan	136,790	February 28, 2015	Transfer from M Anandan	10	84.5	0.47%	0.47%
Lakshmiipathy Deenadayalan	1,200	February 28, 2015	Transfer from D Goutham	10	100	0.00%	0.00%
Lakshmiipathy Deenadayalan	500	March 18, 2015	Transfer from T V Prema	10	100	0.00%	0.00%
Lakshmiipathy Deenadayalan	1,000	March 18, 2015	Transfer from C Premalatha	10	100	0.00%	0.00%
Lakshmiipathy Deenadayalan	250	June 1, 2015	Transfer from S D V Dinakar	10	100	0.00%	0.00%
Lakshmiipathy Deenadayalan	200	June 1, 2015	Transfer from R Uma	10	100	0.00%	0.00%
Lakshmiipathy Deenadayalan	300	June 1, 2015	Transfer from R Rani	10	100	0.00%	0.00%
Lakshmiipathy Deenadayalan	350,000	September 29, 2015	Preferential allotment	10	130	1.20%	1.20%
Lakshmiipathy Deenadayalan	75,650	September 29, 2015	Transfer from L R Deepak Krishna	10	130	0.26%	0.26%
Lakshmiipathy Deenadayalan	4,500	November 6, 2015	Transfer from S D V Prakash	10	130	0.02%	0.02%
Lakshmiipathy Deenadayalan	150,000	November 30, 2015	Preferential allotment	10	130	0.51%	0.51%
Lakshmiipathy Deenadayalan	3,400	August 1, 2016	Transfer from K Dayalan	10	150	0.01%	0.01%
Lakshmiipathy Deenadayalan	4,300	August 4, 2016	Transfer from K Dhinakaran	10	150	0.01%	0.01%
Lakshmiipathy Deenadayalan	1,400	August 4, 2016	Transfer from K Dayalan	10	150	0.00%	0.00%
Lakshmiipathy Deenadayalan	4,300	August 4, 2016	Transfer from S D V Jayakumar	10	150	0.01%	0.01%
Lakshmiipathy Deenadayalan	1,200	August 31, 2016	Transfer from D Saroja	10	150	0.00%	0.00%
Lakshmiipathy Deenadayalan	55,750	September 23, 2016	Transfer from Haribabu B	10	150	0.19%	0.19%
Lakshmiipathy Deenadayalan	6,750	September 23, 2016	Transfer from Haribabu B	10	150	0.02%	0.02%
Lakshmiipathy Deenadayalan	300	August 28, 2017	Transfer from A K Alwar	10	300	0.00%	0.00%

Lakshmi pathy Deenadayalan	300	August 28, 2017	Transfer from A K Prabhakar	10	300	0.00%	0.00%
Lakshmi pathy Deenadayalan	500	September 15, 2017	Transfer from O R Venkatesan	10	300	0.00%	0.00%
Lakshmi pathy Deenadayalan	1,000	September 15, 2017	Transfer from K M Lekshmi	10	300	0.00%	0.00%
Lakshmi pathy Deenadayalan	200	September 25, 2017	Transfer from Latha G	10	300	0.00%	0.00%
Lakshmi pathy Deenadayalan	240	September 25, 2017	Transfer from Murugappan N	10	300	0.00%	0.00%
Lakshmi pathy Deenadayalan	200	November 15, 2017	Transfer from Sanjeevi Babu	10	300	0.00%	0.00%
Lakshmi pathy Deenadayalan	300	May 8, 2018	Transfer from Chandrasekar N	10	600	0.00%	0.00%
Lakshmi pathy Deenadayalan	800	May 8, 2018	Transfer from Uma Chandrasekar	10	600	0.00%	0.00%
Lakshmi pathy Deenadayalan	500	May 8, 2018	Transfer from Vathsala Viswanathan	10	600	0.00%	0.00%
Lakshmi pathy Deenadayalan	1,200	May 8, 2018	Transfer from Viswanathan L	10	600	0.00%	0.00%
Lakshmi pathy Deenadayalan	50,000	May 8, 2018	Transfer from Haribabu B	10	750	0.17%	0.17%
Lakshmi pathy Deenadayalan	300	September 21, 2018	Transfer from Jayakumar D	10	1,000.00	0.00%	0.00%
Lakshmi pathy Deenadayalan	100	September 29, 2018	Transfer from Dhanalakshmi S	10	1,000.00	0.00%	0.00%
Lakshmi pathy Deenadayalan	200	September 29, 2018	Transfer from Krishnamurthy K	10	1,000.00	0.00%	0.00%
Lakshmi pathy Deenadayalan	250	September 29, 2018	Transfer from Navaneetha Krishnan H	10	1,000.00	0.00%	0.00%
Lakshmi pathy Deenadayalan	200	March 25, 2019	Transfer from Rajagopalan G	10	1,100.00	0.00%	0.00%
Lakshmi pathy Deenadayalan	2,800	April 8, 2019	Transfer from P Vasuki	10	1,100.00	0.01%	0.01%
Lakshmi pathy Deenadayalan	2,000	April 9, 2019	Transfer from Suguna Balachandran	10	1,100.00	0.01%	0.01%
Lakshmi pathy Deenadayalan	100	April 15, 2019	Transfer from Sumathi S	10	1,100.00	0.00%	0.00%
Lakshmi pathy Deenadayalan	2,000	May 22, 2019	Transfer from V Balachandran	10	1,100.00	0.01%	0.01%
Lakshmi pathy Deenadayalan	300	May 22, 2019	Transfer from Sudhakar J	10	1,100.00	0.00%	0.00%
Lakshmi pathy Deenadayalan	100	May 31, 2019	Transfer from Sumathi S	10	1,100.00	0.00%	0.00%
Lakshmi pathy Deenadayalan	100	May 31, 2019	Transfer from U Sanjeevi	10	1,100.00	0.00%	0.00%
Lakshmi pathy Deenadayalan	500	June 14, 2019	Transfer from Usha Srinivasan	10	1,100.00	0.00%	0.00%
Lakshmi pathy Deenadayalan	5,000	August 7, 2019	Transfer from Sankaran S V	10	1,100.00	0.02%	0.02%
Lakshmi pathy Deenadayalan	5,000	August 7, 2019	Transfer from Lalitha Sankaran	10	1,100.00	0.02%	0.02%
Lakshmi pathy Deenadayalan	120	November 29, 2019	Transfer from Ashokan Parasuraman	10	1,100.00	0.00%	0.00%

Lakshmiipathy Deenadayalan	100	December 27, 2019	Transfer from Padmanabhan R S	10	1,100.00	0.00%	0.00%
Lakshmiipathy Deenadayalan	725,000	February 25, 2020	Preferential allotment	10	2,364.40	2.48%	2.48%
Lakshmiipathy Deenadayalan	100	March 16, 2020	Transfer from Nalini T	10	1,100.00	0.00%	0.00%
Lakshmiipathy Deenadayalan	533,592	March 21, 2020	Preferential allotment	10	1,037.94	1.82%	1.82%
		October 8, 2021	Sub-division of equity shares of face value of ₹10 each to equity shares of face value of ₹1 each				
<b>Sub Total (C)</b>	<b>24,246,850</b>					<b>8.29%</b>	<b>8.29%</b>
Hema Lakshmiipathy	117,450	June 21, 2002	Preferential allotment	10	10	0.40%	0.40%
Hema Lakshmiipathy	100	December 30, 2002	Transfer from B Dayalan	10	7.5	0.00%	0.00%
Hema Lakshmiipathy	50,000	June 30, 2004	Transfer from R Rajendran	10	10	0.17%	0.17%
Hema Lakshmiipathy	20,000	June 30, 2004	Transfer from Sukam Financial Service Pvt. Ltd	10	10	0.07%	0.07%
Hema Lakshmiipathy	5,000	December 13, 2004	Transfer from N Gopalkrishnan	10	7.5	0.02%	0.02%
Hema Lakshmiipathy	100	June 6, 2005	Transfer from Jayaseelan,	10	10	0.00%	0.00%
Hema Lakshmiipathy	100	June 6, 2005	Transfer from D Padmavathi,	10	10	0.00%	0.00%
Hema Lakshmiipathy	100	June 6, 2005	Transfer from Satish	10	10	0.00%	0.00%
Hema Lakshmiipathy	100	June 6, 2005	Transfer from Suresh	10	10	0.00%	0.00%
Hema Lakshmiipathy	100	June 6, 2005	Transfer from E Rajesh	10	10	0.00%	0.00%
Hema Lakshmiipathy	200	June 6, 2005	Transfer from Satish Kumar	10	10	0.00%	0.00%
Hema Lakshmiipathy	300	September 5, 2005	Transfer from H.K Haridass	10	7.5	0.00%	0.00%
Hema Lakshmiipathy	600	December 2, 2005	Transfer from K. Kumudhavalli	10	10	0.00%	0.00%
Hema Lakshmiipathy	17,500	January 20, 2007	Transfer from L. Janarthanan	10	10	0.06%	0.06%
Hema Lakshmiipathy	500	January 20, 2007	Transfer from Umadevi	10	9.5	0.00%	0.00%
Hema Lakshmiipathy	1,700	April 18, 2007	Transfer from Subburathinam	10	9	0.01%	0.01%
Hema Lakshmiipathy	700	February 25, 2008	Transfer from K Induvasini	10	10	0.00%	0.00%
Hema Lakshmiipathy	18,000	March 31, 2008	Preferential Allotment	10	10	0.06%	0.06%
Hema Lakshmiipathy	500	June 23, 2008	Transfer from L Subramanian	10	10	0.00%	0.00%
Hema Lakshmiipathy	1,000	June 23, 2008	Transfer from S. Asokan	10	10	0.00%	0.00%
Hema Lakshmiipathy	100	June 23, 2008	Transfer from A. Ramalakshmi	10	10	0.00%	0.00%
Hema Lakshmiipathy	500	September 1, 2008	Transfer from D. Ravichandrana n,	10	10	0.00%	0.00%

Hema Lakshmiopathy	100	September 1, 2008	Transfer from N. Ramu	10	10	0.00%	0.00%
Hema Lakshmiopathy	138,000	September 30, 2008	Preferential Allotment	10	10	0.47%	0.47%
Hema Lakshmiopathy	1,000	August 10, 2009	Transfer from D. Rajasekar	10	10	0.00%	0.00%
Hema Lakshmiopathy	1,000	August 10, 2009	Transfer from G. Banumathy	10	10	0.00%	0.00%
Hema Lakshmiopathy	3,900	August 10, 2009	Transfer from D Chandrasekar	10	10	0.01%	0.01%
Hema Lakshmiopathy	3,000	August 10, 2009	Transfer from N.Damodaran	10	10	0.01%	0.01%
Hema Lakshmiopathy	1,000	August 10, 2009	Transfer from R.Kasthuri	10	10	0.00%	0.00%
Hema Lakshmiopathy	100	June 18, 2010	Transfer from M. Manoham	10	12.5	0.00%	0.00%
Hema Lakshmiopathy	100	December 1, 2010	Transfer from Vijayakumari D	10	12.5	0.00%	0.00%
Hema Lakshmiopathy	50,000	July 18, 2011	Preferential Allotment	10	35	0.17%	0.17%
Hema Lakshmiopathy	15,000	September 14, 2011	Preferential Allotment	10	35	0.05%	0.05%
Hema Lakshmiopathy	15,000	September 19, 2011	Transfer from V SwathyPriya	10	35	0.05%	0.05%
Hema Lakshmiopathy	3,000	October 10, 2011	Transfer from V. Srinivasan	10	35	0.01%	0.01%
Hema Lakshmiopathy	2,000	October 10, 2011	Transfer from S. Brahadhambal	10	35	0.01%	0.01%
Hema Lakshmiopathy	4,700	September 1, 2012	Transfer from K Jayasingh	10	35	0.02%	0.02%
Hema Lakshmiopathy	840,000	December 29, 2012	Transfer from V.P. Nandakumar jointly held with Sushama Nandakumar	10	37	2.87%	2.87%
Hema Lakshmiopathy	140,660	February 28, 2015	Transfer from Deepthi Anand	10	84.5	0.48%	0.48%
Hema Lakshmiopathy	562,550	February 28, 2015	Transfer from R. Anu Anand	10	84.5	1.92%	1.92%
Hema Lakshmiopathy	16,000	April 21, 2015	Transfer from M.K Ganeshram	10	130	0.05%	0.05%
Hema Lakshmiopathy	42,000	Mach 15, 2017	Transfer from Lankupalli Raviprasad Raghavan	10	375	0.14%	0.14%
Hema Lakshmiopathy	2,000	April 19, 2017	Transfer from G. Gopal	10	200	0.01%	0.01%
Hema Lakshmiopathy	5,300	February 15, 2018	Transfer from Gunasekaran R, Geetha Sekar, Selvakumar N, Muralikrishnan N and Sivakumar G	10	675	0.02%	0.02%
Hema Lakshmiopathy	2,000	May 28, 2015	Transfer from B C Deendayalan and D Meera	10	825	0.01%	0.01%
Hema Lakshmiopathy	6,000	August 20, 2019	Transfer from Prathima	10	1,100.00	0.02%	0.02%

			Ganesh Ram				
		October 8, 2021	Sub-division of equity shares of face value of ₹10 each to equity shares of face value of ₹1 each				
<b>Sub Total (D)</b>	<b>20,890,600</b>					<b>7.14%</b>	<b>7.14%</b>
Shritha Lakshmiopathy	10,000	March 29, 2002	Transfer from T Lakshminarayanan	10	5	0.03%	0.03%
Shritha Lakshmiopathy	10,000	March 29, 2002	Transfer from B Santhalakshmi	10	5	0.03%	0.03%
		October 8, 2021	Sub-division of equity shares of face value of ₹10 each to equity shares of face value of ₹1 each				
<b>Sub Total (E)</b>	<b>2,00,000</b>					<b>0.07%</b>	<b>0.07%</b>
<b>Total (A+B+C+D+E)</b>	<b>58,499,920</b>					<b>20.00%</b>	<b>20.00%</b>

\*Subject to finalisation of Basis of Allotment

^On a fully diluted basis

(1) For a period of eighteen months from the date of Allotment in the Offer

(2) All Equity Shares were fully paid-up at the time of allotment/acquisition

(iii) The Promoters have given consent to include such number of Equity Shares held by them as may constitute 20% of the fully diluted post-Offer Equity Share capital of our Company as the Promoters' Contribution. The Promoters' Contribution has been brought in to the extent of not less than the specified minimum lot and from the persons defined as "promoter" under the SEBI ICDR Regulations.

(iv) Our Company undertakes that the Equity Shares that are being locked-in are not ineligible for computation of Promoters' contribution in terms of Regulation 15 of the SEBI ICDR Regulations. For details of the build-up of the share capital held by our Promoters, see "- History of the Equity Share Capital held by our Promoters" on page 74.

(v) In this connection, we confirm the following:

- a. The Equity Shares offered for Promoters' contribution do not include Equity Shares acquired in the three immediately preceding years (a) for consideration other than cash and revaluation of assets or capitalisation of intangible assets was involved in such transaction; or (b) resulting from bonus issue by utilisation of revaluation reserves or unrealised profits of our Company or resulted from bonus issue against Equity Shares which are otherwise ineligible for computation of Promoters' contribution.
- b. The Promoters' contribution does not include any Equity Shares acquired during the immediately preceding year at a price lower than the price at which the Equity Shares are being offered to the public in the Offer.
- c. Our Company has not been formed by the conversion of a partnership firm or a limited liability partnership firm into a Company.
- d. As on the date of RHP, the Equity Shares held by the Promoters and offered for Promoters' contribution are not subject to any pledge.
- e. All the Equity Shares held by the Promoters are held in dematerialised form.

**c) Other lock-in requirements:**

- (i) In addition to 20% of the fully diluted post-Offer shareholding of our Company held by our Promoters and locked-in for eighteen months as specified above, in terms of Regulation 16(1)(b) and Regulation 17 of the SEBI ICDR Regulations, the entire pre-Offer Equity Share capital of our Company will be locked-in for a period of six months from the date of Allotment, except for (i) the Equity Shares sold pursuant to the Offer for Sale; (ii) any Equity Shares allotted to the employees of our Company under the ASOP, as applicable; and (iii) any Equity Shares held by a VCF or Category I AIF or Category II AIF or FVCI, as applicable, provided that such Equity Shares shall be locked in for a period of at least six months from the date of purchase by such shareholders. Further, any unsold portion of the Equity Shares offered pursuant to the Offer for Sale will be locked-in as required under the SEBI ICDR Regulations.
- (ii) As required under Regulation 20 of the SEBI ICDR Regulations, our Company shall ensure that the details of the Equity Shares locked in are recorded by the relevant Depository.

- (iii) In terms of Regulation 22 of the SEBI ICDR Regulations, the Equity Shares held by the Promoters, which are locked-in may be transferred to and amongst the members of the Promoter Group or to any new promoter or persons in control of our Company, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Takeover Regulations, as applicable.
  - (iv) The Equity Shares held by the Promoters which are locked-in for a period of six months from the date of Allotment may be pledged only with scheduled commercial banks or public financial institutions or Systemically Important NBFCs, as collateral security for loans granted by such banks or public financial institutions or Systemically Important NBFCs or housing finance companies in terms of Regulation 21 of the SEBI ICDR Regulations.
  - (v) However, the relevant lock in period shall continue post the invocation of the pledge referenced above, and the relevant transferee shall not be eligible to transfer the Equity Shares till the relevant lock in period has expired in terms of the SEBI ICDR Regulations.
  - (vi) In terms of Regulation 22 of the SEBI ICDR Regulations, the Equity Shares held by persons other than the Promoters and locked-in for a period of six months from the date of Allotment in the Offer may be transferred to any other person holding the Equity Shares which are locked-in, subject to continuation of the lock-in in the hands of transferees for the remaining period and compliance with the Takeover Regulations.
  - (vii) Any unsubscribed portion of the Offered Shares would also be locked-in as required under the SEBI ICDR Regulations.
- d) **Lock-in of the Equity Shares to be Allotted, if any, to the Anchor Investors**

One half of the Equity Shares Allotted to Anchor Investors in the Anchor Investor Portion shall be locked in for a period of 90 days from the date of Allotment, while the remaining half of the Equity Shares Allotted to Anchor Investors in the Anchor Investor Portion shall be locked in for a period of 30 days from the date of Allotment.



## 6. Shareholding Pattern of our Company

The table below presents the shareholding pattern of our Company as on the date of filing of this Prospectus:

Category	Category of shareholder	Number of shareholders (III)	Number of fully paid-up Equity Shares held	Number of partly paid-up Equity Shares held	Number of shares underlying Depository Receipts	Total number of shares held	Shareholding as a % of total number of shares (calculated as per SCRR, 1957)	Number of Voting Rights held in each class of securities		Number of shares underlying outstanding convertible securities (including warrants)	Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of locked in shares		Number of Shares pledged or otherwise encumbered		Number of Equity Shares held in dematerialized form	
								(IX)				Number (a)	As a % of total Shares held (b)	Number (a)	As a % of total Shares held (b)		
								Class: Equity Shares	Total								
(I)	(II)		(IV)	(V)	(VI)	(VII) = (IV)+(V) + (VI)	(VIII) As a % of (A+B+C2)	(IX)		(X)	(XI) = (VII)+(X) As a % of (A+B+C2)	(XII)		(XIII)		(XIV)	
								Number of Voting Rights		Total as a % of (A+B+C)		Number (a)	As a % of total Shares held (b)	Number (a)	As a % of total Shares held (b)		
								Class: Equity Shares	Total								
(A)	Promoters and Promoter Group	10	116,752,493	NA	NA	116,752,493	40.07%	116,752,493	116,752,493	40.07%	NA	39.51%			NA	NA	116,752,493
(B)	Public	3,117	174,613,627	NA	NA	174,613,627	59.93%	174,613,627	174,613,627	59.93%	NA	59.09%	-	0.00%	NA	NA	173,758,027
(C)	Non Promoters - Non Public																
(C1)	Shares underlying DRs	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(C2)	Shares held by Employee Trusts	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	<b>Total</b>	3,127	291,366,120	NA	NA	291,366,120	100.00	291,366,120	291,366,120	100.00	NA	100.00			NA	NA	290,510,520

7. **Details of equity shareholding of the major shareholders of our Company:**

- a) Set forth below is a list of shareholders holding 1% or more of the issued and paid-up Equity Share capital of our Company, as on the date of this Prospectus:

S. No.	Name of the Shareholder	Number of Equity Shares	Percentage of the pre-Offer Equity Share capital on a fully diluted basis (%)*
1.	TPG Asia VII SF Pte. Ltd.	62,726,964	21.45%
2.	Matrix Partners India Investment Holdings II, LLC	36,447,465	12.46%
3.	Lakshmipathy Deenadayalan	30,690,678	10.49%
4.	Norwest Venture Partners X - Mauritius	29,748,060	10.17%
5.	SCI Investments V	25,696,500	8.79%
6.	Hema Lakshmipathy	20,890,600	7.14%
7.	Sirius II Pte Ltd	17,593,990	6.02%
8.	SCI Growth Investments III	11,026,160	3.77%
9.	Sequoia Capital Global Growth Fund III - Endurance Partners, L.P.	10,157,290	3.47%
10.	SCHF PV Mauritius, Ltd.	5,457,940	1.87%
11.	Atma Ram Builders (P) Ltd.	4,685,860	1.60%
12.	TVS Shriram Growth Fund 3	3,591,970	1.23%
13.	IIFL Special Opportunities Fund – Series 9	3,207,611	1.10%
	<b>Total</b>	<b>261,921,088</b>	<b>89.55%</b>

\* The shareholding has been considered on a fully diluted basis, considering the vested stock options as on the date of this Prospectus

- b) Set forth below is a list of shareholders holding 1% or more of the issued and paid-up Equity Share capital of our Company, as of 10 days prior to the date of this Prospectus:

S. No.	Name of the Shareholder	Number of Equity Shares	Percentage of the pre-Offer Equity Share capital on a fully diluted basis (%)*
1.	TPG Asia VII SF Pte. Ltd.	62,726,964	21.45%
2.	Matrix Partners India Investment Holdings II, LLC	36,447,465	12.46%
3.	Lakshmipathy Deenadayalan	30,690,678	10.49%
4.	Norwest Venture Partners X - Mauritius	29,748,060	10.17%
5.	SCI Investments V	25,696,500	8.79%
6.	Hema Lakshmipathy	20,890,600	7.14%
7.	Sirius II Pte Ltd	17,593,990	6.02%
8.	SCI Growth Investments III	11,026,160	3.77%
9.	Sequoia Capital Global Growth Fund III - Endurance Partners, L.P.	10,157,290	3.47%
10.	SCHF PV Mauritius, Ltd.	5,457,940	1.87%
11.	Atma Ram Builders (P) Ltd.	4,685,860	1.60%
12.	TVS Shriram Growth Fund 3	3,591,970	1.23%
13.	IIFL Special Opportunities Fund – Series 9	3,207,611	1.10%
	<b>Total</b>	<b>261,921,088</b>	<b>89.55%</b>

\* The shareholding has been considered on a fully diluted basis, considering the vested stock options as on 10 days prior to the date of this Prospectus

- c) Set forth below is a list of shareholders holding 1% or more of the issued and paid-up Equity Share capital of our Company, as of one year prior to the date of this Prospectus:

S. No.	Name of the shareholder	Number of equity shares	Percentage of the share capital on a fully diluted basis*
1.	TPG Asia VII SF Pte Ltd	61,106,730	20.99%
2.	Matrix Partners India Investment Holdings II, LLC	41,009,990	14.09%
3.	Lakshmipathy Deenadayalan	37,887,450	13.02%
4.	Norwest Venture Partners X - Mauritius	29,748,060	10.22%
5.	SCI Investments V	25,696,500	8.83%
6.	Hema Lakshmipathy	20,890,600	7.18%
7.	Sirius II Pte. Ltd.	17,593,990	6.04%
8.	SCI Growth Investments III	11,026,160	3.79%
9.	Sequoia Capital Global Growth Fund III- Endurance Partners, L.P.	10,157,290	3.49%
10.	SCHF PV Mauritius, LTD.	5,457,940	1.87%
11.	ATMA Ram Builders (P) Ltd.	4,685,860	1.61%
12.	TVS Shriram Growth Fund 3	3,591,970	1.23%
	<b>Total</b>	<b>268,852,540</b>	<b>92.36%</b>

\* The shareholding has been considered on a fully diluted basis, considering the vested stock options as on one year prior to the date of this Prospectus

- d) Set forth below is a list of shareholders holding 1% or more of the issued and paid-up Equity Share Capital of our Company, as of two years prior to the date of this Prospectus:

S. No.	Name of the shareholder	Number of equity shares	Percentage of the share capital on a fully diluted basis*
1.	TPG Asia VII SF Pte Ltd	6,110,673	22.45
2.	Matrix Partners India Investment Holdings II, LLC	4,100,999	15.07
3.	Lakshmipathy Deenadayalan	3,710,771	13.63
4.	NHPEA Chocolate Holding B.V	3,598,051	13.22
5.	Norwest Venture Partners X - Mauritius	2,569,650	9.44
6.	SCI Investments V	2,569,650	9.44
7.	Hema Lakshmipathy	2,089,060	7.67
8.	ATMA Ram Builders (P) Ltd.	545,510	2.00
9.	Rangarajan Krishnan	275,793	1.01
	<b>Total</b>	<b>25,570,157</b>	<b>93.94</b>

\* The shareholding has been considered on a fully diluted basis, considering the vested stock options as on two years prior to the date of this Prospectus

## 8. Details of Equity Shares held by our Directors, Key Managerial Personnel, Promoters, Promoter Group and directors of our Corporate Promoters

- (i) Except as disclosed below our Directors and Key Managerial Personnel do not hold Equity Shares and employee stock options in our Company:

S. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)*	Number of employee stock options outstanding	Percentage of the post-Offer of Equity Share Capital (%)
<b>Directors</b>					
1.	Lakshmipathy Deenadayalan	30,690,978	10.49%	NA	10.49%
<b>KMPs</b>					
1.	Rangarajan Krishnan	2,262,775	0.77%	2,325,000	0.77%
2.	Srikanth Gopalakrishnan	792,689	0.27%	750,000	0.27%
3.	Shalini Baskaran	5,000	0.00%	12,300	0.00%

S. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)*	Number of employee stock options outstanding	Percentage of the post-Offer of Equity Share Capital (%)
<b>Total</b>		<b>33,751,442</b>	<b>11.54%</b>	<b>3,087,300</b>	<b>11.54%</b>

\*The shareholding has been considered on a fully diluted basis, considering the vested stock options as on the date of this Prospectus

- (ii) Set out below are the details of the Equity Shares held by our Promoters and the members of the Promoter Group, in our Company:

S. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)	Percentage of the post-Offer Equity Share Capital (%)
1.	Lakshmipathy Deenadayalan	30,690,678	10.49	10.49
2.	Hema Lakshmipathy	20,890,600	7.14	7.14
3.	Shritha Lakshmipathy	200,000	0.07	0.07
4.	Matrix Partners India Investment Holdings II, LLC	36,447,465	12.46	12.46
5.	SCI Investments V	25,696,500	8.79	8.79
<b>Total (A)</b>		<b>113,925,243</b>	<b>38.95</b>	<b>38.95</b>
<b>Promoter Group</b>				
1.	Deenadayalan Rangasamy	1,632,000	0.56%	0.56%
2.	Varalakshmi Deenadayalan	461,700	0.16%	0.16%
3.	Ranganathan Vasireddy Kuppuswamy	10,000	0.00%	0.00%
4.	Suguna Ranganathan	508,500	0.17%	0.17%
5.	Sujatha Janarthanan	215,050	0.07%	0.07%
<b>Total (B)</b>		<b>2,827,250</b>	<b>0.97%</b>	<b>0.97%</b>
<b>Total (A + B)</b>		<b>116,752,493</b>	<b>39.92%</b>	<b>39.92%</b>

The directors of our Corporate Promoters do not hold any Equity Shares.

9. Except for the issue of any Equity Shares pursuant to exercise of options granted under ASOP, if any, our Company presently does not intend or propose to alter its capital structure for a period of six months from the Bid/Offer Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether on a preferential basis or by way of issue of bonus shares or on a rights basis or by way of further public issue of Equity Shares or otherwise.
10. As on the date of filing of this Prospectus, the total number of shareholders of our Company is 3,127.
11. Except as disclosed in “- Equity share capital history of our Company” and “-Build-up of our Promoter’s Equity shareholding in our Company”, none of our Promoters, members of our Promoter Group, directors of our Corporate Promoters, or the Directors of our Company or any of their relatives have purchased or sold any securities of our Company during the period of six months immediately preceding the date of this Prospectus.
12. There have been no financing arrangements whereby members of our Promoter Group, any of the directors of our Corporate Promoters, our Directors and their relatives have financed the purchase by any other person of securities of our Company (other than in the normal course of the business of the relevant financing entity) during a period of six months immediately preceding the date of filing of the Draft Red Herring Prospectus, the Red Herring Prospectus and this Prospectus.
13. Neither our Company, nor any of our Directors have entered into any buy-back arrangements for purchase of Equity Shares from any person. Further, the BRLMs have not made any buy-back arrangements for purchase of Equity Shares from any person.

14. As on the date of this Prospectus, the BRLMs and their respective associates (as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992) do not hold any Equity Shares.
15. All Equity Shares issued or transferred pursuant to the Offer will be fully paid-up at the time of Allotment and there are no partly paid-up Equity Shares as on the date of this Prospectus.
16. Except for the options granted pursuant to the ASOP, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into, or which would entitle any person any option to receive Equity Shares as on the date of this Prospectus.
17. Any oversubscription to the extent of 1% of the Offer size can be retained for the purposes of rounding off to the nearest multiple of minimum allotment lot while finalizing the Basis of Allotment.
18. Our Promoters and members of our Promoter Group shall not participate in the Offer, except by way of participation as Selling Shareholders, as applicable, in the Offer for Sale.
19. Except for issuance of Equity Shares on exercise of options vested pursuant to the ASOP, if any, there will be no further issue of Equity Shares whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from filing of the Red Herring Prospectus with the SEBI until the Equity Shares have been listed on the Stock Exchanges, or all application monies have been refunded, as the case may be.
20. Our Company shall ensure that there shall be only one denomination of the Equity Shares, unless otherwise permitted by law.
21. No person connected with the Offer, including, but not limited to, the members of the Syndicate, our Company, the Directors, members of our Promoter Group and the Promoter, shall offer or make payment of any incentive, direct or indirect, in the nature of discount, commission and allowance, except for fees or commission for services rendered in relation to the Offer, in any manner, whether in cash or kind or services or otherwise, to any Bidder for making a Bid.
22. Our Company shall ensure that transactions in the Equity Shares by our Promoters and the Promoter Group between the date of filing of this Prospectus and the date of closure of the Offer shall be intimated to the Stock Exchanges within 24 hours of such transaction.
23. **Associate Stock Options Plans of our Company**

#### **I. ASOP 2015**

Our Company, pursuant to the resolutions passed by our Board on September 18, 2015 and our Shareholders on April 12, 2016, adopted the 'Associate Stock Option Plan - 2015' ("ASOP 2015"). The objective of ASOP 2015 is to reward the associates for their performance, commitment and support for the growth of the Company and to provide an incentive to continue contributing to the success of the Company. In terms of ASOP 2015, our Company could grant an aggregate number of up to 563,000 options.

The Shareholders, pursuant to a resolution passed on October 8, 2021, have amended ASOP 2015, in order to align the plan with the Companies Act, 2013 read with rules made thereunder and the SEBI SBEB & SE Regulations, as well as a few other changes, intended to ensure better efficacy and administration. Accordingly, ASOP 2015 is in compliance with the SEBI SBEB & SE Regulations. The details of ASOP 2015, as certified by R P S V & Co., Chartered Accountants, through a certificate dated November 15, 2022 are as follows:

Particulars	From July 1, 2022 till the date of this Prospectus	April 01, 2022 to June 2022	April 01, 2021 to June 2021	Financial Year 2022	Financial Year 2021	Financial Year 2020
Options granted	5,300	26,530	Nil	Nil	Nil	Nil
Exercise Price	₹236.40	₹236.40	Nil	Nil	Nil	Nil
Options vested	16,000	23,000	2,500	2,48,000	66,300	1,29,800
Options exercised	0	4,000	200	723,000	61,050	1,78,450

Particulars	From July 1, 2022 till the date of this Prospectus	April 01, 2022 to June 2022	April 01, 2021 to June 2021	Financial Year 2022	Financial Year 2021	Financial Year 2020
The total number of Equity Shares arising as a result of exercise of options	0	4,000	200	723,000	61,050	1,78,450
Options forfeited/lapsed	0	38,000	Nil	Nil	Nil	1,000
Variation of terms of options	Nil	Nil	Nil	Nil	Nil	Nil
Money realized by exercise of options (in million)	Nil	₹ 0.52	₹ 0.26	₹ 9.40	₹ 1.70	₹ 2.18
Total number of options in force	167,830	162,530	89,900	1,78,000	90,100	1,51,150
Employee-wise detail of options granted to:						
i. Key managerial personnel	Shalini Bhaskaran – 5300 options	Nil	Nil	Nil	Nil	Nil
ii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil	Nil	Nil	Nil	Nil	Nil
iii. Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	Nil	Nil	Nil	Nil	Nil	Nil
Fully diluted Earnings per Equity Share – (face value of ₹ 1 per Equity Share) pursuant to issue of Equity Shares on exercise of options calculated in accordance with the applicable accounting standard for 'Earnings per Share'	₹ 4.74*	₹ 4.74	₹ 3.66	₹ 15.92	₹ 13.61	₹ 10.07
Lock-in	Nil	Nil	Nil	Nil	Nil	Nil
Difference, if any, between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost calculated on the basis of fair value of stock options and its impact on profits and on the Earnings per Equity Share – (face value ₹ 1 per Equity Share)	Not Applicable, the Company has used fair value of options					
	<b>Black Scholes</b>					

Particulars	From July 1, 2022 till the date of this Prospectus	April 01, 2022 to June 2022	April 01, 2021 to June 2021	Financial Year 2022	Financial Year 2021	Financial Year 2020
Description of the pricing formula method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option	Refer to note below^					
Impact on profit and on Earnings per Equity Share – (face value ₹ 1 per Equity Share) of the last three years if the accounting policies prescribed in the SEBI ESOP Regulations had been followed in respect of options granted in the last three years	Nil	Nil	Nil	Nil	Nil	Nil
Intention of the KMPs and whole time directors who are holders of Equity Shares allotted on exercise of options granted to sell their equity shares within three months after the date of listing of Equity Shares pursuant to the Offer	Refer note below#	Nil	Nil	Nil	Nil	Nil

Particulars	From July 1, 2022 till the date of this Prospectus	April 01, 2022 to June 2022	April 01, 2021 to June 2021	Financial Year 2022	Financial Year 2021	Financial Year 2020
Intention to sell Equity Shares arising out of an employee stock option scheme within three months after the listing of Equity Shares, by Directors, senior management personnel and employees having Equity Shares arising out of an employee stock option scheme, amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	Nil	Nil	Nil	Nil	Nil	Nil

\* computed based on profit for the three months ended 30 June 2022 after incorporating the options granted till the date of this Prospectus.

# Rangarajan Krishnan and Srikanth Gopalakrishnan may sell up to 5,00,000 and 2,00,000 Equity Shares, respectively, allotted to them under the ASOPs schemes within three months of the date of listing of the Equity Shares pursuant to the Offer.

Note:

The Board of Directors at their meeting held on September 8, 2021 approved the sub-division of 1 equity share of face value of INR 10 each fully paid up into 10 equity shares of face value of INR 1 each fully paid up. The same was approved by the members at their Extra-Ordinary General Meeting held on October 8, 2021. Accordingly, the options granted at various point in time as mentioned above stands multiplied by 10. Further, in compliance with IND AS – 33, Earnings Per Share, the disclosure of basic and diluted earnings per share for all the periods presented has been arrived at after giving effect to the above sub-division.

^ Refer to table below

Particulars	Date of Grant	Date of Grant
	06-06-2022	01-10-2022
No of Options Granted	26,530	5,300
Risk Free Interest Rate	5.45-5.50%	5.45-5.50%
Expected Life (in years)	3.54-7.54	3.54-7.54
Expected Annual Volatility of Shares	39.75%-48.43%	39.49%-47.86%
Expected Dividend Yield	0%	0%
Price of Underlying share at the time of the Option Grant	399.86	411.96
Fair Value of the Option (Rs.)		
1st Stage	₹234.32	245.05
2nd Stage	₹243.75	255.81
3rd Stage	₹252.87	264.84
4th Stage	₹262.72	274.79
5th Stage	₹270.59	282.44
The weighted average share price on the date of grant	₹399.86	₹411.96

## II. ASOP 2018

Our Company, pursuant to the resolutions passed by our Board on February 28, 2018 and our Shareholders on March 26, 2018, adopted the 'Associate Stock Option Plan - 2018' ("ASOP 2018"). The objective of ASOP 2018 is to reward the associates for their performance, commitment and support for the growth of the Company and to provide an incentive to continue contributing to the success of the Company. In terms of ASOP 2018, our Company could grant an aggregate number of up to 500,000 options.

The Shareholders, pursuant to a resolution passed on October 8, 2021, have amended ASOP 2018, in order



to align the plan with the Companies Act, 2013 read with rules made thereunder and the SEBI SBEB & SE Regulations issued, as well as a few other changes, intended to ensure better efficacy and administration. Accordingly, ASOP 2018 is in compliance with the SEBI SBEB & SE Regulations. The details of ASOP 2018, as certified by R P S V & Co., Chartered Accountants, through a certificate dated November 15, 2022 are as follows:

Particulars	From July 01, 2022 till the date of this Prospectus	From April 01, 2022 to June 30, 2022	From April 01, 2021 to June 30, 2021	Financial Year 2022	Financial Year 2021	Financial Year 2020
Options granted	-	2,50,000	54,000	11,37,000	3,72,000	9,000
Exercise Price	NA	₹ 67.44	₹ 674.4, ₹ 1,320.72	₹ 67.44, ₹ 132.07 and ₹ 236.40	₹ 674.4	₹ 674.4
Options vested	1,021,200	94,000	Nil	9,97,000	1,800	Nil
Options exercised	Nil	19,000	Nil	9,95,000	1,800	Nil
The total number of Equity Shares arising as a result of exercise of options	Nil	19,000	Nil	9,95,000	1,800	Nil
Options forfeited/lapsed	Nil	Nil	Nil	204,000	Nil	Nil
Variation of terms of options	Nil	Yes	Nil	Nil	Nil	Nil
Money realized by exercise of options (in million)	Nil	21.53	Nil	₹67.10	₹ 1.21	Nil
Total number of options in force	39,61,000	39,61,000	433,200	17,18,000	3,79,200	9,000
Employee-wise detail of options granted to:						
i. Key managerial personnel	Nil	G Srikanth-250,000 options	K Rangarajan-30,000 options Roopa Sampath Kumar-15,000 Options Shalini B-1,000 Options	K Rangarajan-300,000 options Roopa Sampath Kumar-150,000 Options Shalini B-10,000 Options	Rangarajan Krishnan - 2,70,000 options Srikanth Gopalakrishnan-75,000 options	Nil
ii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil	Nil	Nil	Nil	Nil	Nil
iii. Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	Nil	Nil	Nil	Nil	Rangarajan Krishnan-2,70,000 options	Nil

Particulars	From July 01, 2022 till the date of this Prospectus	From April 01, 2022 to June 30, 2022	From April 01, 2021 to June 30, 2021	Financial Year 2022	Financial Year 2021	Financial Year 2020
Fully diluted Earnings per Equity Share – (face value of ₹ 1 per Equity Share) pursuant to issue of Equity Shares on exercise of options calculated in accordance with the applicable accounting standard for 'Earnings per Share'	₹ 4.74*	₹ 4.74	3.66	15.92	₹13.61	₹10.07
Lock-in	Nil	Nil	Nil	Nil	Nil	Nil
Difference, if any, between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost calculated on the basis of fair value of stock options and its impact on profits and on the Earnings per Equity Share – (face value ₹ 1 per Equity Share)	Not Applicable, the Company has used fair value of options					
Description of the pricing formula method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option	Refer to footnote to this table ^					

Particulars	From July 01, 2022 till the date of this Prospectus	From April 01, 2022 to June 30, 2022	From April 01, 2021 to June 30, 2021	Financial Year 2022	Financial Year 2021	Financial Year 2020
Impact on profit and on Earnings per Equity Share – (face value ₹ 1 per Equity Share) of the last three years if the accounting policies prescribed in the SEBI ESOP Regulations had been followed in respect of options granted in the last three years	Nil	Nil	Nil	Nil	Nil	
Intention of the KMPs and whole time directors who are holders of Equity Shares allotted on exercise of options granted to sell their equity shares within three months after the date of listing of Equity Shares pursuant to the Offer	Refer note below#	Nil	Nil	Nil	Nil	Nil
Intention to sell Equity Shares arising out of an employee stock option scheme within three months after the listing of Equity Shares, by Directors, senior management personnel and employees having Equity Shares arising out of an employee stock option scheme, amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	Nil	Nil	Nil	Nil	Nil	Nil

\* computed based on profit for the six months ended 30 September 2021 after incorporating the options granted till the date of this Prospectus.

# Rangarajan Krishnan and Srikanth Gopalakrishnan may sell up to 5,00,000 and 2,00,000 Equity Shares, respectively, allotted to them under the ASOPs schemes within three months of the date of listing of the Equity Shares pursuant to the Offer.

Note:

The Board of Directors at their meeting held on September 8, 2021 approved the sub-division of 1 equity share of face value of INR 10 each fully paid up into 10 equity shares of face value of INR 1 each fully paid up. The same was approved by the members at their Extra-Ordinary General Meeting held on October 8, 2021. Accordingly, the options granted at various point in time as mentioned above stands multiplied by 10. Further, in compliance with IND AS - 33, Earnings Per Share, the disclosure of basic and diluted earnings per share for all the periods presented has been arrived at after giving effect to the above sub-division.

^ Refer to table below

Particulars	Date of Grant	Date of Grant	Date of Grant	Date of Grant	Date of Grant	Date of Grant	Date of Grant	Date of Grant	Date of Grant	Date of Grant	Date of Grant	Date of Grant	Date of Grant
	08-10-2019	14-09-2020	01-10-2020	01-11-2020	01-11-2020	01-04-2021	22-04-2021	10-05-2021	17-05-2021	05-08-2021	01-10-2021	01-01-2022	06-06-2022
No of Options Granted	9,000	1,000	1,000	2,95,000	75,000	1,000	30,000	8,000	15,000	15,000	6,100	38,600	2,50,000
Risk Free Interest Rate	6.25%	5.3%-5.4%	5.3%-5.4%	5.3%-5.4%	5.3%-5.4%	5.3%-5.4%	5.3%-5.4%	5.3%-5.4%	5.3%-5.4%	5.3%-5.4%	5.3%-5.4%	5.3%-5.4%	5.4%
Expected Life (in years)	3.54-7.54	3.54-7.54	3.54-7.54	3.54-7.54	3.54-5.29	3.54-5.54	3.54-6.04	3.54-7.54	3.54-7.54	3.54-7.54	3.5-4-7.5	3.5-4-7.5	4.9-5
Expected Annual Volatility of Shares	31.06%-33.56%	34.42%-37.82%	34.51%-38.04%	34.62%-38.28%	36.16%-38.28%	40.93%-45.26%	38.93%-43.81%	37.67%-44.4%	37.78%-44.53%	38.26%-45.45%	38.26%-45.45%	38.97%-47.78%	43.70%
Expected Dividend Yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Price of Underlying share at the time of the Option Grant	₹2,128.91	₹1,466.24	₹1,466.24	₹2,187.24	₹2,187.24	₹3,518.00	₹3,518.00	₹3,518.00	₹3,518.00	₹3,518.00	₹3808.12	₹3854.90	₹399.86
Fair Value of the Option (Rs.)													
1st Stage	₹1,591.82	₹932.13	₹932.69	₹1,636.72	₹1,636.72	₹2,484.50	₹2,963.79	₹2,480.05	₹2,480.74	₹2,485.52	₹2125.56	₹3846.60	-
2nd Stage	₹1,625.48	₹967.84	₹968.33	₹1,670.03	₹1,670.03	₹2,542.84	₹2,994.60	₹2,538.64	₹2,539.19	₹2,542.72	₹2217.65	₹3847.00	-
3rd Stage	₹1,658.08	₹998.02	₹998.47	₹1,700.97	₹1,671.77	₹2,609.60	₹3,025.52	₹2,604.96	₹2,605.44	₹2,608.80	₹2323.86	₹3847.50	₹349.16
4th Stage	₹1,688.26	₹1,028.42	₹1,028.88	₹1,730.34	₹1,676.09	-	₹3,039.39	₹2,656.69	₹2,657.04	₹2,659.43	₹2410.06	₹3847.90	-
5th Stage	₹1,716.24	₹1,053.16	₹1,053.50	₹1,755.59	₹1,686.07	-	-	₹2,708.26	₹2,708.90	₹2,712.22	₹2499.09	₹3838.20	-
6th Stage	-	-	-	-	₹1,693.47	-	-	-	-	-	-	-	-
The weighted average share price on the date of grant	₹2,128.91	₹1,466.24	₹1,466.24	₹2,187.24	₹2,187.24	₹3,518.00	₹3,518.00	₹3,518.00	₹3,518.00	₹3,518.00	₹3,808.12	₹3854.90	₹399.86

## OBJECTS OF THE OFFER

The objects of the Offer are to (i) to carry out the Offer for Sale; and (ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges. Our Company will not receive any proceeds from the Offer and all such proceeds (net of any Offer related expenses to be borne by the Selling Shareholders) will go to the Selling Shareholders.

### Utilisation of the Offer Proceeds by the Selling Shareholders

The Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale after deducting their proportion of Offer related expenses and relevant taxes thereon. Our Company will not receive any proceeds from the Offer for Sale and the proceeds received from the Offer for Sale will not form part of the Net Proceeds. For further details of the Offer for Sale, see “*The Offer*” beginning on page 52.

### Offer Expenses

The total expenses of the Offer are estimated to be approximately ₹805.93 million.

Other than listing fees, which shall be solely borne by the Company, all costs, charges, fees and expenses associated with and incurred with respect to the Offer, including audit fees to the extent attributable to the Offer, offer advertising, printing, road show expenses, accommodation and travel expenses, stamp, transfer, issuance, documentary, registration, costs for execution and enforcement of the Offer Agreement, Registrar’s fees, fees to be paid to the BRLMs, fees and expenses of legal counsels to the Company and the BRLMs, fees and expenses of the auditors, fees to be paid to SCSBs, Sponsor Banks (processing fees and selling commission), brokerage for Syndicate Member, commission to Registered Brokers, Collecting DPs and Collecting RTAs, and payments to consultants, and advisors in relation to the IPO, shall be borne by the Selling Shareholders in proportion to the Equity Shares sold by each of them in the Offer, in accordance with applicable law and section 28(3) of Companies Act, 2013. However expenses relating to the Offer may be paid by the Company on behalf of the Selling Shareholders in the first instance and the Selling Shareholders agree that, upon commencement of listing and trading of the Equity Shares on the Stock Exchanges pursuant to the Offer, each Selling Shareholder shall, severally and not jointly, reimburse the Company for any expenses in relation to the Offer, paid by the Company on behalf of such Selling Shareholder, in proportion of their respective portion of the Offered Shares.

The estimated Offer related expenses are as under:

Activity	Estimated expenses <sup>(1)</sup> (in ₹ million)	As a % of the total estimated Offer expenses	As a % of the total Offer size
Book Running Lead Managers’ fees	357.25	44.33	2.24
Commission/processing fee for SCSBs, Sponsor Banks and Bankers to the Offer. Brokerage, underwriting commission and selling commission and bidding charges for Members of the Syndicate, Registered Brokers, RTAs and CDPs <sup>(2)(3)</sup>	20.16	2.50	0.13
Fees payable to the Registrar to the Offer	0.43	0.05	0.00
Fees payable to the other advisors to the Offer	114.76	14.24	0.72
Others			
- Listing fees, SEBI filing fees, upload fees, BSE & NSE processing fees, book building software fees and other regulatory expenses	49.11	6.09	0.31
- Printing and stationery	9.13	1.13	0.06
- Advertising and marketing expenses	127.92	15.87	0.80
- Fee payable to legal counsels	91.26	11.32	0.57
- Miscellaneous	35.91	4.46	0.23
<b>Total estimated Offer expenses</b>	<b>805.93</b>	<b>100.00</b>	<b>5.06</b>

<sup>(1)</sup> The above expenses are inclusive of applicable taxes.

<sup>(2)</sup> Selling commission payable to the SCSBs on the portion for RIBs and Non-Institutional Bidders which are directly procured and uploaded by the SCSBs, would be as follows:

Portion for RIBs*	0.35% of the Amount Allotted (plus applicable taxes)
Portion for Non-Institutional Bidders*	0.20% of the Amount Allotted (plus applicable taxes)

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

Selling Commission payable to the SCSBs will be determined on the basis of the bidding terminal id as captured in the Bid book of BSE or NSE.

No processing fees shall be payable by the Company and the Selling Shareholders to the SCSBs on the applications directly

procured by them.

Processing fees payable to the SCSBs of ₹ 10 per valid application (plus applicable taxes) for processing the Bid cum Application Form for RIBs and Non-Institutional Bidders (excluding UPI Bidders) which are procured by the members of the Syndicate/sub-Syndicate/Registered Broker/RTAs/ CDPs and submitted to SCSB for blocking.

Processing fees payable to the SCSBs for capturing Syndicate member/ Sub syndicate (Broker)/ sub-broker code on the ASBA form for Non- Institutional Bidders and Qualified Institutional Bidders with bids above ₹5,00,000 would be ₹10 per valid application (plus applicable taxes).

- (3) Brokerage, selling commission and processing/uploading charges on the portion for UPI Bidders (using the UPI Mechanism) RIBs and Non-Institutional Bidders which are procured by members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs or for using 3-in-1 type accounts- linked online trading, demat & bank account provided by some of the brokers which are members of Syndicate (including their sub-Syndicate Members) would be as follows:

Portion for RIBs*	0.35% of the Amount Allotted (plus applicable taxes)
Portion for Non-Institutional Bidders*	0.20% of the Amount Allotted (plus applicable taxes)

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

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

Uploading Charges payable to members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs on the applications made by UPI Bidders using 3-in-1 accounts/Syndicate ASBA mechanism and Non-Institutional Bidders which are procured by them and submitted to SCSB for blocking or using 3-in-1 accounts/Syndicate ASBA mechanism, would be as follows: ₹ 10 plus applicable taxes, per valid application bid by the Syndicate (including their sub-Syndicate Members), RTAs and CDPs.

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

Selling commission/ uploading charges payable to the Registered Brokers on the portion for RIBs and Non Institutional Bidders which are directly procured by the Registered Broker and submitted to SCSB for processing, would be as follows:

Portion for RIBs*	₹ 10 per valid application (plus applicable taxes)
Portion for Non-Institutional Bidders*	₹ 10 per valid application (plus applicable taxes)

\* Based on valid applications

Uploading charges/ Processing fees for applications made by UPI Bidders using the UPI Mechanism would be as under:

Members of the Syndicate / RTAs / CDPs / Registered Brokers	₹ 30 per valid application (plus applicable taxes)
Sponsor Bank	₹ 8.00 (plus applicable taxes) Processing fees for applications made by UPI Bidders using the UPI mechanism for each valid Bid cum application form. The Sponsor Bank shall be responsible for making payments to the third parties such as remitter bank, NPCI and such other parties as required in connection with the performance of its duties under the SEBI circulars, the Syndicate Agreement and other applicable laws.

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

The processing fees for applications made by UPI Bidders using the UPI Mechanism may be released to the remitter banks (SCSBs) only after such banks provide a written confirmation on compliance with SEBI Circular No: SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 02, 2021 read with SEBI Circular No: SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 and such payment of processing fees to the SCSBs shall be made in compliance with SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022.

### Monitoring of utilisation of funds

As the Offer is an offer for sale of Equity Shares, our Company will not receive any proceeds from the Offer. Accordingly, no monitoring agency will be appointed for the Offer.

### Other confirmations

Except to the extent of the proceeds received pursuant to the Offer for Sale by our Selling Shareholders, none of our Promoters, Directors, KMPs, members of our Promoter Group or Group Companies will receive any portion of the Net Proceeds and there are no existing or anticipated transactions in relation to utilization of the Net Proceeds with our Promoters, Directors, Key Managerial Personnel, members of our Promoter Group or Group Companies.

## BASIS FOR OFFER PRICE

The Price Band and the Offer Price will be determined by our Company and the Selling Shareholders, in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and on the basis of quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹1 each and the Offer Price is 1.05 times the Floor Price and 1.00 times the Cap Price, and Floor Price is 450 times the face value and the Cap Price is 474 times the face value. Investors should also see “Risk Factors”, “Summary of Financial Information”, “Our Business”, “Financial Statements”, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 22, 53, 173, 272 and 346, respectively, to have an informed view before making an investment decision

### Qualitative Factors

Some of the qualitative factors and our strengths which form the basis for computing the Offer Price are as follows:

- Fastest Gross Term Loans growth among our compared peers with more than ₹30,000 million in Gross Term Loans, with strong return and growth metrics and a significant potential addressable market; (*CRISIL Report*)
- Among the select institutions to develop an underwriting model that evaluates the cash-flows of small business owners and self-employed individuals in the absence of traditional documentary proofs of income;
- Strong on-ground collections infrastructure leading to our ability to maintain a robust asset quality;
- Ability to successfully expand to new underpenetrated geographies through a calibrated expansion strategy;
- 100% in-house sourcing, comprehensive credit assessment and robust risk management and collections framework, leading to good asset quality;
- Access to diversified and cost-effective long-term financing with a conservative approach to asset liability and liquidity management; and
- Experienced, cycle-tested leadership with an experienced longstanding promoter, and a professional management team and supported by marquee investors.

For details, see “Our Business – Our Competitive Strengths” on page 178.

### Quantitative Factors

Some of the information presented below relating to our Company is derived from the Restated Financial Information. For details, see “Financial Statements” and “Other Financial Information” on pages 272 and 344, respectively.

Some of the quantitative factors which may form the basis for computing the Offer Price are as follows:

#### A. Basic and Diluted Earnings Per Equity Share (“EPS”) as adjusted of sub-division (face value of each Equity Share is ₹1):

Fiscal	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2022	16.09	15.92	3
March 31, 2021	14.01	13.61	2
March 31, 2020	10.32	10.07	1
<b>Weighted Average</b>	<b>14.44</b>	<b>14.18</b>	
June 30, 2022 (not annualized)	4.79	4.74	
June 30, 2021 (not annualized)	3.80	3.66	

#### NOTES:

1. Weighted average = Aggregate of year-wise weighted EPS divided by the aggregate of weights i.e. (EPS x Weight) for each year/Total of weights.
2. The face value of each Equity Share is ₹1 each.
3. Earnings per Equity Share (₹) = Profit of the Company for the year/Weighted Average No. of shares at the end of the year
4. Basic and diluted earnings per equity share: Basic and diluted earnings per equity share are computed in accordance with Indian Accounting Standard 33 notified under the Companies (Indian Accounting Standards) Rules of 2015 (as amended).
5. The Company in its extraordinary general meeting held on October 8, 2021, has approved sub-division of each equity share of ₹10 each into Equity Shares of ₹1 each. The computation given above is after taking into account share sub-division..

#### B. Price/Earning (“P/E”) ratio in relation to Price Band of ₹450 to ₹474 per Equity Share:

Particulars	P/E at the Floor Price (number of times)	P/E at the Cap Price (number of times)
Based on basic EPS for year ended March 31, 2022	27.97	29.46
Based on diluted EPS for year ended March 31, 2022	28.27	29.77

### C. Industry Peer Group P/E ratio

	P/E Ratio (x)
Highest	46.02
Lowest	33.19
<b>Industry Composite</b>	<b>40.84</b>

Notes:

- <sup>(1)</sup> The industry high and low has been considered from the industry peer set provided later in this chapter. The industry composite has been calculated as the arithmetic average P/E of the industry peer set disclosed in this section. For further details, see “– Comparison with listed Industry Peers” on page 107.
- <sup>(2)</sup> P/E figures for the peer are computed based on closing market price as on October 20, 2022 at BSE, divided by Diluted EPS based on the annual report of the company for the Financial Year 2021. The Diluted EPS for AU Small Finance Bank Limited has been adjusted for the bonus issue allotment in 1:1 ratio on June 12, 2022.

### D. Return on Average Net worth (“RoNW”)

Fiscal	RoNW (%)	Weight
March 31, 2022	13.86	3
March 31, 2021	16.85	2
March 31, 2020	15.35	1
<b>Weighted Average</b>	<b>15.11</b>	
June 30, 2022	3.69*	

\*Non annualized

Notes:

- Return on Average Net Worth ratio: Restated profit for the period / year divided by the simple average of our monthly Total equity, as of the last day of the month, starting from the last month of the previous Financial Year and ending with the last month of the current Financial Year.
- The weighted average return on net worth is a product of return on net worth and respective assigned weight, dividing the resultant by total aggregate weight.
- Net Worth is equivalent to Total Equity, which represents Equity share capital plus Other equity.

### E. Net Asset Value (“NAV”) per Share, as adjusted of sub-division

Financial Year ended/ Period ended	Amount (₹)
As on June 30, 2022	132.38
As on March 31, 2022	127.35
After the completion of the Offer	
- At the Floor Price	132.38
- At the Cap Price	132.38
Offer Price	132.38

Notes:

- Net assets value per share (in ₹): Net asset value per share is calculated as Restated Total Equity of the company at the end of the year divided by number of shares as at period end, year end adjusted for sub-division of shares carried out subsequent to year end as detailed below.

### F. Comparison with Listed Industry Peers

Name of Company	Face Value (₹ Per Share)	Closing price on October 20, 2022 (₹)	Total Income, for Financial Year 2022 (in ₹ million)	EPS (₹)		NAV <sup>(3)</sup> (₹ per share)	P/E (x) <sup>(4)</sup>	P/B (x) <sup>(5)</sup>	RoNW <sup>(6)</sup> (%)
				Basic <sup>(1)</sup>	Diluted <sup>(2)</sup>				
Five-Star Business Finance Limited	1	N.A.	12,561.69	16.09	15.92	127.35	29.77 <sup>^</sup>	3.72 <sup>^</sup>	13.86
Aavas Financiers Limited	10	2,062.30	13,056.48	45.10	44.81	355.53	46.02	5.80	12.66
Aptus Value Housing	2	326.00	8,402.17	7.58	7.53	58.68	43.29	5.56	12.69



Name of Company	Face Value (₹ Per Share)	Closing price on October 20, 2022 (₹)	Total Income, for Financial Year 2022 (in ₹ million)	EPS (₹)		NAV <sup>(3)</sup> (₹ per share)	P/E (x) <sup>(4)</sup>	P/B (x) <sup>(5)</sup>	RoNW <sup>(6)</sup> (%)
				Basic <sup>(1)</sup>	Diluted <sup>(2)</sup>				
Finance Limited*									
AU Small Finance Bank Limited	10	592.25	69,154.25	18.03*	17.85*	119.31*	33.19	4.96	15.04

Notes:

^ The ratios have been calculated using Offer Price.

\*Adjusted for the bonus issues allotment in 1:1 ratio on June 12, 2022

Source: All the financial information for listed industry peer mentioned above is sourced from the annual report of the relevant company for the year ended March 31, 2022.

(1) Basic EPS sourced from the annual report of the company for the year ended March 31, 2022. The Basic EPS for AU Small Finance Bank Limited has been adjusted for the bonus issue allotment in 1:1 ratio on June 12, 2022.

(2) Diluted EPS refers to the Diluted EPS sourced from the annual report of the peers for the year ended March 31, 2021. The Diluted EPS for AU Small Finance Bank Limited has been adjusted for the bonus issue allotment in 1:1 ratio on June 12, 2022

(3) NAV is computed as the closing net worth divided by the closing outstanding number of equity shares as on March 31, 2022. The NAV for AU Small Finance Bank Limited has been adjusted for the bonus issue allotment in 1:1 ratio on June 12, 2022

(4) P/E Ratio has been computed based on the closing market price of equity shares on October 20, 2022 on BSE, divided by the Diluted EPS provided under Note 1 above.

(5) P/B is computed as closing market price of equity shares on BSE as on October 20, 2022 divided by NAV, as on March 31, 2022.

(6) RoNW is computed as net profit after tax (including profit attributable to non-controlling interest) divided by closing net worth. Net worth has been computed as sum of paid-up share capital and other equity

#### **G. The Offer price is 474 times of the face value of the Equity Shares**

The Offer Price of ₹474 has been determined by our Company and the Selling Shareholders, in consultation with the BRLMs, on the basis of market demand from investors for Equity Shares through the Book Building Process.

Investors should read the above mentioned information along with “Risk Factors”, “Our Business”, “Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 22, 173, 272 and 346, respectively, to have a more informed view.

## STATEMENT OF SPECIAL TAX BENEFITS

### STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO FIVE-STAR BUSINESS FINANCE LIMITED (THE "COMPANY"), AND ITS SHAREHOLDERS UNDER THE APPLICABLE TAX LAWS IN INDIA

The Board of Directors,  
Five-Star Business Finance Limited  
New No. 27, Old No 4,  
Taylor's Road, Kilpauk,  
Chennai-600 010  
Tamil Nadu, India.

Dear Sirs,

#### **Re: Statement of Special Tax Benefits available to Five-Star Business Finance Limited, and its shareholders under the Indian tax laws.**

1. We hereby confirm that the enclosed Annexures 1 and 2 (together, the "Annexures"), prepared by the Company, provides the special tax benefits available to the Company and to the shareholders of the Company as stated in those Annexures, under:
  - the Income-tax Act, 1961 (the "Act") as amended by the Finance Act, 2022 applicable for the Financial Year 2022-23 relevant to the Assessment Year 2023-24, presently in force in India; and
  - the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017 and the applicable State / Union Territory Goods and Services Tax Act, 2017 ("GST Acts"), as amended from time to time, the Customs Act, 1962 ("Customs Act") and the Customs Tariff Act, 1975 ("Tariff Act"), as amended by the Finance Act 2022 applicable for the Financial Year 2022-23, Foreign Trade Policy 2015-20 as extended till 30 September 2022 *vide* Notification No 64/2015-20 dated 31 March 2022 (unless otherwise specified), presently in force in India.

The Act, the GST Acts, Customs Act and Tariff Act, as defined above, are collectively referred to as the "Relevant Acts"
2. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Relevant Acts. Hence, the ability of the Company and/or its shareholders to derive the tax benefits is dependent upon their fulfilling of such conditions which, based on business imperatives the Company face in the future, the Company or its shareholders may or may not choose to fulfil.
3. The benefits discussed in the enclosed Annexures are not exhaustive and the preparation of the contents stated in the Annexures is the responsibility of the management of the Company. We are informed that these Annexures are only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the proposed initial public offering of equity shares (the "Proposed IPO") by the Company.
4. We do not express any opinion or provide any assurance as to whether:
  - i) the Company or its shareholders will continue to obtain these benefits in future;
  - ii) the conditions prescribed for availing the benefits have been / would be met with; and
  - iii) the revenue authorities/courts will concur with the views expressed herein.

5. The contents of the enclosed Annexures are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.
6. This Statement is issued solely in connection with the proposed offering of equity shares of face value Re 1 each of the Company and is not to be used, referred to or distributed for any other purpose.

For **S.R. Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm Registration Number: 101049W / E300004

per **Bharath N S**  
Partner  
Membership Number: 210934  
UDIN: 22210934AYLDHK6149  
Place of Signature: Chennai  
Date: 06 October 2022

## **ANNEXURE 1**

### **STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO FIVE-STAR BUSINESS FINANCE LIMITED (THE "COMPANY"), AND ITS SHAREHOLDERS UNDER THE INCOME-TAX ACT, 1961**

Outlined below are the special tax benefits available to the Company, and its Shareholders under the Income-tax Act, 1961 (the "Act") as amended by the Finance Act, 2022 applicable for the Financial Year 2022-23 relevant to the Assessment Year 2023-24, presently in force in India

#### **I. Special tax benefits available to the Company**

1. As per the provisions of section 80JJAA of the Act, a company subject to tax audit under section 44AB of the Act and whose gross total income includes any profit and gains derived from business shall be entitled to claim a deduction of an amount equal to thirty percent of additional employee cost incurred in the course of such business in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided. The eligibility to claim the deduction is subject to fulfilment of prescribed conditions specified in sub-section (2) of section 80JJAA of the Act.
2. The Company is entitled to accelerated deduction in respect of bad and doubtful debts up to the limit specified under section 36(1)(viiia) of the Act in computing its income under the head "Profits and gains of business or profession", to the extent of five per cent (5%) of the gross total income, computed before considering any deduction under the aforesaid section and Chapter VI-A of the Act, and subject to satisfaction of prescribed conditions.
3. As per the provisions of section 43D of the Act, the Company, being a systematically important non-deposit taking non-banking financial company as defined in section 43B of the Act, is entitled to the benefit of offering to tax the interest income on bad and doubtful loans, which are not credited to profit and loss account of that year, on realization basis. Such benefit is available in respect of certain categories of bad and doubtful loans as may be prescribed having regard to the guidelines issued by the Reserve Bank of India.

#### **II. Special tax benefits available to the Shareholders**

There are no special tax benefits available to the shareholders for investing in the shares of the Company under the Act.

Notes:

1. This Annexure sets out the only the special tax benefits available to the Company, and its shareholders under the Income-tax Act, 1961 (the "Act") as amended by the Finance Act, 2022 applicable for the Financial Year 2022-23 relevant to the Assessment Year 2023-24, presently in force in India.
2. This Annexure covers only certain relevant benefits under the Act and does not cover any other benefit under any other law.
3. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the Act.
4. As per section 115BAA of the Act, the Company has an option to pay income tax in respect of its total income at a concessional tax rate of 25.168% (including applicable surcharge and cess) subject to satisfaction of certain conditions with effect from Financial Year 2019-20 (i.e. Assessment Year 2020-21). The Company has adopted the said tax rate with effect from Financial Year 2019-20. Such option once exercised shall apply to subsequent assessment years. In such a case, the Company may not be allowed to claim any of the following deductions/exemptions:

- i) Deduction under the provisions of section 10AA (deduction for units in Special Economic Zone.
- ii) Deduction under clause (iia) of sub-section (1) of section 32 (Additional depreciation).
- iii) Deduction under section 32AD or section 33AB or section 33ABA (Investment allowance in backward areas, Investment deposit account, site restoration fund)
- iv) Deduction under sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub section (2AA) or sub-section (2AB) of section 35 (Expenditure on scientific research)
- v) Deduction under section 35AD or section 35CCC (Deduction for specified business agricultural extension project)
- vi) Deduction under section 35CCD (Expenditure on skill development)
- vii) Deduction under any provisions of Chapter VI-A other than the provisions of section 80JJAA or Section 80M
- viii) No set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred from clause i) to vii) above.
- ix) No set off of any loss or allowance for unabsorbed depreciation deemed so under section 72A, if such loss or depreciation is attributable to any of the deductions referred from clause i) to vii) above

Further, it was clarified by the Central Board of Direct Taxes vide Circular No. 29/ 2019 dated 02 October 2019 that if the Company opts for concessional income tax rate under section 115BAA, the provisions of section 115JB regarding Minimum Alternate Tax (MAT) are not applicable. Further, such Company will not be entitled to claim tax credit relating to MAT.

- 5. This Annexure is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax arising out of their participation in the Proposed IPO
- 6. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Tax Avoidance Agreement(s), if any, between India and the country in which the non-resident has fiscal domicile.
- 7. No assurance is provided that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

**For Five-Star Business Finance Limited**

Lakshmi pathy Deenadayalan

Chairman and Managing Director

Place: Chennai

Date: 06 October 2022

## ANNEXURE 2

### STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO FIVE-STAR BUSINESS FINANCE LIMITED (THE “COMPANY”), AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS FOR INDIRECT TAXES

Outlined below are the special tax benefits available to the Company, and its Shareholders under the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017 and the applicable State / Union Territory Goods and Services Tax Act, 2017, The Goods and Services Tax (Compensation to States) Act, 2017 and relevant rules made thereunder (“GST Acts”) as amended from time to time, the Customs Act, 1962 (“Customs Act”) and the Customs Tariff Act, 1975 (“Tariff Act”), as amended by the Finance Act 2022 applicable for the Financial Year 2022-23, Foreign Trade Policy 2015-20 as extended till 30 September 2022 *vide* Notification No 64/2015-20 dated 31 March 2022 (unless otherwise specified), presently in force in India.

#### I. Special tax benefits available to the Company

No special Indirect tax benefits available to the Company.

#### II. Special tax benefits available to the Shareholders of the Company

There are no special indirect tax benefits available to the shareholders for investing in the shares of the Company.

Notes:

1. This Annexure sets out the only the special tax benefits available to the Company and its Shareholders under the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017 and the applicable State / Union territory Goods and Services Tax Act, 2017, The Goods and Services Tax (Compensation to States) Act, 2017 and relevant rules made thereunder (“GST Acts”) as amended from time to time, the Customs Act, 1962 (“Customs Act”) and the Customs Tariff Act, 1975 (“Tariff Act”), as amended by the Finance Act 2022 applicable for the Financial Year 2022-23, Foreign Trade Policy 2015-20 as extended till 30 September 2022 *vide* Notification No 64/2015-20 dated 31 March 2022 (unless otherwise specified), presently in force in India.
2. This Annexure is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Proposed IPO.
3. Our comments are based on specific activities carried out by the Company from 01 April 2022 till the 30 June 2022. Any variation in the understanding could require our comments to be suitably modified.
4. During the period from 01 April 2022 to 30 June 2022, the Company has:
  - i. not claimed any exemption or benefits or incentives under the indirect tax laws;
  - ii. not exported any goods or services outside India;
  - iii. not imported any goods or services from outside India;
  - iv. not made any fresh investment in any State of the country and has not claimed any incentive under any State Incentive Policy.

5. This annexure covers only indirect tax laws benefits and does not cover any income tax law benefits or benefit under any other law.
  
6. These comments are based upon the provisions of the specified Indirect tax laws, and judicial interpretation thereof prevailing in the country, as on the date of this Annexure.

For **Five-Star Business Finance Limited**

Lakshmiopathy Deenadayalan  
Chairman and Managing Director  
Place: Chennai  
Date: 06 October 2022

## SECTION IV: ABOUT OUR COMPANY

### INDUSTRY OVERVIEW

*The information contained in this section, unless otherwise specified, is derived from a report titled “Industry Report on Small Business Loans in India” issued in November, 2021, and as updated in September, 2022 prepared by CRISIL Limited (the “CRISIL”), and exclusively commissioned and paid for by us for the purposes of understanding the industry in connection with the Offer. We first appointed CRISIL Limited to prepare the CRISIL Report on July 30, 2021, and subsequently entered into an addendum amending the agreement for services on September 5, 2022. Other than the engagement described above, CRISIL Limited is independent and has no direct or indirect association with us, our Directors or Promoters. Industry publications are also prepared based on information as at specific dates and may no longer be current or reflect current trends. Accordingly, investment decisions should not be based on such information. See “Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data” on page 20.*

*The terms “NPA” or “GNPA” or “Gross NPA” or “NNPA” used by CRISIL in the CRISIL Report (and therefore contained in this section) represent loans that are overdue for more than 90 days and such report does not consider the impact of the November 12 Circular in classifying loans referred to as “NPA” or “GNPA” or “Gross NPA” or “NNPA”.*

### Macroeconomic Overview

#### **World economy fighting inflation surge post Covid-19 with Indian economy facing volatile commodity prices and tightening of liquidity**

Fiscal 2020 was volatile for the global economy. The first three quarters were ensnared in trade protectionist policies and disputes among major trading partners, volatile commodity and energy prices, and economic uncertainties arising from United Kingdom’s exit from Brexit. Hopes of broad-based recovery in the fourth quarter were dashed by the Covid-19 pandemic, which led to considerable human suffering and economic disruption. In calendar year 2021, global trade performed better with merchandise trade growing 26% on year in value terms in calendar year 2021. The positive trend was witnessed globally on account of easing of pandemic restrictions, recovery in demand owing to economic stimulus packages (particularly in advanced economies) and increase in commodity prices. India’s merchandise trade recorded growth across both imports and exports in fiscal 2023, with imports growing by 37.2% in the first quarter of fiscal 2023. Net exports created a drag on the growth in the first quarter of fiscal 2023 with a growth rate of 14.7% on-year. However, going forward, CRISIL expects multiple headwinds as economic recovery continues to gather pace as global growth is projected to slow, with central banks in major economies withdrawing easy monetary policies to tackle high inflation.

According to the latest provisional estimates released by the National Statistical Office (NSO) in May 2022, India’s real Gross Domestic Product (GDP) growth has been pegged at 8.7% in fiscal 2022, lower than the last estimate of 8.9% released as second advance estimate in February 2022. In absolute terms, real GDP for fiscal 2022 is estimated at ₹ 147.4 trillion, marginally less than ₹ 147.7 trillion estimated earlier. The downward revision in GDP reflects a minor correction in first to third quarter GDP numbers, and a mild impact of third wave of Covid-19 and impact of Russia- Ukraine war in the fourth quarter. Further, given the large output loss due to Covid-19 pandemic, the real GDP is only 1.5% above the pre-pandemic level (fiscal 2020).

#### **Russia-Ukraine war slowed global recovery; but India expected to remain one of the fastest growing economies**

According to IMF, the economic damage from the ongoing war in Ukraine has contributed to a slowdown in global growth and rising inflation causing damage to various countries. The war has caused a humanitarian crisis in Eastern Europe, and various sanctions being imposed on Russia to end hostilities. In addition, frequent and wider-ranging lockdowns in China have slowed activity as it is a major manufacturing hub, which could cause new bottlenecks in the global supply chain. Further, Russia is a major supplier of oil, gases and metals and Ukraine is a major supplier of wheat and corn, and an anticipated decline in the supply of these essential commodities could spike up the prices in the global commodities market.

India was one of the fastest growing economies in the world pre-COVID-19, with annual growth of around 6.7% between calendar years 2014 and 2019. Over the few years prior to the onset of the COVID-19 pandemic, India’s macroeconomic situation had gradually improved with the twin deficits (current account and Fiscal) narrowing and the growth-inflation mix improving. The Government adopted an inflation-targeting framework that provided an institutional mechanism for inflation control, while modernising central banking.

CRISIL Research expects growth outlook for fiscal 2023 to be fettered with multiple risks. Nevertheless, India is expected to remain the fastest growing economy in the world with GDP growth of 7.3% projected in fiscal 2023 as per CRISIL Research.



The IMF too estimates India’s GDP to grow by 7.4% in fiscal 2023 due to its broad range of fiscal, monetary and health responses. However, IMF projects the growth to slow down to 6.1% in fiscal 2023.

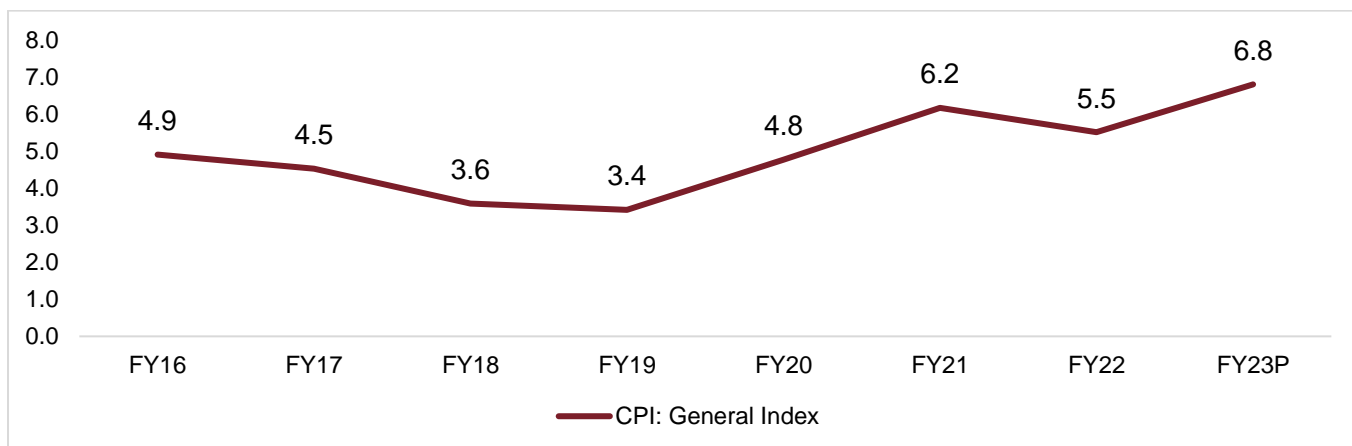
**Indian economy to be a major part of world trade**

Along with being one of the fastest growing economy in the world, India ranked fifth in the world in terms of nominal GDP in calendar year 2021. In terms of Purchasing Power Parity (PPP), India is the third largest economy in the world, only after China and the United States. With continuous growth in the GDP, India is expected to become the third largest global economy by 2030, as per the Centre for Economics and Business Research (CEBR). This growth in India’s GDP is expected to be driven by rapid urbanisation, rising consumer aspiration and increasing digitalisation coupled with Government support in the form of reforms and policies that are expected to support growth.

**CPI inflation to average at 6.8% in fiscal 2023**

India remains vulnerable to external shocks, impacting major macroeconomic variables. Inflation based on the Consumer Price Index (CPI), also known as retail inflation, increased to 7.0% on-year in August 2022 from 6.7% previous month. Wheat prices are high due to heatwaves in the months of March-May, which impacted the production of wheat and producers are expected to pass through the costs to consumers to a greater extent amid recovering demand. The RBI’s latest survey of manufacturing and services sector indicate firms to increase selling prices in the remainder of the fiscal. CRISIL Research expects Brent Crude to average \$105-\$110 per barrel in 2023 as compared to \$80 per barrel in fiscal 2022. CRISIL expects CPI inflation to average 6.8% in fiscal 2023 compared to 5.5% in the previous year, with risks tilted to the upside.

**Annual Inflation (y-o-y%) trend**

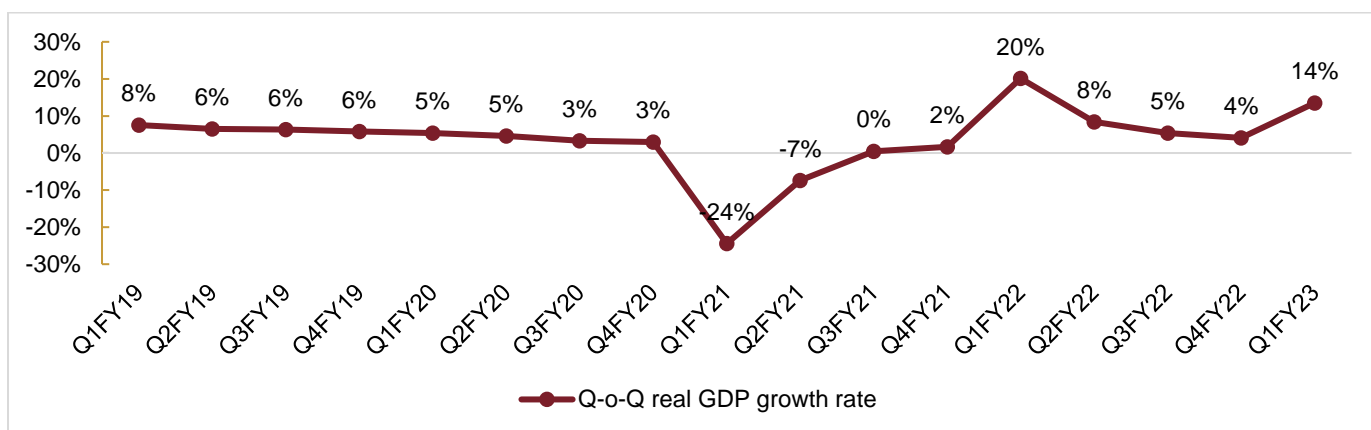


Source: CSO, Ministry of Industry and Commerce, CRISIL Research

**Financial conditions begin to tighten with mounting inflation**

The Reserve Bank of India’s Monetary Policy Committee (MPC) raised policy rates by 40 bps in May 2022. This was followed by another increase by 50 bps in June 2022, and 50 bps in August 2022, thereby bringing the repo rate to 5.40%, standing deposit facility to 5.15% and marginal standing facility (MSF) to 5.65%. Compared with an increase in policy rates by the RBI by 140 bps in 2022, the US Federal Reserve has increased its policy rates by 225 bps in 2022. Moreover, the MPC expects CPI inflation to remain above 6% in the next two quarters as well.

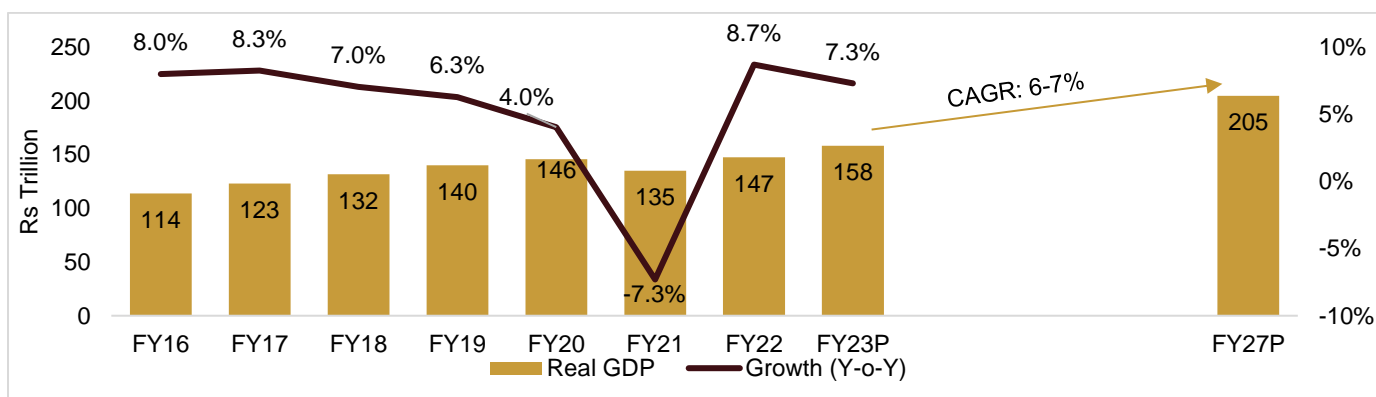
**Trend in real GDP growth rate on quarterly basis**



Source: CSO, RBI, CRISIL Research

The RBI's policy tightening is also warranted to reduce pressure on the rupee from widening current account deficit (CAD) and foreign portfolio investor (FPI) outflows. CRISIL expects CAD to rise to 3% of the GDP in the current fiscal. In addition, the foreign exchange reserves of India have also reduced in the recent months, given RBI's intervention to control Rupee's depreciation. Due to these factors, CRISIL expects another 25-bps hike in repo rate this fiscal. Further, because of slowing global growth, persistently high crude prices and rising domestic interest rates, CRISIL now expects India's GDP growth to be 7.3% in fiscal 2023, with risks tilted to the downside.

### India's economy to grow at 7.3% in fiscal 2023



Note: FY23 is projected based on CRISIL estimates FY24-FY27 is projected based on IMF estimates; Source: CRISIL Research, IMF World Economic Outlook – July 2022

### Macroeconomic outlook for Fiscal 2023

Macro variables	FY22	FY23P	Rationale for outlook
GDP (y-o-y)	8.7*%	7.3%^	Fiscal 2023 growth to be influenced by inflation and external spillovers. Higher oil prices, slowing global demand for India's exports and higher inflation will act negative for the Indian economy. Inflation which reduces purchasing power would weigh in the revival of consumption, the largest component of GDP which has been backsliding for a while. However, a normal monsoon and rebound in contact-intensive services are expected to bring some succour.
Consumer price index (CPI) inflation (y-o-y)	5.5%	6.8%	CPI inflation has been easing since May due to fall in food and fuel inflation before rising in August. However, sowing is lower on-year for major kharif crops. Food prices are expected to remain high this fiscal. Producers are also expected to pass on the costs to consumers to a greater extent amid recovering demand.
10-year Government security yield (fiscal-end)	6.8%	7.5%	Increase in gross market borrowing by the government, rate hikes by the RBI and the US Federal Reserve along with surging crude oil price is expected to cause a surge in G-Sec yields.

Macro variables	FY22	FY23P	Rationale for outlook
CAD (Current account balance)/GDP (%)	-1.2%	-3%	India is expected to be vulnerable to external shocks raising current account deficit. Major factors will be elevated commodity prices, slowing global growth and supply chain snarls.
₹/\$ (March average)	76.2	78	The rupee-dollar exchange rate will remain volatile with a depreciation bias in the near term due to widening trade deficit, foreign portfolio investment (FPI) outflows and strengthening of the US dollar index. US Dollar index will strengthen due to rate hikes by US Federal Reserve and safe-haven demand for the dollar amid the geopolitical risks.

*\*Downward bias*

*Note: P – Projected*

*Source: Reserve Bank of India (RBI), National Statistics Office (NSO), CRISIL Research*

### **GDP to bounce back over the medium term**

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

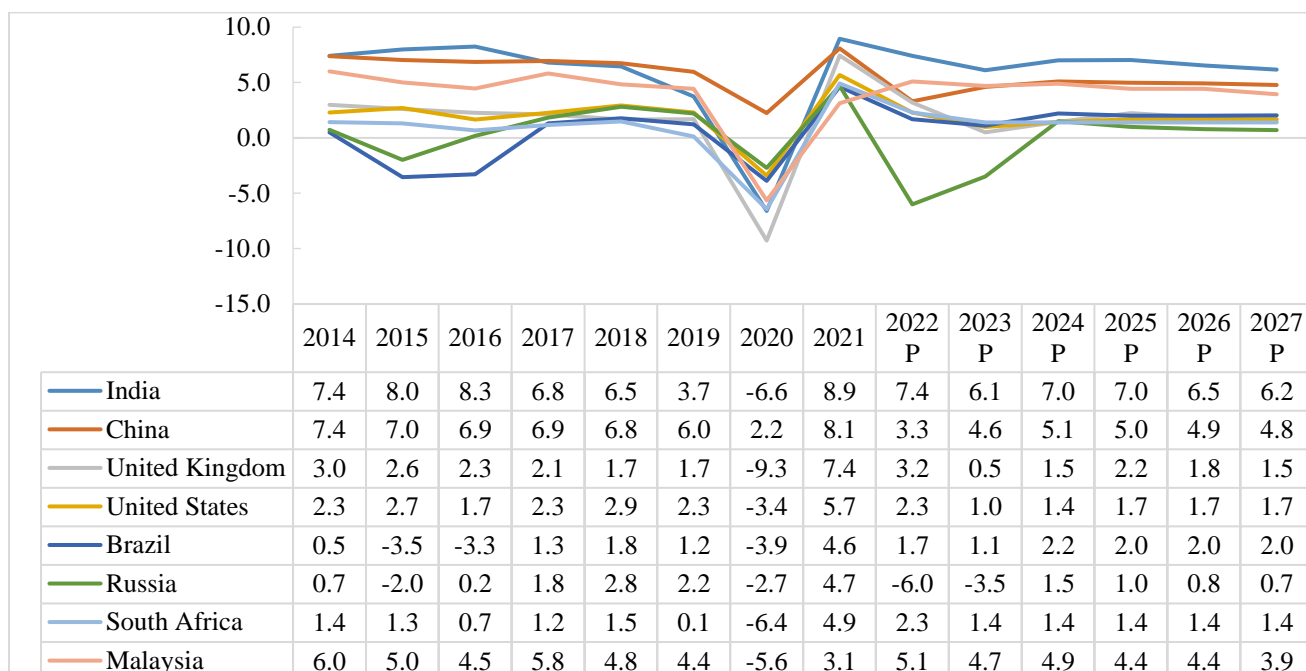
- Focus on investments rather than consumption push enhancing the productive capacity of the economy.
- The production linked incentive (PLI) scheme which aims to incentivise local manufacturing by giving volume-linked incentives to manufacturers in specified sectors
- Raft of reform measures by the government along with a more expansionary stance of monetary policy leading to a steady pick-up in consumption demand
- Policies aimed towards greater formalisation of the economy are bound to lead to an acceleration in per capita income growth

Prior to the onset of the pandemic, India's GDP growth slowed on account of existing vulnerabilities such as a weak financial sector and subdued private investment. However, considering production-linked incentive (PLI) scheme, reduction in corporate tax rate, labour law reforms together with healthy demographics and a more favourable corporate tax regime, India is expected to witness stable growth, supported by prudent fiscal and monetary policy. The focus of Union Budget 2022-23 on pushing capital expenditure (capex) despite walking a fiscal tightrope provides optimism and creates a platform for GDP growth.

### **Booster vaccinations to protect economy from a major economic impact of any fresh Covid surge**

As of September 6, 2022, India's COVID-19 vaccination coverage has exceeded 2,137 million. In addition, vaccination for children in the age group of 15-18 years was also announced from January 3, 2022 onwards. As of September 2022, India is seeing decreasing cases. If there is a covid wave in future, CRISIL believes that with the pace of vaccination and booster doses, the impact on the economy will be less severe. However, it will remain a key monitorable, as the pandemic has not yet been officially eradicated.

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



Note: All forecasts refer to IMF forecasts. GDP growth is based on constant prices, Data represented is for calendar years, For India, data and forecasts are presented on a fiscal year basis, with FY2021/22 starting in April 2021, hence 2022P numbers for India can be taken as actuals; P: Projected, Source: IMF (World Economic Outlook – July 2022 update)

#### Risks to growth

**Elevated inflation:** Even as inflation is easing, as can be seen in July, major headwinds still are there for the Indian economy. Producers are expected to pass on the increase in cost to end customers to a greater extent amid recovering demand.

**High policy rates for major economies:** Increase in the interest rates of major economies can lead to a negative impact on the Indian economy. Sharp appreciation of the US Dollar is putting pressure on Rupee even as domestic fundamentals remain resilient. A weakening rupee can further add to domestic inflationary pressures through higher cost of imports.

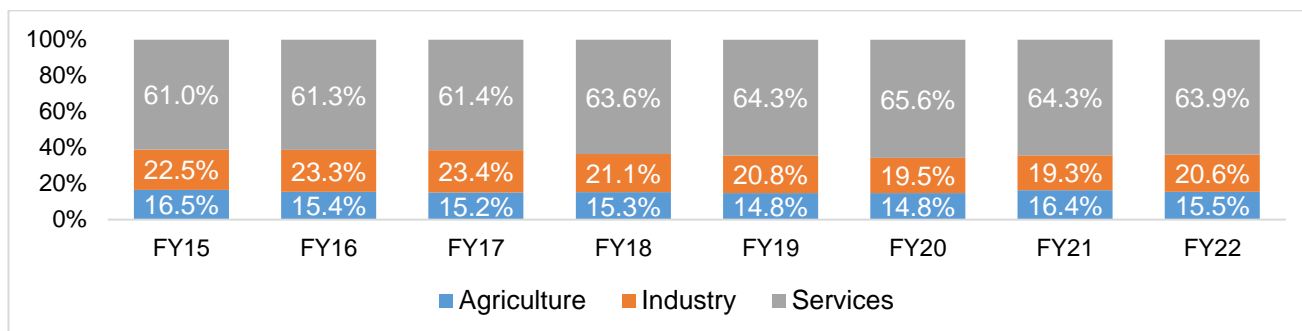
**Global slowdown:** Global growth is projected to slow down in fiscal 2023 as central banks tackle inflation with high policy rates. This could imply lower demand for Indian exports.

**Uncertainty of Russia-Ukraine war:** The conflict could delay private capital expenditure plans of companies as they navigate through the supply-chain restrictions caused by the war.

#### Contribution of various sectors to GDP

As compared to various developed economies, which witnessed a good contribution from manufacturing and industry first and subsequently in services, the Indian transformation story has been different. A notable feature of Indian economy has been the services sector's rising contribution to the overall output of the economy. Over fiscals 2018 to 2020, the service sector has grown at a rate of ~7%, thereby increasing the contribution of the services sector to 65.6% in fiscal 2020 in terms of Gross Value Added (GVA) at constant prices. In fiscal 2022, overall GVA expanded by approximately 8.1% after contracting by 4.8% in fiscal 2021.

### Share of sector in GVA at constant prices



Note: E – Estimated, P - Projected

Source: RBI; CRISIL Research

### Key growth drivers

#### India has the world's second largest population

As per Census 2011, India's population was ~1.25 billion, and comprised nearly 245 million households. The population, which grew at nearly 1.5 CAGR between 2001 and 2011, is expected to increase about 1.1% CAGR between 2011 and 2021, to 1.4 billion. The population is expected to reach 1.5 billion by 2031 and number of households are expected to reach ~376 million over the same period.

#### Favourable demographics

As of calendar year 2020, India has one of the largest young populations in the world, with a median age of 28 years. CRISIL Research estimates that about 90% of Indians are still below the age of 60 in calendar 2021 and that 63% of them are between 15 and 59 years. In comparison, in calendar year 2020, the United States (US), China and Brazil had 77%, 83% and 86%, respectively, of their population below the age of 60.

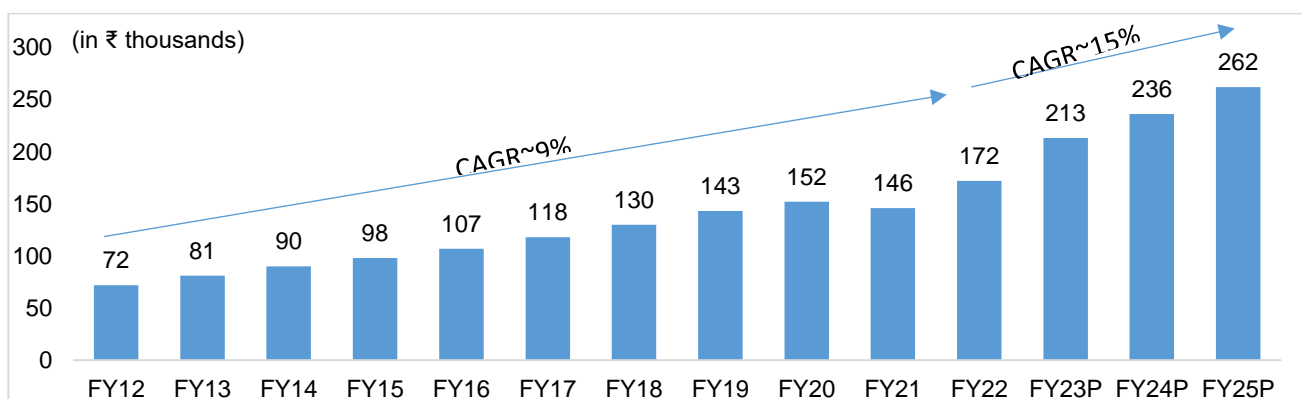
#### Urbanisation

Urbanisation is one of India's most important economic growth drivers. It is expected to drive substantial investments in infrastructure development, which in turn is expected to create jobs, develop modern consumer services and increase the ability to mobilise savings. India's urban population has been rising consistently over the decades. In 1950, it was 17% of total population. As per the 2018 revision of World Urbanization prospects, it was estimated at 34.9% for India. This is expected to reach 37.4% by 2025.

#### Increasing per capita GDP

In fiscal 2022, India's per capita income expanded by 7.6%. As per IMF estimates, India's per capita income (at constant prices) is expected to grow at 6% compound annual growth rate (CAGR) from fiscals 2022-2025.

### Trend in Nominal GDP per capita (at current prices)



Note: P - Projected; FY23-FY25 Data projected as per IMF estimates

Source: MOSPI, IMF, CRISIL Research

### ***Financial penetration to rise with increase in awareness of financial products***

Overall literacy in India is at 77.7% as per the results of recent NSSO survey conducted in 2018 which is still below the world literacy rate of 86.5%. However, according to the National Financial Literacy and Inclusion Survey (NCFE-FLIS) 2019, only 27% of Indian population is financially literate indicating huge gap and potential for financial services industry. The survey defines financial literacy as combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

With increasing financial literacy, mobile penetration, awareness and the Prime Minister's Jan Dhan Yojana bank accounts (scheme aimed at bringing the unbanked under the formal banking system), there has been a rise in the participation of individuals from non-metro cities in banking. With more people attached to the formal banking sector, the demand for financial products in smaller cities has seen a major uptick in recent years. Going forward, CRISIL expects financial penetration to increase on account of increasing financial literacy.

### **Measures to counter the pandemic's onslaught on growth**

#### ***Reserve Bank of India goes all out to combat the crisis***

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) slashed the repo rate by 115 basis points (bps) to address financial market stress in the wake of the pandemic and the subsequent lockdown. In an unusual move, the MPC also asymmetrically reduced the reverse repo initially by 90 bps and by another 25 bps and 40 bps subsequently.

The RBI also announced a host of other measures to address financial market stress due to the pandemic / lockdown, such as:

- **Reducing debt servicing burden through moratorium period:** The RBI initially permitted lending institutions to allow a moratorium of three months on repayment of instalments for term loans outstanding as on March 1, 2020 and defer interest payments due on working capital facilities outstanding.
- **Loan restructuring:** The central bank constituted a committee which identified 26 sectors for restructuring which included aspects related to leverage, liquidity and debt serviceability to be factored by the lending institutions while finalising resolution plans for borrowers.
- **Enhancing liquidity:** Apart from reducing repo and reverse repo rate, the RBI reduced the cash reserve ratio (CRR) requirements of all banks by 100 bps to 3% of net demand and time liabilities (NDTL).
- **Supporting financial market liquidity:** The RBI initially announced targeted long-term repo operations (TLTROs) of up to three years' tenure for a total of up to ₹ 1 trillion. Liquidity availed under the scheme by banks had to be deployed in investment grade corporate bonds, commercial paper, and non-convertible debentures.
- **Measures during second wave of Covid-19:** In May, 2021, RBI announced several measures to protect small and medium businesses, individual borrowers from the adverse impact of the intense second wave of Covid-19 across the country. This included the announcement of Resolution framework 2.0 wherein individuals and MSMEs having aggregate loan exposure of up to Rs. 250 million, who have not availed restructuring under any of the earlier restructuring frameworks (including under the Resolution Framework 1.0 dated August 6, 2020), and who were classified as 'Standard' as on March 31, 2021, were allowed to restructure their loans.

### **'Aatmanirbhar' package is a timely relief amid the pandemic**

#### ***Liquidity boost for NBFCs***

The Indian government announced a ₹ 450 billion partial guarantee scheme (for NBFCs) and ₹ 300 billion special liquidity scheme for NBFCs, housing finance companies (HFCs) and MFIs, aimed at covering the concern of credit risk perception on mid and small size non-banks.

#### ***Emergency Credit Line Guarantee Scheme (ECLGS) for MSMEs (₹ 4.5 trillion)***

Banks and NBFCs are directed to offer up to 20% of entire outstanding credit to MSMEs. MSMEs with up to ₹ 250 million outstanding credits and ₹ 1 billion turnover are eligible for these loans.

#### ***Subordinated debt to MSMEs (₹ 200 billion)***

The Indian government is also facilitating the provision of ₹ 200 billion as subordinate debt for stressed assets of MSMEs. It will also provide ₹ 40 billion as partial credit guarantee support to banks for lending to MSMEs.

#### ***Equity infusion in MSMEs (₹ 500 billion)***

The government has committed to infuse ₹ 500 billion in equity of MSMEs having growth potential and viability. It will also encourage MSMEs to list on stock exchanges.

#### ***Clearing MSME dues; guarantee scheme***

The government has requested central public sector enterprises to release all pending MSME payments within 45 days. It will boost transaction-based lending by fintech enterprises.

#### ***Global tenders disallowed up to ₹ 2 billion***

The government will not allow foreign companies in government procurement tenders of value up to ₹ 2 billion. This is likely to ease the competition faced by the MSMEs against foreign companies.

#### ***Loan interest subvention scheme (₹ 15 billion)***

Under this scheme, the government has provided 2% interest subvention for loans given under Mudra-Shishu scheme. These loans are up to the ticket size of ₹ 50,000 and are mostly given by NBFC-MFIs benefiting low income groups customers.

***Special credit facility for street vendors (₹ 50 billion):*** The government announced this scheme to facilitate easy access of credit to street vendors to offset the adverse effect of pandemic on their livelihoods.

#### **‘Aatmanirbhar 3.0’ stimulus package rolled out to boost economy in November 2020**

The finance minister, on November 12, 2020, announced a stimulus package. Under the package, 12 stimulus measures were rolled out to, among other things, boost employment in the formal and informal economy, help housing infrastructure, enhance ease of doing business and extend the deadline for the Credit Line Guarantee Scheme, etc.

Following are the twelve announcements made in the Aatmanirbhar 3.0 stimulus package:

1. Aatmanirbhar Bharat Rozgar Yojana: Aatmanirbhar Bharat Rozgar Yojana, operational during October 1, 2020 to June 2021 to incentivise creation of new employment opportunities during COVID recovery phase.
2. Emergency credit line guarantee scheme 2.0: Launch of an emergency credit line guarantee scheme 2.0 for guaranteed credit to 26 stressed sectors.
3. PLI scheme: Introduction of the PLI scheme in 13 key sectors for enhancing India’s manufacturing capabilities and exports.
4. PMAY – Urban: ₹ 180 billion will be provided over the Budgeted Estimates for 2020-21 for PM Awaas Yojana (PMAY) - Urban through additional allocation and extra-budgetary resources.
5. Support for construction and infrastructure - Relaxation of earnest money deposit (EMD) and performance security on government tenders.
  - a. Performance security on contracts to be reduced to 3% instead of 5-10%
  - b. EMD will not be required for tenders and will be replaced by Bid Security Declaration
  - c. Relaxations will be given till December 31, 2021
6. Demand booster for residential real estate income-tax relief for developers and home buyers: Increase in the differential from 10% to 20% for the period from the date of the announcements to June 20, 2021 for only primary sale of residential units of value up to ₹ 2 billion.
7. Government will invest ₹ 60 billion as equity in the NIIF debt platform. Infra project financing of ₹ 1.1 trillion will be provided by the government.
8. Government will provide support to farmers with ₹ 650 billion for subsidised fertilisers
9. Boost for the rural employment -Enhanced outlays under PM Garib Kalyan Rozgar Yojana: ₹ 400 billion was additionally provided in Atmanirbhar Bharat 1.0. Further outlay of ₹ 100 billion to be provided for PM Garib Kalyan Rozgar Yojana in the current fiscal.
10. Boost for exports - ₹ 30 billion to EXIM Bank for lines of credit: ₹ 30 billion will be released to EXIM Bank for promotion of project exports through lines of credit under the IDEAS scheme.
11. Capital and industrial stimulus: ₹ 102 billion additional budget outlay will be provided towards capital and industrial expenditure.

12. Research and development grant for COVID-19 vaccine development: ₹ 9 billion provided for COVID Suraksha Mission for research and development of an Indian COVID-19 vaccine to the Department of Biotechnology.

### **Scope of ECLGS Scheme further expanded post the COVID-19 second wave**

In September 2021, with a view to support various businesses impacted by the second wave of COVID 19 pandemic, the timeline for ECLGS was extended till March 2022 or till guarantees for an amount of ₹ 4.5 lakh crore are issued under the scheme, whichever is earlier.

In June 2021, the government increased the overall admissible guarantee limit from ₹ 3.0 trillion to ₹ 4.5 trillion. Along with this, the limit of admissible guarantee and outstanding loan amount is increased from 20% to 40% of outstanding for Covid-affected sectors like Hospitality sector, Travel & Tourism sector, Leisure & Sporting sector and Civil Aviation sector, subject to a maximum of ₹.200 crore per borrower.

Earlier, in May 2021, the Government announced the following further modifications to the ECLGS scheme:

- The scope was expanded to cover loans up to ₹. 20 million to hospitals/nursing homes/clinics/medical colleges for setting up on-site oxygen generation plants with interest rate capped at 7.5%
- Additional ECLGS assistance of up to 10% of the outstanding loans as on February 29, 2020 to borrowers covered under ECLGS 1.0 was allowed
- Civil Aviation sector was included in the list of sectors covered
- Ceiling of ₹. 5 billion of loan outstanding for eligibility under ECLGS 3.0 was removed, subject to maximum additional ECLGS assistance to each borrower being limited to 40% or ₹. 2 billion, whichever is lower
- Borrowers who had availed loans under ECLGS 1.0 of overall tenure of 4 years comprising of repayment of interest only during the first 12 months with repayment of principal and interest in 36 months were allowed to increase the tenure to 5 years (repayment of interest only for the first 24 months with repayment of principal and interest in 36 months thereafter)

### **Key structural reforms: Long-term positives for the Indian economy**

- **Financial inclusion:** India's financial inclusion has improved significantly between 2014 and 2021, with the adult population with bank accounts rising from 53% (as per Global Findex Database 2014) to 78% in 2021 with concentrated efforts by the government to promote financial inclusion and the proliferation of supporting institutions.
- **GST implementation:** Introduced on July 1, 2017, the GST is an indirect tax regime that subsumed multiple cascading taxes levied by the central and state governments. Its implementation has spawned structural changes in the supply chain and logistics network in the country.
- **PLI scheme to boost manufacturing in the long run:** The government has budgeted ~₹ 2 trillion to give incentives to the locally manufacturing units to 13 key sectors. By incentivising production subject to achieving the desired scale, the scheme aims to spawn a handful of globally competitive large scale manufacturing units in the identified sectors.
- **Thrust on affordable housing:** The residential real estate segment saw two policy changes – Real Estate (Regulation and Development) Act (RERA) and Goods and Services Tax (GST) -- which had a direct impact on the sector's demand-supply dynamics. Going ahead, about half of the incremental supply being added in urban stock is expected to be via affordable housing.
- **PMAY Gramin (Rural):** Under the PMAY-Gramin (PMAY-G), as many as 20.0 million houses were completed as of September 26, 2022. The government has set up a target of constructing 29.5 million houses by fiscal 2024 under the scheme.
- **PMAY Urban:** On August 10, 2022, the Union Cabinet approved the proposal of Ministry of Housing and Urban Affairs for continuation of Pradhan Mantri Awas Yojana- Urban (PMAY-U) up to December 31, 2024, wherein financial assistance is to be provided for completion of all 122.69 lakh houses sanctioned till March 31, 2022. As on September 26, 2022, the Government has sanctioned ₹ 2.03 trillion towards this scheme. However, the central assistance released is about ₹ 1.23 trillion, which amounts to approximately 60% of the required assistance.

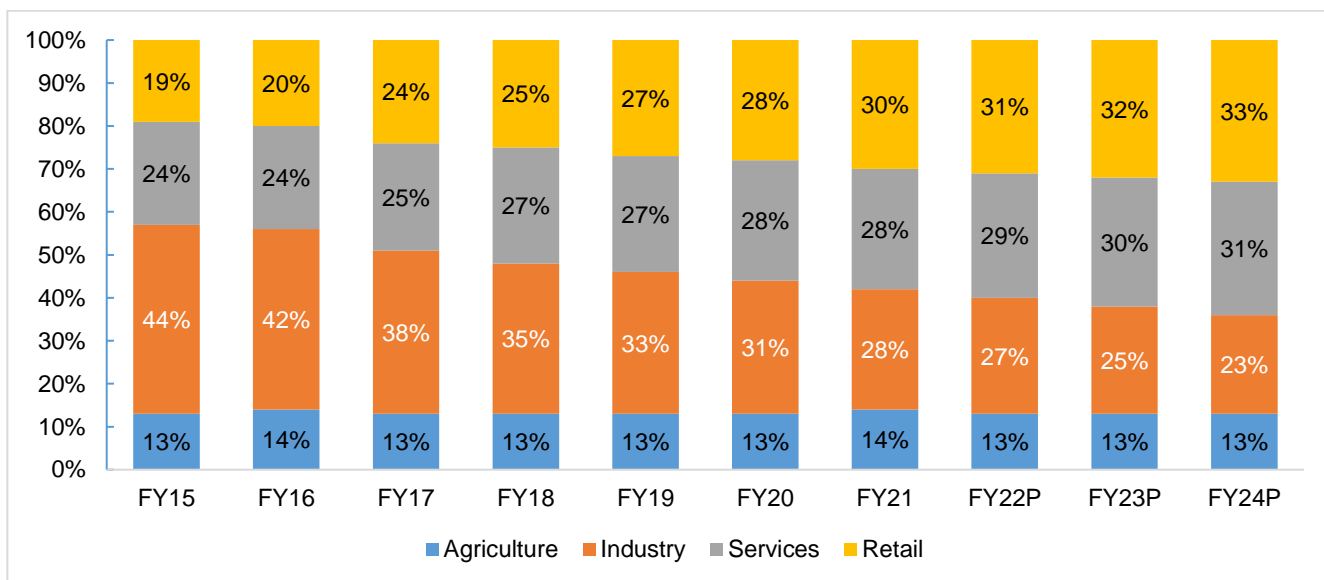


## Credit penetration in India

### Retail and agricultural sector to drive credit growth in fiscal 2023

In the first half of fiscal 2022, the second wave of pandemic forced borrowers and lenders to drive business cautiously which ultimately led to muted bank growth. Growth picked up in the third quarter of fiscal 2022 which continued in the fourth quarter as well due to a much less potent third wave and pent-up demand. ECLGS scheme aided MSMEs to obtain credit from banking sector. CRISIL Research expects bank credit to grow 10-11% in fiscal 2023, driven by retail and agricultural segments and supported by recovery in services and industrial credit. Credit to agricultural sector was driven due to high commodity prices and high production in fiscal 2022. CRISIL Research expects agri-credit to grow at 11-13% during fiscal 2023 supported by higher PSL targets, higher food grain production and increased commodity prices. Credit to Industrial sector grew by 8% in fiscal 2022 and CRISIL research expects it to maintain the growth momentum in fiscal 2023 and grow at 8-10%. Services segment credit is expected to grow at 8-10% on-year in fiscal 2023, led by increased lending towards NBFCs (which mainly lend to trade sector) and schemes such as ECLGS. Retail sector grew at 13% on-year due to low interest rates for housing loans. CRISIL expects continued credit growth towards retail sector in fiscal 2023 at 13-15%.

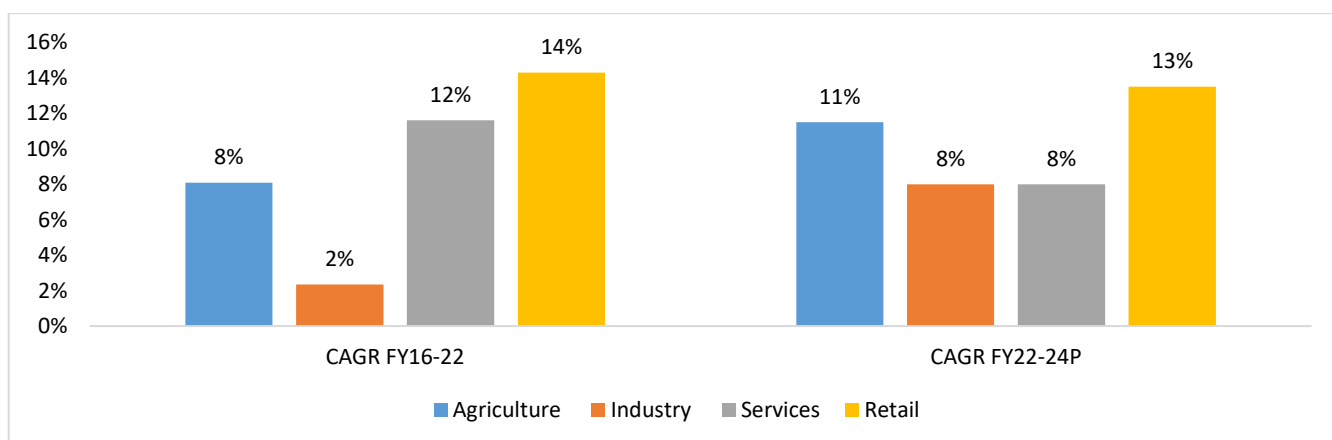
### Retail loan has the largest share in banking credit; will continue to form largest share at 32% in FY24



Note: P: Projected

Source: RBI; CRISIL Research

### Trend in growth of bank credit of various segments



Note: P: Projected

Source: RBI; CRISIL Research

### Increasing retail penetration to support credit growth

Household debt-to-GDP ratio measures the credit penetration of the household sector in an economy. India ranks one of the lowest in this parameter. However, this ratio has been rising with increase in formalisation, rise in income levels, and improving banking penetration in the country. This is further supported by strong retail focus by banks, as this segment offers better risk-to-reward. We expect this pace to continue in medium term, given huge under-penetration in the segment, and supported by rapid growth in income levels.

### Total credit-to-GDP ratio to pick up in the long-term on the back of structural reforms

Total credit-to-GDP ratio (total credit to for private non-financial sector), which measures the financial sector penetration in the economy, has been observed to be one of the lowest in case of India (~56% as of 2019) compared with other developing BRICS economies, such as China (~204%) and South Africa (~73%), and developed economies, such as the United States (~150%), United Kingdom (~163%) and France (~215%). Faster economic growth, improving digitisation initiatives, increasing banking penetration, and government's implementation of structural reforms such as IBC, augur well for the total credit to GDP ratio in the long term.

### Greater credit penetration will increase proportion of new-to-credit customers

In India, the proportion of new-to-credit customers has been showing a steady increase across segments, indicating increasing comfort of the younger population in availing credit and a consequent increase in credit penetration. According to CRIF Highmark data, the proportion of new-to-credit (NTC) customers in fiscal 2022 was around 41% in the case of business loans, 20% in the case of credit cards, 40% for personal loans, and 46% for auto loans.

	Proportion of new-to-credit customers
Home loans	39%
Personal loans	40%
Credit cards	20%
Auto loans	46%
Business Loans	41%

*NTC defined as loans with borrower vintage <= 12 months*

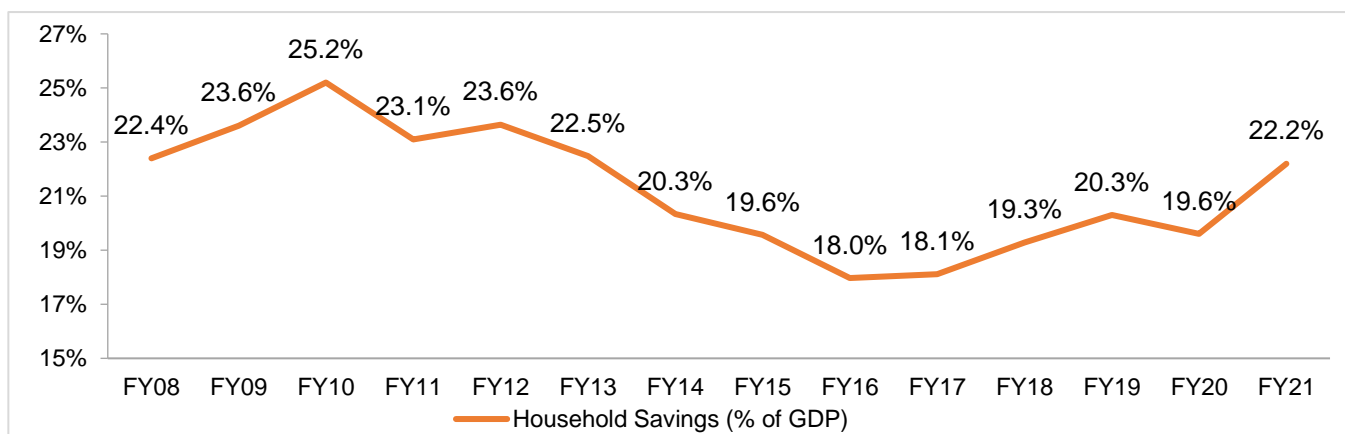
*Source: Industry, CRIF Highmark, CRISIL Research estimates*

### Household savings to increase

India's slowing economy took a toll on much-needed savings too, with the savings rate touching a 15-year low in fiscal 2019 to 30.6%, and household savings also falling. Indian households contributed to about 62% of the country's savings in fiscal 2020. However, India remains favourable in terms of gross domestic savings rate compared with most other emerging market peers at 31% in CY2021, greater than the world average of 27%.

Specifically, household savings as a percentage of GDP has been sliding since fiscal 2012, with its share as a proportion of GDP falling significantly from 23.6% in fiscal 2012 to 18.0% in fiscal 2016. The household savings as percentage of GDP rose to 22.2% in fiscal 2021 on account of liquidity.

## Household savings as a percentage of GDP has increased to 22.2% marginally in Fiscal 2021



Note: E: Estimated

Source: Ministry of Statistics and Programme Implementation (MOSPI), RBI, CRISIL Research

### Rural economy is becoming structurally far more resilient

At a time when the Indian economy has been severely impacted by the COVID-19 pandemic, the rural economy, which accounts for almost half of India's GDP, has been a harbinger of hope. Rural India emerged relatively unscathed from the first Covid-19 wave due to lower spread of the pandemic in these areas, agricultural activity continuing unhindered, additional support offered by the government by increasing allocation under the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) and disbursing funds under the PM-Kisan scheme, and the relatively lower contribution of services, most badly hurt due to the pandemic, in the rural GDP. Further, higher Government procurement of food grains to support the Pradhan Mantri Garib Kalyan Anna Yojana, also spurred higher production.

The second wave of Covid-19 has had some impact in rural India, thereby hurting household balance sheets. This, along with the progress of the monsoons and sowing activity in respect of kharif crops, would influence rural incomes in the near-term.

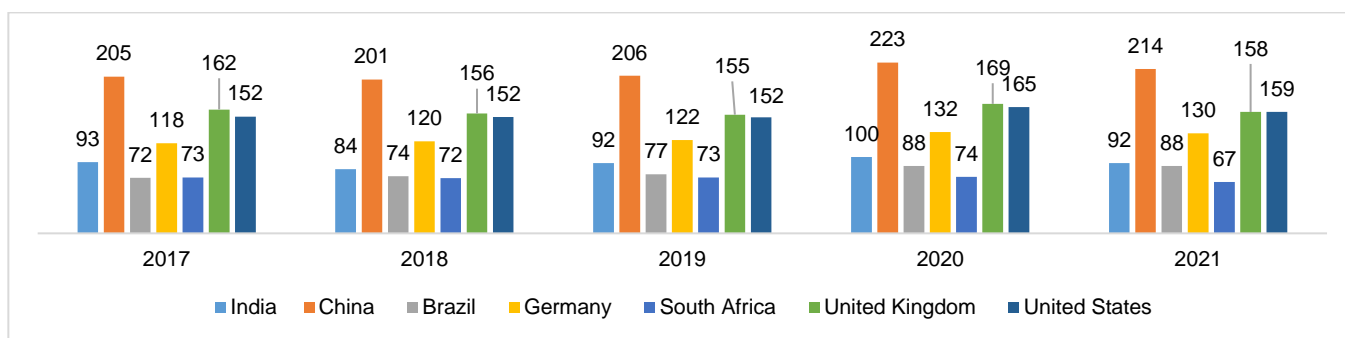
Nevertheless, CRISIL Research believes that the rural economy is far more resilient today due to two consecutive years of good monsoon, increased spends under MNREGA and irrigation programmes, direct benefit transfer (DBT), the PM-Kisan scheme, PM Ujwala Yojana for cooking gas, PM Awas Yojana for housing, and Ayushman Bharat scheme for healthcare. To supplement this, there has been a continuous improvement in rural infrastructure such as electricity and roads. These Government initiatives have led to lesser leakages and higher incomes in the hands of the rural populace, thereby enhancing their ability and willingness to spend on discretionary products and services.

Through Direct Benefit Transfer, the government has transferred more than ₹6.3 trillion in fiscal 2022 under 318 schemes. In the coming years as well, CRISIL Research expects DBT transfers to continue to increase at a healthy pace, as the government tightens focus on making subsidies available directly in the account of the intended beneficiaries.

The structural changes, combined with a positive macro environment, will improve rural business prospects, provide business opportunities for the banking and financial services sector and drive the long term growth of the economy.

## Financial Inclusion

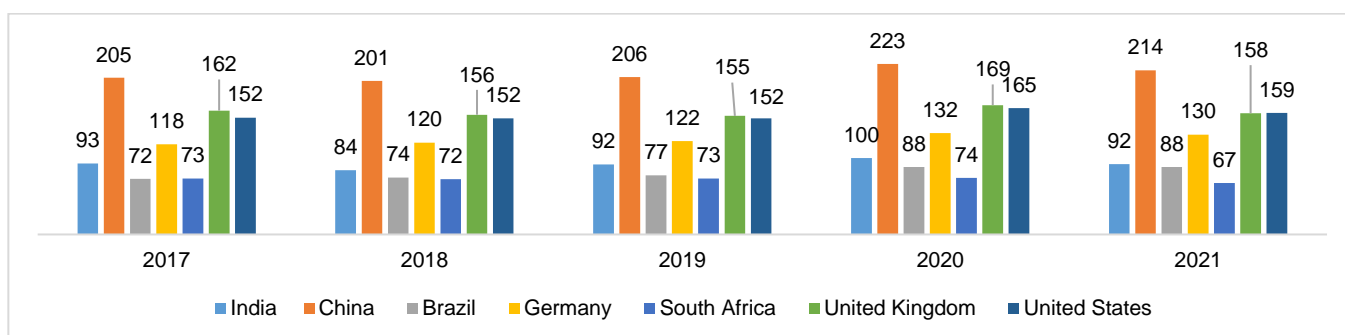
### Credit to GDP ratio (%) CY2021



Note: Data is represented for calendar years for all countries except India. For India, numbers are for fiscal year 2021

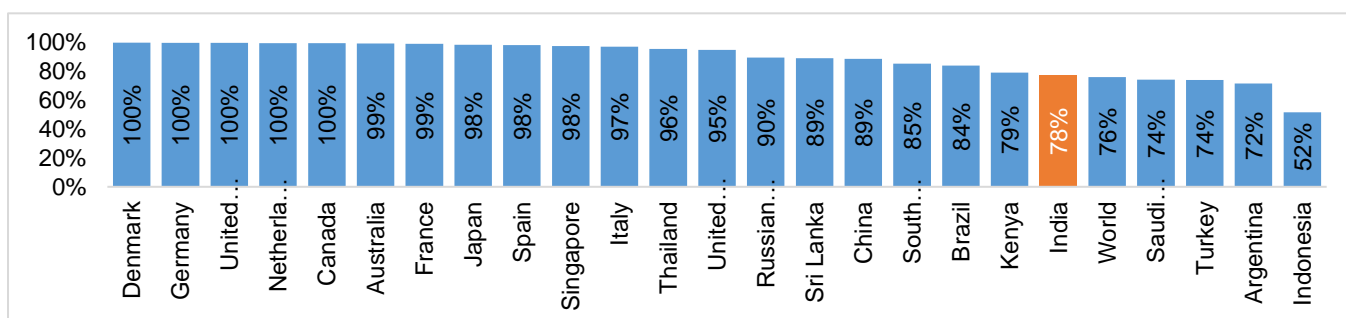
Source: Bank of International Settlements, CRISIL Research

### Retail Credit to GDP ratio (%) - (2021)



Note: For countries except India, data is represented for calendar years. For India, data represented is for fiscal year 2021.

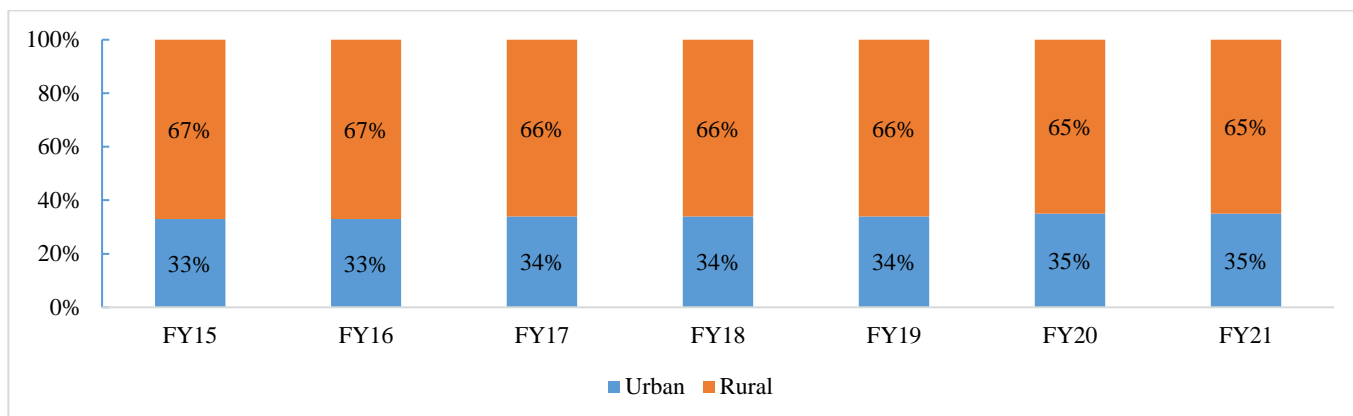
### Adult population with a bank account (%): India vis-à-vis other countries



Note: 1. Global Findex data for India excludes northeast states, remote islands and selected districts. 2. Account penetration is for the population within the age group of 15+, Source: World Bank - The Global Findex Database 2021, CRISIL Research

The low levels of adults with bank accounts in comparison with various countries can be further explained by the large number of rural households in the country, which account for nearly two-thirds of the total households in the country. The shift in households towards urban regions is taking place albeit at a very slow pace.

### Two-thirds of total households are in rural India



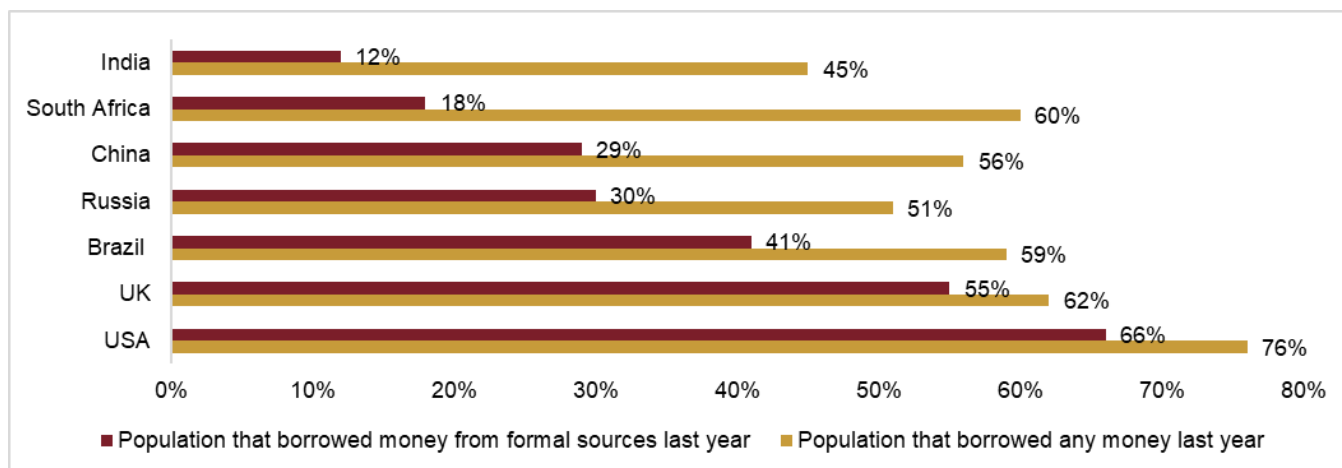
Source: World Bank; Census; CRISIL Research

Although the majority of Indian households are located in the rural region, the banking infrastructure in these regions is relatively inferior and, thus, there is a gap in the supply and demand of financial services in the backward regions of the country, which is a pocket of opportunity for the financial services sector.

Financial exclusion is widely prevalent in countries, such as India, due to poverty and low income, financial illiteracy, high transaction costs, and lack of infrastructure (primarily information technology). Consequently, a significant proportion of the population still lacks access to formal banking facilities. According to NABARD All India Rural Financial Inclusion Survey 2016-17, 40% loans were reported as taken from non-institutional investors or informal channels like relative and friends, money lenders and local landlords.

According to the World Bank's Global Findex Database 2021, only 12% of the Indian population borrowed money through a formal channel like financial institutions which is very low compared to other developed and developing countries. The population that borrowed money through formal channel was 8% as of 2017 (Source: World Bank- The Global Findex Database 2017).

### Only 12% of India's population borrowed money from formal sources (CY2021)



Note: 1. Global Findex data for India excludes northeast states, remote islands and selected districts; 2. Data is for the population within the age group of 15+; 3. Money borrowed from formal sources includes money borrowed from Banks, NBFCs and usage of credit card  
Source: World Bank - The Global Findex Database 2021, CRISIL Research

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

India is one of the countries with lower commercial bank branches and ATM penetration indicating huge room for financial inclusion and banking services penetration. As of calendar year 2020, India has 14.7 branches and 22 ATMs for one lakh

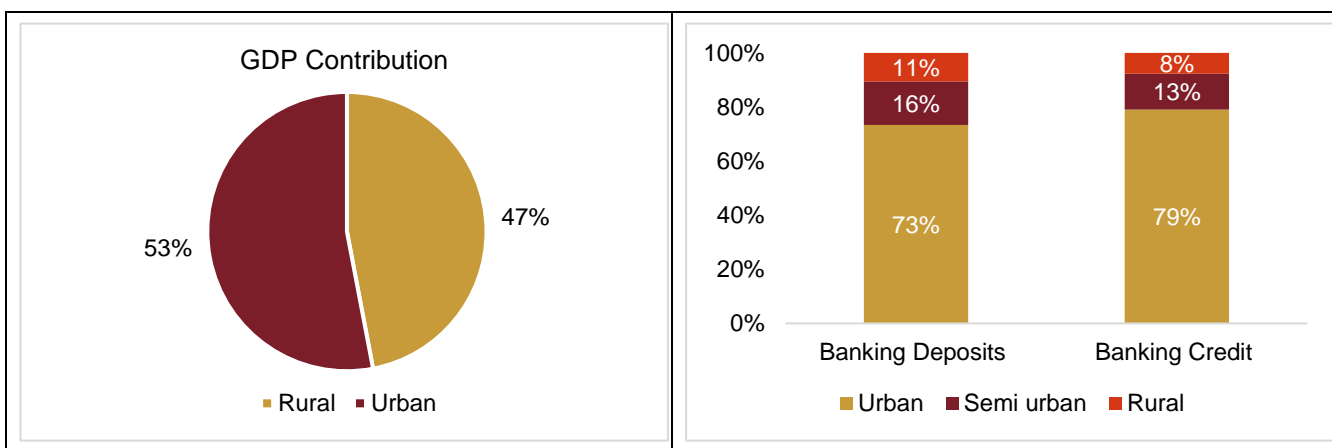
adults according to World Bank data which is relatively lower than other developing and developed countries.

**Rural India accounts for about half of GDP, but only about 8% of total credit and 11% of total deposits**

According to Census 2011, there are about 640,000 villages in India, which are inhabited by about 893 million people, comprising about 65% of the country’s population as of calendar year 2021. About 47% of India’s GDP comes from rural areas. The share of total credit outstanding is about 8% in rural areas and 92% in urban areas as of March 31, 2022. The massive divergence in the rural areas’ share of India’s GDP and banking credit services compared with urban areas is an indicator of the extremely low penetration of banks in rural areas.

The chart below shows the percentage of GDP contribution and credit outstanding in rural and urban areas:

**Low share of banking credit and deposit indicates lower penetration in rural areas (as of March 2022)**

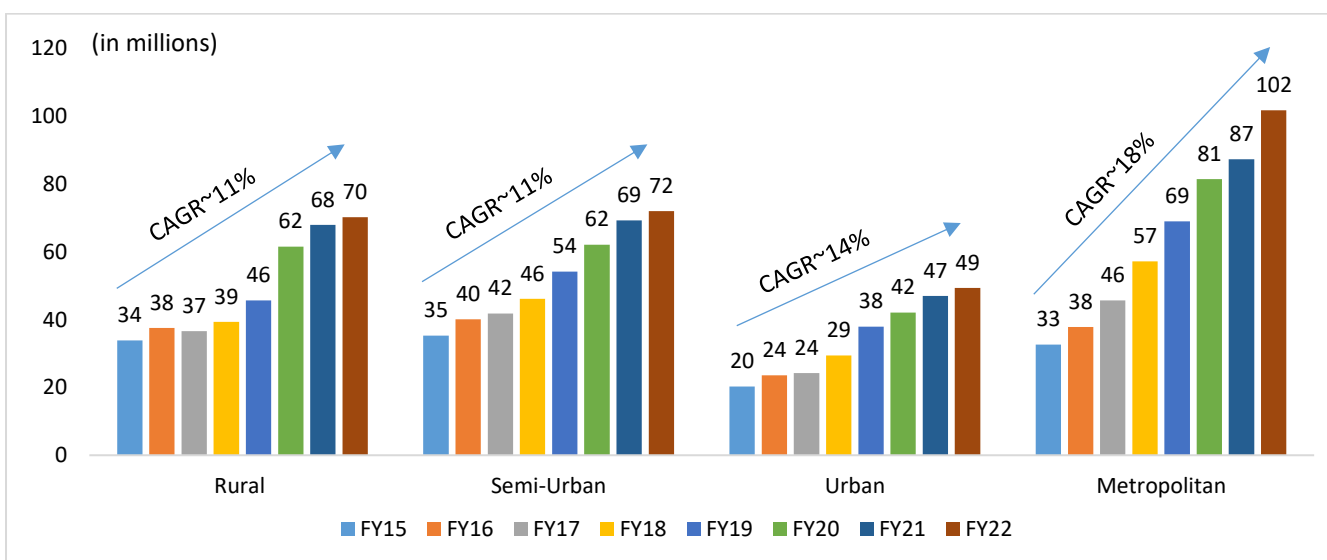


Source: CSO; RBI; CRISIL Research estimates (for GDP contribution as per 2017)

As rural areas in India have lower financial inclusion compared with urban areas and there is less competition for banking services in rural areas compared with urban areas, this presents significant growth opportunities in rural areas.

India’s ATM withdrawal to Cash-in-circulation ratio lies behind other countries indicating lower debit card penetration is in the country. However, with initiatives like PMJDY focussed towards increasing financial penetration and inclusion, the government has been attempting to change the situation. Under PMJDY, the beneficiaries have been issued RuPay debit cards which has also been a key enabler from rural participation in financial system. As of March 31, 2022, 320 million RuPay debit cards have been issued to 465 million PMJDY beneficiaries. Out of these, 67% of the beneficiaries belong to rural and semi-urban areas.

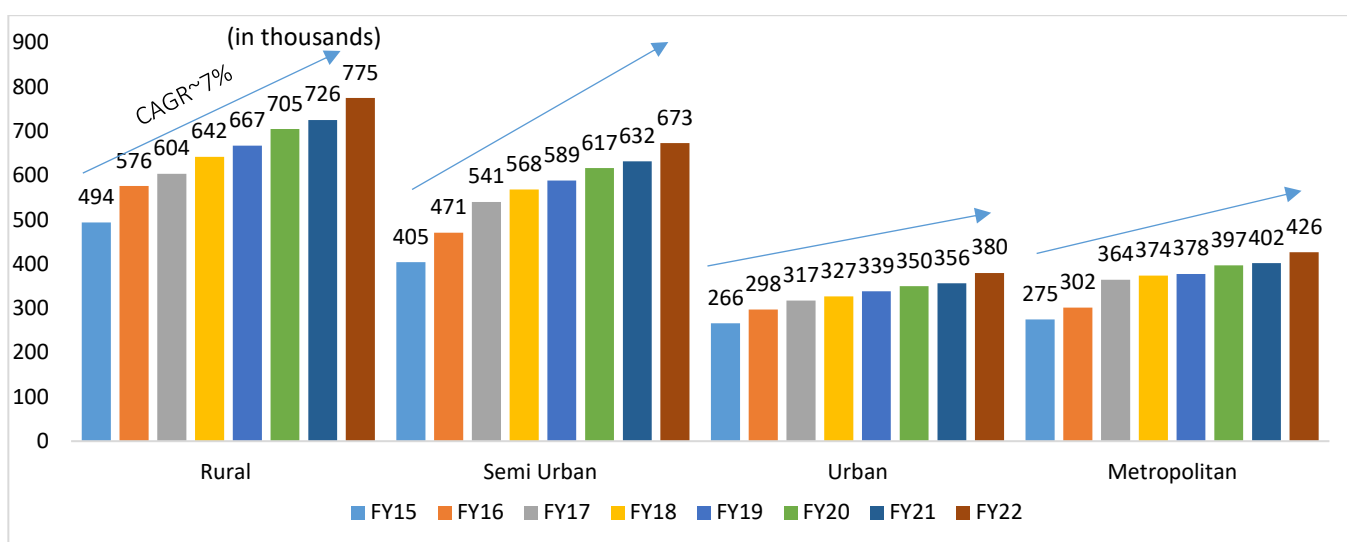
**Bank credit accounts in rural, semi-urban and urban areas (FY22)**



Note: Data represents only bank credit accounts

Source: RBI; CRISIL Research

### Bank deposit accounts in rural, semi-urban and urban areas (FY22)



Note: Data represents only bank deposit accounts

Source: RBI; CRISIL Research

### State-wise GDP and GDP growth (FY 2022)

States	GSDP - Constant Prices FY22 In ₹ Billion	Y-o-Y growth	CAGR (FY22-FY17)	Credit Account Penetration as on FY22	Deposit Account Penetration as on FY22	Branch Penetration as on FY22	ATM Penetration as on FY22	CRISIL Inclusix Score (FY2016)
Tamil Nadu	13,984	7.85%	6.17%	14%	184%	144	337	77.2
Karnataka	12,522	9.47%	5.86%	10%	183%	151	259	82.1
Uttar Pradesh	11,687	7.26%	2.93%	2%	127%	77	100	44.1
Andhra Pradesh	7,469	11.43%	6.69%	6%	156%	122	191	78.4
Rajasthan	7,330	11.04%	4.20%	4%	135%	103	140	50.9
Telangana	6,856	11.22%	6.18%	15%	203%	158	318	72.8
Madhya Pradesh	6,217	10.12%	5.72%	4%	142%	90	132	48.7
Haryana	5,888	9.80%	5.21%	11%	202%	177	235	67.7
Kerala	5,509	7.10%	2.57%	10%	211%	175	278	90.9
Odisha	4,276	10.11%	4.86%	4%	149%	112	163	63
Punjab	4,162	5.12%	3.36%	10%	215%	212	239	70.9
Assam	2,738	9.13%	6.27%	4%	141%	84	120	47.9
Himachal Pradesh	1,244	8.35%	3.84%	5%	189%	213	268	72.3
Jammu & Kashmir	1,239	6.16%	NA	8%	157%	126	182	47.8
Tripura	469	12.16%	8.95%	43%	141%	140	129	66.2
Meghalaya	254	8.89%	3.14%	9%	96%	111	129	34.6

Note:

1. Credit account penetration is calculated as total number of retail bank credit accounts/population of the state

2. Deposit account penetration is calculated as total number of bank deposit accounts/ population of the state

3. Branch penetration is calculated as Number of bank branches per million people
4. ATM penetration is calculated as Number of ATMs per million people
5. For Credit and Deposit account penetration, this does not represent unique borrowers or depositors, total number of accounts have been considered
6. CRISIL Inclusix, India's first financial inclusion index, was launched in 2013 with the objective of creating a dependable yardstick that would become a policy input to further the cause of inclusion. CRISIL Inclusix weighs three service providers (banks, insurers and microfinance institutions) on four dimensions (branch, credit, deposit and insurance).

Source: RBI, MOSPI, CRISIL Research

### Business opportunities available owing to financial inclusion on the asset and liability side

Factors such as lack of documents, migration of individuals for work or other purposes, lack of transaction history with financial institutions, etc., have led to low inclusion of households in the financial system. Also, the costs involved in setting up a network to serve the traditionally ignored categories, such as migrants, rural population, retailers, shop owners, and MSMEs, is high.

In addition, the gap between various regions of the country, as highlighted above, is very wide. However, owing to the Government's emphasis and growth of the banking facility in these regions, the gap is slowly getting plugged. This gives financial institutions an opportunity to expand their services in underserved regions.

### Key business opportunities among various population categories - assets and liabilities

<p><b>Migrants - ~100 million migrant workforce</b></p> <ul style="list-style-type: none"> <li>• Remittance services</li> <li>• Account services</li> <li>• Deposit services</li> </ul> <p><b>Retailers - ~24-25 million retail outlets</b></p> <ul style="list-style-type: none"> <li>• Payments</li> <li>• Loans</li> <li>• Digitalisation of business functions</li> </ul>	<p><b>MSME - ~70 million businesses</b></p> <ul style="list-style-type: none"> <li>• MSME loans</li> <li>• Working capital finance</li> <li>• Fee-based services</li> </ul> <p><b>Rural population - ~ 66% of India's population</b></p> <ul style="list-style-type: none"> <li>• Basic banking services</li> <li>• Personal loans</li> <li>• Bill payments and bookings</li> <li>• Investment in mutual funds and insurance products</li> <li>• Education loans</li> <li>• Gold loans</li> </ul>
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Source: CRISIL Research

### MSME sector in India

#### Brief overview of MSMEs in India

The National Sample Survey (NSS) 73<sup>rd</sup> round dated June 2016 estimated that there are around 63.5 million MSMEs in India. Since then, the number of MSMEs is estimated to have increased further to around 70 million as of fiscal 2022. MSMEs complement large corporates as suppliers or directly cater to end users. The MSME sector contributes to India's socio-economic development by providing huge employment opportunities in rural and backward areas, reducing regional imbalances, and assuring equitable distribution of national wealth and income. The segment currently contributes to 30% of the GDP, over 40% of exports and creates employment for about 110 million people in the country, thus supporting economic development and growth.

#### MSME segment account for 30% of India's GDP

₹ trillion	Total MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	All India GDP	Share of MSME in All India GDP (in %)	Number of MSMEs (in millions)*
FY16	41	11.0%	126	32.3%	138	29.5%	63.5
FY17	45	10.9%	140	32.2%	154	29.3%	65.5
FY18	51	13.0%	155	32.8%	171	29.7%	66.5
FY19	57	12.9%	171	33.5%	190	30.3%	68.5

Note: (\*) - Estimated

Source: MSME Ministry Annual report for FY21, CRISIL Research



The RBI has adopted the definition of MSMEs in line with the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. This definition is based on investments in plant and machinery in the manufacturing and services sectors.

To bring in more enterprises under the ambit of MSMEs and widen the definition of MSMEs taking into account inflation over the past few years, in June 2020, the Government revised the MSME investment limit across each category and introduced an alternate and additional criterion of turnover buckets to the definition. It further removed the difference between the definition of manufacturing based and services based MSMEs.

In June 2021, the Indian government has included retailers and wholesalers under the MSMEs definition to extend the benefits of priority sector lending to traders as well. The move is structurally positive from long-term perspective, as it will enable entities operating in the segment to register on Government's Udyam portal, participate in government tenders and also avail financing options/benefits available to the category.

Given below is the composite new, revised definition of MSMEs in comparison to the old existing one:

**New MSME definition removed distinction between manufacturing and services**

<b>Old MSME classification</b>			
<b>Criteria : Investment in plant and machinery or equipment</b>			
<b>Classification</b>	Micro	Small	Medium
<b>Manufacturing enterprises</b>	Investment < ₹. 2.5 million	Investment < ₹. 50 million	Investment < ₹. 100 million
<b>Services enterprises</b>	Investment < ₹. 1 million	Investment < ₹. 20 million	Investment < ₹. 50 million
<b>Revised MSME classification</b>			
<b>Composite Criteria : Investment and annual turnover</b>			
<b>Classification</b>	Micro	Small	Medium
<b>Manufacturing and Services enterprises</b>	Investment < ₹. 10 million and Turnover < ₹. 50 million	Investment < ₹. 100 million and Turnover < ₹. 500 million	Investment < ₹. 500 million and Turnover < ₹. 2.5 billion

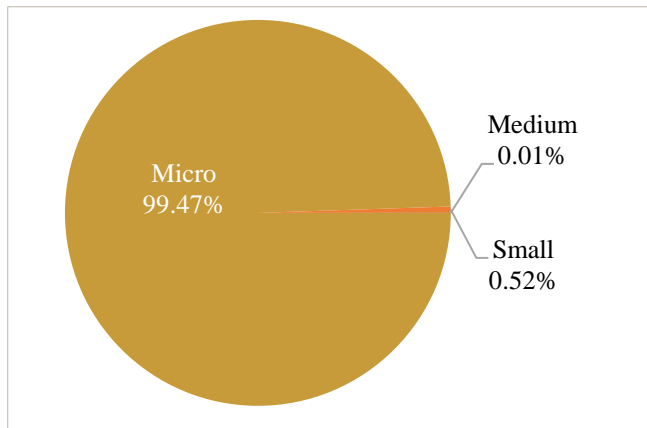
*Source: MSME Ministry, CRISIL Research*

Financial institutions also use internal business classifications to define MSMEs, based on their turnover. Most banks and non-banks follow this practice.

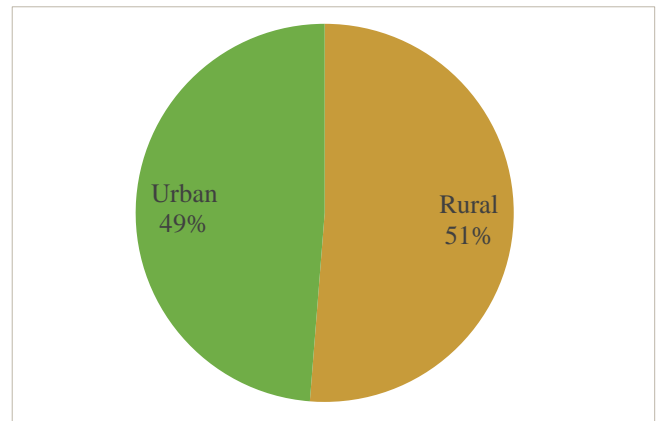
According to the National Sample Survey (NSS) 73rd round dated June 2016, the micro segment accounted for as much as ~ 99.47% of total estimated number of MSMEs in India. Small and medium sector accounted for 0.52% and 0.01%, respectively of the total estimated MSMEs. At a region level, rural regions accounted for marginally higher share of 51% as compared to urban region. MSMEs units are largely dominated by bigger states including Uttar Pradesh, West Bengal, Tamil Nadu, Maharashtra and Karnataka. The top 5 states together accounted for ~50% of the total number of MSMEs in India. Service sector accounts for dominant 79% share in MSMEs, of which retail forms major share.

In terms of constitution, close to 94% of the entities in the MSME universe in India are estimated to be sole proprietorship firms, wherein a small business undertaking is run and managed by the business owner and the business and the owner can virtually not be separated.

**Micro segment accounts for dominant share**



**Rural region accounts for marginally higher share**



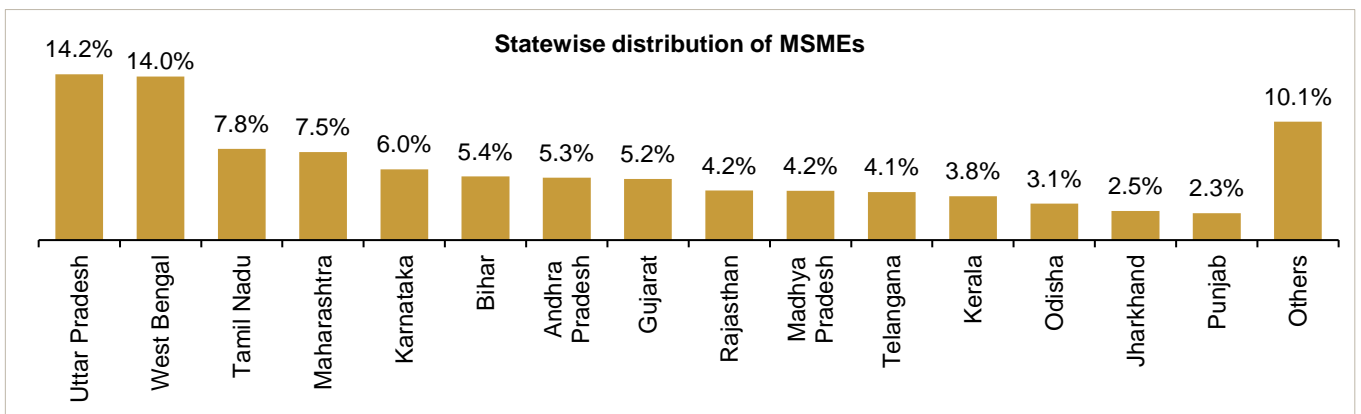
Source: National Sample Survey (NSS) 73<sup>rd</sup> round dated June 2016, CRISIL Research

**MSMEs are largely dominated by individuals**

Entities	Share in number of MSMEs
Proprietorship	93.83%
Partnership	1.53%
Private Company	0.23%
Cooperative	0.13%
Public Company	0.04%
Others	4.24%

Source: IFC, CRISIL Research

**Top 5 states together form ~50% of total MSME units**



Source: National Sample Survey (NSS) 73<sup>rd</sup> round dated June 2016, CRISIL Research

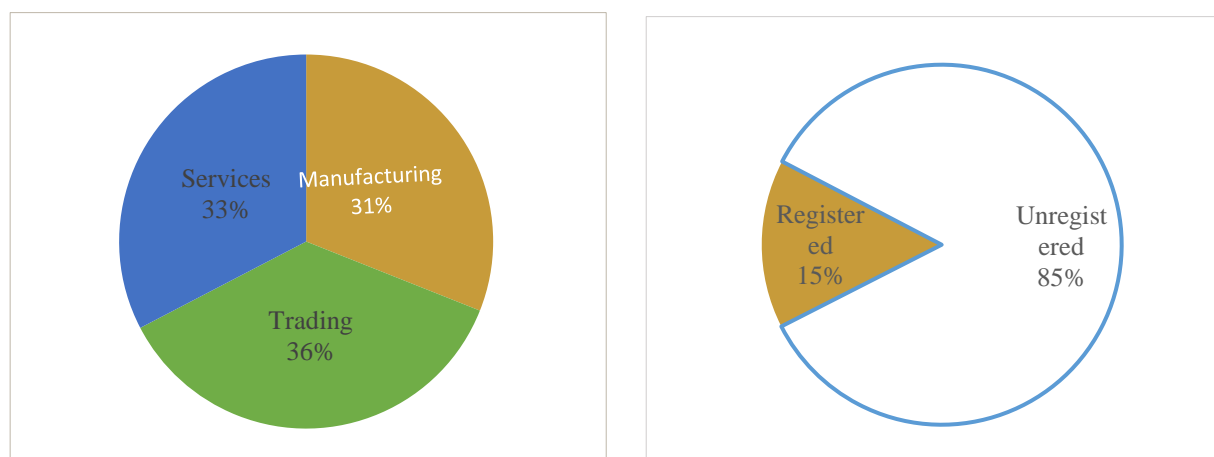
### State-wise number of Micro, Small and Medium enterprises in India

States	Micro	Small	Medium	Total MSME
Uttar Pradesh	89,63,623	35,531	332	89,99,487
West Bengal	88,40,924	25,983	528	88,67,435
Tamil Nadu	49,26,652	20,812	157	49,47,621
Maharashtra	47,59,959	17,144	469	47,77,572
Karnataka	38,24,909	9,049	42	38,34,000
Bihar	34,41,300	4,259	2	34,45,561
Andhra Pradesh	33,74,136	12,556	290	33,86,983
Gujarat	32,66,544	49,744	113	33,16,400
Rajasthan	26,65,918	20,169	579	26,86,665
Madhya Pradesh	26,42,023	30,984	925	26,73,932
Telangana	25,93,968	10,048	555	26,04,571
Kerala	23,58,300	20,716	378	23,79,395
Odisha	19,79,769	4,311	348	19,84,428
Jharkhand	15,77,873	9,946	51	15,87,870
Punjab	14,56,274	8,681	58	14,65,012
Others	63,79,356	50,933	453	64,30,740
<b>All India</b>	<b>6,30,51,524</b>	<b>3,30,866</b>	<b>5,282</b>	<b>6,33,87,673</b>

Source: National Sample Survey (NSS) 73<sup>rd</sup> round dated June 2016, CRISIL Research

**Left: Trading sector accounts for higher share in number of MSMEs**

**Right: Only 15% of MSMEs are registered (FY17)**



Source (left): MSME Ministry, CRISIL Research

Registered MSMEs includes entities that file business information with District Industry Centers (DCs) of the State / Union Territory

Source (right): IFC, CRISIL Research

### Small fraction of MSMEs in India registered under UDYAM system

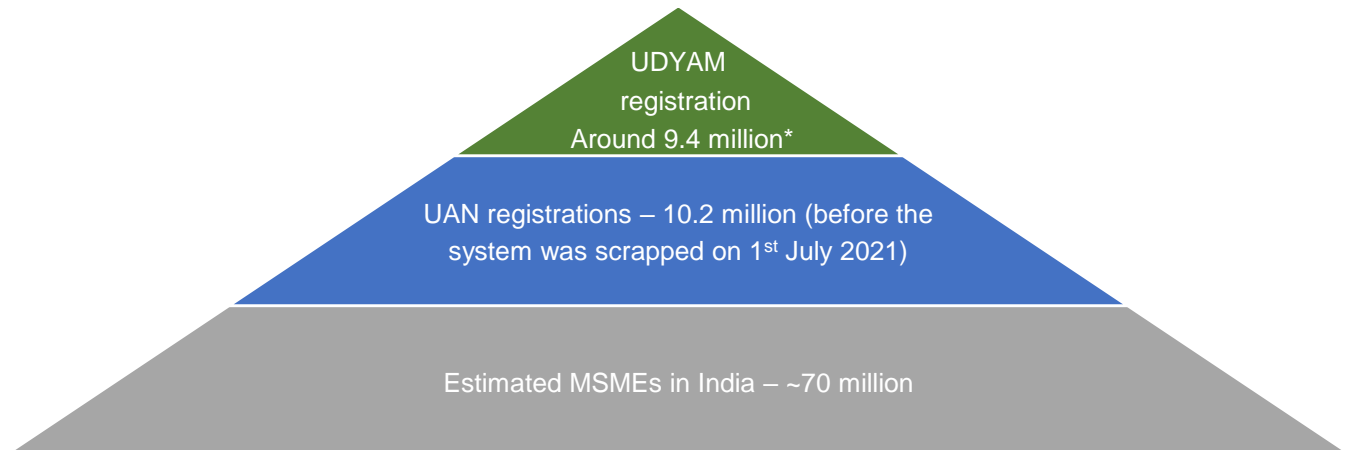
After the government revised the definition of MSMEs (in June 2020), MSMEs that had the then existing MSME registration (Udyog Aadhaar Number or UAN) or Enterprise Memorandum (EM) were required to re-register themselves under UDYAM. Thereafter, in August 2020, the RBI issued a notification allowing financiers to obtain the UDYAM certificate from entrepreneurs for lending purposes.

As of July 5, 2022, close to 9.4 million MSMEs have registered on UDYAM. Slightly higher number of MSMEs – around 10.2 million – were registered on the erstwhile UAN system. This number pales in comparison to the total number of MSMEs in India, estimated at around 70 million

Like UAN, UDYAM also offers free, paperless online and instant registration through a web portal. Small businesses aren't

required to upload any documents or proof except the Aadhaar number for registration. Earlier GST registration was mandatory for UDYAM Registration but from March 2021 onwards, it is exempted for those units who are not eligible for GST registration.

UDYAM certificate will be required by MSMEs for taking benefit of any scheme of the Central government. The UDYAM portal is also integrated with the Government e-Marketplace (GeM) and the Trade Receivables and Discounting System (TReDS) so that enterprises can participate in government procurement, and have a mechanism for discounting their bills.



\*As of July 2022

Source: MSME Ministry, CRISIL Research

#### Probable reasons for low registration rates

- Earlier, the requirement was that companies that wanted to register under UDYAM had to provide their GSTIN. Since many entities have a turnover of less than ₹ 40 lakh and hence do not need to be GST compliant, they were ineligible to register on the UDYAM system. This requirement was removed by the MSME Ministry in early March 2021.
- Low levels of awareness regarding the roll-out of schemes, their eligibility conditions, paperwork requirements and grievance redressal mechanisms could have also impacted the registration of MSMEs. As per the NCAER Business Expectations Survey (BES) in December 2020, 75% of MSMEs were not even aware of Emergency Credit Line Guarantee Scheme (ECLGS) launched by the Government post-Covid.

#### MSME Credit gap estimated at ₹ 85 trillion; Covid-19 has further widened the credit gap

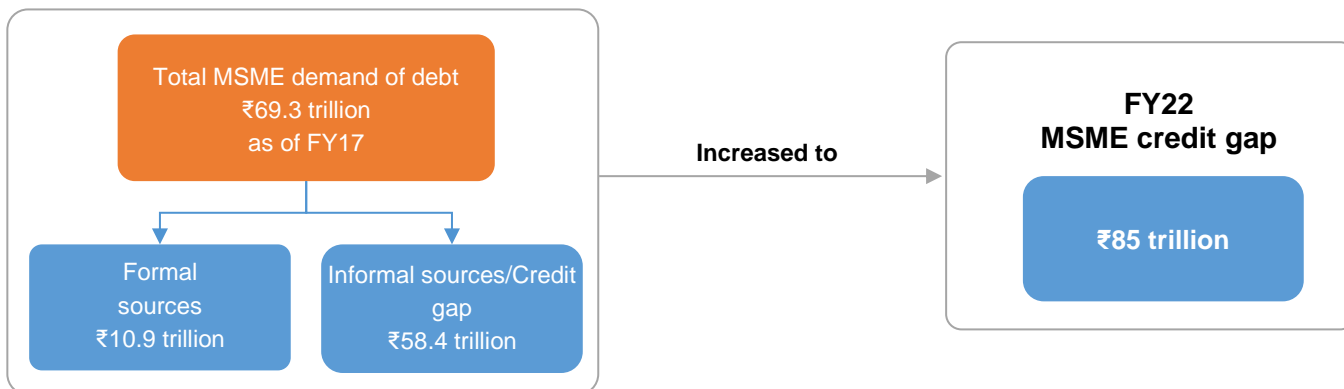
High risk perception and prohibitive cost of delivering services physically have constrained formal lending to MSMEs. The emerging self-employed individual and micros, small and medium enterprise segment is largely unaddressed by lending institutions in India. An IFC report titled Financing India's MSMEs (November 2018) estimated the MSME credit demand at Rs 69.3 trillion in fiscal 2017, of which only ~16% of demand was met through formal financing<sup>1</sup> and consequently, the MSME credit gap (*defined as the gap between the demand for funds amongst MSMEs and the supply from formal financiers*) was estimated at Rs 58.4 trillion. This gap was met through informal sources including moneylenders, chit funds and personal sources from friends and relatives. The interest rate for these sources generally ranges between 30-60% per annum.

The credit gap is estimated to have further widened over the last 4 years due to slower economic growth in fiscal 2020, followed by the COVID-19 pandemic in fiscal 2021. In fiscal 2021, the nationwide lockdown to contain the spread of the COVID-19 pandemic disrupted economic activity, hurt demand, impacted working capital needs and supply chain along with future investments and expansions. Domestic supplies and supplies from imports also suffered, affecting both, their availability and cost. Contractual and wage labour were also hit due to lower demand and layoffs. MSMEs and businesses in the sectors such as hotels, tourism, logistics, construction, textiles and gems and jewellery suffered the most during the first half of the fiscal. Businesses in the retail sector, especially those catering to daily usage goods and everyday cash and carry businesses such as grocery shops, fruits and vegetables sellers, etc., however, fared relatively better as their availability close to the residences of customers' increased the demand for their services.

<sup>1</sup> Formal sources include Public sector banks, Private sector banks, Foreign banks, Regional rural banks (RRBs), Urban Cooperative Banks (UCBs), NBFCs, and government institutions including SIDBI and State Finance Corporations (SFCs).

Furthermore, government schemes post the COVID-19 pandemic such as the ECLGS scheme provided relief only to MSME units with existing loans from a formal financial institution. With economic recovery in fiscal 2022, MSME credit growth also recovered. As of fiscal 2022, the MSME credit demand is estimated to be around Rs 106 trillion, of which 20% of demand met through formal financing. Assuming an increase of around 9% annually<sup>2</sup> in the demand for credit and the availability of credit from formal sources, CRISIL Research estimates the credit gap to have increased to Rs 85 trillion as of fiscal 2022.

### MSME credit demand was largely met by informal sources



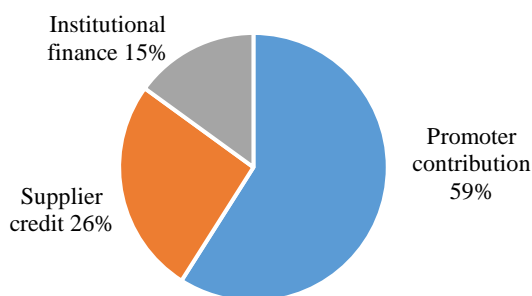
Source: IFC report on Financing India's MSMEs dated November 2018, CRISIL Research

Even while the credit gap has increased, new MSME units continue to be set up across India. Between fiscals 2016 and 2022, 18.3 million units were set up, according to the Indian government registration data of MSMEs. Thus, though a myriad of small businesses is set up every day in the country, access to credit remains a challenge. However, the industry has witnessed an increase in access to formal credit to MSME, which could be attributed to the increase in the number of registered MSMEs to 61,07,641 in fiscal 2022 from 4,95,013 in fiscal 2016. According to Udhyaam Registration Publication, Maharashtra, Tamil Nadu, and Gujarat cumulatively accounts for 39% of overall MSME registration. Further, under the micro category, the maximum number of registrations were from Maharashtra followed by Tamil Nadu, Rajasthan, Uttar Pradesh, and Gujarat. Under small and medium category, maximum registrations were from Maharashtra followed by Gujarat and Tamil Nadu.

### Smaller enterprises relatively more starved of credit

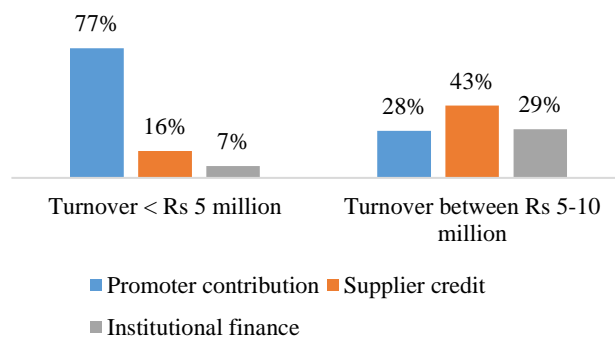
While the overall MSME credit gap is estimated at ₹ 85 trillion, analysis of both SME gradings assigned by CRISIL between January 2010 to September 2015 and the Fourth Census of the MSME sector (2009) suggests that smaller enterprises are much more starved of institutional credit, and therefore, they primarily depend on promoter contribution for working capital and fund requirements. While the access to funding has improved in the last few years, credit remains out of bounds for large swathes of the MSME population in India.

#### Dependence on various sources of finance for working capital needs for enterprises with turnover below ₹ 10 million



Note: Based on an analysis of 12,000 SMEs graded by CRISIL between January 2010 and September 2015  
Source: CRISIL Ratings

#### Smaller enterprises much more starved of access to institutional finance



Note: Based on an analysis of 12,000 SMEs graded by CRISIL between January 2010 and September 2015  
Source: CRISIL Ratings

<sup>2</sup> Based on MSME credit growth over fiscal 2017-22

### Year-wise and MSME category-wise registration of MSMEs

Year/Category	FY16	FY17	FY18	FY19	FY20	FY21*	FY22^	Cumulative total for last 7 years
Micro	4,21,516	21,47,908	13,44,612	18,70,932	22,48,730	35,95,577	49,75,082	166,04,357
Small	70,866	2,16,558	1,66,259	2,41,187	3,02,299	4,00,525	1,72,432	15,70,126
Medium	2,631	8,592	6,584	9,426	11,229	35,541	11,294	85,297
Total	4,95,013	23,73,058	15,17,455	21,21,545	<b>25,62,258</b>	<b>40,31,643</b>	<b>61,07,641</b>	<b>182,59,780</b>

Note: \*Based on UAN and UDYAM registrations, ^Based on UDYAM registrations, Source: Development Commissioner Ministry of Micro, Small & Medium Enterprises (DCMSME), CRISIL Research

### Potential market for residential property-backed secured MSME lending is estimated at ₹ 22 trillion

The sheer size of the gap between the supply and demand of credit and the number of enterprises impacted indicates a veritable opportunity in MSME financing. There therefore exists a plethora of players – universal banks, small finance banks, traditional NBFCs, new age fintechs, MFIs, as well as local moneylenders – who try to meet the financing requirements of MSMEs by offering secured or unsecured loans straddling various tenures.

CRISIL Research has attempted to decipher the size of the potential opportunity in secured residential property-backed secured MSME lending (hereafter referred to as the Addressable market for secured MSME loans, using data, information and insights at a state-level pertaining to:

- Number of households from NSS 76<sup>th</sup> round (July 2018-December 2018)
- Self-employed non-agricultural households in both urban and rural areas from Periodic Labour Force Survey (PLFS) dated July 2019-June 2020
- Proportion of self-employed households, which are staying in their own pucca or semi-pucca home (which can be taken as a collateral by financiers) from NSS 76<sup>th</sup> round (July 2018-December 2018)

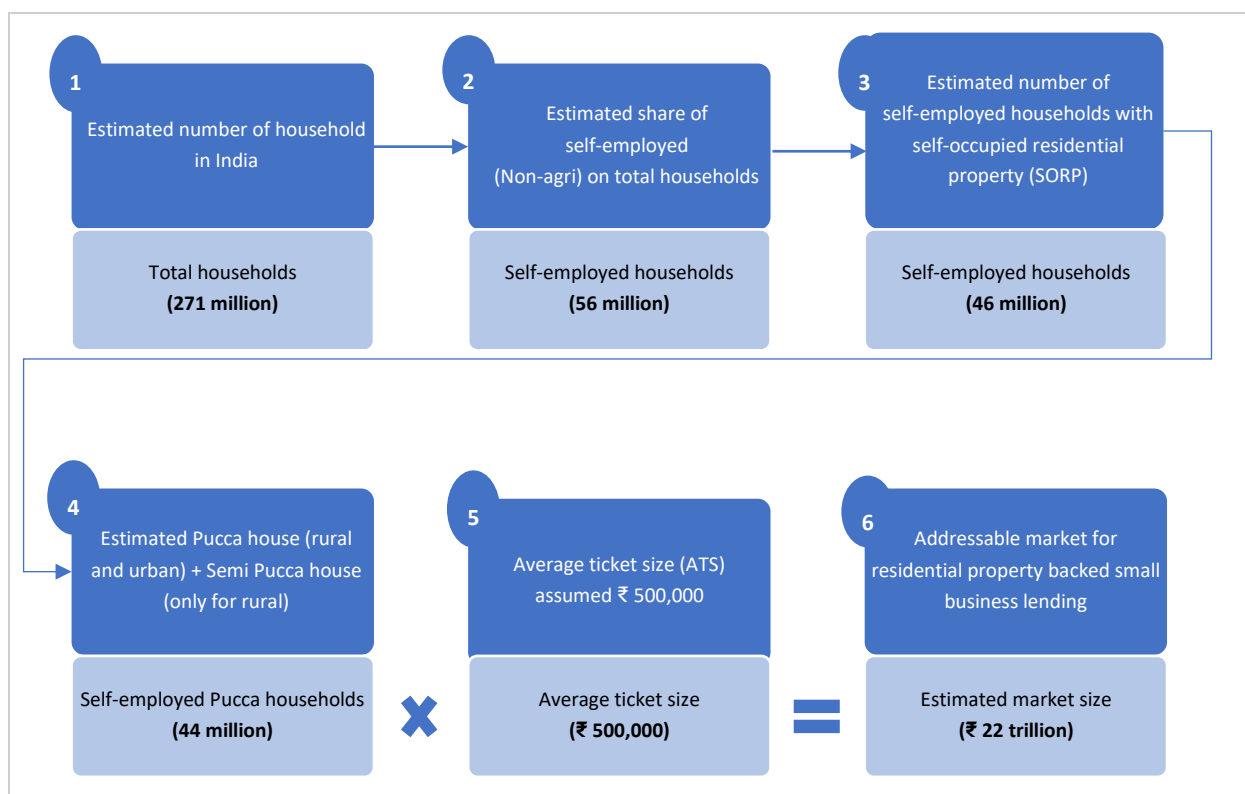
Based on our analysis and assumptions detailed in the chart below, small ticket size secured (SORP – Self occupied residential property) secured MSME lending market potential is estimated at ₹ 22 trillion. Players such as Five Star Business Finance, Vistaar Financial, Veritas Finance and AU SFB currently operate in this market; our analysis indicates the Addressable Market available for these players. The top 5 states including UP, West Bengal, Bihar, Maharashtra and Tamil Nadu together account for almost half the addressable market.

While the latent market opportunity is indeed significant, we observe that there are not many formal financiers who cater to this segment and have built scale. This can be attributed to the high cost of serving the market and the time it takes to build expertise, the requirement of having a strong knowledge of the local market and regional dynamics, and the challenges associated with building a credit underwriting model for non-income proof customers and collections infrastructure.

Most small businesses in India do not maintain documents such as income proof, business registration, GST registration, income tax filings, and bank statements, making credit assessment challenging. To illustrate, as per GST council data, only 13.7 million enterprises across various size dimensions were registered under GST as of May 2022. Hence, these businesses have limited or no access to formal credit from banks and financial institutions due to the requisite documentation and stringent underwriting norms.

Examples of such businesses include provision stores, building materials stores, tea shops, vegetable vendors and others. The small business in manufacturing and services include small fabrication units, machine tools manufacturers (using lathe machines), tailors, saloons, Gym owners, vehicle service centres, etc.

**Addressable market estimation methodology for secured MSME loans given to non-agriculture self-employed households with residential self-occupied property as collateral (FY21)**



Source: National Sample Survey (NSS) 73<sup>rd</sup> round (July 2015 – June 2016) and NSS 76<sup>th</sup> round (July 2018 – December 2018), CRISIL Research

**State wise split of addressable market**

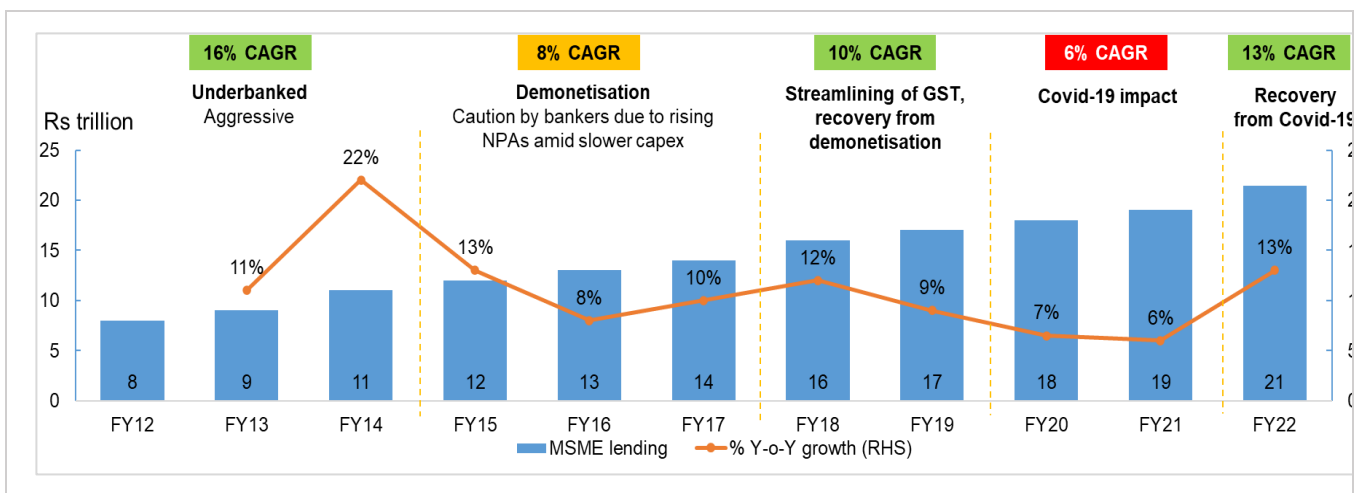
Top 15 states	Total Households ('000)	Total Non-agri Self Employed Households ('000)	Total Non-agri Self Employed Households - SORP ('000)	Total Non-agri Self Employed Households - SORP - Pucca + Semi Pucca ('000)	Overall MSME Addressable Market Size (₹ billion)
Uttar Pradesh	38,224	7,776	7,023	6,674	3,337
West Bengal	23,781	5,923	5,143	4,849	2,424
Bihar	19,960	4,498	4,270	3,953	1,976
Maharashtra	24,120	4,353	3,316	3,270	1,635
Rajasthan	13,384	3,075	2,743	2,685	1,342
Tamil Nadu	20,200	3,715	2,584	2,523	1,262
Gujarat	13,064	3,188	2,471	2,428	1,214
Madhya Pradesh	15,251	2,360	1,988	1,922	961
Andhra Pradesh	14,279	2,677	1,956	1,895	947
Kerala	8,577	1,988	1,795	1,789	895
Karnataka	14,928	2,740	1,822	1,786	893
Assam	6,740	1,965	1,702	1,660	830
Odisha	10,401	1,909	1,647	1,415	707
Punjab	5,922	1,636	1,415	1,409	705
Telangana	9,793	1,788	1,205	1,188	594
Others	32,483	6,585	5,317	5,180	2,590
<b>All India</b>	<b>2,71,105</b>	<b>56,115</b>	<b>46,397</b>	<b>44,624</b>	<b>22,312</b>

Note: States are arranged in order of Addressable market size, Source: National Sample Survey (NSS) 73<sup>rd</sup> round (July 2015 – June 2016) and NSS 76<sup>th</sup> round (July 2018 – December 2018), Periodic Labour Force Survey (PLFS) dated July 2019-June 2020, CRISIL Research

**Overall MSME lending has grown at a CAGR of 10% in past decade; NBFC share estimated at 20%**

CRISIL Research estimates the total size of MSME lending market across ticket sizes and various player groups (banks, NBFCs, small finance banks, and other formal lenders) to be around ₹21 trillion as of March 2022. This market size includes loans taken by MSMEs across various constitution types (sole proprietorships, partnership firms, private and public limited companies, and co-operatives) and the ticket size spectrum, and includes loans extended in the name of the firm/entity/company as well as the individuals in case of micro enterprises or entrepreneurs. CRISIL Research estimates loans to MSMEs to have grown at a CAGR of 10% during fiscal 2012 to fiscal 2022, which is similar to the nominal GDP growth in this period. This can be attributed to various events during this time span that has impacted MSMEs – demonetisation of high-value currency loans in November 2016, the implementation of GST subsequently, the economic slowdown in fiscal 2020 followed by the Covid-19 pandemic. In fiscal 2022, with recovery in economic activity, MSME lending also grew at a 13% on-year.

**MSME credit outstanding estimated at ₹ 21 trillion as of March 2022; NBFCs enjoy 20% market share**



Source: CRISIL Research estimates

Covid-19 pandemic led a heavy impact in the MSME industry in fiscal 2021 which was also seen in the first quarter of fiscal 2022. ECLGS schemes aimed to reduce the impact of the pandemic on the MSME sector. The first half of fiscal 2022 was also impacted by the second wave leading to lower disbursements to these MSMEs. This led to extension of the ECLGS scheme which cushioned the impact of pandemic. ECLGS scheme led by revival of economic activities, strong exports and domestic growth prompted MSME lending to grow at 13% in fiscal 2022.

NBFCs have managed to carve out a strong presence in MSME loans due to their focus on serving the needs of the customer segment, faster turnaround time, customer service provided and expansion in geographic reach. Over the years, the MSME portfolio of NBFCs have grown at a faster rate than the overall MSME portfolio at a systemic level. Thus, the share of NBFCs in total credit to MSMEs is estimated to have increased to ~20% at end of fiscal 2022 from 14% as of fiscal 2015. Going forward, CRISIL Research expects the competitive positioning of NBFCs to remain strong, given their strong target customer and product focus.

**ECLGS scheme has provided some relief to MSMEs hurt by the pandemic**

Given the pain suffered by MSMEs due to the COVID-19 pandemic and the importance of MSMEs in India, the Indian government undertook several initiatives to support MSMEs and keep them afloat. These initiatives provided much-needed liquidity to MSMEs that are known to have faced severe working capital crunch during downturns.



### ECLGS 1.0

May 2020 to

- ECLGS was introduced by providing the MSMEs additional funding of up to ₹ 3 trillion in the form of a fully guaranteed emergency credit line.
- **Eligible entities:** All MSME borrower accounts with outstanding credit of up to ₹ 250 million as on February 29, 2020, which were less than or equal to 60 days past due as on that date and with an annual turnover of up to ₹ 1 billion
- In August 2020, the upper ceiling of outstanding credit was revised to ₹ 0.5 billion and annual turnover to ₹ 2.5 billion.

### ECLGS 2.0

March 2021

- The Government extended ECLGS through ECLGS 2.0 for 26 sectors identified as stressed due to the Covid-19 pandemic by the Kamath Committee and the healthcare sector.
- **Eligible entities:** Entities with outstanding credit above ₹0.5 billion and not exceeding ₹5 billion as on February 29, 2020, which were less than or equal to 30 days past due as on February 29, 2020
- Annual turnover ceiling was removed from the eligibility criteria for ECLGS 1.0

### ECLGS 3.0

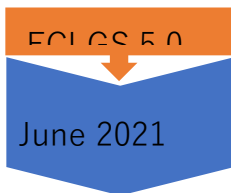
Nov 2020

- Government extended the scope of ECLGS to cover business enterprises in Hospitality, Travel & Tourism, Leisure & Sporting sectors which had, as on February 29, 2020, total credit outstanding not exceeding ₹. 5 billion and were less than or equal to 60 days past due as on that date.
- The validity of ECLGS was extended up to June 30, 2021 or till guarantees for an amount of ₹. 3 trillion are issued.

### ECLGS 4.0

May 2021

- ECLGS scope expanded to cover loans up to ₹ 20 million to hospitals/nursing homes/clinics/medical colleges for setting up on-site oxygen generation plants with interest rate capped at 7.5%
- Civil Aviation sector included under ECLGS 3.0
- Ceiling of ₹ 5 billion of loan outstanding for eligibility under ECLGS 3.0 to be removed, subject to maximum additional ECLGS assistance to each borrower being limited to 40% or ₹ 2 billion, whichever is lower.
- Borrowers who had availed loans under ECLGS 1.0 of overall tenure of 4 years comprising of repayment of interest only during the first 12 months with repayment of principal and interest in 36 months can increase the tenure to 5 years (repayment of interest only for the first 24 months with repayment of principal and interest in 36 months thereafter)
- Additional ECLGS assistance of up to 10% of the outstanding as on February 29, 2020 to borrowers covered under ECLGS 1.0



- Additional allocation of ₹ 1.5 trillion towards ECLGS scheme; limit of admissible guarantee and loan amount increased above existing level of 20% of outstanding on each loan
- Sector wise details to be finalized as per evolving needs
- Loan guarantee of ₹ 1.1 trillion for Covid-affected sectors: INR 0.5 trillion towards health sector and INR 0.6 trillion towards other covid-affected sectors, including travel and tourism stakeholders
- Working capital/personal loans will be provided to people in tourism sector to discharge liabilities and restart businesses impacted due to COVID-19
- Loan guarantee of ₹ 7,500 Crore for loans extended by SCBs to MFIs for on lending upto ₹ 1.25 lakh to ~25 lakh customers; guarantee cover provided till March 31, 2022 or till guarantees for an

In September 2021, with a view to support various businesses impacted by the second wave of COVID 19 pandemic, the timeline for Emergency Credit Line Guarantee Scheme (ECLGS) has been extended till March 2022 or till guarantees for an amount of ₹ 4.5 lakh crore are issued under the scheme, whichever is earlier. Further, in March 2022, the scheme was extended till March 2023 as was announced in the Union Budget 2022-2023.

Out of the targeted amount of ₹ 4.5 trillion, ₹3.32 trillion has been sanctioned as of April 30, 2022, of which ₹ 2.54 trillion has been disbursed. However, considering the entire universe of around 70 million MSMEs, the proportion of MSMEs that have benefitted remains limited at ~17% (11.6 million) of entire universe, as on November 12, 2021. This is because the scheme covered only MSMEs having loan exposure to formal financiers as of February 2020. Among the eligible MSMEs, small and micro MSMEs have benefitted the most from ECLGS with 76% share in amount of guarantees issued and 93% share in number of guarantees issued as of November 12, 2021.

The cap of 14% on final interest rate charged to MSME customers for NBFCs meant that customers of many NBFCs, which typically charge more than 14% due to high operating costs and the relatively riskier profile of their borrowers, could not avail the benefits under the ECLGS scheme.

#### **Modest response to restructuring of MSME loans**

Post the Covid-19 pandemic, the central bank constituted a committee which identified 26 sectors for restructuring which included aspects related to leverage, liquidity and debt serviceability to be factored by the lending institutions while finalising resolution plans for borrowers. However, only those borrower accounts were eligible for resolution which were classified as standard, but not in default for more than 30 days with any lending institution as on March 1, 2020.

The RBI has, since 2019, permitted restructuring of temporarily impaired MSME loans (of size up to ₹ 250 million) under three schemes. While public sector banks have actively resorted to restructuring under all the schemes, participation by private sector banks was significant only in the restructuring scheme offered post Covid-19 in August 2020. Despite the restructuring, however, stress in the MSME portfolio remains high, especially in the case of public sector banks. For all scheduled commercial banks together, restructured loans as a proportion of MSME advances stood at 2.4 per cent as of December 2021. For NBFCs, the aggregate stressed assets (including GNPA as well as restructured assets) is estimated at 7.5-8.0% of MSMEs outstanding loan portfolio as of March 2021.

In May 2021, RBI announced a second loan restructuring program for small businesses for a loan amount up to ₹ 250 million to contain the second wave of COVID-19. The restructuring 2.0 is applicable to those who had not availed restructuring earlier but the account should be standard as of 31<sup>st</sup> March 2021. In June 2021, the exposure limit for availing restructuring was enhanced from ₹ 250 million to ₹ 500 million.

## Restructuring of MSME portfolios

Restructuring Scheme	Aggregate Restructured Portfolio (₹ billion)	
	Public sector banks (PSBs)	Private Sector Banks (PVBs)
Restructuring - January 2019 scheme	262	22
Restructuring - February 2020 scheme	59	14
Restructuring - August 2020 scheme	182	110
Restructuring - May 2021 scheme	303	159

Source: Financial Stability Report, June 2022

## SMA distribution of MSME portfolio

(%)	PSBs +PVBs				
	0 days past due	SMA-0	SMA-1	SMA-2	GNPA
Mar-21	74.0	7.3	5.7	2.2	10.8
Jun-21	72.4	8.6	3.8	3.4	11.9
Sep-21	76.3	6.6	2.6	3.1	11.3
Dec-21	75.4	8.8	3.1	2.3	10.4
Mar-22	79.7	6.4	3.5	1.1	9.3

Note: PSB: Public Sector Banks, PVBs: Private Banks

Source: Financial Stability Report (June 2022)

## Small Business Loans of less than ₹ 10 lakhs ticket size

### Small Business Loans has witnessed fastest growth within the overall MSME portfolio

In this section, we have classified all loans with ticket size lower than or equal to ₹ 10 lakhs extended in the name of the individual to MSMEs, micro-entrepreneurs, and self-employed individuals irrespective of the turnover of the entity, as small business loans. Therefore, loans given out to enterprises or companies in the name of the entity and loans reported in the commercial bureau of credit information companies (CICs), even if they are below ₹ 10 lakhs ticket size, are excluded from our market size.

The overall portfolio outstanding of small business loans (ticket size less than ₹10 lakhs) given out by banks and NBFCs was estimated to be around ₹ 1.86 trillion as of March 2022 and ₹1.95 trillion as of June 2022.

Small business loans grew at a fast pace with portfolio registering a CAGR of 22% over fiscal 2018 and 2022. Over the last few years, expansion in branch network, more data availability and government initiatives like GST, UDYAM, and increasing thrust to adoption of digital payments has led to increasing focus of lenders, especially the NBFCs, on the underserved segment of MSME customers including individuals and micro-entrepreneurs. Loan portfolio of Five Star Business Finance grew at a 50% CAGR over the same period (fiscal 2018 and 2022) to reach ₹51 billion in fiscal 2022.

In fiscal 2021, the nationwide lockdown to contain the spread of the pandemic disrupted economic activity, hurt demand, impacted working capital needs and supply chain along with future investments and expansions. Domestic supplies and supplies from imports also suffered, affecting both, their availability and cost. Contractual and wage labour were also hit due to lower demand and layoffs. MSMEs and businesses in the sectors such as hotels, tourism, logistics, construction, textiles and gems and jewellery suffered the most during the first half of the fiscal. Businesses in the retail sector, especially those catering to daily usage goods and everyday cash and carry businesses such as grocery shops, fruits and vegetables sellers, etc., however, fared relatively better as their availability close to the residences of customers increased the demand for their services.

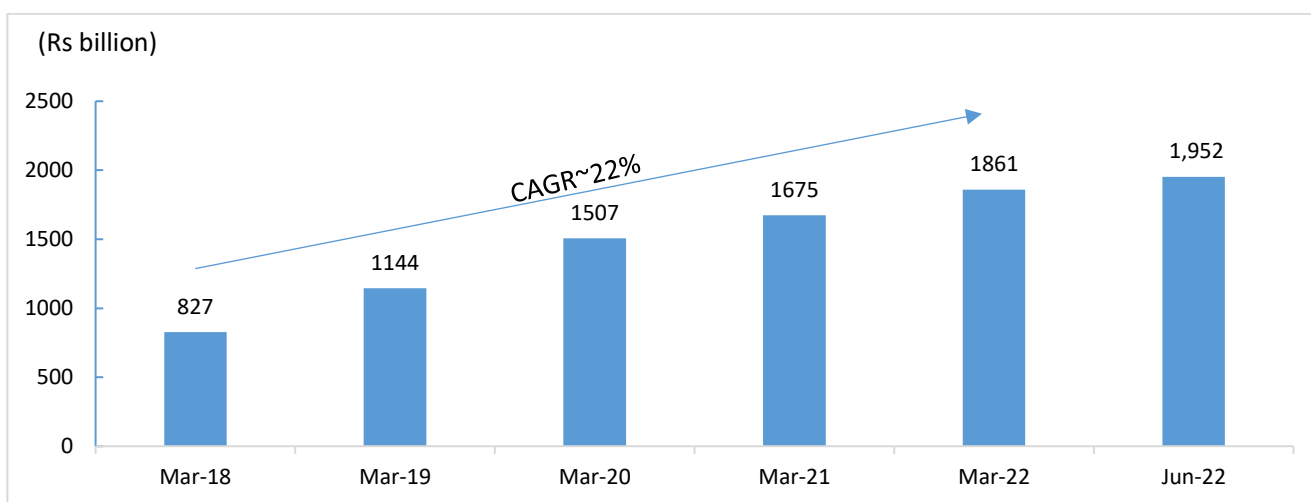
The second wave impacted the growth of credit for the MSME segment in the first quarter of fiscal 2022. This led to muted growth in the first half of fiscal 2022 on account of disruptions caused by localised lockdowns prompted by the pandemic. Government extended the ECLGS scheme then ending in June 2021 to September 2021 (currently extended till March 31, 2023) which supported the sector to revive from the degrowth experienced in the first half of fiscal 2022. Strong economic recovery, higher exports, increased domestic demand and a mild third wave caused the MSME segment credit to grow at 13% in fiscal 2022. Banking MSME credit saw higher credit growth at 14.8% in fiscal 2022 compared to NBFCs at 6%. CRISIL Research expects the banks to continue to grow faster at 11-13% and NBFCs at 7-9% in fiscal 2023.

Although the demand for small business loan to meet liquidity and cash requirements existed in months of pandemic, lenders have been watchful and have been going slow on disbursements since the onset of the pandemic. Disbursements of small business loans of lower than ₹ 10 lakhs ticket size grew by as much as 21% on a year-on-year basis to ₹567 billion in fiscal 2022. Five Star Business Finance witnessed a 14% growth year on year in its loan portfolio in fiscal 2022 to touch ₹51 billion as of March 2022.

Given the pain suffered by MSMEs due to the pandemic and the importance of MSMEs in India, the government undertook several initiatives to support MSMEs to keep them afloat, the most significant of which was the ₹ 3 trillion emergency credit line guarantee scheme (ECLGS), which was aimed at pushing banks and NBFCs to extend further credit to MSMEs to meet their liquidity and funding needs with the government providing a back stop guarantee against such loans. This scheme clearly provided much-needed liquidity to MSMEs that are known to have faced severe working capital crunch during downturns. As of August 17, 2022, loans sanctioned have crossed ₹ 2.86 trillion under the scheme. In June 2021, the government increased the overall admissible guarantee limit from ₹ 3.0 trillion to ₹ 4.5 trillion which was further increased to ₹5 trillion in August 2022.

Other measures taken by the government to support MSMEs amidst the pandemic include making available subordinated debt to MSMEs, equity infusion in MSMEs, steps undertaken to clear MSME dues, and disallowing global tenders in government tenders up to ₹ 2 billion to support the MSMEs.

**Small Business Loans (ticket size < ₹10 lakhs) grew at 22% CAGR between fiscal 2018 and 2022**



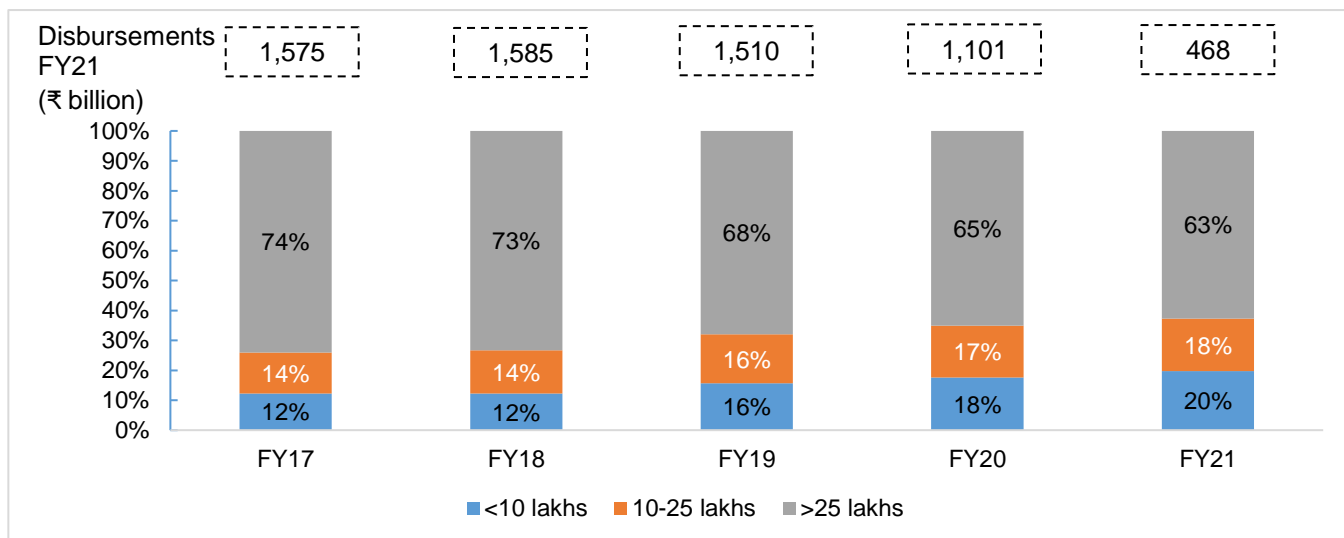
*Note (left): Above data includes business loans given to MSMEs upto ₹ 10 lakhs ticket size and reported in consumer bureaus of CICs. Source: CRIF Highmark, CRISIL Research*

**Small value business loans gained market share over the years**

With increase in data availability and enhanced use of technology and experience gained across several cycles while lending to the same customer segment, lenders have increased focus on targeting the underserved segment within the small business loans market. This has led to a continued increase in share of smaller ticket size loans in the overall lending pie. The demand-supply gap, as outlined earlier, is also the highest in this segment, indicating significant business opportunities for financiers with a deep understanding of the target customer segment across focus geographies, ability to underwrite credit and the right unit economics. The market share of small business loans with ticket size less than ₹ 10 lakhs in overall disbursements has increased from 12% in fiscal 2018 to 16% in fiscal 2022. Loans outstanding with relatively smaller ticket sizes have grown at a much higher pace, 22% from fiscal 2018-22, higher than larger ticket size loans between fiscal 2018 and fiscal 2022.

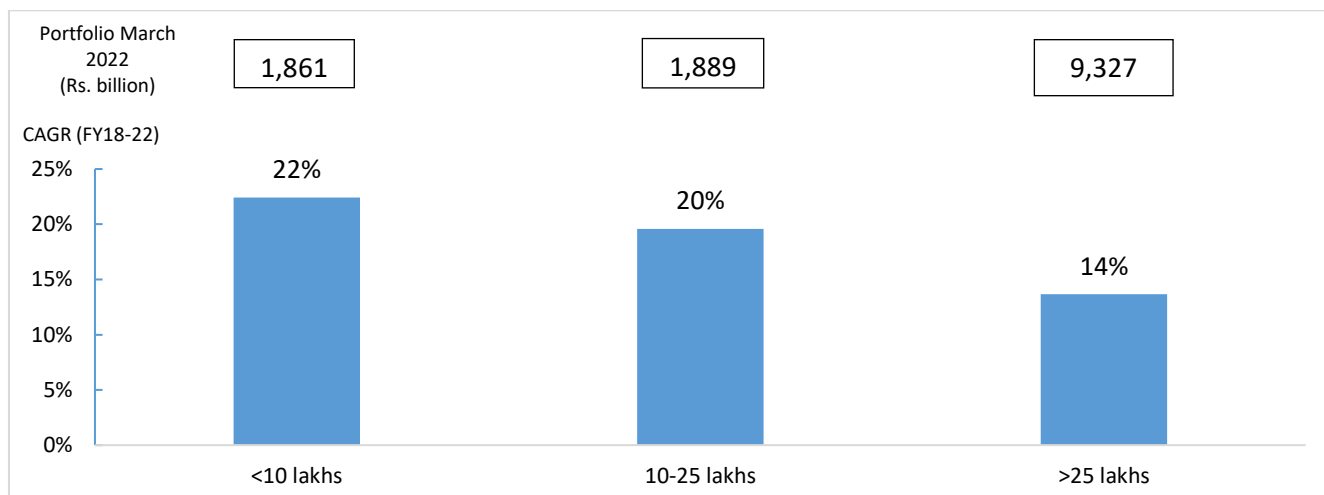
**Share of smaller ticket size loans (ticket size < ₹10 lakhs) in overall disbursements have increased in the last five**

years



Note: Above data includes business loans reported in consumer bureaus of CICs  
Source: CRIF Highmark, CRISIL Research

### Small business loan (ticket size < ₹10 lakhs) portfolio grew at 22% CAGR from fiscal 2018-2022

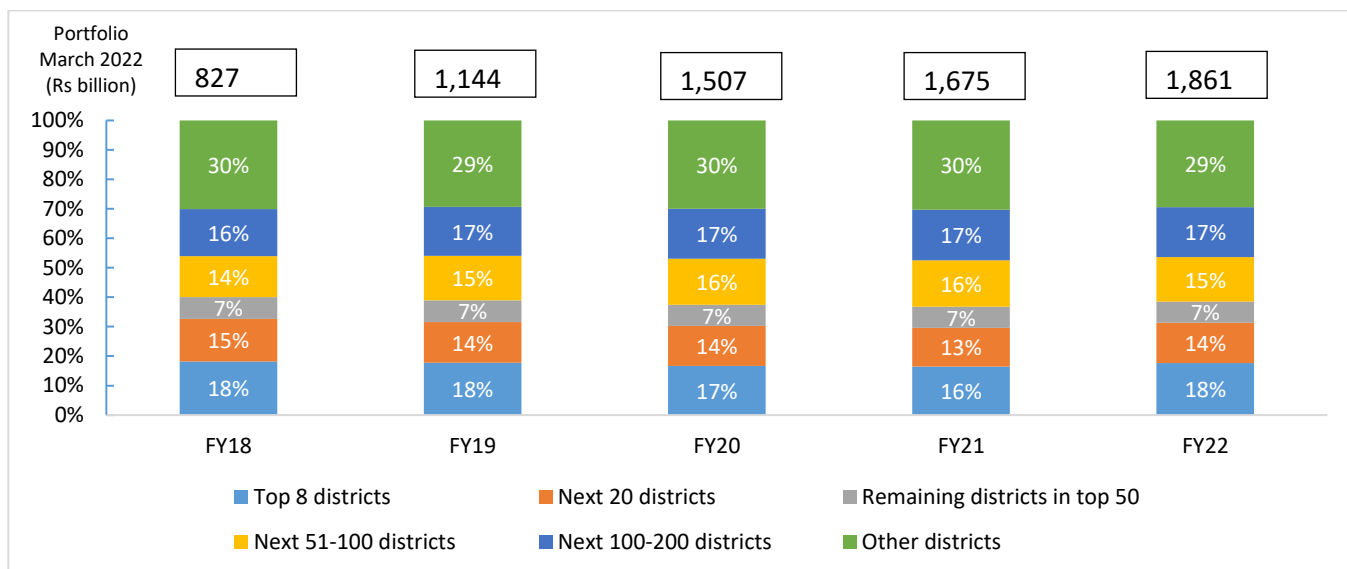


Note: Above data includes business loans reported in consumer bureaus of CICs  
Source: CRIF Highmark, CRISIL Research

### Penetration on small business loans is increasing in smaller cities

Over the years, share of smaller cities have increased in the small business loans segment owing to increasing penetration of financial services and players focusing on the underserved customer segment. Share of loans outside top 50 cities has increased from 60% in fiscal 2018 to 61% in fiscal 2022. Small business loans portfolio in smaller cities has grown at relative higher CAGR compared to that in top 50 cities.

## Share of small business loans (ticket size < ₹10 lakhs) portfolio in smaller cities increasing over past four years



Note: Above data includes business loans given to MSMEs up to ₹ 10 lakhs ticket size and reported in consumer bureaus of CICs

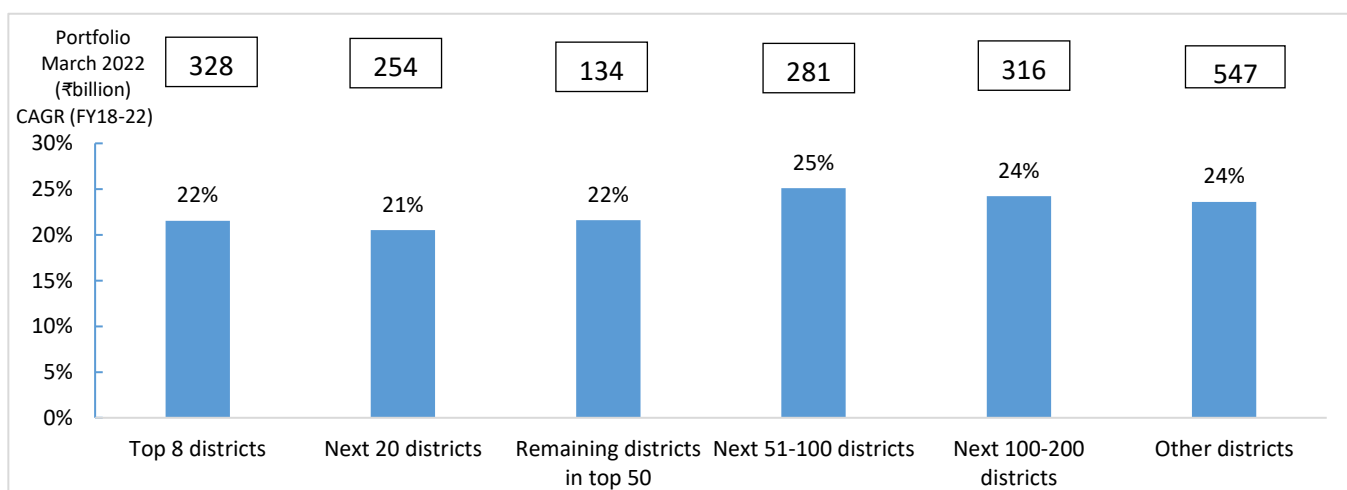
1) Classification of districts is done based on population as per Census 2011.

2) Mumbai Metropolitan Region (MMR), National Capital Region (NCR), Bengaluru and Kanpur have each been considered as a district.

3) MMR includes Thane and Mumbai, NCR includes Delhi, Gurugram, Gautam Buddha Nagar, Ghaziabad and Faridabad, Bengaluru includes Bangalore Urban and Bangalore Rural, Kanpur includes Kanpur Nagar and Kanpur Dehat

Source: CRIF Highmark, CRISIL Research

## Small business loans (ticket size < ₹10 lakhs) portfolio in smaller cities grew at a higher CAGR than that in top 50 cities



Note: Above data includes business loans given to MSMEs upto ₹ 10 lakhs ticket size and reported in consumer bureaus of CICs

1) Classification of districts is done based on population as per Census 2011.

2) Mumbai Metropolitan Region (MMR), National Capital Region (NCR), Bengaluru and Kanpur have each been considered as a district.

3) MMR includes Thane and Mumbai, NCR includes Delhi, Gurugram, Gautam Buddha Nagar, Ghaziabad and Faridabad, Bengaluru includes Bangalore Urban and Bangalore Rural, Kanpur includes Kanpur Nagar and Kanpur Dehat

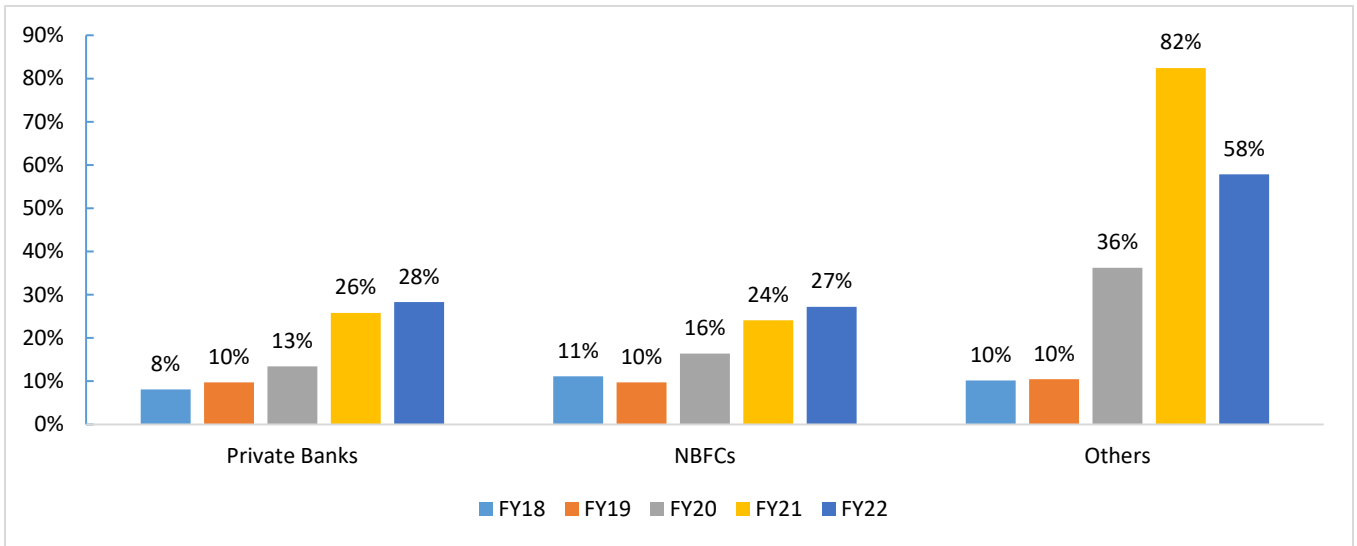
Source: CRIF Highmark, CRISIL Research

## Share of new to credit customers has been increasing in small business loans segment

Share of new to credit (NTC) customers has increased over the years, indicating increasing penetration of small business loans. Overall, share of new to credit customers in small business loan segment with ticket size less than ₹ 10 lakhs has increased from 9% in fiscal 2017 to 25% in fiscal 2020. Among player groups, public sector banks have highest share of NTC customers followed by NBFCs. Growth of new to credit customers is much higher in small business loans of ticket size

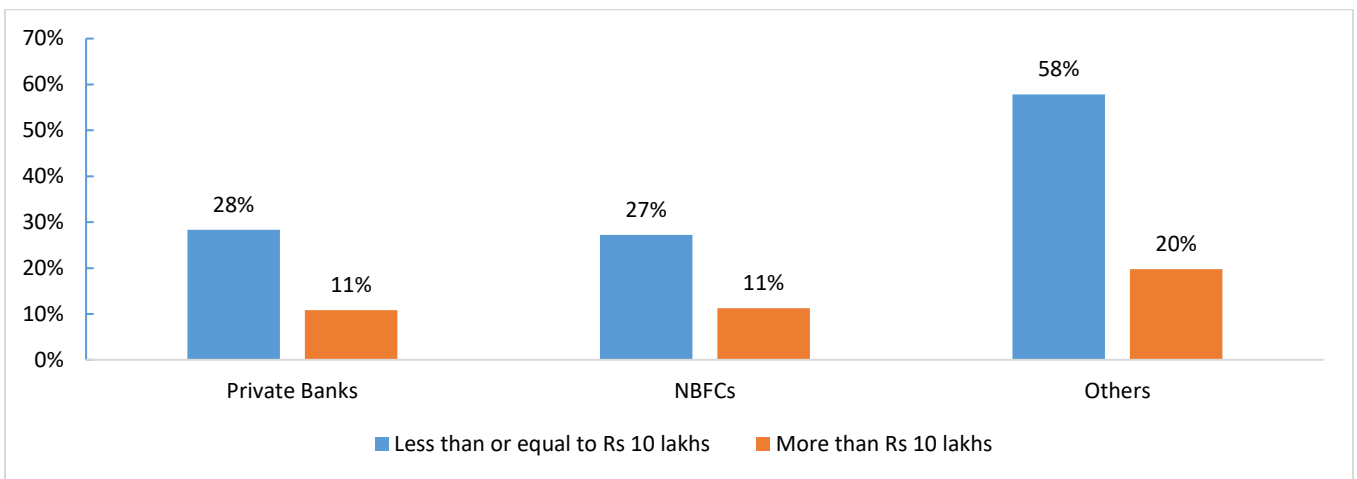
less than ₹10 lakhs compared to that of ticket size more than ₹ 10 lakhs across players. In fiscal 2022, the proportion of NTC customers in small business loans segment is estimated to have further increased to around 27% for NBFCs.

**Share of new to credit customer increasing across players for small business loans (ticket size < ₹10 lakhs)**



Note: Above data includes business loans reported in consumer bureaus of CICs, NTC defined as loans with borrower vintage <= 12 months, Others includes player groups like Small Finance Banks, Foreign Banks, Regional Rural Banks  
 Source: CRIF Highmark, CRISIL Research

**Share of new to credit customers much higher for smaller ticket size loans (Fiscal 2022)**



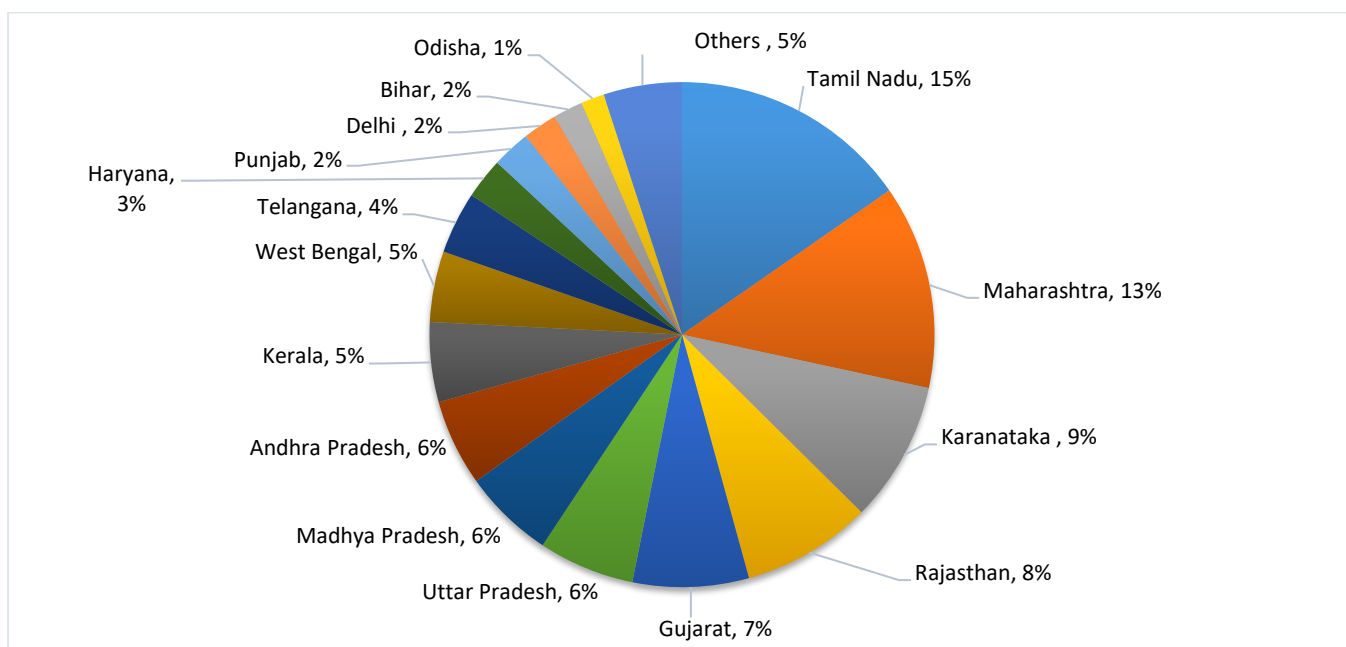
NTC defined as loans with borrower vintage <= 12 months  
 Note: Above data includes business loans reported in consumer bureaus of CICs  
 Source: CRIF Highmark, CRISIL Research

**State-wise analysis**

The small business loans segment has been growing strongly with a four-year CAGR of 22% between fiscal 2018 and 2022. However, there are wide variations across states and within various districts in the same state as well, which indicates latent opportunity for offering loans to unserved or underserved customers. Based on the value of small business loans lower than ₹ 10 lakhs ticket size outstanding, the top 16 states accounted for 95% of the market size in this segment as of June 2022. Tamil Nadu tops the list with the highest share of 15%, followed by Maharashtra (13%), Karnataka (9%), Rajasthan (8%) and Gujarat (7%).

In the last four years, among the top 16 states, small business loans outstanding has grown at the fastest clip in West Bengal, which exhibited growth of 33% CAGR, followed by Andhra Pradesh (30%) and Madhya Pradesh (29%).

**Top 16 states account for 95% of small business loans (ticket size < ₹10 lakhs) portfolio (June 2022)**



Note: Above data includes business loans given to MSMEs upto ₹ 10 lakhs ticket size and reported in consumer bureaus of CICs

Source: CRIF Highmark, CRISIL Research

Amongst player groups, the share of NBFCs is highest at 73% in Rajasthan followed by Telangana (58%) and Andhra Pradesh (55%) in the top 16 states.

#### State-wise small business loans as of June 2022 (of lower than ₹10 lakhs ticket size)

State	No of districts	Small Business Loans outstanding as of June 2022 (₹ billion)	Share of state in small business loans market (June 2022)	Growth in small business loans outstanding (CAGR FY18-FY22)	Top 5 districts based on small loans outstanding	Share of top 5 districts in small business loans outstanding	Share of NBFCs in small business loans market (June 2022)
Tamil Nadu	32	298	15%	21%	Kancheepuram, Thiruvallur, Chennai, Coimbatore, Salem	37%	43%
Maharashtra	35	254	13%	22%	Pune, Thane, Mumbai, Nashik, Mumbai Suburban	52%	48%
Karnataka	30	176	9%	25%	Bangalore, Mysore, Belgaum, Tumkur, Davanagere	50%	38%
Rajasthan	33	162	8%	25%	Jaipur, Ajmer, Bhilwara, Jodhpur, Alwar	44%	73%
Gujarat	33	145	7%	20%	Ahmadabad, Surat, Rajkot, Vadodara, Gandhinagar	58%	54%
Uttar Pradesh	75	120	6%	17%	Ghaziabad, Lucknow, Agra, Meerut, Gautam Buddha Nagar	32%	43%
Madhya Pradesh	51	114	6%	29%	Indore, Bhopal, Ujjain, Dewas, Dhar	43%	54%
Andhra Pradesh	13	108	6%	30%	East Godavari, Visakhapatnam, Krishna, Guntur, West Godavari	63%	55%



State	No of districts	Small Business Loans outstanding as of June 2022 (₹ billion)	Share of state in small business loans market (June 2022)	Growth in small business loans outstanding (CAGR FY18-FY22)	Top 5 districts based on small loans outstanding	Share of top 5 districts in small business loans outstanding	Share of NBFCs in small business loans market (June 2022)
Kerala	14	99	5%	29%	Ernakulam, Malappuram, Kottayam, Thiruvananthapuram, Thrissur	60%	21%
West Bengal	19	88	5%	33%	Kolkata, North Twenty Four Parganas, South Twenty Four Parganas, Bardhaman, Nadia	49%	27%
Telangana	10	77	4%	21%	Hyderabad, Rangareddy, Karimnagar, Warangal, Nalgonda	77%	58%
Haryana	21	51	3%	18%	Faridabad, Gurgaon, Panipat, Karnal, Yamunanagar	50%	52%
Punjab	22	48	2%	14%	Ludhiana, Jalandhar, Amritsar, Patiala, Sahibzada Ajit Singh Nagar	61%	45%
Delhi	9	43	2%	17%	North West, West, South, South West, East	78%	53%
Bihar	38	37	2%	20%	Patna, Muzaffarpur, Gaya, Purba Champaran, Samastipur	38%	30%
Odisha	30	29	1%	26%	Khordha, Cuttack, Ganjam, Baleswar, Puri	50%	29%
Assam	27	23	1%	20%	Kamrup Metropolitan, Nagaon, Kamrup, Cachar, Sonitpur	38%	16%
Chhattisgarh	27	21	1%	28%	Raipur, Durg, Bilaspur, Janjgir - Champa, Rajnandgaon	63%	41%
Uttarakhand	13	16	1%	11%	Dehradun, Hardwar, Udham Singh Nagar, Nainital, Garhwal	91%	49%
Jharkhand	24	15	1%	28%	Ranchi, Purbi Singhbhum, Dhanbad, Hazaribagh, Bokaro	65%	31%
Himachal Pradesh	12	6	0%	5%	Kangra, Solan, Shimla, Mandi, Una	71%	25%
Puducherry	4	5	0%	20%	Puducherry, Karaikal, Yanam, Mahe	100%	32%
Tripura	4	3	0%	77%	West Tripura, South Tripura, North Tripura, Dhalai	100%	11%

State	No of districts	Small Business Loans outstanding as of June 2022 (₹ billion)	Share of state in small business loans market (June 2022)	Growth in small business loans outstanding (CAGR FY18-FY22)	Top 5 districts based on small loans outstanding	Share of top 5 districts in small business loans outstanding	Share of NBFCs in small business loans market (June 2022)
Goa	2	3	0%	12%	North Goa, South Goa	100%	17%
Jammu & Kashmir	22	2	0%	-6%	Jammu, Anantnag, Srinagar, Reasi, Pulwama	77%	22%
Manipur	9	2	0%	32%	Imphal West, Imphal East, Thoubal, Tamenglong, Bishnupur	78%	12%
Chandigarh	1	2	0%	6%	Chandigarh	100%	54%
Meghalaya	9	1	0%	8%	East Khasi Hills, West Garo Hills, West Jaintia Hills, Ribhoi, West Khasi Hills	95%	8%
Nagaland	11	1	0%	23%	Dimapur, Kohima, Mokokchung, Wokha, Zunheboto	98%	6%
Dadra & Nagar Haveli	1	1	0%	19%	Dadra & Nagar Haveli	100%	64%
Sikkim	4	1	0%	30%	East District, West District, South District, North District	100%	6%
Arunachal Pradesh	14	0	0%	41%	Kurung Kumey, Lower Subansiri, Papum Pare, West Kameng, Tawang	76%	9%
Mizoram	8	0	0%	48%	Aizawl, Lunglei, Champhai, Kolasib, Serchhip	90%	6%
Daman & Diu	2	0	0%	15%	Daman, Diu	100%	54%
Andaman & Nicobars	3	0	0%	16%	South Andaman, North & Middle Andaman, Nicobars	100%	19%
Lakshadweep	1	0	0%	76%	Lakshadweep	100%	17%

Note: Above data includes business loans given to MSMEs up to ₹ 10 lakhs ticket size and reported in consumer bureaus of CICs. Number of districts are as reported in the bureau data.

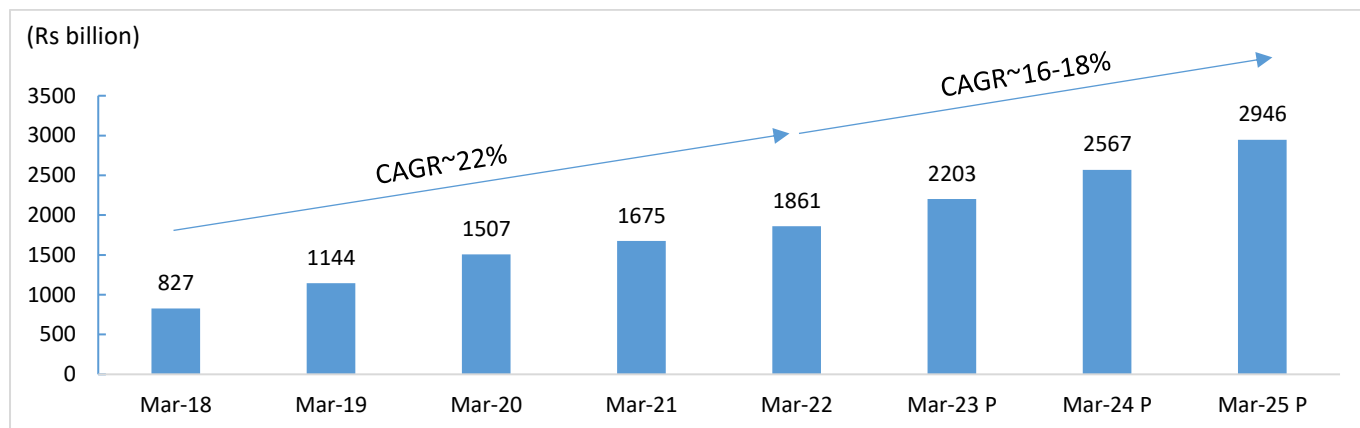
Source: CRIF Highmark, CRISIL Research

## Small business loans will continue to grow at a strong pace

There is a huge demand supply gap in small business loan segment. With increasing presence of small business loans in smaller cities and rising focus of lenders on underserved target customer segment, loan portfolio is expected to see a strong growth in future. According to RBI, size-wise credit to large industry grew by 5.2% in July 2022, against a contraction of 3.8% a year ago. Medium enterprises recorded a credit growth of 36.8% in July 2022 as compared to 59% last year, while credit growth to micro and small enterprises accelerated to 28.9% in July 2022, from 10.5% during the same period in the last year.

In the short term, rise in economic activity, higher working capital requirement due to rising input costs is likely to cause an uptick in the credit demand. Over the upcoming fiscals, CRISIL Research expects the small business loans portfolio to grow at 16-18% CAGR over fiscal 2022 and 2025 aided by increasing lender focus and penetration of such loans, enhanced availability of data increasing lender comfort while underwriting such loans, enhanced use of technology, newer players entering the segment, and continued government support.

## Small Business Loans (ticket size <₹10 lakhs) to grow at 16-18% CAGR between fiscal 2022 and 2025



Note: Above data includes business loans given to MSMEs upto ₹ 10 lakhs ticket size and reported in consumer bureaus of CICs, P-Projected

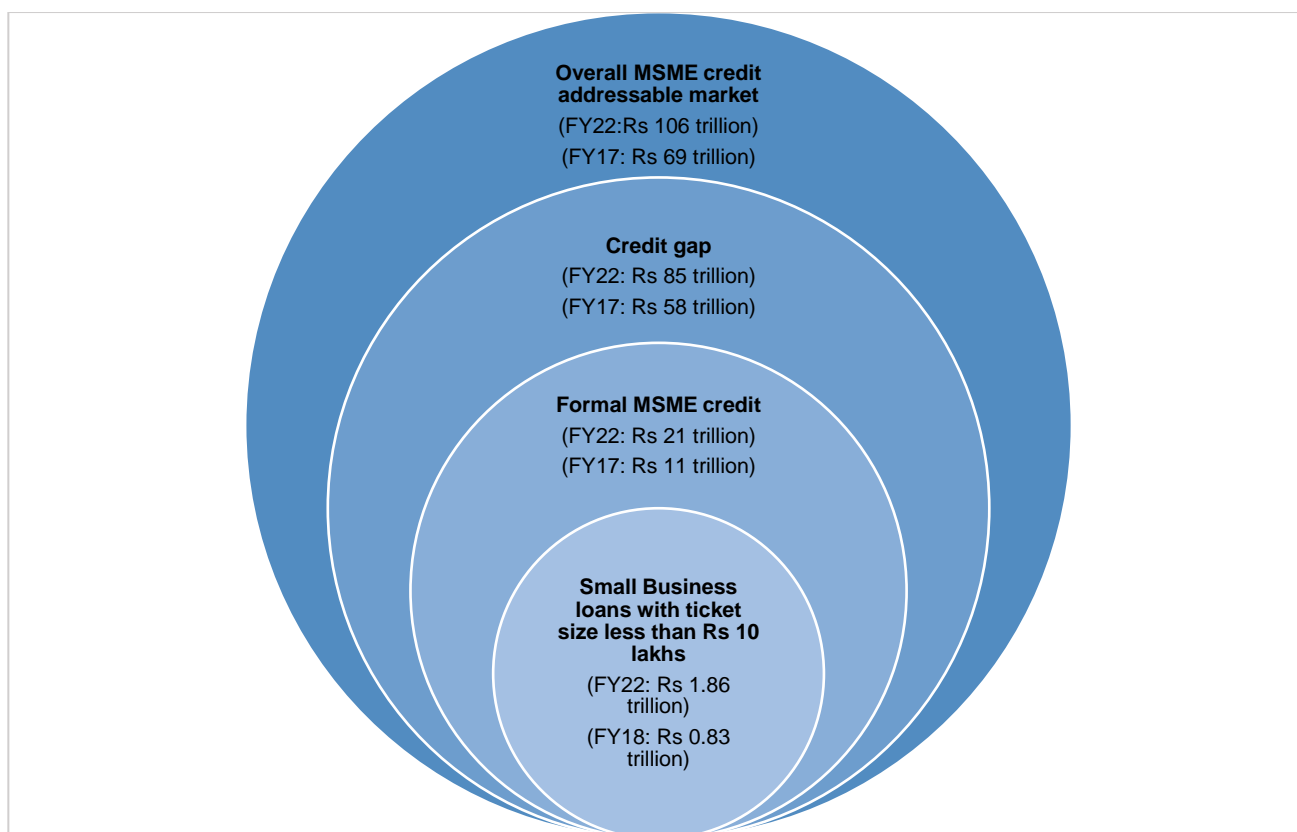
Source: CRI Highmark, CRISIL Research

### Growth drivers

#### High credit gap in the target customer segment

Less than 15% of approximately 70 million odd MSMEs have access to formal credit in any manner as of March 2022. High risk perception and the prohibitive cost of delivering services physically have constrained traditional institutions' ability to provide credit to underserved or unserved MSMEs and self-employed individuals historically. As a result, they resort to credit from informal sources. This untapped market offers huge growth potential for financial institutions. As stated earlier, the credit gap was estimated at around ₹ 58.4 trillion as of 2017 (Source: IFC report named Financing India's MSMEs released in November 2018), and is estimated to have widened further to around ₹85 trillion as of fiscal 2022.

## Small Business Loans with ticket size less than Rs 10 lakhs account for only 9% of formal MSME credit indicating huge opportunity



Note: Overall formal MSME credit given above includes all kinds of secured and unsecured loans given to MSMEs across ticket sizes by organised lenders.  
Source: MSME Ministry Annual report for FY21, IFC report on Financing India's MSMEs dated November 2018, CRIF Highmark, CRISIL Research

### Increased data availability and transparency

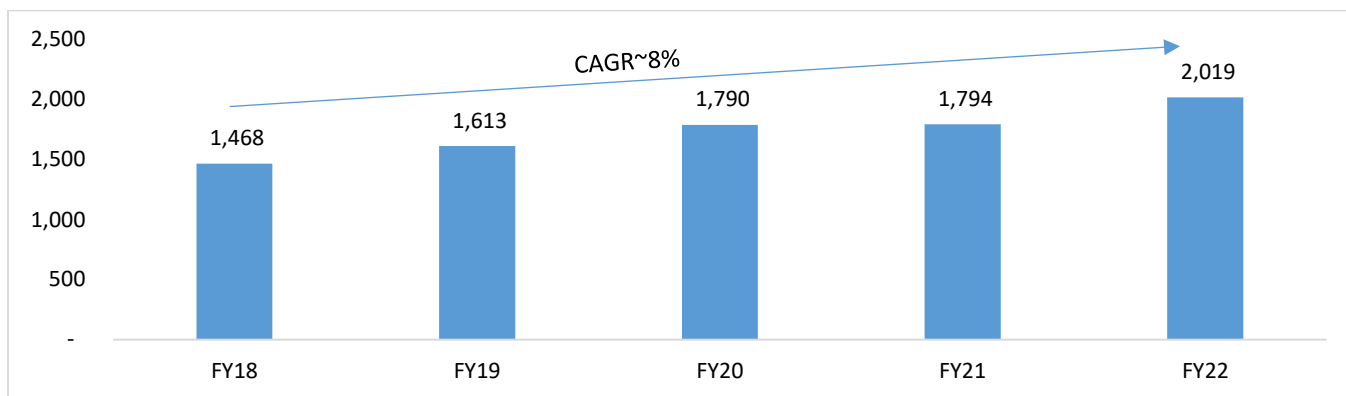
With increased digital initiatives by the MSMEs, the shift towards their formalisation and digitisation has created a plethora of data points for lenders that would help improve the efficacy of credit assessment and gradually enable provision of credit to hitherto underserved customer segments. For example, the quantum of retail digital payments has catapulted from ₹ 140 trillion in fiscal 2017 to ₹457 trillion in fiscal 2022. Within UPI, the quantum of person-to-merchant payments has zoomed from ₹6.2 trillion in fiscal 2021 to ₹15.9 trillion in fiscal 2022. This increase has created a digital footprint of customers, which can be potentially used for credit decision making, along with other relevant parameters such as customer demographics, business details, credit score, and personal situation of the borrower.

### Growth in branch network of players in small business loans segment

Over past few years, players offering small business loans segment have expanded their branch network with the intent to serve a larger customer base. To illustrate, the cumulative branch network of five small business lenders (Five Star, Shriram City Union, Vistaar, Veritas and Aye) has expanded at an 8% CAGR between fiscal 2018 and 2022, even while the NBFC universe and the economy were impacted by the IL&FS crisis, a slowdown in growth. In fiscal 2020 and the Covid-19 pandemic. Five Star Business Finance witnessed a CAGR of 23% over the same period; it had 300 branches as of March 2022.

In the future also, we expect lenders with a strong focus on MSME lending and healthy competitive positioning to continue to invest in branch expansion. With increasing branch network, customer acquisition and credit penetration of small business loans will also increase.

### Number of branches have grown at 8% CAGR over fiscal 2018 and 2022



Note: The above data includes branches for Five Star Business Finance, Shriram City Union Finance, Vistaar Finance, Veritas Finance and Aye Finance

Source: Company Reports, CRISIL Research

#### Reduction in risk premiums due to information asymmetry

In the absence of reliable information about small businesses, it becomes difficult for lenders to assess the creditworthiness of the borrower. Hence, lenders often charge a credit risk premium from these customers, leading to higher interest rates. By leveraging technology and using a combination of traditional data (bureau data, financial statements, credit score), non-traditional data (payments, telecom, provident fund contribution and psychometric data), and government data (Aadhaar, GST), lenders would be able to gain greater insight into their customers' data, thereby increasing the accuracy of customer assessments. This would reduce the level of asymmetry in information and could lower the credit risk premium over a period.

#### Increasing competition with entry of new players and partnerships between them

More players in consumer-facing businesses with a repository of data (such as e-commerce companies and payment service providers) are expected to enter the lending business, intensifying competition. For example, In June 2018, Amazon India launched a platform for lenders and sellers, wherein sellers can choose loan offers from various lenders at competitive rates. In August 2021, Meta (earlier known as Facebook) partnered with Indifi Technologies to provide loans to small businesses that advertise on its platform. Incumbent traditional lenders will increasingly leverage the network of their partners and/or digital ecosystem to cross-sell products to existing customers, tap customers of other lenders, and also cater to new-to-credit customers. This will expand the market for MSME loans.

#### Reduction in TAT and increased use of technology

With the availability of multiple data points and technological advancement, TAT for lending to MSMEs has been continuously declining. This too will drive the demand for MSME loans.

#### Government initiatives

##### *Relaxation in the threshold under SARFAESI Act from Rs 5 million to Rs 2 million for NBFCs*

In the Union Budget 2021-22, presented by the Finance Minister, for NBFCs with a minimum asset size of ₹100 crore, the minimum loan size eligible for debt recovery under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI) Act, 2002 was proposed to be reduced from the existing level of Rs 5 million to Rs 2 million. The objective of this move is to improve credit discipline while continuing to protect the interest of small borrowers. This relaxation is expected to facilitate recovery from stressed books, help the NBFCs to improve their ability to recover smaller loans and strengthen their overall financial health. More importantly, it acts as a deterrent to default and enhances the enforceability of collateral for players focused on the medium ticket size LAP segment with loans of Rs 20-50 lakhs.

##### *Inclusion of retail and wholesale trade under MSME category*

In July 2021, the Ministry of Micro, Small and Medium enterprises decided to include Retail and Wholesale trade as MSMEs for the purpose of Priority Sector Lending and they would be allowed to be registered on UDYAM Registration Portal. The move is structurally positive from long-term perspective, as it will enable entities operating in the segment to register on Government's UDYAM portal, participate in government tenders and also avail financing options/ benefits available to the category. This move will also aid in the formalisation of India's retail trade and enable financial support to small and mid-

sized retail businesses. By widening the scope of MSME to cover wholesale as well as retail trade, this move also creates an additional opportunity for MSME lenders to increase their penetration and business.

**Credit Guarantee Fund Scheme extended to cover NBFCs**

One of the major reasons why MSMEs are credit-starved is the insistence by banks or financial institutions for the provision of collateral against loans. Collaterals are not easily available with such enterprises, leading to a high risk perception and higher interest rates for these MSMEs. In order to address this issue, the government launched the Credit Guarantee Fund Scheme under the aegis of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) in order to make collateral-free credit available to micro and small enterprises.

**Government initiatives addressing structural issues in the MSME market**

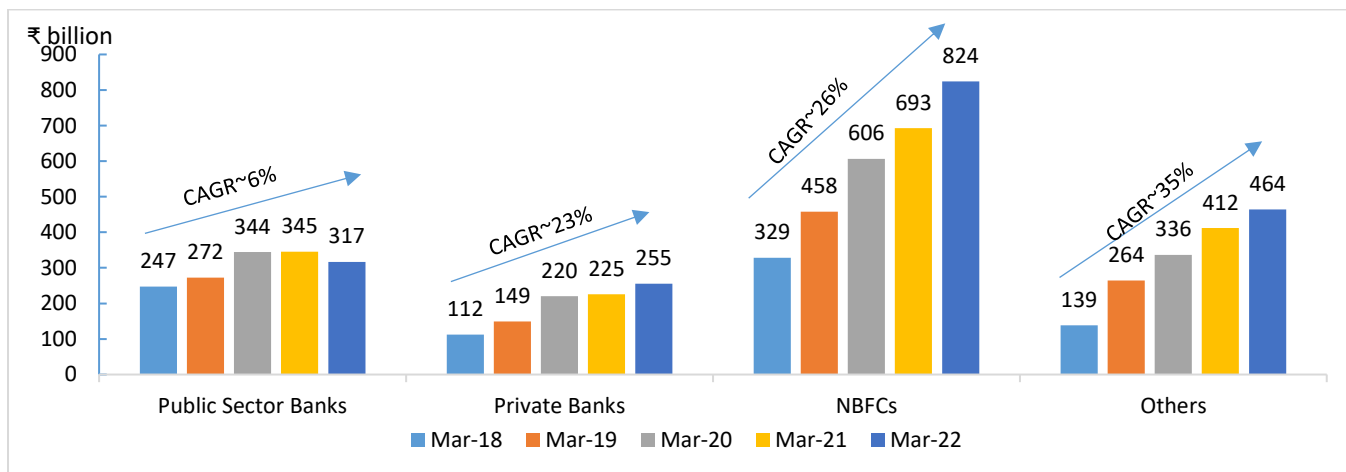
The government has unveiled a number of initiatives aimed at addressing some of the structural issues plaguing small business lending segment. These include granting licences to account aggregators, the Pradhan Mantri Mudra Yojana (PMMY), unveiling Trades Receivables Discounting System (TReDS) platforms and the implementation of GST.

**NBFCs increasing their presence in the small business loans segment**

NBFCs have managed to carve out a strong presence in small business loans due to their focus on serving the needs of the customer segment, faster turnaround time, customer service provided and expansion in geographic reach. As of fiscal 2022, the cumulative market share of NBFCs in small business loans of less than ₹10 lakhs ticket size outstanding is estimated to be around 44%.

Over the years, the small business loan portfolio of NBFCs have grown at a faster rate than the overall small business loan portfolio at a systemic level, clocking a CAGR of 26% over fiscals 2018 and 2022. Market share of NBFCs remained stable between fiscal 2018 and 2019 due to demonetisation and the NBFC liquidity crisis but has increased subsequently. The cumulative market share of NBFCs increased by 4 percentage points over fiscals 2018-2022. Going forward, we expect the NBFCs to continue to be major players in small business loans of less than ₹10 lakhs ticket size.

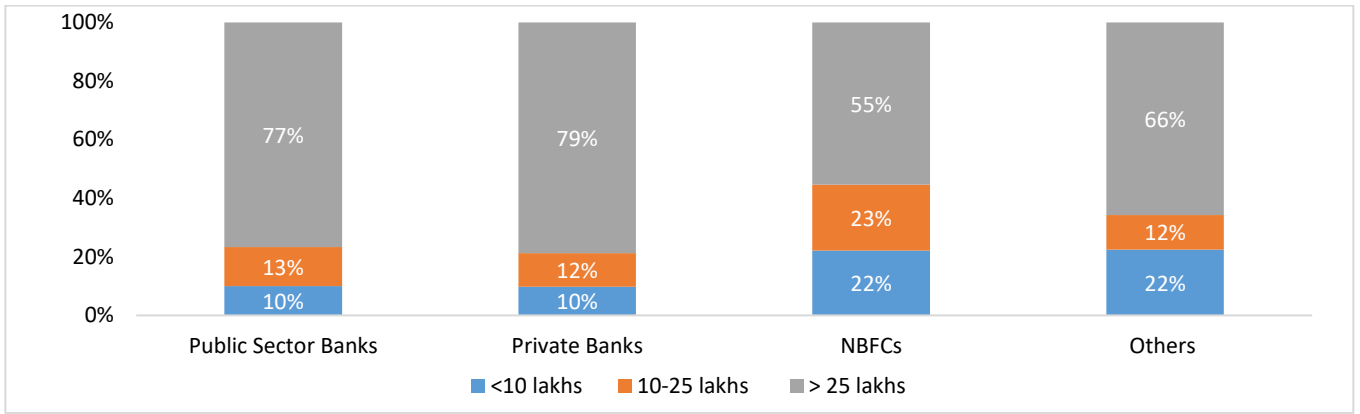
**NBFCs have grown at faster pace compared to PSBs and private banks in small business loans less than ₹ 10 lakhs ticket size**



Note: (1) Above data includes business loans given to MSMEs upto ₹ 10 lakhs ticket size and reported in consumer bureaus of CICs, (2) Others includes player groups like Small Finance Banks, Foreign Banks, Regional Rural Banks  
 Source: CRIF Highmark, CRISIL Research

NBFCs have high share of small business loans disbursed (ticket size less than ₹ 10 lakhs) compared to private sector banks and public sector banks in fiscal 2022. These banks lend to more organised and formal customers with proper income documentation and credit profile. In contrast, NBFCs lend to borrowers who may not have documented income proof, and therefore, NBFCs rely greatly on their deep understanding of the target customer segment and ability to assess income and cash flows of the customers through personal discussions or other alternate data for underwriting loans.

**NBFCs have one of the highest share of disbursements towards small business loans among other lenders in fiscal 2022**

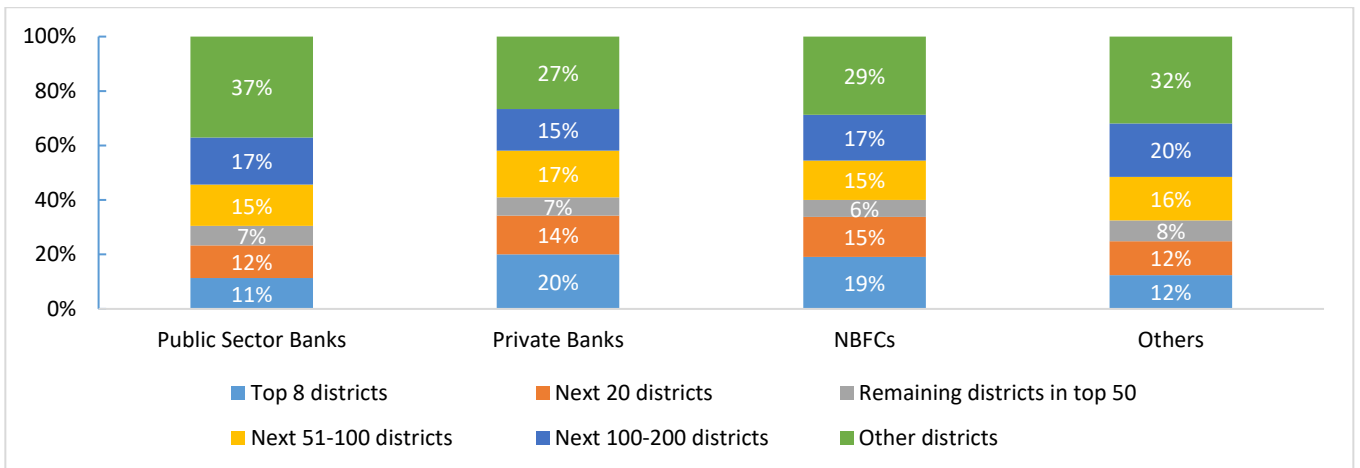


Note: Above data includes business loans reported in consumer bureaus of CICs, Others includes player groups like Small Finance Banks, Foreign Banks, and Regional Rural Banks

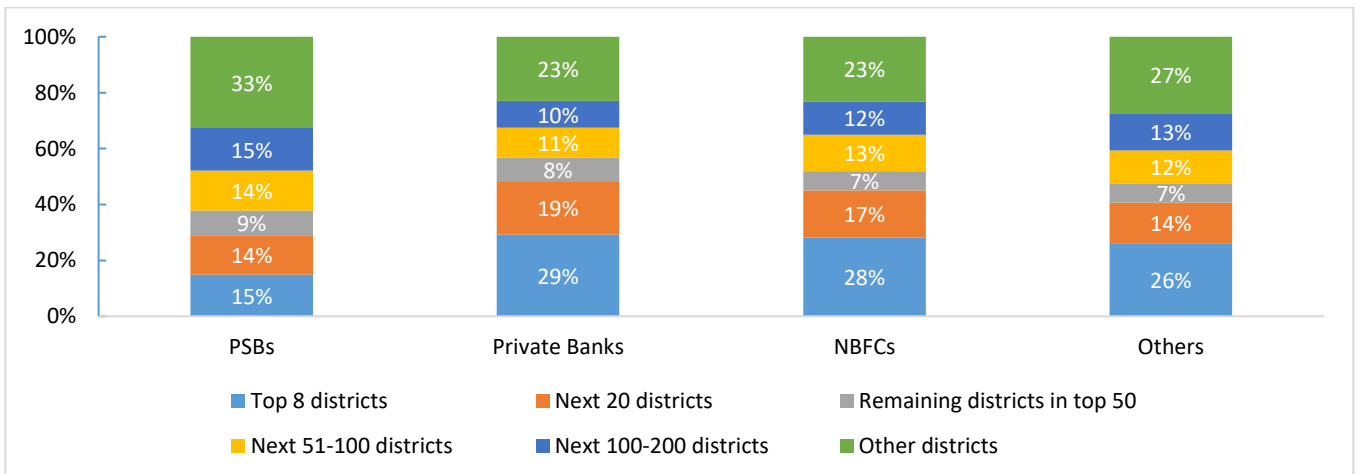
Source: CRISIL Research

Within the small business loans (ticket size less than ₹ 10 lakhs), NBFCs have 61% of loan portfolio in cities other than top 50 compared to PSBs and others which have 69% and 68% of their portfolio respectively in such cities as of June 2022. Private banks have a proportion of 59% of small business loans in cities outside the top 50. In other ticket sizes as well, similar trend is observed with PSBs being relatively better penetrated in regions outside top 50 cities compared to NBFCs and private banks being the least penetrated in such regions.

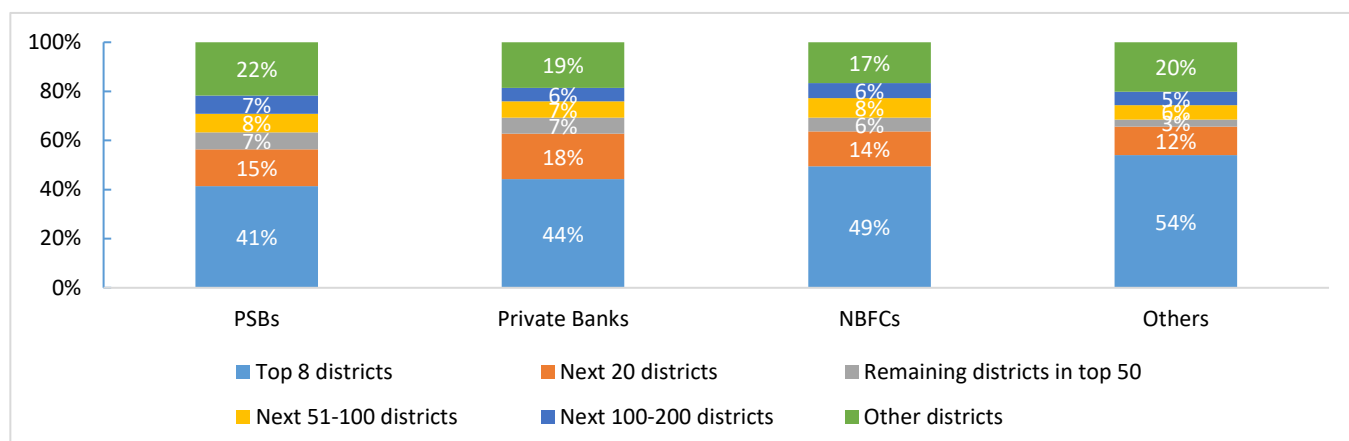
#### Business loans of ticket size less than ₹ 10 lakhs (June 2022)



#### Business loans of ticket size between ₹ 10-25 lakhs (June 2022)



### Business loans of ticket size more than ₹ 25 lakhs (June 2022)



Note: (1) Above data includes business loans given to MSMEs and reported in consumer bureaus of CICs

(2) Others includes player groups like Small Finance Banks, Foreign Banks, Regional Rural Banks

(3) Classification of districts is done based on population as per Census 2011.

(4) Mumbai Metropolitan Region (MMR), National Capital Region (NCR), Bengaluru and Kanpur have each been considered as a district.

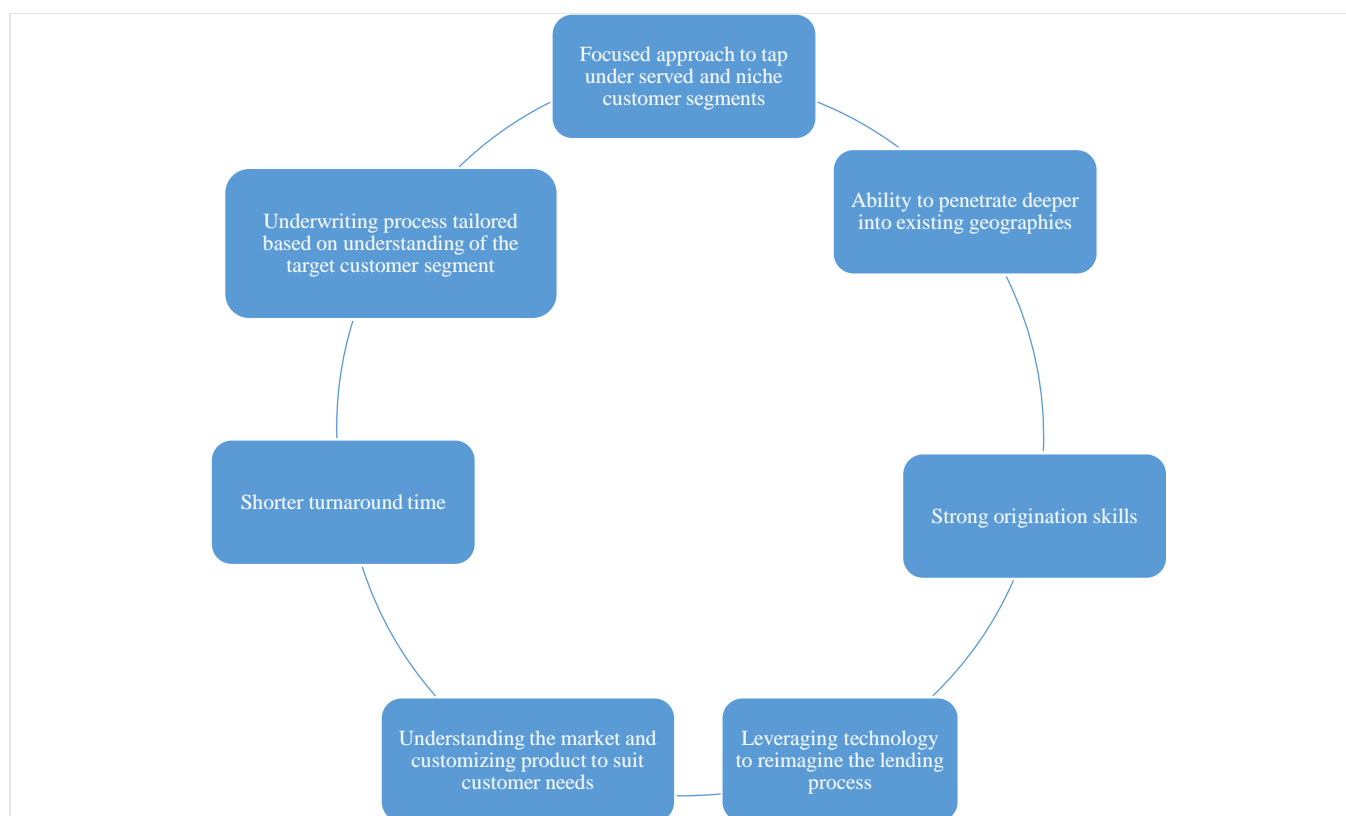
(5) MMR includes Thane and Mumbai, NCR includes Delhi, Gurugram, Gautam Buddha Nagar, Ghaziabad and Faridabad, Bengaluru includes Bangalore Urban and Bangalore Rural, Kanpur includes Kanpur Nagar and Kanpur Dehat

### Key factors driving competitiveness of NBFCs

NBFCs in small business lending have, over the years, developed expertise in serving the underserved and niche customer segments by developing customised products (tailored to customer/business needs) and building strong credit appraisal mechanisms to serve their target segment. Moreover, their ability to penetrate deeper into geographies gives them the edge in serving these customers. Some NBFCs have tailor made underwriting processes customised for the target segment they cater to which gives them an edge in understanding and serving the customers as well as in maintaining their portfolio quality. For example, the Company is among the select institutions to have developed an underwriting model that evaluates the cash-flows of small business owners and self-employed individuals in the absence of traditional documentary proofs of income. NBFCs have also been leveraging technology to efficiently manage the lending process, which has also helped them reduce the turnaround time.



## Factors driving growth of NBFCs in small business loans



Source: CRISIL Research

Moreover, compared to different loan products like affordable housing loans, microfinance loans, auto loans and personal loans, secured small business loans is one of the most attractive asset classes offering higher yields over a medium tenure with good collateral quality and lower default risk as the loans are secured predominantly with SORP.

	Market Size – Portfolio outstanding March 2022 (₹ trillion)	Ticket size	Yields	Typical tenure	Collateral Quality	Tendency to default
Secured property-backed small Business Loans	1.8	Small to Medium	High	Medium	Good	Low
Secured non-LAP loans	13.6	Small to Medium	High	Low	Good	Low
Microfinance loans	3.9	Small	Medium	Low	No collateral	Relatively High
Housing loan	25.4	Large	Medium	High	Very good	Low
Auto Loans	10.1	Small to Medium	Low to Medium	Low to medium	Moderate	Medium
Personal Loans	1.3	Small	High	Low	No collateral	Medium to High

Source: CRISIL Research

### Small business loans market consists of highly heterogeneous players

In absolute terms, the aggregate size of lending in the small business loans segment is estimated to be around ₹ 1.95 trillion as of June 2022. There are various kind of players serving this segment including Banks, NBFCs, Small Finance Banks, and Microfinance Institutions that offer loans to self-employed individuals, micro-entrepreneurs as well as MSMEs. While banks offering business loans and loans against property to MSMEs serve a very different customer segment mainly comprising registered MSMEs with documented income and certain annual turnover, other players serve customer segments who may not have appropriate income proofs on paper.

Players across the NBFC spectrum offering business loans can be classified as below:

- Larger NBFCs offering diversified loan products including business loans, both unsecured as well as secured, loans against property and products in other loan segments like commercial vehicles, personal loans, etc. These include larger players like Bajaj Finance, HDB Financial Services, and Hero Fincorp.
- NBFCs offering loans for business purpose, but backed with property (residential property in almost all cases) as collateral. Examples of such NBFCs include Five Star Business Finance, Veritas Finance, and Vistaar Financial Services.
- NBFCs offering collateral-backed loans such as machinery loans for the purpose of funding capex requirements of MSMEs. These include players like Electronica Finance and MAS Financial Services.
- Fintechs, mainly offering unsecured loans to traders and the services segments, on the basis of digital underwriting models based on firm-specific demographic data, bureau scrub, bank statement analysis, GST returns and other behavioural or segment-specific data. For example, Neogrowth Credit, Lending Kart, Capital Float, and Indifi Technologies
- Microfinance players offering loans in rural and underpenetrated areas through joint-liability groups, most of which are towards income-generation activities. Major microfinance players with an NBFC-MFI licence include Credit Access Grameen, Spandana Sphoorty, Satin Creditcare Network, Asirvad Microfinance, and Muthoot Microfinance
- Small Finance Banks with significant portfolio towards MSME loans. These include AU Small Finance Bank, Equitas Small Finance Bank (which offers micro finance as well as small business loans) and Capital Small Finance Bank.

## Key Industry Parameters

	Large diversified NBFCs	NBFCs offering secured business loans backed by property as collateral	Banks (PSUs and Private)	Small Finance Banks
Average ticket size	₹12 lakhs to ₹25 lakhs	₹3 lakhs to ₹10 lakhs	₹20 lakhs to ₹37 lakhs	₹5 lakhs to ₹10 lakhs
Nature of loans	Secured: 50-60%	Secured: 100%	Secured: (80-90%)	Secured: (80-90%)
Average interest rate	18-20%	20-25%	10-15%	12-18%
Average contractual tenure	36-60 months	60-96 months	30-60 months	12-36 months
Average GNPA (as of March 2022)	4.85%	2.53%	6.30%	2.99%
NIMs (FY22)	9.6%	13.1%	2.7%	6.1%
Credit cost (FY22)	3.3%	1.3%	0.9%	2.0%
Cost to Income Ratio (FY22)	29%	28%	49%	38%
RoA (FY22)	2.9%	5.5%	0.9%	1.6%
RoE (FY22)	13.7%	12.3%	11.2%	13.2%
Documentation	Financial Statements, P&L Account, Balance Sheets, Bank Statements	Combination of traditional and non-traditional sources. Use of information available in public and private domains.	Income statements, ID Proof, KYC documents, Bank Statements	Income statements, ID Proof, KYC documents, Bank Statements.

Source: CRISIL Research

## Comparison of various players based on yield on advances, average ticket size and portfolio type (FY22)

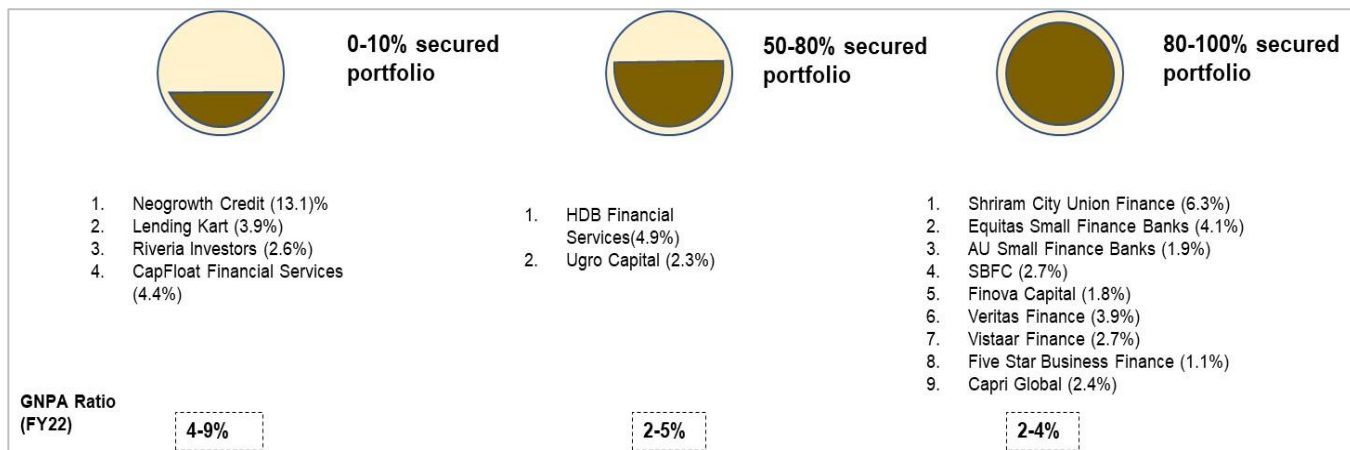
	Yield less than 16%	Yield between 16% and 22%	Yield more than 22%
Average ticket size more than or equal to ₹ 10 lakhs	Fedbank Financial Services Ugro Capital Capri Global Poonawala Fincorp Bajaj Finance	Shriram City Union Finance	IIFL Finance Neogrowth
Average ticket size less than ₹10 lakhs	AU Small Finance Bank SBFC Finance	Equitas Small Finance Bank CapFloat Financial Services^	Veritas Finance Five-Star Business Finance Aye Finance Lendingkart^ Finova Capital Riviera Investors
	Yield less than 16%	Yield between 16% and 22%	Yield more than 22%
Average ticket size more than or equal to ₹10 lakhs	Fedbank Financial Services Ugro Capital	Shriram City Union Finance	IIFL Finance Neogrowth

	Capri Global Poonawala Fincorp Bajaj Finance		
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Note: ^Based on FY21 data

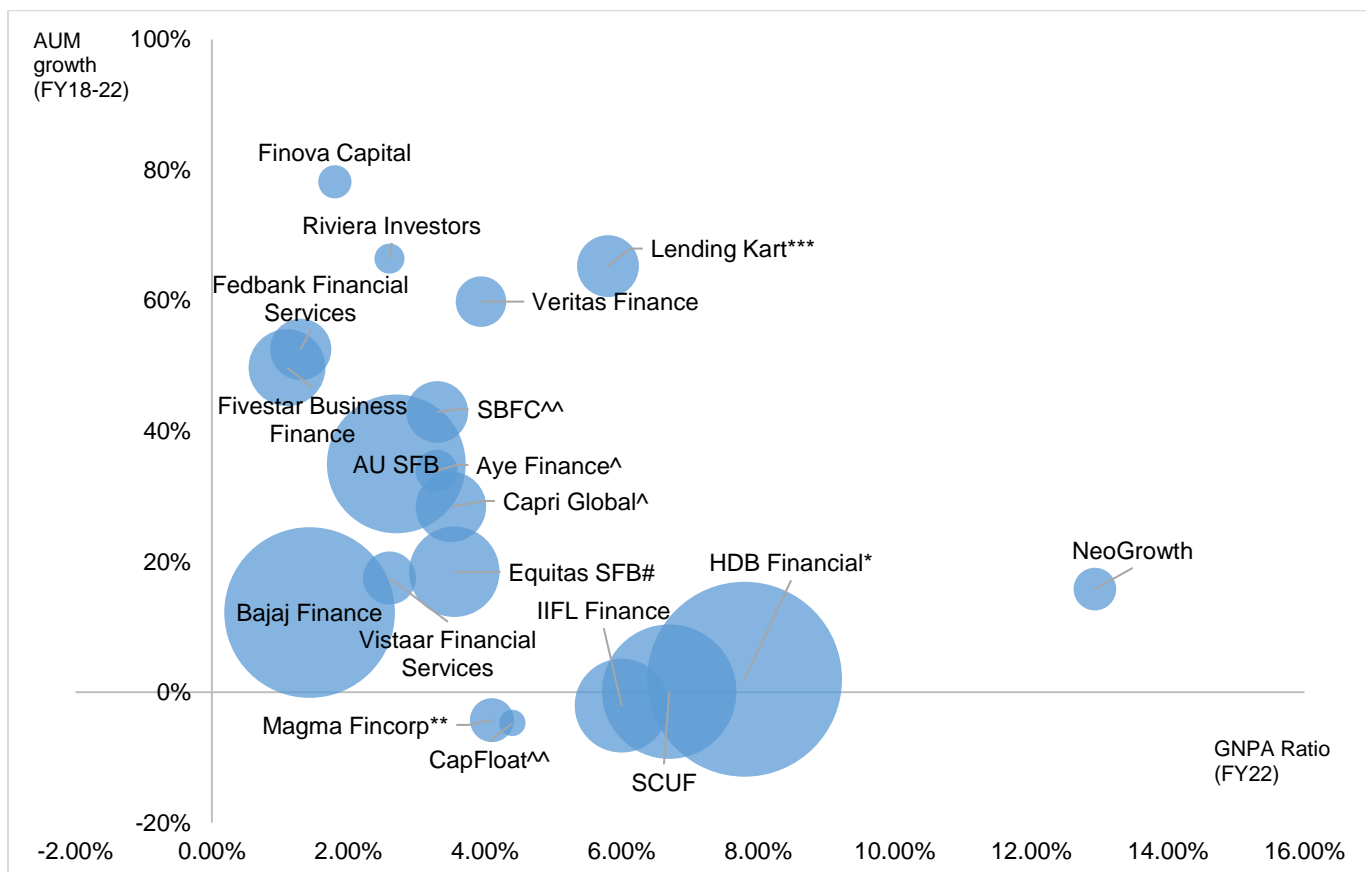
Source: Company Reports, CRISIL Research

### Comparison of players based on secured and unsecured loans mix in small business loans



Source: Company reports, CRISIL Research

### Comparison of various players based on portfolio size, portfolio growth and GNPA ratio (FY22)



Size of the bubble denotes relative size of the MSME loan portfolio as of March 2022

Note: ^AUM as of December 2021, \*GNPA as of June 2021, ^^AUM and GNPA as of September 2021, \*\*GNPA as of September 2021, #3-year AUM CAGR, \*\*\*GNPA plus write-offs excluding one-time write-offs of restructured loans

Source: Company Reports, CRISIL Research

## Key success factors for NBFCs offering secured Small Business Loans

### Strong branch network and deep understanding of the target customer segment and micro markets

Players need to have a clear and deeper understanding of their target customer segment, the micro markets they operate in and develop a strong local network. The strong network helps players to source business from niche customer category as also obtaining references from their existing customers.

### Strong underwriting capabilities along with process standardisation to control operating costs

Customers in small business finance segment are generally self-employed non-professionals (carpenter, plumber, vegetable vendor, small shop keepers, etc.) and micro-entrepreneurs, people who may not have income proofs. Given the lack of income proofs, the underwriting process typically requires detailed personal discussion with the borrower as well as acquaintances and neighbours to assess the source of income and pattern of cash inflows and outflows as well as the stability and behavioural aspects of the customer.

### On-the-ground presence to manage collections and maintain portfolio quality

Additionally, given that players in the segment typically cater to the lower income customer segment, many of whom may not be financially literate, a strong focus on collections and monitoring risk of default at customer level is vital to manage asset quality.

### Collateral risk management

Properties that are used as collateral for small business loans sometimes lack proper property titles, especially in the outskirts of large cities, semi-urban and rural areas. With better availability of information and due diligence by the technical team, players can mitigate the risk.

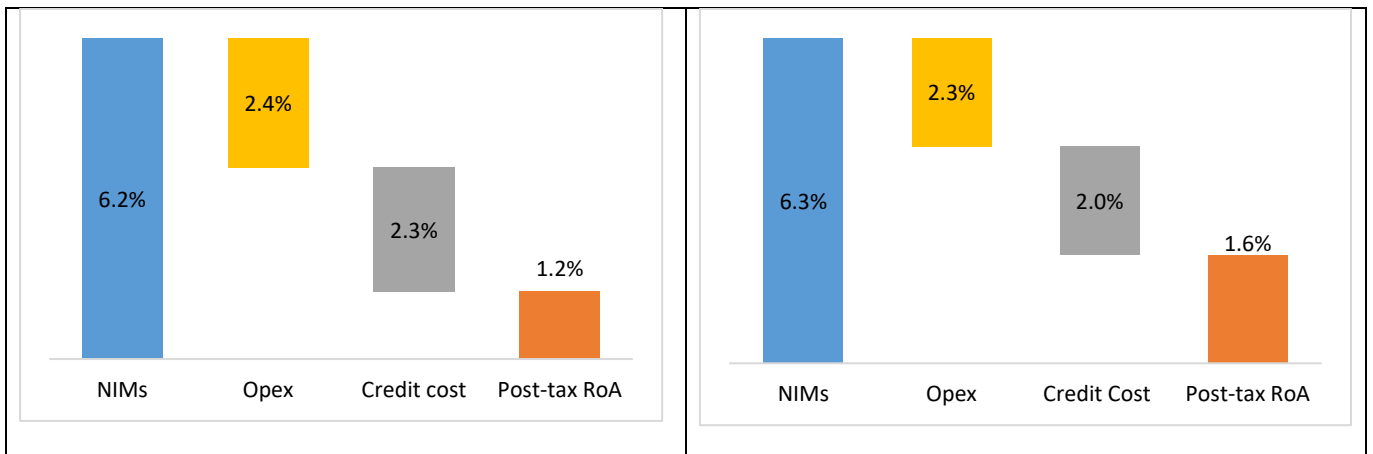
### NBFC profitability to improve going forward

Fiscal 2021 witnessed lower interest income in the segment on account of lower yields. Lower yields, in turn, along with the higher credit cost on account of pandemic-related provisioning led to a fall in return on assets of NBFCs lending to MSMEs. In fiscal 2022, the profitability in the MSME segment has improved marginally owing to marginally lower credit costs. Operational expenses, however, remained relatively higher owing to high contribution of DSAs in originating business for NBFCs, especially in unsecured loans and increased focus of financiers on collection and digitisation of value chain.

Going forward, in fiscal 2023, borrowing costs are expected to spiral upwards, and overall profitability of MSMEs loans is still expected to be sustained in fiscal 2023, primarily on account of passing the rise in borrowing cost to MSMEs and lower credit costs due to contingency provisioning buffers created over the course of the previous two fiscals. Further, improvement in collections is expected to lead to aid profitability for the segment.

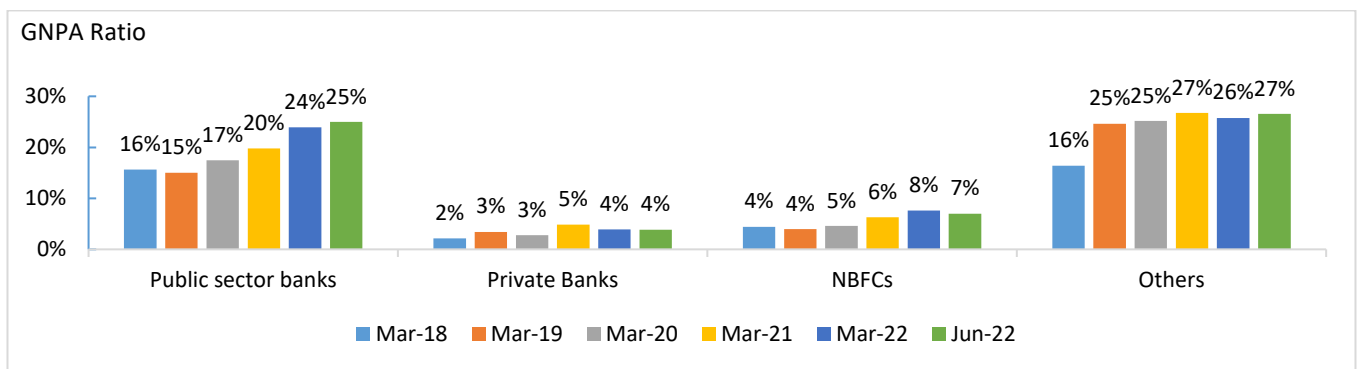
### Profitability of MSME loans segment

FY21	FY22



Source: CRISIL Research estimates

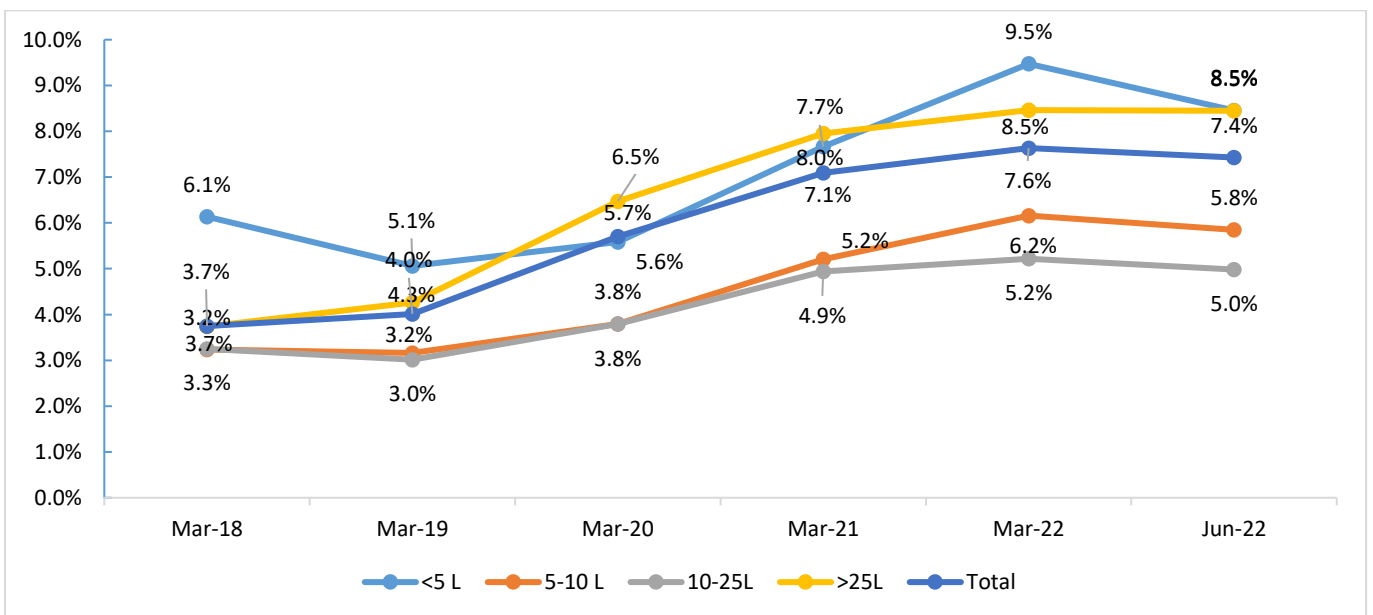
### Asset quality across various lenders for small business loans (ticket size <₹10 lakhs)



Note: Above data includes business loans given to MSMEs upto ₹ 10 lakhs ticket size and reported in consumer bureaus of CICs, Others includes player groups like Small Finance Banks, Foreign Banks, Regional Rural Banks

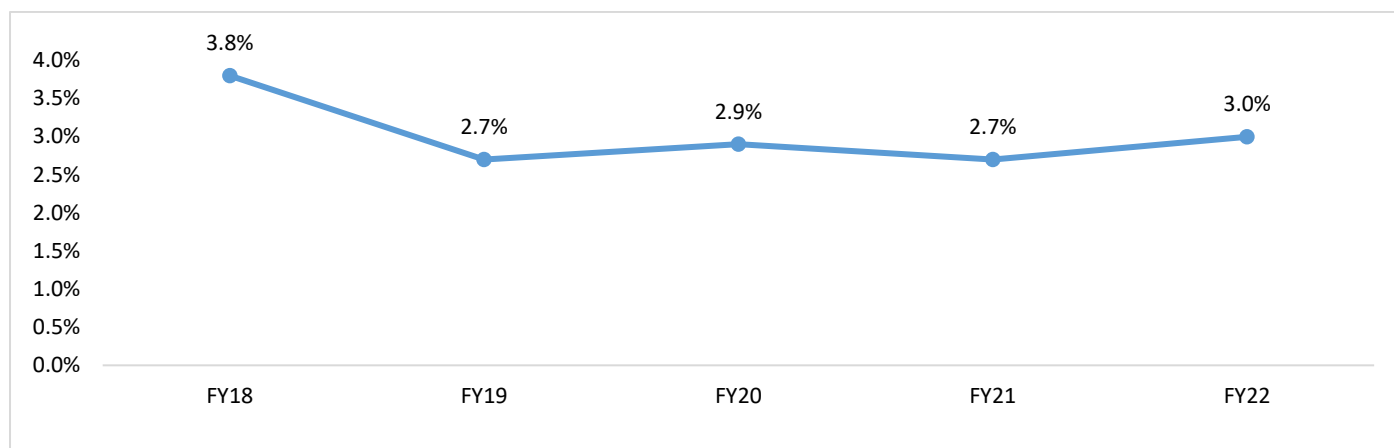
Source: CRIF Highmark, CRISIL Research

### Small business loan portfolio of NBFCs exhibit better asset quality compared to overall portfolio



Note: Above data includes business loans given to MSMEs and reported in consumer bureaus of CICs  
Source: CRISIL Research

### Trend in average credit cost of players in small business loan segment



Note: The above data includes numbers for Five Star Business Finance, Aye Finance, Shriram City Union Finance, Veritas Finance, Vistaar Financial, Lendingkart and Digikredit Finance  
Source: Company Reports, CRISIL Research

### Player wise credit cost trend

Credit cost as a % of total assets	FY18	FY19	FY20	FY21	FY22
Five Star Business Finance	1.0%	0.4%	1.5%	0.7%	0.8%
Aye Finance	1.7%	2.7%	4.0%	2.7%	5.5%
Shriram City Union Finance	3.9%	2.8%	2.9%	2.6%	2.4%
Veritas Finance	1.1%	0.6%	1.0%	2.0%	2.5%
Vistaar Financial	3.2%	3.0%	3.0%	2.4%	1.4%
Lendingkart	6.4%	4.4%	6.0%	7.3%	16.1%
Digikredit Finance	NA	0.7%	5.6%	11.2%	10.7%

Source: Company Reports, CRISIL Research

### Asset quality for NBFCs to rise in fiscal 2023

GNPAs in small business loans below ₹ 10 lakhs for NBFCs has remained in the range of 4-4.5% for two years ending March 2019 after increasing post demonetisation in fiscal 2018. Asset quality deteriorated in fiscal 2020 and 2021 owing to the impact on customers due to the Covid-19 pandemic and GNPA ratio increased by 170 basis points to reach 6.3% compared to that as of March 2020 (4.6%). The deterioration in asset quality would have been worse, if it had not been for the support provided by the emergency credit line scheme of the government and restructuring of loans allowed by the RBI. While some portion of the portfolio has got restructured, GNPA has still increased in fiscal 2021. Second wave adversely impacted the recovery seen in the last quarter of fiscal 2021 and continued to affect collection efficiencies in fiscal 2022. GNPA for NBFCs have moderated from 7.6% in March 2022 to 7.0% in June 2022 for small business loans (ticket size <10 lakhs). CRISIL Research expects GNPA level to reach 7.0-7.2% in fiscal 2023.

The spike in NPAs could be attributed to RBI's revised NPA recognition and upgradation norms. According to RBI's Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances, for NBFCs, loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrowers. NBFCs would have to comply to it by September 2022.

### Peer benchmarking

Five Star Business Finance is focused on providing secured business loans to micro entrepreneurs and self-employed individuals who are largely ignored by the formal financial system. In this section, we have compared Five Star Business Finance Limited (Five Star Business) with other NBFCs and HFCs as also small finance banks (SFBs) focused on serving the target segment served by Five Star Business i.e., self-employed entrepreneurs running small businesses and operating in a similar ticket size band. The peer comparison has been done based on the latest available data for fiscal 2022.

In our assessment, we have considered NBFCs present in secured small business loans, namely Shriram City Union Finance

(SCUF), Vistaar Financial Services Private Limited (Vistaar Finance), and Veritas Finance Private Limited (Veritas Finance). AU Small Finance Bank that provides secured small business loans has also been included in our assessment. In addition, mortgage loan providers targeting a similar customer profile as Five-Star Business – Aavas Financiers Ltd, Aptus Value Housing Finance India Limited (Aptus Value Housing) and Home First Finance Company India Limited (Home First Finance) have been included in our peer list. Besides, we have considered players providing unsecured small business loan such as Lendingkart Technologies Private Limited (Lendingkart), Digikredit Finance Private Limited (Digikredit Finance) and Aye Finance Private Limited (Aye Finance). For purposes of the discussion below, lenders engaged in extending MSME business loans include Shriram City Union Finance, Five Star Business Finance, Lendingkart Finance, Vistaar Finance, Veritas Finance, Aye Finance and Digikredit Finance.

### Five Star Business is one of the fastest growing NBFCs among the compared peers

Five Star Business recorded the fourth fastest AUM growth of 50% CAGR over fiscal 2018-22 among the compared peers. Digikredit Finance has the highest AUM growth of CAGR 128% over fiscal 2018-22 followed by Lendingkart at 63% and Veritas Finance at 60% in the same time frame, albeit a lower base.

Five Star Business recorded the fourth fastest disbursement growth of 26% CAGR over fiscal 2018-22 among the compared peers. Other players such as Veritas Finance and Home First Finance witnessed a growth of 39% and 28% respectively over fiscal 2018-22.

AUM (₹ billion)	FY18	FY19	FY20	FY21	FY22	CAGR (FY18-22)
AU Small Finance Bank <sup>^</sup>	58	86	113	143	165	30%
Shriram City Union Finance <sup>^</sup>	155	177	166	151	147	-1%
Aavas Financiers	41	59	78	95	113	29%
Five Star Business	10	21	39	44	51	50%
Home First Finance	14	24	36	41	54	41%
Aptus Value Housing	14	22	32	41	52	38%
Lendingkart	5	14	24	25	33	63%
Vistaar Finance	13	14	19	21	24	17%
Veritas Finance	3	7	13	16	22	60%
Aye Finance	5	10	18	16	15*	34%
Digikredit Finance	0	2	4	5	5*	128%

Note: (<sup>^</sup>) Data pertains to small business loans and MSME portfolio, (\*) Data as of December 2021

NA - Not available;

Source: Company reports, Rating reports, CRISIL Research

### Trend in Disbursements for players

Disbursement (₹ billion)	FY18	FY19	FY20	FY21	FY22	CAGR (FY18-22)
AU Small Finance Bank <sup>^</sup>	27	37	49	47	48	15%
Shriram City Union Finance <sup>^</sup>	105	104	73	32	70	-10%
Aavas Financiers	21	27	29	27	36	15%
Five Star Business	7	15	24	12	18	26%
Home First Finance	7	16	16	11	20	28%
Aptus Value Housing	8	12	13	13	16	22%
Lending kart	NA	17	24	11	27	18%**
Vistaar Finance	7	8	9	6	NA	-4%*
Veritas Finance	3	6	8	6	12	39%
Aye Finance	5	10	16	7	NA	50%*
Digikredit Finance	NA	NA	NA	NA	NA	NM

Note: (<sup>^</sup>) Data pertains to small business loans and MSME portfolio, (\*\*\*) CAGR for FY17-21 (\*) CAGR for FY19-22

NA - Not available; NM: Not meaningful.

Source: Company reports, Rating reports, CRISIL Research

### Percentage of secured portfolio for players (FY22)

₹ billion	% share of Secured Portfolio	AUM		Disbursement	
		FY21	FY22	FY21	FY22
AU Small Finance Bank <sup>^</sup>	100%	143	165	47	48
Shriram City Union Finance <sup>^</sup>	82%	151	147	32	70
Aavas Financiers	100%	95	113	27	36
Five Star Business	100%	44	51	12	18
Home First Finance	100%	41	54	11	20
Aptus Value Housing	100%	41	52	13	16
Lending kart	0%	25	33	11	27
Vistaar Finance	100%	21	24	6	NA
Veritas Finance	100%	16	22	6	12
Aye Finance	0%	16	15*	7	NA
Digikredit Finance	11%	5	5*	NA	NA

Notes: (^) AUM and disbursement data for MSME/Small business loan segment, (\*) Data as of December 2021, NA - Not available

Source: Company reports, Rating reports, CRISIL Research

### Operational efficiency

Five Star Business has the third highest branch growth rate over fiscals 2018-22 at 23%. With 300 branches as of March 2022, Five Star Business has one of the largest branch networks amongst the non-bank universe, next only to Shriram City Union Finance, Aye Finance and Aavas Financiers amongst the peer set. Aye Finance had the highest branch growth followed by Veritas Finance over the same time period. Five Star Business had the second highest employee growth at 45% over fiscals 2018-22.

Despite increasing the number of branches, its AUM per branch has increased by 21% CAGR to Rs 169 million over fiscals 2018-22. While its AUM per branch is lower as compared to lenders focused in mortgage loans, they are higher as compared to other lenders focused on MSME financing who have a branch focused business model (by around 1.5-2.0 times). This is also reflected in its cost to income ratio which is much lower than other MSME focused lenders. Fintech lenders in the unsecured MSME loans space operate with minimal branch infrastructure on the ground and hence do not have relatable branch productivity matrices, but their cost to income ratios are higher compared to Five Star Business.

In terms of disbursement per branch, Five Star Business has the second highest disbursement per branch among MSME focused lenders next to Shriram City Union Finance. Five Star Business has the second highest AUM per employee in fiscal 2022 at Rs 9 million next only to Vistaar Finance at Rs 12 million in fiscal 2022 among MSME focused lenders. Five Star Business' average disbursement per employee at Rs 4 million over fiscals 2020-22 is comparable to other MSME focused lenders like Veritas Finance (Rs 4 million) and Veritas Finance (Rs 4 million) in the same time period.

The branch productivity has also to be viewed in the context of the segment and ticket sizes in which a company operates. Five Star Business' average ticket sizes, at around Rs. 2,30,000 in fiscal 2022, is the lowest compared to other players considered in the peer set.

### Five Star Business has the third lowest cost to income ratio at end of fiscal 2022

Five Star Business has the third lowest cost to income ratio in fiscal 2022 among the compared peers. Aptus Value Housing has the lowest cost to income ratio at 18.6% in fiscal 2022. It is followed by Aavas Financiers (30.9%) and Five Star Business (32.0%) in fiscal 2022.

### Trend in number of branches for players

Branches	FY18	FY19	FY20	FY21	FY22	CAGR (FY18-22)
AU Small Finance Bank <sup>^</sup>	377	572	647	744	919	16%
Shriram City Union Finance	969	969	947	926	986	0%



Aavas Financiers	165	210	250	280	314	17%
Five Star Business	<b>130</b>	<b>173</b>	<b>252</b>	<b>262</b>	<b>300</b>	<b>23%</b>
Home First Finance	45	60	68	72	80	16%
Aptus Value Housing	115	142	175	190	208	16%
Lending kart	NA	NA	NA	NA	NA	NM
Vistaar Finance	225	220	216	191	192	-4%
Veritas Finance	72	147	202	204	229	34%
Aye Finance	72	104	173	211	312	44%
Digikredit Finance	NA	15	25	18	18	6%**

Note: (\*\*\*) CAGR calculated from for FY19-22, (^) Touchpoints

NA - Not available; NM – Not meaningful

Source: Company reports, Rating reports, CRISIL Research

### Trend in number of employees for players

Employees	FY18	FY19	FY20	FY21	FY22	CAGR (FY18-22)
AU Small Finance Bank	11,151	12,623	17,112	22,484	27,817	26%
Shriram City Union Finance	28,665	27,267	28,699	24,963	27,997	-1%
Aavas Financiers	1,862	3,190	4,581	5,679	5,222	29%
Five Star Business	1,290	1,971	3,734	3,938	5,675	45%
Home First Finance	382	675	696	687	851	22%
Aptus Value Housing	1,000	1,325	1,702	1,913	2,271	23%
Lending kart	NA	350	NA	NA	NA	NM
Vistaar Finance	2,107	2,188	1,847	1,660	1,966*	-2%
Veritas Finance	719	1,422	1,850	2,333	2,727	40%
Aye Finance	1,085	1,887	3,162	3,865	NA	53%^
Digikredit Finance	NA	NA	850	NA	NA	NM

Note: (\*) Employees as of December 2021, (^) CAGR for FY18-21, NA - Not available; NM – Not meaningful

Source: Company reports, Rating reports, CRISIL Research

### Trend in AUM per branch and Disbursement per branch for players

	AUM per branch (₹ million)				Disbursement per branch (₹ million)			
	FY20	FY21	FY22	Average (FY20-22)	FY20	FY21	FY22	Average (FY20-22)
AU Small Finance Bank <sup>^</sup>	174	193	180	182	75	63	52	63
Shriram City Union Finance <sup>^</sup>	176	163	149	163	77	35	71	61
Aavas Financiers	312	338	361	337	117	95	115	109
Five Star Business	<b>154</b>	<b>170</b>	<b>169</b>	<b>164</b>	<b>96</b>	<b>48</b>	<b>59</b>	<b>67</b>
Home First Finance	532	575	673	593	238	152	254	215
Aptus Value Housing	182	214	249	215	73	68	79	73
Lending kart	NA	NA	NA	NM	NA	NA	NA	NM
Vistaar Finance	87	108	126	107	42	30	NA	36*
Veritas Finance	64	77	96	79	42	30	52	41
Aye Finance	103	74	48**	75	94	32	NA	NM
Digikredit Finance	153	253	272	226	NA	NA	NA	NM

Note: (^) Data pertains to small business loans and MSME portfolio, (\*) Average of FY20, FY21, (\*\*) Data as of December 2021

NA - Not available; NM - Not meaningful  
Source: Company reports, CRISIL Research

### Trend in AUM per employee and Disbursement per employee for players

	AUM per employee (₹ million)				Disbursement per employee (₹ million)			
	FY20	FY21	FY22	Average (FY20-22)	FY20	FY21	FY22	Average (FY20-22)
AU Small Finance Bank <sup>^</sup>	7	6	6	6	3	2	2	2
Shriram City Union Finance <sup>^</sup>	6	6	5	6	3	1	2	2
Aavas Financiers	17	17	22	18	6	5	7	6
Five Star Business	10	11	9	10	6	3	3	4
Home First Finance	52	60	63	58	23	16	24	21
Aptus Value Housing	19	21	23	21	8	7	7	7
Lending kart	NA	NA	NA	NM	NA	NA	NA	NM
Vistaar Finance	10	12	12**	12	5	3	NA	4*
Veritas Finance	7	7	8	7	5	3	4	4
Aye Finance	6	4	NA	5*	5	2	NA	3*
Digikredit Finance	NA	NA	NA	NM	NA	NA	NA	NM

Note: (<sup>^</sup>) Data pertains to small business loans and MSME portfolio, (\*) Average of FY20, FY21, (\*\*) Employees as of December 2021  
NA - Not available; NM - Not meaningful  
Source: Company reports, CRISIL Research

### Trend in Cost to Income Ratio and Opex for players

	Cost to income ratio				Opex (%)			
	FY20	FY21	FY22	Average (FY20-22)	FY20	FY21	FY22	Average (FY20-22)
AU Small Finance Bank	54.2%	43.8%	57.1%	51.7%	3.8%	3.5%	4.0%	3.8%
Shriram City Union Finance	40.3%	37.8%	41.2%	39.8%	5.0%	4.2%	4.4%	4.5%
Aavas Financiers	42.0%	39.6%	30.9%	37.5%	3.5%	3.1%	2.6%	3.0%
Five Star Business	30.1%	29.5%	32.0%	30.6%	5.1%	4.2%	5.0%	4.8%
Home First Finance	45.1%	38.8%	33.9%	39.3%	3.4%	2.6%	2.7%	2.9%
Aptus Value Housing	26.1%	22.3%	18.6%	22.3%	2.4%	2.4%	2.3%	2.4%
Lending kart	43.8%	33.2%	42.5%	39.8%	5.3%	4.2%	6.6%	5.4%
Vistaar Finance	53.2%	43.8%	50.8%	49.3%	7.5%	5.2%	5.5%	6.1%
Veritas Finance	65.2%	49.0%	48.9%	54.4%	7.6%	5.8%	6.4%	6.6%
Aye Finance	61.2%	68.4%	80.4%	70.0%	8.3%	8.7%	10.3%	9.1%
Digikredit Finance	183.5%	143.6%	129.4%	152.2%	28.7%	20.8%	24.5%	24.7%

Source: Company reports, CRISIL Research

## Product mix of players (FY 22)

FY21	Business loans and MSME Finance	Vehicle/Auto Loans	Home loans	LAP	Gold loans	Large and mid-corporate loans	Others
AU Small Finance Bank	35%	36%	6%	-	-	17%	6%
Shriram City Union Finance	44%	29%	-	2%	12%	-	12%
Aavas Financiers	-	-	72%	-	-	-	28%
Five Star Business	62%	-	-	-	-	-	<b>38%</b>
Home First Finance	-	-	91%	-	-	-	9%
Aptus Value Housing	20%	-	56%	24%	-	-	-
Lending kart	100%	-	-	-	-	-	-
Vistaar Finance	99%	-	-	-	-	-	1%
Veritas Finance	94%*	-	-	-	-	-	6%
Aye Finance	100%	-	-	-	-	-	-
Digikredit Finance	89%	-	-	11%	-	-	-

Note: \*Includes construction finance loans, Others for Five star are for asset creation and other end uses of the customers  
Source: Company reports, CRISIL Research

## Five Star Business average ticket size is one of the lowest among the compared peers

### Trend of ticket size and LTV of players

FY22	Average ticket size (₹)	Average LTV	Share of Self-employed	Share of New to credit	No. of states and UTs present in
AU Small Finance Bank^	8,40,000	NA	61%**	NA	20
Shriram City Union Finance	12,50,000	NA	NA	NA	24
Aavas Financiers	8,64,000	54%	60%	NA	13
Five Star Business	2,30,000	~45%	100%	NA	9
Home First Finance	10,50,000	57%	28%	40%	13
Aptus Value Housing	6,20,000^	35%	72%	40%	5
Lending kart	7,00,000	NM	100%	NA	34
Vistaar Finance	3,50,000*	50%	100%	NA	12
Veritas Finance	3,50,000	<50%	99.9%	NA	9
Aye Finance	1,00,000	NA	100%	NA	20
Digikredit Finance	NA	NA	100%	NA	4

Note: (^) For Business Loans; (\*\*) For Housing portfolio, (\*) Data as of fiscal 2021, NA - Not available; NM: Not meaningful  
Source: Company reports, CRISIL Research

## Most players tend to have geographically concentrated portfolios

It is observed that all players in the considered peer set have a significant portion of their portfolio (between 33-53%) emanating from the largest state in their respective portfolios. This is because strong understanding of the regional dynamics, local market connect and understanding of customer psyche and behaviour are extremely critical to succeed in the customer segment these players cater to. Therefore, players prefer to start slow and mine deeper in various geographies only once they have a reasonable degree of comfort with the regional dynamics and observed data on customer behaviour.

Five Star is a South-based player with the top 4 southern states i.e., Tamil Nadu, Andhra Pradesh, Telangana and Karnataka, cumulatively accounting for 93% of AUM at the end March 2022. The company has, however, started spreading its portfolio to other states including Maharashtra, Madhya Pradesh, Chandigarh and Uttar Pradesh.

#### Statewise distribution of AUM at end of fiscal 2022

Players	Share of top state	Name of top 5 states
AU Small Finance Bank	30%	Rajasthan (30%), Maharashtra (22%), Delhi NCR (12%), Punjab (9%) and Haryana (7%)
Shriram City Union Finance	NA	NA
Aavas Financiers	39%	Rajasthan (39%)
Five Star Business	38%	Tamil Nadu (38%), Andhra Pradesh (29%), Telangana (19%), Karnataka (7%) and Others (6%)
Home First Finance	36%	Gujarat (36%), Maharashtra (16%), Tamil Nadu (12%), Karnataka (9%)
Aptus Value Housing	48%	Tamil Nadu (48%), Andhra Pradesh (31%), Karnataka (12%) and Telangana (9%)
Lending kart	15%^	NA
Vistaar Finance	37%	Tamil Nadu (37%), Karnataka (23%), Andhra Pradesh (11%), Maharashtra (7%)
Veritas Finance	39%	Tamil Nadu (39%)
Aye Finance	17%	Uttar Pradesh (17%), Rajasthan (14%), Haryana (9%), Madhya Pradesh (9%)
Digikredit Finance	NA	NA

Note: Figures in the bracket after each state relate to the share of the state in the AUM of the respective company

^Less than 15%; NA – Not available

Source: Company reports, CRISIL Research

#### Profitability

##### Five Star Business has the highest Net Interest Margin (NIMs) in fiscal 2022 amongst peer set

Among the compared peers, Five Star Business has the highest NIMs of 14.9% in fiscal 2022, which can be attributed to the strong yields it has been able to charge because of specific focus on the target segment. Five Star Business has the fourth highest yield on advances at 24.7% at end of fiscal 2022. Amongst the compared peer set, Digikredit Finance has the highest yield on advances in fiscal 2022 at 31.7%, followed by Lendingkart at 29.6% in fiscal 2022.

The cost of funds for Five Star Business has come down which has significantly come down from 13.1% at end of fiscal 2020 to 10.0% at end of fiscal 2022.

##### Five Star Business has the second highest growth in Profit after Tax (PAT) in fiscal 2022 amongst peer set

Among the compared peers, Five Star Business has the second highest growth in PAT at 71% over fiscals 2018-22. Veritas Finance has shown the highest growth rate in PAT at 88% over fiscal 2018-22.

##### Five Star Business has the second highest net profit margin in fiscal 2022 among peer set

Among the compared peers, Aptus Value Housing has the highest net profit margin at 44% in fiscal 2022. It is followed by Five Star Business (36%) and Home First Finance (31%) at end of fiscal 2022.

##### Five Star Business has the highest Return on assets (RoA) in fiscal 2022 among peer set

At end of fiscal 2022, Five Star Business has the highest Return on assets at 7.5%. It is followed by Aptus Value Housing and Home First Finance with RoA at 7.3% and 3.9%, respectively.

In terms of Return on Equity (RoE), AU small finance bank has the highest Return on Equity of 16.4% in fiscal 2022. It is followed by Aptus Value Housing (15.1%) and Five Star Business (15.0%) in fiscal 2022. Over fiscal 2020-22, the average RoE for Five Star Business stood at 15.9%, only after AU SFB with a RoE of 18.8% over the same period.

#### Trend of Yield on advances and NIMs of players

	Yield on advances (%)				NIMs (%)			
	FY20	FY21	FY22	Average (FY20-22)	FY20	FY21	FY22	Average (FY20-22)
AU Small Finance Bank	13.7%	12.8%	12.1%	12.9%	5.1%	5.0%	5.4%	5.2%
Shriram City Union Finance	20.9%	20.1%	20.5%	20.5%	11.8%	10.5%	9.9%	10.7%
Aavas Financiers	13.5%	13.1%	12.8%	13.2%	6.5%	6.2%	6.5%	6.4%
Five Star Business	24.2%	24.3%	24.7%	24.4%	15.8%	13.6%	14.9%	14.8%
Home First Finance	13.3%	12.8%	12.5%	12.9%	5.4%	5.3%	6.2%	5.6%
Aptus Value Housing	17.6%	17.2%	17.2%	17.3%	7.3%	10.2%	11.4%	9.6%
Lending kart	24.7%	23.7%	29.6%	26.0%	13.3%	12.2%	14.5%	13.4%
Vistaar Finance	20.7%	19.2%	18.6%	19.5%	12.2%	10.0%	9.5%	10.6%
Veritas Finance	24.9%	23.4%	22.4%	23.6%	10.5%	11.3%	12.3%	11.4%
Aye Finance	28.5%	29.0%	25.3%	27.6%	15.2%	12.0%	11.6%	12.9%
Digikredit Finance	28.6%*	24.6%*	31.7%*	28.3%	7.1%	7.8%	11.5%	8.8%

\* Total interest income is considered for calculation

Source: Company reports, CRISIL Research

### Trend of cost of funds of players

Cost of funds (%)	FY20	FY21	FY22	Average (FY19-21)
AU Small Finance Bank	7.4%	6.5%	5.3%	6.4%
Shriram City Union Finance	9.4%	8.8%	9.0%	9.0%
Aavas Financiers	7.9%	7.8%	6.7%	7.5%
Five Star Business	<b>13.1%</b>	<b>11.2%</b>	<b>10.0%</b>	<b>11.4%</b>
Home First Finance	8.8%	7.8%	6.6%	7.7%
Aptus Value Housing	10.2%	9.1%	8.0%	9.1%
Lending kart	13.4%	12.6%	13.9%	13.3%
Vistaar Finance	10.8%	10.2%	9.2%	10.1%
Veritas Finance	13.2%	10.7%	10.5%	11.5%
Aye Finance	12.8%	17.0%	11.2%	13.6%
Digikredit Finance	15.0%	12.5%	14.2%	13.9%

Source: Company reports, CRISIL Research

### Trend of Profit After Tax(PAT) of players

PAT (₹ million)	FY18	FY19	FY20	FY21	FY22	CAGR (FY18-22)
AU Small Finance Bank	2,920	3,818	6,748	11,707	11,298	40%
Shriram City Union Finance	7,109	9,889	10,005	10,109	10,862	11%
Aavas Financiers	931	1,759	2,491	2,895	3,568	40%
Five Star Business	<b>534</b>	<b>1,567</b>	<b>2,620</b>	<b>3,590</b>	<b>4,535</b>	<b>71%</b>
Home First Finance	252	422	796	1,001	1,861	65%
Aptus Value Housing	667	1,117	2,110	2,669	3,701	53%
Lending kart	(231)	277	297	183	(1,414)	57%
Vistaar Finance	326	337	450	648	742	23%
Veritas Finance	61	171	333	620	754	88%
Aye Finance	23	251	325	169	(457)	NM
Digikredit Finance	(48)	(149)	(392)	(491)	(443)	NM

NA - Not available; NM – Not meaningful

Source: Company reports, CRISIL Research

## Trend of Net Profit Margin of players

Net profit margin	FY20	FY21	FY22	Average (FY20-22)
AU Small Finance Bank	14%	18%	16%	16%
Shriram City Union Finance	17%	18%	17%	17%
Aavas Financiers	28%	26%	27%	27%
Five Star Business	<b>33%</b>	<b>34%</b>	<b>36%</b>	<b>35%</b>
Home First Finance	19%	20%	31%	24%
Aptus Value Housing	40%	39%	44%	41%
Lending kart	6%	4%	-22%	-4%
Vistaar Finance	12%	16%	17%	15%
Veritas Finance	12%	17%	17%	15%
Aye Finance	8%	3%	-10%	0%
Digikredit Finance	-83%	-86%	-63%	-77%

Source: Company reports, CRISIL Research

## Trend of Return of Assets and Return of Equity of players

	RoA (%)				RoE (%)			
	FY20	FY21	FY22	Average (FY20-22)	FY20	FY21	FY22	Average (FY20-22)
AU Small Finance Bank	1.8%	2.5%	1.9%	2.1%	17.9%	22.0%	16.4%	18.8%
Shriram City Union Finance	3.3%	3.1%	2.9%	3.1%	14.7%	13.2%	12.7%	13.5%
Aavas Financiers	3.8%	3.5%	3.6%	3.6%	12.7%	12.9%	13.7%	13.1%
Five Star Business	<b>7.8%</b>	<b>7.1%</b>	<b>7.5%</b>	<b>7.5%</b>	<b>15.8%</b>	<b>16.8%</b>	<b>15.0%</b>	<b>15.9%</b>
Home First Finance	2.7%	2.5%	3.9%	3.0%	10.9%	8.6%	12.6%	10.7%
Aptus Value Housing	5.1%	6.5%	7.3%	6.3%	17.5%	14.5%	15.1%	15.7%
Lending kart	1.5%	0.7%	-5.5%	-1.2%	4.9%	2.5%	-21.1%	-4.6%
Vistaar Finance	2.5%	3.0%	2.9%	2.8%	7.3%	9.6%	10.0%	9.0%
Veritas Finance	2.3%	3.1%	3.1%	2.8%	5.3%	7.3%	6.6%	6.4%
Aye Finance	2.0%	0.8%	-2.1%	0.2%	6.5%	2.7%	-6.3%	1.0%
Digikredit Finance	-19.2%	-18.3%	-17.6%	-18.4%	-30.8%	-47.6%	-64.5%	-47.7%

Note: \* In calculation of RoA and RoE, PAT includes profit on sale of Aavas stake for AU SFB, Return on assets (RoA) computed above is defined as profit after tax for the year divided by the average of the opening and closing total assets for the year as reported in the annual reports / public disclosures for these companies. The information contained in this table may deviate from the methodology that individual companies (including Five Star Business) may use to calculate Return on assets and as such, investors are advised to read that data together with the corresponding definition used for computing the Return on assets therein

Source: Company reports, CRISIL Research

## Five Star Business has the second best asset quality among the compared peers; best asset quality amongst MSME focused lenders

Among the compared peers, Five Star Business has the second best asset quality and best asset quality amongst compared peers and amongst MSME focused lenders respectively. Gross NPA ratio of Five Star Business stood at 1.05% in FY2022 with all the other MSME focused players reporting Gross NPA of more than 2%.

## Trend of Gross NPA of players

GNPA	FY20	FY21	FY22	Average
AU Small Finance Bank	1.7%	4.3%	2.0%	2.7%
Shriram City Union Finance	7.9%	6.4%	6.3%	6.9%
Aavas Financiers	0.5%	1.0%	1.0%	0.8%
Five Star Business	1.4%	1.0%	1.1%	1.1%

GNPA	FY20	FY21	FY22	Average
Home First Finance	1.0%	1.8%	2.3%	1.7%
Aptus Value Housing	0.7%	0.7%	1.2%	0.9%
Lending kart	2.2%	2.5%	3.9%	2.9%
Vistaar Finance	3.7%	3.3%	2.7%	3.2%
Veritas Finance	1.9%	2.7%	3.9%	2.8%
Aye Finance	2.1%	3.3%	3.3%	2.9%
Digikredit Finance	1.0%	3.5%	3.3%*	2.3%

Note: (\*): 90+ DPD (including partner book as of December 2021, Source: Company reports, Rating Rationales, CRISIL Research)

### Trend of Net NPA of players

NNPA (%)	FY20	FY21	FY22	Average (FY20-22)
AU Small Finance Bank	0.8%	2.2%	0.5%	1.2%
Shriram City Union Finance	4.2%	3.1%	3.3%	3.5%
Aavas Financiers	0.3%	0.7%	0.8%	0.6%
Five Star Business	1.1%	0.8%	0.7%	0.9%
Home First Finance	0.8%	1.2%	1.8%	1.3%
Aptus Value Housing	0.6%	0.4%	0.9%	0.6%
Lending kart	1.0%	0.9%	1.6%	1.2%
Vistaar Finance	2.5%	2.2%	1.9%	2.2%
Veritas Finance	1.3%	1.4%	2.3%	1.7%
Aye Finance	0.1%	0.3%	1.4%	0.6%
Digikredit Finance	NA	NA	NA	NM

Source: Company reports, Rating Rationales, CRISIL Research

### Five Star has one of the lowest restructured book in fiscal 2022

Among the compared peers, Five Star has one of the best total provisions to AUM ratio at 2.0% in fiscal 2022 amongst MSME focused lenders. Five Star also has one of the lowest restructured book at 1.5% in fiscal 2022. Home First Finance has the lowest restructured book at 0.7% in fiscal 2022.

	Credit cost (%) <sup>®</sup>				Stage 3 provisions to Stage 3 assets	Total provisions to Stage 3 assets	Total provision to AUM ratio	Restructured book (%)
	FY20	FY21	FY22	Avg. (FY20-22)	FY22	FY22	FY22	FY22
AU Small Finance Bank	0.8%	1.5%	0.6%	1.0%	NA	NA	NA	2.5%
Shriram City Union Finance	2.9%	2.6%	2.4%	2.6%	49.3%	99.6%	6.3%	0.9%
Aavas Financiers	0.2%	0.4%	0.2%	0.3%	23.1%	71.2%	0.6%	1.3%
Five Star Business	<b>1.5%</b>	<b>0.7%</b>	<b>0.8%</b>	<b>1.0%</b>	<b>34.9%</b>	<b>193.9%</b>	<b>2.0%</b>	<b>1.5%</b>
Home First Finance	0.6%	0.8%	0.5%	0.6%	24.9%	46.0%	0.9%	0.7%
Aptus Value Housing	0.1%	0.1%	0.6%	0.3%	25.3%	68.7%	0.7%	1.5%
Lending kart	6.0%	7.3%	16.1%	9.8%	59.1%	122.3%	2.9%	13.5%
Vistaar Finance	3.0%	2.4%	1.4%	2.2%	29.6%	73.0%	1.8%	4.3%
Veritas Finance	1.0%	2.0%	2.5%	1.8%	41.5%	64.2%	2.5%	3.6%
Aye Finance	4.0%	2.7%	5.5%	4.0%	61.8%	99.5%	3.6%	4.1%
Digikredit	5.6%	11.2%	10.7%	9.2%	NA	NA	NA	8.0%

Finance								
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NA - Not available.

Source: Company reports, CRISIL Research

### Five Star has the second highest Capital Adequacy ratio amongst the compared peers as of March 2022

Five Star Business has the second highest Capital Adequacy Ratio of 75.2% after Aptus Value Housing (85.6%) among the compared peers as of March 2022. In terms of leverage, Five Star Business has the lowest leverage of 0.69 at end of fiscal 2022. This indicates better ability to leverage further leading to better RoEs.

	Leverage (times)				Capital adequacy ratio (%)			
	FY20	FY21	FY22	Average (FY20-22)	FY20	FY21	FY22	Average (FY20-22)
AU Small Finance Bank	2.36	1.12	0.80	1.43	22.0%	23.4%	21.0%	22.1%
Shriram City Union Finance	2.66	2.47	2.65	2.59	27.7%	28.6%	26.8%	27.7%
Aavas Financiers	2.55	2.64	2.84	2.68	55.9%	54.4%	51.9%	54.1%
Five Star Business	<b>1.22</b>	<b>1.48</b>	<b>0.69</b>	<b>1.13</b>	<b>52.9%</b>	<b>58.9%</b>	<b>75.2%</b>	<b>62.3%</b>
Home First Finance	2.67	2.21	2.20	2.36	49.0%	56.2%	58.6%	54.6%
Aptus Value Housing	1.18	1.27	0.93	1.13	82.5%	73.6%	85.6%	80.6%
Lending kart	2.18	2.20	2.99	2.46	36.2%	38.7%	25.9%	33.6%
Vistaar Finance	2.04	2.10	2.44	2.19	37.6%	36.5%	30.0%	34.7%
Veritas Finance	1.23	1.41	0.85	1.16	59.3%	50.7%	64.4%	58.1%
Aye Finance	2.81	1.76	2.15	2.24	31.0%	39.0%	36.0%	35.3%
Digikredit Finance	0.88	2.30	2.34	1.84	59.2%	28.7%	27.5%	38.5%

Note: For AU SFB, numbers also include the impact of CASA. For HFCs, the risk weights are lower than that for other NBFCs catering to business loans segment.

Source: Company reports, CRISIL Research

### Long-term credit rating for various players (At the end of September 29, 2022)

Players	Long-term Credit Rating
AU Small Finance Bank	CRISIL AA+, CARE AA, IND AA
Shriram City Union Finance	CRISIL AA, ICRA AA, CARE AA, IND AA
Aavas Financiers	ICRA AA, CARE AA
Five Star Business	ICRA AAA(CE), CARE A+
Home First Finance	ICRA AA-, CARE AA-, IND AA-
Aptus Value Housing	ICRA AA-, CARE AA-
Lending kart	ICRA BBB+, IVR BBB+, IND BBB+
Vistaar Finance	ICRA A, IND A
Veritas Finance	CARE A
Aye Finance	ICRA BBB+, IND A-
Digikredit Finance	CRISIL BB+

Note: Ratings outstanding across credit ratings agencies as of September 2022.

Source: Company reports, Rating reports, CRISIL Research

### Borrowing mix

FY22	Debt Securities	From banks	From NBFC	Other Financial institutions	External commercial borrowings (ECB)	Borrowings under securitisation arrangement	Other parties
AU Small Finance Bank	-	8%	-	92%	-	-	-
Shriram City Union Finance	27%	49%	14%	-	-	9%	-
Aavas Financiers	23%	76%	-	1%	-	-	1%



FY22	Debt Securities	From banks	From NBFC	Other Financial institutions	External commercial borrowings (ECB)	Borrowings under securitisation arrangement	Other parties
Five Star Business	39%	32%	6%	-	3%	19%	-
Home First Finance	5%	58%	-	34%	-	-	2%
Aptus Value Housing	15%	47%	-	32%	-	4%	2%
Lending kart	68%	15%	-	14%	-	-	3%
Vistaar Finance	9%	67%	-	13%	11%	-	-
Veritas Finance	20%	69%	-	-	-	-	11%
Aye Finance	61%	7%	-	11%	14%	7%	1%
Digikredit Finance*	88%	12%	-	-	-	-	-

\*FY21 data

Source: Company reports, CRISIL Research

### Five Star has the highest surplus in ALM in after 12 months bucket among the peer set as of March 2022

Five Star Business has a net surplus of Rs. 31.6 billion in *after 12 months* bucket in fiscal 2022. Aptus Value Housing has the next highest surplus at Rs. 26.1 billion in the same bucket at end of fiscal 2022. In the short term, Shriram City Union Finance has the highest surplus of Rs. 94.9 billion in *within 12 months* bucket at end of fiscal 2022. It is followed by Aavas Financiers (Rs. 18.3 billion) and Aye Finance (Rs. 6.2 billion).

### ALM position of various peers

FY22 (₹ billion)	Assets		Liability		Net	
	Within 12 months	After 12 months	Within 12 months	After 12 months	Within 12 months	After 12 months
AU Small Finance Bank	NA	NA	NA	NA	NA	NA
Shriram City Union Finance	246.0	154.7	151.1	159.8	94.9	-5.1
Aavas Financiers	31.9	78.3	13.6	68.5	18.3	9.8
Five Star Business	18.1	45.3	12.6	13.7	5.5	31.6
Home First Finance	14.0	37.2	9.5	25.9	4.5	11.3
Aptus Value Housing	9.3	47.5	6.3	21.3	3.0	26.1
Lending kart	12.6	12.6	10.1	7.6	2.5	4.9
Vistaar Finance*	3.8	16.0	4.3	8.7	-0.5	7.3
Veritas Finance	9.0	17.4	6.1	6.2	2.9	11.2
Aye Finance	14.4	8.8	8.1	15.0	6.2	-6.5
Digikredit Finance	NA	NA	NA	NA	NA	NA

Note: (\*) ALM analysis done as per data for fiscal 2021, Asset to liabilities ratio is calculated by dividing the percentage of assets maturing in the specified time period by percentage of liabilities maturing in the same time period, NA – Not available, ALM reported in the table above has been sourced by CRISIL Research from annual reports / public disclosures of the companies mentioned herein, including for Five Star Business. Investors should note that individual companies may compute ALM differently. The information contained in this table may deviate from Five Star Business' ALM data disclosed elsewhere in the DRHP and as such, investors are advised to read that ALM data together with the corresponding definitions used for computing the ALM therein, Source: Company reports, CRISIL Research

Source: Company reports, CRISIL Research

## OUR BUSINESS

*Except as otherwise specified or required by the context, the financial information in this section is based on our Restated Financial Information, and the operational data is derived from our accounting records and MIS. References herein to “we”, “our” and “us” are to Five-Star Business Finance Limited.*

*The discussion below may contain forward-looking statements and reflects our current views with respect to future events and financial performance. You should read the section “Forward-Looking Statements” on page 21 for a discussion of the risks and uncertainties related to those statements. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under “Risk Factors” and “Management’s Discussion and Analysis of Financial Results” on pages 22 and 346, respectively, and those set forth elsewhere in this Prospectus.*

*Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Prospectus. Such non-GAAP financial measures should be read together with the nearest GAAP measure. See “Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Financial Data – Non-GAAP financial measures and certain other statistical information” on page 18, and “Risk Factors – We have included certain non-GAAP financial measures and other selected statistical information related to our operations in this Prospectus. Such non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry and may not be comparable with financial or statistical information of similar nomenclature computed and presented by other companies” on page 43.*

*The industry-related information contained in this section is derived from the CRISIL Report, which has been exclusively commissioned and paid for by the Company only for the purposes of confirming our understanding of the industry in connection with the Offer. We appointed CRISIL Limited to prepare the CRISIL Report on July 30, 2021. For further details and risks in relation to commissioned reports, see “Risk Factors – We have referred to the data derived from industry reports commissioned and paid for by our Company from CRISIL Limited exclusively for the purpose of the Offer” on page 42.*

### Overview

We are an NBFC-ND-SI providing secured business loans to micro-entrepreneurs and self-employed individuals, each of whom are largely excluded by traditional financing institutions. We are headquartered in Chennai, Tamil Nadu with a strong presence in south India and all of our loans are secured by our borrowers’ property, predominantly being SORP. According to the CRISIL Report, among our compared peers (being NBFCs in India):

- within a subset of large peers (with more than ₹30,000 million in Gross Term Loans), we have the fastest Gross Term Loans growth, with a compound annual growth rate (“CAGR”) of 65.0% (Financial Year 2017 to 2021) (see “— Competition” on page 202);
- within a subset of large peers (with more than ₹30,000 million in Gross Term Loans), we had the highest average return on Gross Term Loans of 7.5%, across the period covering Financial Years 2022, 2021 and 2020; and
- we are among the three best for gross non-performing assets (being Stage 3 Gross Term Loans which are 90+ Days-Past-Due (“DPD”)) as a percentage of Gross Term Loans (we had Stage 3 Gross Term Loans as a percentage of Gross Term Loans of 1.05%) as of March 31, 2022, while we have the best asset quality among lenders identified by CRISIL as engaged in extending MSME business loans, with other lenders reporting 90+ DPD more than 2% (see “— Competition” on page 202).

Over 95% of our loan portfolio comprises loans from between ₹0.1 million to ₹1.0 million in principal amount, with an average ticket size (“ATS” and calculated as the average disbursed sum per customer during the period/year) of ₹0.29 million, ₹0.27 million, ₹0.28 million, ₹0.26 million and ₹0.31 million in the three months ended June 30, 2022 and June 30, 2021, and the Financial Years 2022, 2021 and 2020, respectively. During the three months ended June 30, 2022 and June 30, 2021, and the Financial Years 2022, 2021 and 2020, we have provided loans to more than 205,000 customers in total. We had an active loan base of 230,175 and 217,745 as of June 30, 2022 and March 31, 2022, respectively. Our Gross Term Loans has grown to ₹52,965.35 million as of June 30, 2022 (₹50,670.78 million as of March 31, 2022), from ₹10,082.58 million as of March 31, 2018, at a CAGR of 49.73% between March 31, 2018 and March 31, 2022. Our profit for the period / year for the three months ended June 30, 2022 and June 30, 2021, and for the Financial Years 2022, 2021 and 2020 was ₹1,394.33 million, ₹1,015.71 million, ₹4,535.45 million, ₹3,589.94 million and ₹2,619.51 million, respectively, and our Total Equity as of the end of the same period/years was ₹38,569.75 million, ₹29,444.13 million, ₹37,103.51 million, ₹23,181.72 million and ₹19,445.80 million, respectively.

We have developed a business model that is predicated on arriving at an appropriate risk framework, with the optimal instalment

to income ratio to ensure that our customers have the necessary means to repay the loan after meeting their regular obligations and other event-based capital requirements. We primarily offer our customers small loans for business purposes which accounted for ₹32,903.06 million (62.12% of our Gross Term Loans), ₹28,769.34 million (62.85% of our Gross Term Loans), ₹31,634.74 million (62.43% of our Gross Term Loans), ₹27,934.54 million (62.84% of our Gross Term Loans) and ₹24,477.65 million (62.89% of our Gross Term Loans), as of June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021 and March 31, 2020; as well as loans for asset creation such as home renovation or improvement, or for meeting expenses for significant economic events such as marriage, healthcare and education, which accounted for ₹20,062.29 million (37.88% of our Gross Term Loans), ₹17,005.77 million (37.15% of our Gross Term Loans), ₹19,035.94 million (37.57% of our Gross Term Loans), ₹16,519.27 million (37.16% of our Gross Term Loans) and ₹14,444.64 million (37.11% of our Gross Term Loans), as of the same dates. Our growth is primarily volume led through increasing our customer base while keeping the ATS stable, and we expect this to continue. The interest rates on our loans depend on the underlying tenor (which ranges from two to seven years), with approximately 95% of the loans sanctioned being between the interest rate range of 24% to 26% and between the tenure range of five to seven years. 100% of our leads for customers are sourced in-house without any use of direct selling agents to source leads for us; further, all of our loans are fully secured with more than 95% of the collateral being SORP at the time the loan application is approved.

We target customers:

- in urban and semi-urban locations, as well as in the rural markets of India, where CRISIL expects faster growth in bank credit activity as financial awareness increases;
- who typically derive income from “everyday” cash and carry businesses with a focus on services;
- with household net cash-flows of approximately ₹25,000 to ₹40,000 per month;
- who can provide collateral (typically land and building of approximately ₹1.0 million in value; and
- whose family will act as co-applicants on the loan.

These customers have unencumbered title to the collateral, are reasonably resistant to business cycles and macro events, and are typically more motivated to service the loan without defaults primarily as a result of high customer equity in the collateral property.

We had an extensive network of 311 branches, as of June 30, 2022, spread across approximately 150 districts, eight states and one union territory, with Tamil Nadu, Andhra Pradesh, Telangana and Karnataka being our key states. Such key states collectively accounted for approximately 85% of our branch network by number, as of June 30, 2022. We started our operations in Chennai, Tamil Nadu and have increased the scale of our operations through growth in number of branches by adopting a calibrated strategy of contiguous expansion across geographies where there is substantial demand for our offering. Such contiguous expansion is underpinned by utilizing neighboring branches to evaluate local credit environments combined with our focus on hiring local staff with an understanding of the catchment area, strong local personal and professional networks and the market. As of June 30, 2022, approximately 95% of our branches were located in cities and towns with populations up to one million.

We also have a two layered underwriting architecture comprising a field credit team that is “on the ground” and closer to the customer (the “**Field Credit Team**”); and a file credit team that remotely reviews loan applications and undertakes credit decisioning (the “**File Credit Team**”). We have implemented a comprehensive and robust credit assessment, risk management and collections framework to identify, monitor and manage risks inherent in our line of business. To assist us with these functions, we have created a four layered process for customer credit evaluation – two layers within the business and collections team (one by the Business Officer who sourced the proposal and another with the Branch Manager for verifications) and two layers within the credit team (the Field Credit Team and File Credit Team verifications). We also conduct an in-depth analysis of the potential customer by considering “the three Cs”, being their Character, their existing Cash-flow to assess their repayment abilities, and their Collateral to ensure that there is adequate ability and a high motivation on the part of the customer to repay us. Such organizational structure, credit assessment and risk management and collections framework has allowed us to maintain our robust asset quality during macro downcycles.

We have leveraged established processes and technology in many of our business processes and reduced the turnaround time from login to loan sanction from an average of 20 days for loans sanctioned in Financial Year 2018 to 17 days, and 15 days in Financial Years 2019, and 2020 respectively. There has been an increase in the turnaround time during the Financial Years 2021 and 2022 due to onset of COVID-19 and the related periodic disruptions such as the lockdowns. However, during the three months ended June 30, 2022, we have reduced the turnaround time on the loans disbursed to 18 days. Given that many of our customers have previously borrowed from moneylenders or other such unorganized lenders, we have observed that minor delays in the servicing of regular monthly instalments are typically part of the repayment culture. This behaviour does lead to a portion of our loan portfolio being categorised as overdue, between 1 – 90 DPD. However, although loans categorised as

being between 1 – 90 DPD are overdue, such categorisation does not necessarily translate into the overdue loans falling into default or resulting in a loss of revenue for us. For loans that are overdue between 1 – 90 DPD but which are settled by the customer, we potentially do not lose an IRR of more than 1% in almost all such loans. That is, on overdue loans which were settled between April 1, 2018 and June 30, 2022, approximately 95% of overdue accounts between 1 and 90 DPD, were settled between -1% and 1% delta between realized and contracted IRR on settlement, while 3% accounts settled at higher than 1% delta between realized and contracted IRR. Accordingly, we are able to recover a significant portion of our revenue even on overdue (1 – 90 DPD) loans. One of the key reasons for us being able to recover IRR on overdue accounts is our sole charge on the collateral property whose value generally appreciates over time and our conservative LTVs at the time of sanction further reducing over the term of the loan. Such collateralized property usually represents the single biggest component of net worth for our customers and therefore our customers prefer to work with us to resolve the delay rather than having us enforce the possession of the collateral to recover our dues.

We secure financing from diversified sources of capital, including term loans; proceeds from loans securitized; proceeds from the issuance of NCDs; issuances of principal protected market linked debentures; and proceeds from loans assigned from banks, financial institutions, mutual funds, and other domestic and international development financial institutions, as applicable to meet our capital requirements. As of June 30, 2022 and March 31, 2022, our Total Borrowings were ₹25,203.19 million and ₹25,588.31 million, respectively. Our Average Cost of Borrowings was 12.07% as of March 31, 2020, 11.48% as of March 31, 2021, 10.51% as of March 31, 2022, 10.68% as of June 30, 2021 and 10.53% as of June 30, 2022. As of June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021 and March 31, 2020, the weighted average residual tenure of our outstanding borrowings, was 29.78 months, 30.16 months, 29.15 months, 34.23 months and 37.44 months, respectively. Further, our long-term ratings from ICRA and CARE is A+ (a significant improvement from our rating of BBB-, from CARE in Financial Year 2015), our short-term borrowings are rated A1+ by CARE.

As of June 30, 2022, we had a total of 6,077 employees. We have a strong, experienced and dedicated management team, including KMP. Further, our board of directors is comprised of a balanced team of qualified and experienced independent directors, who have extensive knowledge and understanding of the financial services and banking industries. We are backed by marquee institutional investors such as TPG Capital, Sequoia Capital, Matrix Partners, Norwest Venture Partners, KKR and TVS Capital Funds Limited. In addition to providing us with capital, our institutional shareholders have assisted us in strengthening our corporate governance framework, which has been critical to our growth. In addition, given our focus on providing credit facilities to customers who are largely ignored by the formal credit ecosystem in India, KKR has invested through Sirius II Pte. Ltd., their Global Impact Fund, which is dedicated to investment opportunities in companies whose core business models provide commercial solutions to an environmental or social challenge.

The following table sets forth certain key operational and financial metrics as of and for the periods/years indicated:

Metric	As of and for the						
	Three months ended June 30,		Financial Year				
	2022	2021	2022	2021	2020	2019*	2018*
<b>OPERATIONAL METRICS</b>							
Live Accounts <sup>(1)</sup>	230,175	184,479	217,745	176,467	143,079	72,890	33,157
Branches <sup>(2)</sup>	311	263	300	262	252	173	130
Number of Loans Disbursed <sup>(3)</sup>	19,793	12,236	63,633	48,111	76,634	43,988	19,257
Disbursements <sup>(4)</sup> (₹ in millions)	5,684.33	3,331.60	17,562.40	12,450.54	24,086.69	14,814.62	6,837.99
Gross Term Loans (₹ in millions)	52,965.35	45,775.11	50,670.78	44,453.81	38,922.28	21,128.06	10,082.58
Gross Term Loans Growth <sup>(5)</sup> (%)	4.53	2.97	13.99	14.21	84.22	109.55	104.27
Stage 3 Gross Term Loans to Gross Term Loans <sup>(6)</sup> (%)	1.12	1.64	1.05	1.02	1.37	0.88	1.45

Metric	As of and for the						
	Three months ended June 30,		Financial Year				
	2022	2021	2022	2021	2020	2019*	2018*
<b>OPERATIONAL METRICS</b>							
Stage 3 Gross Term Loans (net) to Gross Term Loans <sup>(7)</sup> (%)	0.68	1.03	0.68	0.83	1.13	0.68	0.96
Total number of employees	6,077	3,986	5,675	3,938	3,734	1,971	1,290
Number of Business and Collections Officers	2,550	2,046	2,467	2,008	1,834	1,009	690
Gross Term Loans per Business Officer <sup>(17)</sup> (₹ in millions)	20.77	22.37	20.54	22.14	21.22	20.94	14.61
Disbursement per Business Officer <sup>(18)</sup> (₹ in millions)	2.27	1.65	7.92	6.52	16.79	17.41	12.85
Average number of Business Officers per branch <sup>(23)</sup>	8.20	7.78	8.22	7.66	7.28	5.83	5.31
Average Ticket Size <sup>(8)</sup> (₹ in millions)	0.29	0.27	0.28	0.26	0.31	0.34	0.36

Metric	As of and for the				
	Three months ended June 30,		Financial Year		
	2022	2021	2022	2021	2020
<b>FINANCIAL METRICS</b>					
Average Yield on Gross Term Loans <sup>(9)</sup> (%)	24.15	24.20	24.05	24.17	24.18
Average Cost of Borrowing <sup>(12)</sup> (%)	10.53	10.68	10.51	11.48	12.07
Net Interest Margin <sup>(13)</sup> (%)	19.17	16.63	17.68	16.00	16.69
Operating Expenses to Average Total Assets <sup>(10)</sup> (%)	5.51	4.07	4.86	4.16	4.85
Impairment loss allowance to Average Total Assets <sup>(11)</sup> (%)	(0.03)	1.07	0.72	0.69	1.38
Cost to Income Ratio <sup>(14)</sup> (%)	32.25	36.99	36.91	34.30	38.97
Profit for the period / year after tax (₹ in millions)	1,394.33	1,015.71	4,535.45	3,589.94	2,619.51
Net Profit Margin <sup>(19)</sup>	41.12	33.77	36.11	34.15	33.27
Profit per employee <sup>(20)</sup> (₹ in millions)	0.24	0.26	1.00	0.94	0.90
Net Worth <sup>(15)</sup> (₹ in millions)	38,569.75	29,444.13	37,103.51	23,181.72	19,445.80
Total Borrowings <sup>(16)</sup> (₹ in millions)	25,203.19	31,212.18	25,588.31	34,251.97	23,636.93
Return on Average Net Worth (%)	3.69^	3.67^	13.86	16.85	15.35
PCR (on Stage 2 & 3 assets) <sup>(21)</sup> (%)	10.05	7.92	10.40	13.44	9.74

Metric	As of and for the				
	Three months ended June 30,		Financial Year		
	2022	2021	2022	2021	2020
<b>FINANCIAL METRICS</b>					
Gross Term Loans on Restructured Accounts <sup>(22)</sup> (₹ in millions)	710.62	850.20	738.02	N/A	N/A

\*As certified by R P S V & Co., Independent Chartered Accountant, pursuant to their certificate dated November 15, 2022

^Not annualised

**Notes:**

- 1) Live Accounts (including securitised accounts) represents the aggregate number of loan accounts outstanding as of the end of the relevant period/year including loan accounts which have been transferred by us by way of securitisation and are outstanding as of the last day of the relevant period/year.
- 2) Number of branches represents the aggregate number of our branches as of the last day of the relevant period/year.
- 3) Number of Loans Disbursed represents the number of loans disbursed to our borrowers (both new and existing) during the relevant period/year.
- 4) Disbursements represents the aggregate of all loan amounts extended to our customers in the relevant period/year.
- 5) Gross Term Loans Growth represents percentage growth in Gross Term Loans for the relevant period/year over Gross Term Loans of the previous period/year.
- 6) Stage 3 Gross Term Loans to Gross Term Loans represents the Stage 3 Gross Term Loans as of the last day of the relevant period/year to the Gross Term Loans as of the last day of the relevant period/year, represented as a percentage.
- 7) Stage 3 Gross Term Loans (net) to Gross Term Loans represents Stage 3 Gross Term Loans reduced by Impairment Loss Allowance (i.e., Expected Credit Loss Allowance or ECLs) against these loans as of the last day of relevant period/year, represented as a percentage.
- 8) Average Ticket Size is computed by dividing the Amount Disbursed (both to new and existing customers) by the Number of Loans Disbursed for the relevant period/year.
- 9) Average Yield on Gross Term Loans represents the interest income for the period/year to the average Gross Term Loans for the period/year.
- 10) Operating Expenses to Average Total Assets represents the aggregate of employee benefits expense, depreciation and amortisation expense and other expenses for the relevant period/year upon the simple average of our monthly Total Assets as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year, represented as a percentage.
- 11) Impairment Loss Allowance to Average Total Assets represents the impairment on financial instruments to simple average our monthly Total Assets as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year, represented as a percentage.
- 12) Average Cost of Borrowings represents finance cost for the relevant period/year as a percentage of Average Total Borrowings in such period/year. Average Total Borrowings is the simple average of our monthly Total Borrowings outstanding as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- 13) Net Interest Margin represents our Net Interest Income for the period/year to the Average Total Assets for the period/year, represented as a percentage.
- 14) Cost to income ratio represents the ratio of total expenses, which include employee benefits expense, impairment on financial instruments, depreciation and amortisation expense, other expenses divided by the total income less adjusted finance cost for the relevant period/year, expressed as a percentage
- 15) Net Worth is equivalent to the sum of Equity Share Capital and Other Equity.
- 16) Total Borrowings represents the aggregate of debt securities and borrowings (other than debt securities) as of the last day of the relevant period/year.
- 17) Gross Term Loans per Business Officer represents Gross Term Loans as of the last day of the relevant period/year divided by number of Business Officers.
- 18) Disbursement per Business Officer represents disbursements in the relevant period/year divided by average number of Business Officers, which is a simple average of the monthly number of Business Officers as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- 19) Net Profit Margin represents profit for the period / year as a percentage of Total Income.
- 20) Profit per employee is computed as profit for the period / year after tax divided by the simple average number of employees as of the last day of the month starting from the last month of the previous financial period/year or period/year and ending with the last month of the current period/year.
- 21) Represents the amount of ECL held on loans which are overdue for more than 30 days as of the last day of the relevant period/year divided by the Gross Term Loans which are overdue for more than 30 days as of the last day of the relevant reporting period, represented as a percentage.
- 22) Represents total outstanding amounts of live restructured accounts as of the last day of the relevant period/year.
- 23) Represents the Number of Business Officers as of the last day of the relevant period/year divided by the Number of Branches as of the last day of the relevant period/year.

In addition, our ESG framework has a strong focus on the social element of our business and we seek to improve financial inclusion and the standard of living of our customers. For instance, our focus on recruiting locally not only strengthens our networks and improves market intelligence within the semi-urban, urban and rural communities in which we operate, but it also provides viable employment opportunities within such communities. In addition, our focus on business loans means our products underpin commerce within these communities and likely lead to a better standard of living for our borrowers. Our customers are also generally not served by traditional financing institutions and by providing them financial support to create or supplement employment opportunities, we are fulfilling an important social objective of economic upliftment for these segments of the Indian society. Further, as we displace incumbent money lenders and unorganized institutions within the communities, greater amounts of cash remains with borrowers due to the comparatively lower interests rates charged by us, an outcome that can make a difference for those in low and middle-income groups. As of June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021 and March 31, 2020, our Gross Term Loans were ₹52,965.35 million, ₹45,775.11 million, ₹50,670.78 million, ₹44,453.81 million, ₹38,922.28 million of which ₹37,157.15 million, or 70.15% of our Gross Term Loans, ₹30,932.55 million, or 67.58% of our Gross Term Loans, ₹36,666.84 million, or 72.36% of our Gross Term Loans, ₹29,407.41 million, or 66.15% of our Gross Term Loans and ₹22,704.62 million, or 58.33% of our Gross Term Loans, respectively, were from customers who belonged to the low-income group, earning not more than ₹25,000 per month.

### **Our Competitive Strengths**

We believe that our position in the market as a small business finance lender is underpinned by the following competitive strengths:

- Fastest Gross Term Loans growth among our compared peers with more than ₹30,000 million in Gross Term Loans, with strong return and growth metrics and a significant potential addressable market; (*CRISIL Report*)
- Among the select institutions to develop an underwriting model that evaluates the cash-flows of small business owners and self-employed individuals in the absence of traditional documentary proofs of income;
- Strong on-ground collections infrastructure leading to our ability to maintain a robust asset quality;
- Ability to successfully expand to new underpenetrated geographies through a calibrated expansion strategy;
- 100% in-house sourcing, comprehensive credit assessment and robust risk management and collections framework, leading to good asset quality;
- Access to diversified and cost-effective long-term financing with a conservative approach to asset liability and liquidity management; and
- Experienced, cycle-tested leadership with an experienced longstanding promoter, and a professional management team and supported by marquee investors.

***Fastest Gross Term Loans growth among our compared peers with more than ₹30,000 million in Gross Term Loans, with strong return and growth metrics and a significant potential addressable market (CRISIL Report)***

According to CRISIL, the potential market for residential property-backed secured MSME lending in India is approximately ₹22 trillion, with Uttar Pradesh, West Bengal, Maharashtra, Rajasthan and Tamil Nadu collectively accounting for over half of such potential market. CRISIL also notes that while this potential market opportunity is significant, it observes that there are few formal financiers of scale who cater to this segment. CRISIL attributes this to the relatively high cost of serving such market, the time required to build expertise, the requirement of having strong knowledge of the local market and regional dynamics, and the challenges associated with building a credit underwriting model for non-income proof customers and collections infrastructure. Our business currently operates within this market and has an underwriting model that caters to such customers, and as such we are well positioned for further growth within this market. See “*Industry — Potential market for residential property-backed small business lending is estimated at Rs 22 trillion*” on page 137.

We have the fastest Gross Term Loans growth among our compared peers (being NBFCs in India) with more than ₹30,000 million in Gross Term Loans, with a CAGR of 65.0% (Financial Year 2017 to six months ended September 30, 2021) (*CRISIL Report*), catering to the small business finance needs of unserved and underserved customers. While our Gross Term Loans has grown to ₹50,670.78 million as of March 31, 2022 from ₹10,082.58 million as of March 31, 2018, at a CAGR of 49.73% (between March 31, 2018 and March 31, 2022), our growth has primarily been volume led with consistent ATS and steady yields. The ATS of our loans in the three months ended June 30, 2022 and June 30, 2021, and the Financial Years 2022, 2021 and 2020, was ₹0.29 million, ₹0.27 million, ₹0.28 million, ₹0.26 million and ₹0.31 million, respectively.

Over the last two decades of operations in this particular product, our success and growth are an outcome of our customer-centric business model, where through our practices and policies, we can address specific issues faced by small business owners and self-employed individuals, and leverage our local presence to develop detailed and relevant local level knowledge. We are able to identify local level opportunities, ensure careful customer selection, timely loan approval disbursements and efficient real time monitoring of collections.

As per the CRISIL Report, we had the highest average return on Gross Term Loans of 7.5% among our compared peers with more than ₹30,000 million in Gross Term Loans, across the period covering Financial Years 2022, 2021 and 2020; and for each of those Financial Years, our return on Gross Term Loans as calculated by CRISIL was 7.5%, 7.1% and 7.8%, respectively. Such returns are as a result of our ability to lend to customers at consistently superior yields and then control our costs through initiatives including:

- reduction in our cost of borrowings (our Average Cost of Borrowings was 12.07% as of March 31, 2020, 11.48% as of March 31, 2021, 10.51% as of March 31, 2022, 10.68% as of June 30, 2021 and 10.53% as of June 30, 2022);
- use of technological advancements to drive improvement in productivity and bring down operational costs,
- robust collections infrastructure; and
- effective risk containment and continuous monitoring leading to low credit costs, low branch costs and efficiency in hiring through local talent pools.

Our net interest margin (“NIM”) was 19.17%, 16.63%, 17.68%, 16.00% and 16.69% for the three months ended June 30, 2022 and June 30, 2021, and the Financial Years 2022, 2021 and 2020, respectively. As shown below, we have also been able to achieve strong growth, without adversely affecting asset quality. Our Net Stage 3 Gross Term Loans dropped from ₹438.05 million as of March 31, 2020 to ₹359.43 million as of June 30, 2022, despite Gross Term Loans increasing from ₹38,922.28 million as of March 31, 2020 to ₹52,965.35 million as of June 30, 2022.

Among our compared peers, we are among the three best for Stage 3 Gross Term Loans as a percentage of Gross Term Loans (we had a Stage 3 Gross Term Loans to Gross Term Loans of 1.05%) as of March 31, 2022, while we have the best asset quality among lenders identified by CRISIL as engaged in extending MSME business loans, with other lenders reporting 90+ DPD more than 2%. (*CRISIL Report*) According to CRISIL, we also had the lowest credit cost of 0.7% among the compared peers engaged in extending MSME business loans in Financial Year 2021 (Financial Year 2022: 0.8%; Financial Year 2020: 1.5%), due to our asset quality (see “— Competition” on page 202). (*CRISIL Report*)

***Among the select institutions to develop an underwriting model that evaluates the cash-flows of small business owners and self-employed individuals in the absence of traditional documentary proofs of income (CRISIL Report)***

We have an underwriting model to provide secured financial solutions to small business owners and self-employed individuals and over the last two decades of operation in this particular product, are among the select institutions to have developed such model in India. (*CRISIL Report*) The model is customer centric and is underpinned by underwriting practices that triangulate the character, cash-flow, and collateral of potential customers. This methodology of underwriting ensures we are able to evaluate both the willingness and the ability of the customer to repay the loan, despite the absence of traditional documentary proofs of income. This has enabled us to mitigate credit risk and successfully underwrite new loans while maintaining our asset quality.

Our underwriting practices are characterized by a multi-level evaluation process for each loan, where the sourcing team is responsible for conducting the preliminary assessment of each potential borrower, which is then independently evaluated by our Field Credit Team, before our File Credit Team reviews and approves the loan proposal. We have evolved this underwriting model over time and through economic cycles to ensure that it remains relevant and captures all key elements that we view as critical to maintain a robust asset quality. Fundamental elements of our underwriting model, include:

- loans are given to the household where all household members whose cash-flows are factored in to evaluate the proposal or those who have a current or potential claim on the property being mortgaged, shall be included as co-applicants to the loan proposal;
- deliberately focusing on services oriented businesses with majority of the target market comprising individuals that are typically impacted by macro down-cycles last, while being first to emerge from such cycles;
- multiple physical verification touchpoints by our Business and Collection teams and our Field Credit Teams to assess applicants and collateral;
- SORP collateral focus;
- all activities carried out as part of our underwriting process are undertaken by our employees, which we believe ensures staff accountability;



- independent field credit verification is undertaken on all proposals;
- limit loan approval powers to the File Credit Team only, with loan amount limits based on approver experience; and
- conservative loan-to-value ratios and instalment to income ratios on our outstanding loan accounts.

### ***Strong “on-ground” collections infrastructure leading to our ability to maintain a robust asset quality***

While our underwriting model contributes to suitable customers being onboarded, we have also created a strong “on-ground” collections infrastructure to ensure that we maintain a high asset quality. Many of our customers have previously borrowed from moneylenders or other such unorganized lenders, and although we have observed minor delays in the servicing of regular monthly instalments, which we view as a typical part of the repayment culture, such delays don’t necessarily translate into loan defaults. A key mechanism we use to prevent defaults in such circumstances is maintaining a strong collections infrastructure designed to keep the credit and repayment discipline of the borrower intact. Our collections infrastructure is underpinned by the following:

- branches adequately staffed with Business Officers, with the number of loans per Relationship Officer on average not exceeding 120, which is expected to provide each officer with the capacity to undertake both business and collections activities effectively;
- older branches with a collections vertical to which the collections responsibility of accounts is transferred once the accounts cross a certain vintage, which effectively frees up the time for Business Officers to focus on new business;
- branches staffed with persons sourced from the local area, with each branch servicing an area with a limited radius, resulting in branch staff being able to quickly attend a customer’s location as issues arise;
- keeping the responsibility of sourcing and collections with the same Relationship Officer so that he/she is incentivised to source suitable files and undertake follow-up activities with the customers until closure of the loan; and
- branch staff incentives aligned with each of business and collections targets so that meeting such targets in both areas are required to qualify for incentives.

Our collections process involves high-touch engagement between our Business Officers and our customers and to optimize this interaction, we ensure that each Relationship Officer is responsible for no more than 120 customers on an average and we add Business Officers as our business grows. The number of Business Officers increased from 1,834 as of March 31, 2020 to 2,008 as of March 31, 2021, 2,467 as of March 31, 2022 and to 2,550 as of June 30, 2022. The number of loans per Relationship Officer was 90, 88, 88 and 78, as of June 30, 2022 and March 31, 2022, 2021 and 2020, respectively. These figures have been consistently below our average 120-loan limit and as such, has provided each Relationship Officer with sufficient capacity to attend to each loan effectively, leading to us maintaining a robust asset quality.

We also have a strong monitoring mechanism that ensures involvement and intervention from various individuals across our business, all of which also ensures a robust asset quality. For instance, for accounts within the 1-30 DPD, our collections efforts include reminder messages, calls from the branch and visits by the Branch Manager to the customer’s business or residence. For loan accounts in the 31-90 DPD category, follow-up activity is undertaken whereby our supervisors, and our senior management including Deputy Head – Business and Collections, Chief Business Officer, COO, CEO and the Chairman and Managing Director become involved on a need basis with all efforts being made so that the account stabilises in the same category or rolls back into lower categories. For accounts in the 90+ DPD category, there is a coordinated effort between the corporate office and the branch to bring the account to a lower category. We incentivize our branches to adhere to a certain Stage 3 Gross Term Loans target at the branch level and the incentives for each individual at the branch are linked to the branch adhering to such Stage 3 Gross Term Loans target. See “*Description of our Business – Collections, Asset Quality and Monitoring*” on page 194.

### ***Ability to successfully expand to new underpenetrated geographies through a calibrated expansion strategy***

According to the CRISIL Report, as of March 31, 2022, less than 15% of approximately 70 million MSMEs in India have access to formal credit in any form, and historically, there is a perception of high risk and prohibitive costs of delivering services physically that have constrained traditional institutions’ ability to provide credit to underserved or unserved MSMEs and self-employed individuals. As a result, such borrowers resort to credit from informal sources and as such, this relatively untapped market offers huge growth potential for financial institutions such as ours. (*CRISIL Report*)

Since starting as a Chennai based NBFC, we have demonstrated our ability to grow beyond our local market. Our first growth phase was between Financial Year 2010 and Financial Year 2015 where we increased from six branches in Chennai to 39 branches across Tamil Nadu. Between Financial Year 2015 and Financial Year 2018, we started to expand in the states of Andhra Pradesh, Telangana and Karnataka, growing from three branches to 72 branches during this period. Since then, we have

further expanded to 165 branches across Andhra Pradesh, Telangana and Karnataka, as of June 30, 2022.

In addition, from March 31, 2017 to June 30, 2022, our Gross Term Loans in Tamil Nadu (including Pondicherry) grew from ₹3,429.84 million to ₹20,172.11 million, in Andhra Pradesh grew from ₹1,271.74 million to ₹15,770.01 million, and in Telangana grew from ₹114.98 million to ₹10,325.80 million. Such state-based Gross Term Loans growth demonstrates that we can successfully grow our footprint and Gross Term Loans in new states while consolidating presence in our home state of Tamil Nadu and other states. Recently, we have expanded into Madhya Pradesh, Chhattisgarh, Maharashtra and Uttar Pradesh. Collectively, these four states accounted for 5.48% of our total Gross Term Loans with 46 branches, as of June 30, 2022. According to the CRISIL Report, Andhra Pradesh Karnataka and Uttar Pradesh have significant potential for growth given relatively low credit penetration and recent strong economic growth.

We adopt a calibrated strategy of contiguous expansion across geographies where there is substantial demand for our offering and which has allowed for the maintenance of robust asset quality. Such contiguous expansion requires low operational expenditure and is underpinned by utilizing neighboring branches to evaluate local credit environment combined with our focus on hiring local staff with an understanding of the catchment area, strong local personal and professional networks and the market. Where we start operations in a new geography or where contiguous expansion is not possible, we typically begin by establishing pilot branches to gain a deeper understanding of the catchment area and customer characteristics. Our senior management closely supervises expansion efforts to ensure branch and staff performance meet expectations which is typically based on past experience, as well as periodic review for potential deeper expansion.

***100% in-house sourcing, comprehensive credit assessment and robust risk management and collections framework, leading to good asset quality***

Our 100% in-house sourcing, comprehensive credit assessment and robust risk management and collections framework allows us to identify, monitor and manage risks inherent in our operations. Catering primarily to small business owners and self-employed customers while maintaining asset quality requires a special skillset in absence of traditional income evidence, such that lending to these borrowers is based on an assessment of their income and cash-flows through various methods. First, we ensure all of our loans are sourced in-house, either through our branch-led local marketing efforts (i.e., door-to-door or specific referral marketing), repeat customers or through walk-ins. In-house sourcing allows for complete control over the quality of customer and processes involved to disbursement, which leads to better asset quality, compared to other methods of customer acquisition. Further, as our customers are onboarded by our own officers and not by third party selling agents who may or may not be working with multiple financial institutions, we experience a lower churn rate of customers throughout our portfolio.

In addition, self-employed customers are prone to variable cash-flows and lending to them requires robust underwriting systems to appropriately price the risk. As a result of our experience, expertise, and underwriting model, we have been able to effectively serve such customers, while maintaining asset quality, and expanding into newer geographies. As of June 30, 2022, an estimated 95% of the loans that we disbursed were for single-unit, SORPs, that is, we have a high SORP focus. We also aim to have conservative average loan-to-value ratios and instalment to income ratios on our outstanding loan accounts, which can mitigate adverse events and cyclical effects.

Over the last three Financial Years and the three months ended June 30, 2022, we have provided loans to more than 205,000 customers. To assist us with our credit assessment and risk management functions, we have created a four layered process for customer evaluation – two layers within the business and collections team and two layers within the credit team, in addition to independent legal checks. We also conduct an in-depth analysis of the potential customer by considering their character, their existing cash-flow to assess their repayment abilities, and their collateral, as well as ensure that families act as co-applicants which underpins our applicants' motivation to service the loan without default.

Our credit team is independent of our business and collections teams and only the File Credit Team has the authority to approve and sanction loans, while the Field Credit Team has recommendation powers only. There is complete independence between the credit team and our business and collection team and all incentives for our credit team are linked to file processing, not file approval. For further details of our four layered process for customer credit evaluation, comprising underwriting, legal assessments, technical assessments and a risk containment unit, see “— *Description of our Business*” on page 188.

Our organizational structure is such that almost all of our business and collections team members are also responsible for collections. We had a 4,381-member business and collections team including 3,424 Business Officers and Collection Officers catering to 230,175 loan accounts, as of June 30, 2022. Our business and collections team (which includes Business Officers, Branch Managers and Supervisory and Head Office support layers) focusses on early warning signals and we have localized teams to monitor cases that show signs of delinquency. We also use credit bureau checks, and have set up a system of case monitoring by our risk team whereby we can review certain information of borrowers, identify areas of concern and initiate

prompt action. This includes supervisory interventions by head-office to ensure efficiency in the collections process. Our credit underwriting and risk management teams also utilize technology to process loan applications and analyze credit risks, which also improves the customer experience due to better customer service and engagement and faster turnaround time as a result of faster decision making. We believe that our effective credit risk management is reflected in our portfolio asset quality indicators such as high repayment rates and low rates of Stage 3 Gross Term Loans and Stage 3 Gross Term Loans (net) across business and economic cycles. As of June 30, 2022, our Stage 3 Gross Term Loans accounted for 1.12% of our Gross Term Loans, while our Stage 3 Gross Term Loans (net) accounted for 0.68% of our Gross Term Loans. Such organizational structure, credit assessment, risk management and collections framework has allowed us to maintain our asset quality during macro downcycles.

Our risk management framework includes a comprehensive audit mechanism of internal audits performed at a corporate level on a quarterly basis, regular branch level audits and management audits, which cover specific risk-based assignments. We have set up a Risk Management Committee to review and identify current and emerging risks, develop risk assessment and measurement systems and establish policies, practices and other control mechanisms to manage risks and develop risk tolerance limits, monitor positions against approved risk tolerance limits and report its findings to senior management. The Risk Management Committee is also kept informed of accounts that have turned into “quick mortality accounts” (i.e., accounts that turn into Stage 3 Gross Term Loans within one year of disbursal) and any gaps in the underwriting process that have led to this, including staff accountability.

### ***Access to diversified and cost-effective long-term financing with a conservative approach to asset liability and liquidity management***

We have secured financing from diversified sources of capital, including term loans; proceeds from loans securitized; proceeds from the issuance of NCDs; issuances of principal protected market linked debentures; and proceeds from loans assigned; from banks, financial institutions, mutual funds and other domestic and foreign financial and development finance institutions to meet our capital requirements.

Our Average Cost of Borrowings on our Average Total Borrowings was 10.53% as of June 30, 2022, 10.68% as of June 30, 2021, 10.51% as of March 31, 2022, 11.48% as of March 31, 2021 and 12.07% as of March 31, 2020. Our cost of incremental borrowings decreased from 11.37% in the Financial Year 2020 to 9.68% in the Financial Year 2021 and to 8.51% in the Financial Year 2022, and was nil and 8.42% in the three months ended June 30, 2021 and 2022.

We believe that we are able to access borrowings at a competitive costs due to our stable credit history, strong credit ratings, equity capital position and low leverage, and our risk management policies. As of June 30, 2022, we borrowed from 17 private sector banks, seven public sector banks, 13 NBFCs, one mutual fund, and 14 other entities; and our outstanding borrowings were ₹7,300.28 million from private sector banks, ₹5,852.95 million from public sector banks, ₹3,657.00 million from NBFCs, ₹1,501.27 million from mutual funds, and ₹6,891.70 million from other entities, as of the same date.

For the three months ended June 30, 2022 and the Financial Year 2022, our finance costs were ₹647.98 million and ₹3,006.00 million, respectively. As of June 30, 2022 and March 31, 2022: our “current borrowings” (i.e., borrowings comprising debt securities and borrowings (other than debt securities) that are expected to be repaid within 12 months) accounted for 59.25% and 47.21% of our Total Borrowings, and “non-current borrowings” (i.e., borrowings comprising debt securities and borrowings (other than debt securities) that are expected to be repaid after 12 months) account for 40.75% and 52.79% of our Total Borrowing, respectively; the weighted average residual tenure of our outstanding borrowings, including securitization was 29.78 months and 29.15 months, respectively; and we had ₹4,788.25 million and ₹4,377.61 million in undrawn borrowing facilities (inclusive of undrawn amounts from sanctioned cash credit facilities) from 15 and 14 lenders, respectively. In addition, as of June 30, 2022, March 31, 2022, March 31, 2021 and March 31, 2020, our Total Equity was 38,569.75 million, 37,103.51 million, 23,181.72 million, 19,445.80 million and Total Borrowings to Total Equity ratio was 0.65, 0.69, 1.48 and 1.22 for the three months ended June 30, 2022 and the Financial Years 2022, 2021 and 2020, respectively. The Asset Liability Management Committee has been tasked to ensure that we maintain a balance of cash and liquid money market mutual funds, in addition to undrawn commitments under our various facilities to provide us with liquidity to combat any unforeseen market events. We generally maintain our cash and cash equivalents, investments in government securities and liquid money market mutual funds to at least the gross of (i) next three months of scheduled debt repayments, (ii) next three months of operational costs and (iii) next one month of projected disbursements. As of June 30, 2022 and March 31, 2022, we had cash and bank balances and investment (comprising cash and cash equivalents, other bank balances and investment in mutual funds and government securities (excluding fixed deposits provided as credit enhancement for securitisation transactions)) of ₹8,294.99 million and ₹10,552.51 million, respectively. Our investments in mutual funds are in liquid funds. We further adjust our liquidity levels based on the prevailing economic conditions. For instance, in order to mitigate certain economic impacts of the COVID-19 pandemic, we increased our liquidity levels such that our average liquidity as of the month-end of the 12 months in Financial Year 2021 was ₹11,119.86 million as compared to ₹6,937.46 million for Financial

Year 2020.

In addition, we also have in place asset liability management strategies, such as avoiding any cumulative ALM. As of June 30, 2022, and March 31, 2022, 2021 and 2020, we had positive ALM across all the maturities, which has allowed us to meet the growing loan demands of our rapidly increasing customer base. See “*Selected Statistical Information*” on page 254.

***Experienced, cycle-tested leadership with a longstanding promoter, professional management team and supported by marquee investors***

We are led by qualified and experienced management personnel, who are supported by a capable and motivated team of managers and other employees. Our management team has knowledge and understanding of the small business finance landscape in India and the expertise and vision to organically grow our business. They also have diverse experience in a range of financial products and functions related to our business and operations and are supported by qualified personnel who have an in-depth understanding of the geographic regions in which we operate, our loan products and customer segment as a result of our focus on hiring local staff with strong local personal and professional networks.

Our founder, Promoter, and Chairman and Managing Director, Lakshmiopathy Deenadayalan, has been associated with Five-Star for the past 20 years. He has a deep understanding of customer behavior and our business and operations, and has been critical to developing and enhancing our business model and driving our total income and profitability.

The table below sets forth our details of certain of our management team members:

<b>Name of the employee</b>	<b>Designation</b>	<b>Total years of experience*</b>	<b>Years of experience with us</b>	<b>Recent Past Employers include</b>
Rangarajan Krishnan	Chief Executive Officer	~18	7	Spark Financial Holdings Private Limited, IFC (South Asia Department), Standard Chartered Bank, HDFC Bank Limited
Srikanth Gopalakrishnan	Chief Financial Officer	~20	7	Citibank N.A., Asirvad Microfinance Private Limited
Vishnuram Jagannathan	Chief Operating Officer	19	5	HDFC Bank, Deutsche Bank AG, HSBC
Parthasarathy Srinivasan	Chief Credit Officer	18	4	DBS Bank Limited, ICICI Bank, Standard Chartered Bank
Sathya Ganesh Thirumalaidoss	Chief Business Officer	17	5.2	ICICI Bank Limited, Cholamandalam Investment and Finance Company Limited, Shriram Housing Finance Limited
Vanamali Sridharan	Chief Technology Officer	28	1	Equitas Small Finance Bank, Suryoday Small Finance Bank Limited, Accenture Services Private Limited, Standard Chartered Bank (Dubai)
Jayaraman Sankaran	Chief Risk Officer	~22	2	Redington (India) Limited, Arabian Automobile Alliance LLC
Ramesh Kannah	Chief Legal Officer	~18	0.5	HDFC Limited, ICICI Bank Limited, Cholamandalam Investment and Finance Company Limited, Piramal Capital and Housing Finance Limited
Naveen Raj	Chief Audit Officer	~15	0.5	Deloitte, Haskins & Sells, BSR & Co LLP

\*Includes work experience with the Company

Further, our field teams (business and collections, and credit) and our file credit teams have an in-depth understanding of our customer segment, loan products, types of collateral and businesses of our borrowers.

Our Shareholders include marquee investors, including affiliates of TPG Capital, Sequoia Capital, Matrix Partners, Norwest Venture Partners, KKR and TVS Capital Funds Limited and we believe we have benefited significantly from their collective vision and experience. They, along with our senior management, have been instrumental in formulating and executing our core strategies and implementing our corporate governance framework, which has been and will continue to be critical to the growth of our business.

We also have a distinguished Board comprising industry professionals. Our Independent Directors strengthen the reputation of

our Board. Our overall growth, performance of our portfolio, asset quality and continued profitability during challenging periods demonstrates the strengths of our KMP, management team and Board. For more details on our Board and our KMP, see “*Our Management*” on page 227.

## **Our Strategies**

Our strategies are as follows:

- Increase penetration in existing markets through increasing branch staff numbers, increasing our branch network in the existing geographies and diversifying to contiguous markets;
- Continue to focus on small business owners and self-employed individuals primarily in the semi-urban and urban markets of India, as well as in rural markets where CRISIL expects faster growth in bank credit activity as financial awareness increases;
- Optimize our borrowing costs, reduce operating expenses further and continue to expand and diversify our lender base;
- Continue to invest in technology and data analytics to build a scalable and efficient operating model / to improve customer experience, increase productivity and decrease costs;
- Focus on enhancing our risk management framework; and
- Enhance our brand recall to attract new customers.

### ***Increase penetration in existing markets through increasing branch staff numbers, increasing our branch network in the existing geographies and diversifying to contiguous markets***

While we have grown our operations in relatively newer markets, our operations have historically focused in the south Indian states of Tamil Nadu, Andhra Pradesh, Karnataka and Telangana. Such states contribute significantly to our Gross Term Loans and we intend to continue to expand in these states in a contiguous manner, to drive greater and deeper penetration. Our business model is scalable and by drawing on the experience of our team, we expect to be able to expand our operations efficiently, with low incremental costs. Our strategies include deepening our presence in our existing geographies through a combination of increasing the number of Field Officers and setting up new branches

For states where we have no or very low existing presence, we will continue to review a number of factors including demographics and competitive landscape before establishing a branch. Our strategy remains to grow contiguously into such areas by gauging the business potential of a particular state and drill down into specific locations suitable for branch opening. When we enter a new state through contiguous expansion, we open new branches in district headquarters and then expand deeper by deploying personnel to adjacent areas to source new customers. We are constantly evaluating additional locations using our criteria and expect to continue to add branches to grow out network in the near term.

As of June 30, 2022, we had reached an approximate district level penetration of 93%, 77% and 94% in the states of Tamil Nadu, Andhra Pradesh, Telangana, respectively, and 65%, 63%, 8%, 11% and 1% in the states of Karnataka, Madhya Pradesh, Maharashtra, Chhattisgarh and Uttar Pradesh, respectively. District level penetration is the number of districts that we operate in as a percentage of the total number of districts in a given state. Accordingly, we believe there is scope to continue to grow our business further in these states.

### ***Continue to focus on small business owners and self-employed individuals***

We plan to continue to focus on small business owners and self-employed individuals and increase our market share. For instance in terms of credit availability generally, the CRISIL Report notes that there is a wide variation across states and within various districts in the same state, which indicates latent opportunity for providing banking services to unserved or underserved customers. In many locations, we have customers who are first time borrowers from the formal secured lending ecosystem. As of June 30, 2022, 30.42% of our customers were new to credit, while the remaining customers were sanctioned higher ticket loans with higher tenors than they had availed earlier.

We believe our underwriting model, which is based on our understanding of income assessment and collateral assessment for this customer segment, with limited reliance on documented income, is a key strength which would make customers prefer us over our competitors and which we intend to reinforce to achieve Gross Term Loans growth.

### ***Optimize our borrowing costs, reduce operating expenses further and continue to expand and diversify our lender base***

Our Average Cost of Borrowings was 10.53% as of June 30, 2022, 10.51% as of March 31, 2022, 11.48% as of March 31, 2021

and 12.07% as of March 31, 2020. This steady decline over the last three financial years is due to several factors, primarily our financial performance and improving credit ratings. A lower Average Cost of Borrowing enables us to competitively price our loan products and helps us grow our business and operations and increase our NIMs. We have also diversified our funding sources by using instruments such as securitization transactions, non-convertible debentures, and principal protected market linked debentures to ensure that our debt capital requirements are met at optimal costs.

We intend to continue to diversify our funding sources, enhance limits from existing sources, identify new sources and pools of capital and implement robust asset liability management policies with the aim of further optimizing our borrowing costs and help increase our NIM. Further, we intend to expand and diversify our lender base, and seek to obtain funding from insurance, pension and provident funds, overseas lenders, external commercial borrowings and through the issue of commercial paper. We are focused on improving our asset and liability management to ensure that we continue to have a positive asset-liability position. We believe that this will help us improve our credit ratings further and reduce the average cost of our borrowings.

Our developed distribution and collections infrastructure is a key factor in our operating leverage and will help reduce our operating expenses. Further, we expect that our strategic investments in technology and digitization across our business will further reduce our operating expenses and credit costs (i.e., our impairment loss allowance) over time. We will continue to review and identify means to improving our cost to income ratio and improving our overall NIM from current levels. As a result of these various initiatives we seek to continue to maintain our low levels of Stage 3 Gross Term Loans which should assist in minimizing credit costs, as well as improve our credit ratings for new fund raising, reduce the cost of our borrowing and hence deliver strong return ratios.

***Continue to invest in Technology and Data Analytics to build a scalable and efficient operating model / to improve customer experience, increase productivity and decrease costs***

We have made strategic investments in our information technology systems and implemented automated, digitized technology-enabled platforms and proprietary tools, to strengthen our offerings and derive greater operational, cost and management efficiencies. From April 1, 2019 through to June 30, 2022, we have invested ₹246.02 million in our information technology systems, and as of June 30, 2022, our IT and data science teams comprised of 25 personnel. We have also recruited Vanamali Sridharan as our Chief Technology Officer, who has over 28 years of experience working with banks and technology strategy consultancies, as well as appointed a dedicated Head of Engineering, Development and Data Sciences to lead our in-house technology development and data analytics. We also have a Head of Technology, who oversees our Customer Acquisition system, Loan Management system and Collections system along with managing the infrastructure and security architecture across our Head Office and Branch offices.

We plan to ensure that our information technology systems continue to help us with several functions, including loan origination, credit underwriting, collections and customer service and retention. In particular, over the short to medium term, we aim to focus our information technology and data capabilities towards the following areas:

- developing an Application Programming Interface (“API”) infrastructure to leverage the strength of various third party service providers / fintech companies and aim to partner with them to augment / create more efficient processes;
- improving accuracy and breadth of customer data capture across our portfolio for purposes of analytics and insight generation;
- use data, analytics and machine learning to complement our current underwriting processes to ensure we onboard the most suitable borrowers and maintain a robust asset quality;
- developing a robust customer credit scoring model;
- automation of existing manual activities within our underwriting process to reduce turnaround times for loan sanctions and reduce transaction costs; and
- supplementing our collections infrastructure by leveraging existing payment architecture towards collecting EMI repayments from our borrowers.

We believe that the adoption of such digital service delivery mechanisms has and will continue to enable us to be more efficient, customer friendly and over time improve cost efficiencies through automation, and perform more reliable data analytics for customized products to suit the diverse requirements of our customers and improved customer satisfaction.

***Focus on Enhancing our Risk Management Framework***

As we increase the scale of our operations and expand into new geographies, we intend to continue focusing on enhancing our risk management framework to maintain the credit quality of our loan portfolio. Our risk management initiatives will include obtaining a better understanding of the geographies in which we are present and the ones where we intend to expand to,

improving the credit scoring models and algorithms that we have currently deployed, improving our collection techniques and our property underwriting procedures, as well as initiate portfolio analytics activities.

In connection with analytics activities, we intend to carry out a comprehensive analysis of our portfolio, determining behavioral and other trends of our customers and use those to strengthen our credit assessment framework. We have an existing and comprehensive data lake (being our repository of data stored in its natural/raw format) which contains data from all the sub-systems being used by us to which we plan to add data from external and third party sources with a view to creating an internal single data source to aid in our data analytics and insight generation.

Credit assessment is crucial to our operations since many of our customers are new to credit or belong to underserved segments of society with medium to low income levels. Our strength in credit assessment is derived from our well-trained front-end teams who spend time with our prospective customers and provide a detailed assessment of their income sources, employment stability, savings and repayment capacity. We will continue to invest in hiring and training people to ensure that we maintain our proficiency in credit assessment.

### ***Enhance our Brand Recall to Attract New Customers***

We believe that having a strong recognizable brand is a key attribute in our business, which will help us attract and retain customers, increases customer confidence and influences purchase decisions. Having a strong and recognizable brand will also assist us in recruiting and retaining employees. We intend to continue to undertake initiatives to increase the strength and recall of our 'Five-Star' brand to attract new customers. We seek to build our brand by engaging with existing and potential customers' through customer literacy programs, sponsor popular events in the regions we operate and advertise in newspapers, hoardings and in other advertising media.

### **Responding to the COVID-19 Pandemic**

The COVID-19 pandemic affected the global economy, including India, which led to significant volatility and a decline in general economic activity. To the extent that the COVID-19 pandemic adversely affects our business and operations, it may also have the effect of heightening certain risks described in the "*Risk Factors*" section on page 22.

As of March 31, 2021 and March 31, 2020, our Gross Term Loans were 44,453.81 million and 38,922.28 million. The pandemic resulted in a reduction in our disbursements from ₹24,086.69 million for the Financial Year 2020 to ₹12,450.54 million for the Financial Year 2021. In addition, to alleviate the impact of COVID-19, the RBI issued guidelines relating to the COVID-19 regulatory package dated March 27, 2020 in accordance therewith, providing moratorium of three months on the payment of all principal amounts and interest falling due between March 1, 2020 and May 31, 2020 and further extended the moratorium from June 1, 2020 to August 31, 2020. Accordingly, we granted a five-month moratorium to all customers who were less than or equal to 90 DPD as of March 31, 2020 (i.e., to those customers who were not 90+ DPD), to the loan instalments due during the period April 1, 2020 to August 31, 2020. The moratorium was granted by us to 141,251 loans with a principal outstanding as of March 31, 2020 of ₹38,387.5 million. The moratorium resulted in an extension of tenure for each loan by five months and the original instalments that were due during those five months were halted, and borrowers restarted their EMI payments from around September 2020.

During the months of March, April and May of 2020, our collection efficiency was 84.86%, 50.95% and 73.19%, respectively, but by June 2020 our collection efficiency rebounded to 92.26% and was an average of 93.28% for the second quarter of Financial Year 2021. While we granted a five-month moratorium to all customers whose loans were less than or equal to 90 DPD as of March 31, 2020, our collection efficiency for June 2020 and the second quarter of Financial Year 2021 has been calculated assuming that all instalments fell due every month, including during the moratorium period. With the end of moratorium on August 31, 2020, our disbursements, collections and asset quality improved during the second half of Financial Year 2021. For instance, we disbursed ₹11,541.49 million between September 1, 2020 and March 31 2021; our average monthly collection efficiency improved to 95.98% and 96.50% in the third and fourth quarters of Financial Year 2021, respectively; and our Stage 3 Gross Term Loans to Gross Term Loans also reduced to 1.02% as of March 31, 2021.

As of June 30, 2021 and March 31, 2021, our Gross Term Loans were 45,775.11 million and 44,453.81 million, respectively. However, with the onset of the "second wave" of COVID-19 during the first quarter of Financial Year 2022, we again experienced an adverse impact on our business and collections operations with our disbursements during the first quarter of Financial Year 2022 reducing to ₹3,331.60 million compared to ₹6,618.81 million during the fourth quarter of Financial Year 2021. As such, during the first half of Financial Year 2022, in line with our Board approved policy, we restructured 1.87% of our loan portfolio, computed as the Gross Term Loans of restructured loans as of March 31, 2021 as a percentage of the total Gross Term Loans, as of March 31, 2021 (2,655 borrowers in the first quarter of Financial Year 2022; and 45 borrowers in the second

quarter of Financial Year 2022). We restructured such loans based on borrowers requesting assistance and also based on us contacting certain borrowers that showed early signs of overdues. For the first quarter of Financial Year 2022, our average monthly collection efficiency dropped to 89.33% (calculated using instalment dues for non-restructured loans only) and our Stage 3 Gross Term Loans to Gross Term Loans and Stage 3 Gross Term Loans (net) to Gross Term Loans increased during the same period from 1.02% and 0.83%, respectively as of March 31, 2021, to 1.64% and 1.03%, respectively as of June 30, 2021. However, with the easing of the impact of “second wave” and a consequent improvement in borrower cashflows, the collections efficiency has started showing improvement and we recorded collections efficiency of 102.04%\*, 98.22%\*, 101.45%\* and 99.17%\* for the quarters ended September 30, 2021, December 31, 2021, March 31, 2022 and June 30, 2022 respectively(\*As certified by R P S V & Co., Independent Chartered Accountant, pursuant to their certificate dated November 15, 2022)

Our strong focus on collections during the second quarter of Financial Year 2022 resulted in our average monthly collection efficiency for the quarter being 102.04% (includes collection of arrears instalments dues for the period) which also resulted in a reduction of our Stage 3 Gross Term Loans from 1.64% as of June 30, 2021 to 1.05% and 1.12% as of March 31, 2022 and June 30, 2022, respectively.

Since the initial impact of the COVID-19 pandemic on our business, our operational and financial metrics have generally improved. We have evaluated the impact of COVID-19 on our business and operations, and are of the view that it does not have any material impact on our operational and financial results at present. However, in light of the dynamic nature of the COVID-19 pandemic, there remains uncertainty regarding the full extent of the COVID-19 pandemic in the future and possible future waves and variants, which makes it impossible for us to predict with certainty the impact that such future waves or variants of COVID-19 may have on our business and operations. We will continue to monitor future events and developments that may result in an adverse effect on our business.

The table below sets forth our certain DPD to Gross Term Loans data, our Stage 3 Gross Term Loans to Gross Term Loans, Stage 3 Gross Term Loans (net) to Gross Term Loans data and restructuring data as of the dates indicated:

Metric	As of						
	June 30,	March 31,	December 31,*	September 30,*	June 30,	March 31,	
	2022		2021			2021	2020
30+ DPD to Gross Term Loans (%) <sup>(1)</sup>	15.71%	16.78%	19.36%	17.66%	21.65%	12.36%	11.82%
60+ DPD to Gross Term Loans (%) <sup>(2)</sup>	8.03%	6.60%	10.82%	8.71%	11.75%	6.47%	6.67%
Stage 3 Gross Term Loans to Gross Term Loans (%)	1.12%	1.05%	1.27%	1.44%	1.64%	1.02%	1.37%
Impairment loss allowance on Stage 3 Gross Term Loans (₹ in millions)	231.94	185.10	211.12	118.91	278.12	81.19	94.21
Stage 3 Gross Term Loans (net) to Gross Term Loans (%)	0.68%	0.68%	0.83%	1.18%	1.03%	0.83%	1.13%
Incremental restructured portfolio (₹ in millions) <sup>(3)</sup>	—	—	—	13.67	816.85	—	—
Total restructured portfolio (₹ in millions) <sup>(3)</sup>	712.19	730.86	774.74	830.52	816.85	—	—
Total restructured portfolio as a % of Gross Term Loans (%)	1.34%	1.44%	1.62%	1.87%	1.78%	—	—

\*As certified by R P S V & Co., Independent Chartered Accountant, pursuant to their certificate dated November 15, 2022.

Notes:

- 1) Represents Gross Term Loans which are overdue by more than 30 days as a percentage of the total Gross Term Loans as of the last day of the relevant period
- 2) Represents Gross Term Loans which are overdue by more than 60 days as a percentage of the total Gross Term Loans as of the last day of the relevant period
- 3) Represents the outstanding amounts as of March 31, 2021 on loans that were restructured during the quarter ending on the day as indicated.

The deterioration observed as of June 30, 2021, compared to March 31, 2021 is attributable to the “second wave” of the COVID-19 pandemic, which led to further lockdowns and curfews generally and resulted in temporary cashflow issues for our customers. This was amplified by the lack of any regulatory intervention to assist financial institutions such as us during this period. However, we demonstrated improvement across the various DPD categories including Stage 3 Gross Term Loans (i.e., 90+ DPD) as of September 30, 2021, compared to June 30, 2021 and thereafter during the quarters as of December 31, 2021, March 31, 2022 and June 30, 2022. We attribute this improvement to increased customer cashflows and our concerted collection efforts during this period.

In response to the pandemic, we imposed more stringent credit guidelines, further strengthening the underwriting process keeping in mind the COVID-19 environment for new customers as well as existing customers for already approved loans. In addition to the moratoriums and related restructuring of loans, we have taken a number of steps to address the challenges posed by COVID-19, including the following:

**Maintaining business continuity:** In order to protect the health and safety of our employees with minimal disruption in our



operations, all our employees at our corporate office and our branches were moved to a work-from-home model. Since our loan management and accounting systems are maintained on the cloud, we easily migrated to a work-from-home model. We resumed operations at our branches in a staggered manner in compliance with the lockdown restrictions and government guidelines. By September, 2020, we resumed physical operations in all of our branches. In order to ensure adequate safety of employees, we introduced COVID-19 protocols to be followed by all employees and customers which included temperature checks, social distancing, use of sanitisers, masks and gloves. Customers were provided continued access to our employees and services through our payment portal on our website and Unified Process Interfaces. We have since resumed full-scale operations.

**Disbursements and Collections:** During the COVID-19 period, we have paid particular focus to the collection activity to ensure where possible we were maximizing our collection efficiency, which in turn operates to reduce missed payments and mitigate loans becoming a Stage 3 Asset.

**Maintaining our liquidity position and reducing our cost of borrowings:** During the COVID-19 pandemic, we took additional measures to improve our liquidity position to ensure adequate funding to meet financial and other commitments. We raised fresh borrowings of ₹10,315 million between April 2020 and September 2020 from banks and financial institutions. This was raised through term loans, NCDs under the RBI's targeted long-term repo operations ("TLTRO") scheme and the Indian Government's Partial Credit Guarantee ("PCG") scheme, standard NCDs and principal protected market linked debentures, and assignment transactions under the PCG scheme. Our incremental cost of borrowings (i.e., the interest rate) for these borrowings was 8.42% and 8.51% for the three months ended June 30, 2022 and the Financial Year 2022, respectively, as compared to the incremental cost of borrowings of 11.37% for the borrowings raised during the Financial Year 2020.

## **Description of our Business**

We are a small business finance lender headquartered in Chennai, Tamil Nadu that has a strong South Indian presence. We provide secured loans to micro-entrepreneurs and self-employed individuals for business purposes, asset creation and to meet certain other personal requirements. Our Gross Term Loans has grown to ₹52,965.35 million as of June 30, 2022 (and to ₹50,670.78 million as of March 31, 2022) from ₹10,082.58 million as of March 31, 2018, at a CAGR of 49.73% between March 31, 2018 and March 31, 2022. Our profit for the period / year for the three months ended June 30, 2022 and June 30, 2021, and for the Financial Years 2022, 2021 and 2020 was ₹1,394.33 million, ₹1,015.71 million, ₹4,535.45 million, ₹3,589.94 million and ₹2,619.51 million, respectively, and our Total Equity as of the end of June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021 and March 31, 2020 was ₹38,569.75 million, ₹29,444.13 million, ₹37,103.51 million, ₹23,181.72 million and ₹19,445.80 million, respectively. Over 95% of our loan portfolio comprises loans from between ₹0.1 million to ₹1.0 million in value, with an ATS of ₹0.29 million, ₹0.27 million, ₹0.28 million, ₹0.26 million and ₹0.31 million in the three months ended June 30, 2022 and June 30, 2021, and the Financial Years 2022, 2021 and 2020, respectively. Further, the interest rates on our loans depend on the underlying tenor (which ranges from two to seven years), with approximately 95% of the loans sanctioned falling between the interest range of 24% - 26% and between the tenure range of five to seven years. All of our leads for customers are sourced in-house without any use of direct selling agents to source leads for us; further, all of our loans are fully secured with more than an estimated 95% of the collateral being SORP at the time the loan application is approved.

## **Target Customer Segment**

We are a lender that provide secured loans to small business owners and self-employed individuals, as well as small mortgage loans to meet certain personal needs of our customers. We target customers in urban and semi-urban locations in India, as well as rural markets (where CRISIL expects faster growth in bank credit activity as financial awareness increases); who typically derive income from "everyday" cash and carry businesses with a focus on services; with household cash-flows of approximately ₹25,000 to ₹40,000 per month; who can provide collateral (typically land and building of at least ₹1.0 million in value); and whose family will act as co-applicants on the loan. These customers have unencumbered title to the collateral, are reasonably resistant to business cycles and macro events, and are typically more motivated to service the loan without delays as a result of social pressures and high customer equity in the collateral property. Our customer centric business model is predicated on arriving at an appropriate risk framework, with the optimal installment to income ratio to ensure that our customers have the necessary means to repay the loan after meeting their regular obligations and other event-based capital requirements.

As of June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021 and March 31, 2020, our Gross Term Loans were ₹52,965.35 million, ₹45,775.11 million, ₹50,670.78 million, ₹44,453.81 million, ₹38,922.28 million. We primarily offer our customers small loans for business purposes which accounted for ₹32,903.06 million (62.12% of our Gross Term Loans), ₹28,769.34 million (62.85% of our Gross Term Loans), ₹31,634.74 million (62.43% of our Gross Term Loans), ₹27,934.54 million (62.84% of our Gross Term Loans) and ₹24,477.65 million (62.89% of our Gross Term Loans), as of June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021 and March 31, 2020; as well as loans for asset creation such as home renovation or improvement, or for meeting expenses for significant economic events such as marriage, healthcare and education,

which accounted for ₹20,062.29 million (37.88% of our Gross Term Loans), ₹17,005.77 million (37.15% of our Gross Term Loans), ₹19,035.94 million (37.57% of our Gross Term Loans), ₹16,519.27 million (37.16% of our Gross Term Loans) and ₹14,444.64 million (37.11% of our Gross Term Loans), as of the same dates. For small business loans, our distinguishing factor is that we lend to proprietors who are running the business and not to the business enterprise itself.

We have focused on this customer segment for approximately the last two decades and believe that such industry experience which includes having observed changes in customer behavior, products, regulatory landscape and navigating economic cycles, provides us with a distinct advantage over peers as we continue to expand and penetrate this customer segment further. Further, we believe that, given the nature of businesses carried by our target customers, which fall within the description of everyday / essential services, the segment is typically impacted by macro down-cycles last, while being first to emerge from such cycles. This is illustrated by our performance during demonetization, GST implementation and the COVID-19 pandemic. In addition, despite experiencing low collection efficiency during the beginning of the COVID-19 pandemic, where during March, April and May of 2020, our collection efficiency was 84.86%, 50.95% and 73.19%, respectively, by June 2020 our collection efficiency rebounded to 92.26%, being one of the first NBFCs to reach a collection efficiency of 90% since the beginning of the pandemic, and subsequently averaged 93.28% collection efficiency for the second quarter of Financial Year 2021. Our average monthly collection efficiency improved to 95.98% and 96.50% in the third and fourth quarters of Financial Year 2021, respectively. Collection Efficiency is calculated as the proportion of actual collections (from billings for the period and overdues but excluding prepayments) during the period to scheduled billings during the period (assuming no moratorium during the months of April 2020 to August 2020).

### **Product Characteristics**

Over 95% of our loan portfolio comprises loans from between ₹0.1 million to ₹1.0 million in value, with an ATS of ₹0.29 million, ₹0.27 million, ₹0.28 million, ₹0.26 million and ₹0.31 million in the three months ended June 30, 2022 and June 30, 2021, and the Financial Years 2022, 2021 and 2020, respectively. Further, the interest rates on our loans range depend on the underlying tenor (which ranges from two to seven years), with approximately 95% of the loans sanctioned falling between the interest range of 24% - 26% and between the tenure range of five to seven years.

The ticket size and loan to value ratio of each loan is subject to our credit assessment of the customer and factors including value of the collateral and regulatory limits. Loans are required to be repaid in equated monthly installments (“EMIs”) over an agreed period. The size of the EMI depends on the size of loan, interest rate and tenure of loan. As of June 30, 2022, the average loan to value (at sanction) on 230,175 active loan accounts was 36.62%.

All of our loans are fully secured by property collateral. Almost all of the collateral across our loan portfolio are standalone independent homes, as we generally do not resort to taking vacant land, agricultural land, or flats in residential complexes as collateral. We take an exclusive charge on the collateral against the loan, that is, we do not share the collateral charge with any other lender either at the time of sanction and disbursement or at any time during the tenor of the loan.

In addition, we require our customers to pay certain login fees prior to the loan application being processed and certain charges prior to the disbursement of the loan. These fees and charges are collected at different stages of the loan application to cover the initial cost of underwriting the loan, document verification and storage. These fees and charges are subject to periodic changes based on market conditions and regulatory requirements. Additionally, prior to disbursement of a loan, we register the mortgage at the state registrars’ office.

### **Branch Network**

We have an extensive network of 311 branches, as of June 30, 2022, spread across eight states and one union territory and approximately 150 districts across India, with Tamil Nadu, Andhra Pradesh, Telangana and Karnataka being our key states. Such key states collectively account for approximately 85% of our branch network, as of June 30, 2022. As of June 30, 2022 approximately 95% of our branches are located in cities and towns with populations up to one million. The following table sets forth certain details of our branch network on a state/territory basis, as of June 30, 2022:

State	Year of Entry	Districts	Number of Branches	% of Total Branches	% of Super Branches	% of Normal Branches	Gross Term Loans	% of Total Gross Term Loans
							(₹ in millions)	
Tamil Nadu	1985	39	100	32.15%	65.00%	35.00%	20,172.11	38.09%
Andhra Pradesh	2014	20	84	27.01%	60.71%	39.29%	15,770.01	29.77%
Telangana	2016	31	48	15.43%	62.50%	37.50%	10,325.80	19.50%

State	Year of Entry	Districts	Number of Branches	% of Total Branches	% of Super Branches	% of Normal Branches	Gross Term Loans	% of Total Gross Term Loans
							(₹ in millions)	
Karnataka	2014	20	33	10.61%	18.18%	81.82%	3,793.47	7.16%
Madhya Pradesh	2018	33	37	11.90%	37.84%	62.16%	2,455.70	4.64%
Maharashtra	2018	3	5	1.61%	20.00%	80.00%	330.45	0.62%
Chhattisgarh	2019	3	3	0.96%	0.00%	100.00%	71.33	0.13%
Uttar Pradesh	2019	1	1	0.32%	0.00%	100.00%	46.49	0.09%
<b>Total</b>		<b>150</b>	<b>311</b>	<b>100.00%</b>	<b>53.70%</b>	<b>46.30%</b>	<b>52,965.35</b>	<b>100.00%</b>

The decision to open a branch is based on a detailed analysis of the potential catchment area, economic and business potential, competition and availability of human resource talent. When we review the potential catchment areas, we analyze retail density and diversity, overall industrial activity and financial literacy, among other factors. The prevalence of retail activity demonstrates the potential for lending to small business owners, who may need funding for their working capital requirements and hence the presence and density of retail activity is an important parameter in determining whether to set up a branch. We analyze competition within the potential catchment area as a risk mitigation measure, because where competitors are present (such as other banks and NBFCs) we are able to assess (i) general acceptance of a formal lender with EMI based loan products amongst the target customer segment, (ii) repayment behaviour, (iii) asset quality trends and (iv) availability of suitable human resources for hiring as business and collections officers. We also prefer to open new branches contiguous to our existing locations to leverage neighboring insights and to exercise effective supervision over new branch operations.

Where we start operations in a new geography or where contiguous expansion is not feasible, we typically begin by establishing pilot branches to gain a deeper understanding of the catchment area and customer characteristics. We use such branches to gain a deeper understanding of the catchment area and customer characteristics including (i) sourcing opportunities, (ii) differences in legal and technical evaluation of collateral from our existing markets, (iii) collection behavior, (iv) understanding staff behaviors and culture, among other metrics. We utilized this expansion approach in Andhra Pradesh and Telangana and more recently in Madhya Pradesh. Our senior management closely supervises expansion efforts to ensure branch and staff performance meet expectations, as well as to conduct periodic review for potential deeper expansion.

As of June 30, 2022, 60.45% of our branches have been opened for longer than 36 months, 24.12% of our branches have been opened for between 12 and 36 months and 15.43% our branches have been opened for less than 12 months. When a new branch is opened, loans from existing branches may be moved to the new branch to facilitate customer convenience.

All of our branches begin as “Normal Branches” and transition to “Super Branches” upon achieving certain criteria. Operationally, both branch types operate with the same reporting structure and the same set of protocols, products and target the same customer segment. The following table sets forth particulars of our branch types:

Branch Particulars	Normal Branch	Super Branch
Branch size	500-600 sq. feet	1,200 – 1,600 sq. feet
Branch Managers / Senior Branch Managers	1 Branch Manager	2 Branch Managers; 1 Senior Branch Manager
Business Officers	4-6	10-12 (2 teams of 5-6 each)
Field Credit Officers	1 (Exclusive/ Shared with neighbouring branches)	1 (Exclusive)
Cashiers and Operations Personnel	1 Cashier; 1 Operations Personnel	1-2 Cashier; 1-2 Operations Personnel
Catchment Area Radius	Approx. 25-30 kms	Approx. 40-45 kms

A Super Branch operates effectively as two branches in areas where we see consistently positive branch performance and good business potential. The decision to transition a Normal Branch to a Super Branch is taken when we usually record 18-24 months of consistent performance, typically comprising quantitative factors such as the meeting of business and collection targets, maintaining asset quality and where the ratio of business officers and branch managers begins to suggest a branch transition is necessary; and qualitative factors such as suitable human resource skill within the branch management, availability of additional relationship officers, ability of the Branch Manager to recruit appropriate personnel and growth potential in catchments area.

In addition, each branch has unique performance targets which we set dependent on the city population in which the branch operates, whether the branch is a Normal Branch or Super Branch and the number of relationship officers in each branch.

As of June 30, 2022, we have 144 Normal Branches and 167 Super Branches, with each contributing 46.11% and 53.89% to our total Gross Term Loans, respectively. Since March 31, 2018 to June 30, 2022, 167 Normal Branches have transitioned to a

Super Branches, which illustrates the success of our branch strategy. We will continue to transition Normal Branches into Super Branches in order to enhance our loan portfolio and also benefit from increased scale.

Metric	As of and for the						
	Three months ended June 30,		Financial Year				
	2022	2021	2022	2021	2020	2019*	2018*
Number of Super Branches	167	96	160	95	92	-	-
Number of Normal Branches	144	167	140	167	160	173	130
Branches with Gross Term Loans: >₹400 million	8	7	8	5	7	1	-
Branches with Gross Term Loans: >₹300 million and < ₹400 million	37	35	34	33	19	2	1
Branches with Gross Term Loans: >₹200 million and < ₹300 million	70	61	67	61	68	27	1
Branches with Gross Term Loans: >₹100 million and < ₹200 million	93	73	90	74	60	67	37
Branches with Gross Term Loans: < ₹100 million	103	87	101	89	98	76	91
Gross Term Loans per Branch (₹ in millions) <sup>(1)</sup>	170.31	174.05	168.90	169.67	154.45	122.13	77.56
Disbursements per Branch (₹ in millions) <sup>(2)</sup>	18.70	12.67	64.33	48.07	112.03	96.25	52.60

\* As certified by R P S V & Co., Independent Chartered Accountant, pursuant to their certificate dated November 15, 2022.

(1) Calculated as the Gross Term Loans as of the last day of the relevant period/year divided by the number of branches as of the last day of the relevant period/year.

(2) Calculated as the amount of loans disbursed during the relevant period/year divided by the number of branches as of the last day of the relevant period/year.

### Credit Approval and Disbursement

We have a robust credit approval process comprising an initial filtering stage requiring relationship officer and Branch Manager assessment of the applicant, followed by a two layered credit team assessment. At all stages, we are focused on “the three Cs”, being character, cashflow of the applicant and collateral quality.

#### Sourcing and Three-step Lead Appraisal by our Business and Collections Team

All of our loans are sourced in-house, either through our branch-led local marketing efforts (i.e., door-to-door or specific referral marketing), repeat customers or through walk-ins. Once a lead is identified, it passes through a three stage filtering process within the branch based business and collections team, comprising a (i) pre-login assessment, (ii) relationship officer assessment, and (iii) Branch Manager assessment. If a lead is approved following this process, the application file is passed to our credit team.

- *Relationship officer pre-login assessment*

Once a lead is identified, it is assigned to a relationship officer. The relationship officer undertakes a basic verification on the applicant’s business and residence to assess whether the lead is likely to fulfill our criteria for sanction. This includes reviewing the nature of business to eliminate any businesses that we don’t typically underwrite such as seasonal and speculative businesses, and undertaking a background check on the borrower and co-applicant, including collating information on income, property, area, purpose of loan and preliminary assessment as to ability to meet repayments. If the relationship officer is satisfied by the assessment, the lead is recorded into our system and a file reference number is created.

- *Relationship officer inspection*

The relationship officer visits the applicant’s business and residence and conducts a more detailed assessment. Such visits may occur more than once and at different times of the day to assess the footfalls at the applicant’s business, the business activity, and to undertake a more detailed assessment of the applicant’s income. As most applicants don’t have formal banking habits and are not subject to income tax and GST due to the relative scale of their income and business, formal income documents and bank statements may be difficult to obtain or non-existent and as such serve a limited purpose in determining the income level of the applicant. The relationship officer therefore spends time at the place of business going through payment evidence, delivery receipts of stock, inventory levels and other such proxies to assess business traction and income levels of the applicant.

The relationship officer also visits the residence of the applicant to meet with the co-applicant(s), gather data on the property

and do a background verification and character check on the applicants.

- *Branch manager assessment*

This stage of the process serves as the “checker stage” in the “maker checker process”. The Branch Manager assesses all inputs entered into the file by the relationship officer, including by physical visits to the applicant’s business and residence. The Branch Manager verifies the measurements of the proposed collateral in accordance with the property documents and arrives at an indicative valuation of the proposed collateral, which is the lower of (i) the market value of the proposed collateral and (ii) the branch manager’s assessment of a distressed value sale of the proposed collateral based on precedent transactions in the same or similar locations.

The Branch Manager also undertakes a character check of the applicant and the co-applicant(s) by reviewing the network of our borrowers in the same locality of residence and/or business and discussing/ gathering information about the borrower/ family in the local neighborhood and draws upon their references to better understand other aspects of the applicant and co-applicant(s)’ behavior.

The Branch Managers are empowered to reject leads that they believe, based on available information and evidence, would eventually not convert into a loan sanction. Hence a substantial portion of all incoming customer leads get rejected during these three initial steps, primarily before the loan proposal is logged into the system. If not rejected, a report is prepared which among other things, provides an estimate of income of the applicant and the co-applicant; an estimate of the valuation of the property collateral; a recommendation of the loan value; the installment to income ratio and the loan to value ratio; pictures of the place of business and residence of the applicant, including of the surrounding area and proposed mortgage property.

The report is digitized and made available to the File Credit Team. The business and collections team provide a recommendation in the report for the credit team to further assess. No member of the business and collections team in the entire organizational hierarchy including the Chief Business Officer has any loan approval or sanction powers. Approval and sanction of the loan is done during the next stage of our assessment process.

#### *Underwriting with Our Two-Layered Credit Team Structure*

Our credit team is composed of two separate teams. The Field Credit Team is a branch-based network of credit officers that has recommendation powers and the File Credit Team is a remote credit team which has the authority to approve and sanction loans. There is complete independence between the credit teams and our business and collections teams and all incentives for our credit teams are linked to file processing, not file approval.

- *Layer One – Field Credit Team*

As a file is logged into our system and a file reference number created at the initial ‘pre-login assessment’, two independent field site visits are prompted, one for the business and collections team to undertake (as discussed above) and one for the field credit team to undertake. As of June 30, 2022, we have 302 Field Credit Officers, with one located in each branch. Additionally, we have 22 personnel who undertake audit of Field Credit inspections and 9 team leaders to manage the Field Credit Officers. The Field Credit Team visits the customer’s residence and place of business independently without having access to the digitized report prepared by the Branch Manager following the three stage filtering process. Each Field Credit Officer conducts an independent verification of the property documents, property measurements and an assessment of the valuation of the property collateral. The valuation methodology is the same as that used by the Branch Manager.

The Field Credit Officer prepares a digitized report which covers similar content as that covered by the Branch Managers in its report, and submits the report so it is linked to the loan file. In the report, the Field Credit Officer makes comments on the character, assessment of cash-flows and valuation of collateral and submits the report along with images of the applicant’s residence, business premises and proposed mortgage property. The Field Credit Officer however has no loan approval or sanction powers.

- *Intermediate level consolidation:*

Our system tabulates the report of the Branch Manager and Field Credit Officer into independent data points, which are available on the Customer Acquisition system. This data, along with the documents submitted by each of the Branch Manager and Field Credit Officer, contains detailed notes and findings relating to the assessment of customer character, cash-flows, pictures of the business and residence, independent recommendations of each team and the valuations of the property collateral, assessment on the loan to value ratio and the installment to income ratio and any documentary proof relating to business activity such as

inventory details and/or receipts.

This intermediate layer also automatically adds third party information to the loan file such as the applicant's bank account statements, credit bureau score checks on the applicant and the co-applicant(s), legal opinion on the title of the property collateral including the related checks from the state registrar's office.

- *Layer Two - File Credit Team*

The File Credit Team is the final team in our underwriting process and is the only team with approval and sanction powers. The File Credit Team is a remote team that has access to all data and reports from our Business Officers, Branch Managers, Field Credit Officers and relevant third party reports. The File Credit Team operates across a number of branches and our corporate office in Chennai to ensure our team have sufficient language capabilities regarding the local dialects. Upon reviewing all of the information available and telephone interaction with the applicant and co-applicant(s), the File Credit Team may approve the loan file and determine the sanctioned loan amount, interest rate, tenor and EMI amount.

The entire underwriting process from file login to sanction takes approximately 15 days and occurs over our cloud-based systems with the applicant receiving periodic updates by SMS on the file status. Once the loan is sanctioned by the File Credit Team, the Operations Team assumes control over the loan and sends the documents to the branch in preparation for registration of the mortgage. Post registration of the mortgage, the physical files are relocated from the branch to our corporate office where the original papers are verified by the operations team, and an online encumbrance check is completed to confirm the mortgage in favor of us. Subsequently, the loan amount is disbursed into the bank account of the borrower.

From the login stage, the whole underwriting process (until sanction) took approximately 15 and 17 days in Financial Years 2020 and 2019, respectively. We experienced an increase in the same process during the Financial Years 2021 and 2022, due to onset of COVID-19 and related periodic disruptions such as lockdowns, although the turnaround time on loans disbursed decreased to 18 days during the three months ended June 30, 2022.

### ***Credit Risk Mitigation Measures***

To mitigate risks in the provision of loans, we utilize several checks, balances and initiatives throughout our underwriting assessment process and subsequent loan monitoring process, including:

#### *Co-applicant Pool*

All loans require the woman of the house as either the applicant or the co-applicant. We believe this introduces an increased level of financial discipline to the repayment behaviour and ensures that monies are carved out from the business income to meet repayment obligations. The owner of the property collateral is generally the primary applicant by default but we also require all members of the family that may have any right (present or future) to the title of the collateral property to also act as co-applicant(s) to the loan. This ensures that there is collective decision-making on a family basis which minimizes potential conflicts on loan repayments.

#### *Assessments of Character, Cashflow, and Collateral*

##### *Character*

Character assessment is an important part of our underwriting process and is a significant qualitative decision metric. Each of our business and collections and Field Credit Teams is trained to generate multiple inputs on the applicant's character by calling out references from neighbors, our other borrowers who reside in the same locality and/ or our other borrowers who are in the same line of business as the applicant or have their place of business in the same market/ locality as that of the applicant. This is then supported by a secondary data check that covers credit score indicating past defaults, if any.

##### *Cashflow*

Due to the limited reliance that we can place on income documentation from our target customer segment, assessment of the cash income of the borrower is key to our business. Our business model is predicated on arriving at an appropriate risk framework, with the optimal installment to income ratio to ensure that the borrower has the necessary means to repay our loan after meeting his regular obligations and other event-based capital requirements. To that end, our business and collections and Field Credit Team spend considerable time independently assessing an applicant's cashflows, which is then triangulated with the living condition check at the applicant's household, checked against other prior assessments by our team and revised

downward if required. Further, we generally do not consider income streams that are seasonal and/ or commission based and/ or financial services trading based and/ or real estate focused. Our Branch Managers and Field Credit Officers are trained to remove such income from all income assessments before arriving at a more conservative and sustainable cash income figure for the applicant. On our 230,175 loan accounts existing as of June 30, 2022, the average installment to income ratio at sanction is 41.78%.

### Collateral

Collateral valuation is also done independently by the business and collections and Field Credit Team. Additionally for arriving at LTV calculations, the collateral valuation considered is the distress valuation of the collateral. On our 230,175 loan accounts existing as of June 30, 2022, the average LTV ratio at sanction is 36.62%.

We believe this triangulation of character, cashflow and collateral enables us to better mitigate our credit risk and successfully underwrite new loans while maintaining our asset quality.

### *Independence of the credit function from the business and collections function*

Our credit function is completely independent from the business and collections team, across the whole organizational hierarchy, which is a characteristic we believe differentiates us from our NBFC competitors. No member of the business and collections team including the Chief Business Officer has any decisioning authority on credit. Incentives for the Credit Team are independent of the level of approvals / rejections. No member of the Credit Team reports into any team member in the business and collections team.

### *“Maker-checker” implemented for each key function*

Within the business and collections team, we have two checks on applicants with the Relationship Officer acting as “maker” and the Branch Manager acting as “checker”. Within the Credit Team, the Field Credit Team acts as the “maker” and the File Credit Team acts as the “checker”. Further, for title and property document checks, we work with external empaneled legal teams that act as the “maker”, while our in-house legal teams act as “checker”. Post loan sanction, the physical file is vetted by the branch team and then by the centralized Operations Team at the corporate office. All of the loan files that we process through the underwriting function pass through two-level checks.

### *Decentralized credit decision-making with strong institutionalization*

While members of our File Credit Team are located within our branches, we ensure no File Credit Officer has authority to approve and sanction loans that are associated with the same branch as where that File Credit Officer is located. We also vary the allocation of loan files requiring review and approval such that a File Credit Officer does not review a majority of files from the same Branch or Field Credit Officer in any given month. This ensure that the files pertaining to a particular Branch and/or Field Credit Officer are distributed across multiple File Credit Officers.

Further, we have bifurcated the File Credit Team into a process credit team and an approval credit team. The process credit team is composed of credit officers who do all the tasks that are done by the approval credit officers but are being trained to take up the approval credit role and therefore yet do not have approval powers. The approval credit team is composed of senior credit officers who can approve loans for amounts that are determined based on each officer’s capability and experience. Typically File Credit Officers have at least four years’ experience and Field Credit Officers have at least two years’ experience. All files checked by the process credit officers are then passed on to approval credit officers for the final sanction which ensures integrity of the process. As of June 30, 2022, we had 41 process credit officers and 100 approval credit officers.

### *Strong loan exception reporting and review*

Our entire credit policy is incorporated into our enterprise wide Information Technology (“IT”) systems. Any exception to our policy, such as an increase in sanctioned amount, requires approval by a pre-set approval authority and there are no manual approvals bypassing the IT system. For instance, loan approval for amounts beyond certain value thresholds, require approval from our Chief Credit Officer or CEO or in certain circumstances, our Chairman & MD.

### ***Collections, Asset Quality and Monitoring***

Our organizational structure is such that business and collections functions are undertaken by the same team up to a certain vintage of the loan, post which the loans move into a separate collection vertical. We believe this model instills financial

discipline in our business development team since the same team that sources business is also responsible for collections, up to a certain vintage. Moving the accounts to a separate collection vertical post the certain vintage frees up the time for the business development team to focus on originating incremental business. This ensures sourcing of right loans and also adequate collection oversight for the entire tenure of the loan. Furthermore, incentives for the business team are linked to and paid out only when the team meets both their business and collections targets. Incentives for the collections team are linked to and paid out when they meet their collections targets. As of June 30, 2022 we had 230,175 existing loan accounts and a business and collections team of 4,381 employees, including 3,424 Business Officers and Collections Officers.

Our collections process involves high-touch engagement between our Business Officers and our customers and to optimize this interaction, we ensure that each Relationship Officer is responsible for no more than 120 customers on an average and will add Business Officers where numbers get close.

We have generally averaged a collection efficiency of approximately 98%, except for during the beginning of the COVID-19 pandemic in 2020, where during March, April and May of 2020, our collection efficiency was 84.86%, 50.95% and 73.19%, respectively, but by June 2020 our collection efficiency rebounded to 92.26%, and subsequently averaged 93.28% collection efficiency for the second quarter of Financial Year 2021. As against this, our collections efficiency for the third quarter and fourth quarter of Financial Year 2021 was 95.98% and 96.50% respectively. Our collections architecture is tailored to meet the requirements of our target customer segment. Our target customers are used to dealing largely in cash and their income levels can vary on a monthly basis, particularly around local events and festivals, and as such we have tailored our systems to accept a high portion of cash collections, predominantly at branches. For the three months ended June 30, 2022 and the Financial Year 2022, 61.90% and 62.60% of our total collections were in cash, respectively. Our collections philosophy acknowledges this and other circumstances by allowing customers flexibility on repayments while maintaining strong oversight by our Business Officers and branch managers on slippages from the 0+ DPD category to the 30+ DPD category. In order to ensure appropriate accounting of cash collected and avoid fraudulent activity, we have instituted controls over the cash collections process, wherein cashiers at our branches are required to submit reports on a daily basis indicating the opening cash balance, if any, cash collected during the day, cash deposited into the bank and closing cash balance, if any. This data is cross checked by a team at Head Office on a daily basis wherein verification processes will occur, such as checking the opening balance with previous day reports; checking the amounts collected during the day and deposited into the bank accounts, as evidenced by the deposit slips; checking the opening balance held by the branch and all collections before close. Following such verification, the data is signed-off by the Head Office.

For accounts within the 1-30 DPD, our collections efforts include reminder messages, calls from the branch and visits by the Branch Manager to the customer's business, residence. Where loans are between 31-60 DPD, our supervisory layer, including, senior branch managers, area managers, regional managers and state heads of business and collections may get involved, coupled with potential follow up actions from officials from our head office and further in-person visits from other members of the business and collections. In such circumstances, we can take first steps as regards legal recourse. Between 61-90+ DPD, there is follow-up activity from our head office where senior management officials including our Deputy Head – Business and Collections, Chief Business Officer, COO, CEO and the Chairman and Managing Director become involved on a need basis with all efforts being made to the account stabilises in the same category or rolls back to lower categories. Subsequent actions may include the serving of a legal notice to the borrower and the co-applicants, filing of arbitrations, if so required. For accounts in the 90+ DPD category, there is a coordinated effort between the corporate office and the branch to bring the account to a lower category. We incentivize our branches to adhere to a certain Stage 3 Asset target at the branch level and the incentives for each individual at the branch are linked to the branch adhering to such Stage 3 Asset target.

In cases where we have closed loan accounts that have been overdue, we have a successful track record of ensuring that there is no material loss of IRR, that is we have typically been able to recover almost the entire contracted IRR. For loans that are overdue 1 – 90 DPD but which are settled by the customer, we do not lose more than 1% IRR in almost all such loans. That is, on overdue loans which were settled between April 1, 2018 and September 30, 2021, approximately 95% of overdue accounts between 1 and 90 DPD, were settled between -1% and 1% delta between realized and contracted IRR on settlement, while 3% accounts settled at higher than 1% delta between realized and contracted IRR. Accordingly, we are able to recover a significant portion of our revenue even on delinquent (1 – 90 DPD) loans. One of the key reasons for us being able to recover IRR on overdue and Stage 3 Gross Term Loans is our sole charge on the collateral property whose value generally appreciates over time and our conservative LTVs at the time of sanction further reducing over the term of the loan. Such collateralized property usually represents the single biggest component of net worth for our customers and therefore our customers prefer to work with us to resolve the delay rather than having us enforce the possession of the collateral to recover our dues.

In cases where we closed loan accounts that were classified as Stage 3 Gross Term Loans, we have a successful track record of profitable recovery without any principal loss on any of these loans. While 4,044 loans that settled and closed between April 1, 2018 and June 30, 2022 were Stage 3 Gross Term Loans around the time of settlement or closure, approximately 95% of the



loans were settled between -2% and 2% delta between realized and contracted IRR on settlement; further, even on the other approximately 5% of loans, we have not had to take principal loss on any of those loans.

## Capital Adequacy Ratios

The RBI currently requires NBFC-ND-SI to comply with a capital to risk (weighted) assets ratio, or CRAR, consisting of Tier I and Tier II capital. Under these requirements, Tier I and Tier II capital should not be less than 15% of the sum of the NBFC's risk-weighted assets on balance sheet and the risk adjusted value of off-balance sheet items, as applicable. We intend to remain compliant with these requirements by periodic infusions of capital and keeping our leverage within regulatory thresholds.

The following table sets forth certain details of our CRAR and other key metrics as of the dates indicated:

Particulars	As of				
	June 30,		March 31,		
	2022	2021	2022	2021	2020
	<i>(₹ in million, except percentages)</i>				
Total assets ( <i>₹ in millions</i> )	64,715.48	61,291.03	63,430.66	57,936.11	43,531.54
Tier I Capital	34,795.92	25,580.24	33,581.47	19,669.00	18,477.74
Tier II Capital	-	-	-	-	-
<b>Total Capital</b>	<b>34,795.92</b>	<b>25,580.24</b>	<b>33,581.47</b>	<b>19,669.00</b>	<b>18,477.74</b>
<b>Risk Weighted Assets</b>	<b>49,755.72</b>	<b>37,546.32</b>	<b>44,658.62</b>	<b>33,416.35</b>	<b>34,901.50</b>
<b>Capital Adequacy Ratio (%) (CRAR)</b>	<b>69.93%</b>	<b>68.13%</b>	<b>75.20%</b>	<b>58.86%</b>	<b>52.94%</b>
CRAR - Tier I Capital (%)	69.93%	68.13%	75.20%	58.86%	52.94%
CRAR - Tier II Capital (%)	-	-	-	-	-
<b>Total Borrowings<sup>(1)</sup> to Total Equity ratio<sup>(2)</sup></b>	<b>0.65</b>	<b>1.06</b>	<b>0.69</b>	<b>1.48</b>	<b>1.22</b>

Notes:

- (1) Total Borrowings represents the aggregate of debt securities and borrowings (other than debt securities) as of the last day of the relevant period/year.
- (2) Total Borrowings to Total Equity ratio represents the aggregate of debt securities and borrowings (other than debt securities) as of the last day of the relevant period/year to Total Equity (or Net Worth) as of the last day of the relevant period/year.

## Credit Ratings

Our credit ratings' evolution over time is set forth below:

Rating Agency	Instrument	As of			
		June 30, 2022	March 31,		
			2022	2021	2020
CARE	Long-term bank facilities	A+	A+	A	A
	Short-term bank facilities	A1+	A1+	A1	-
	Non-Convertible Debentures	A+	A+	A	A
	Commercial Paper	A1+	A1+	A1	A1
ICRA	Long-term bank facilities	A+	A+	A	A
	Non-Convertible Debentures	A+	A+	A	A
CRISIL*	Non-Convertible Debentures	Not applicable	Not applicable	Not applicable	BBB+

\*Facilities matured in 2020 and subsequently discontinued

## Risk Management

Risk management is integral to our business and as a lending institution, we face financial and non-financial risks. We have established a risk management and audit framework to identify, assess, monitor and manage various types of internal and external risks. We conduct regular training of our staff members with respect to risk related matters, as part of our risk management process.

Our risk management framework is primarily driven by our eight-member Board and its subcommittees, the Audit Committee, the Asset Liability Management Committee and the Risk Management Committee, and is overseen by our full-time Chief Risk Officer, who is responsible for establishing standards for risk assessment and testing, monitoring and performing testing of the risk controls, consolidating overall risk testing results and escalating any issues to senior management and/or the Risk Management Committee.

The major types of risk we face in our businesses are market risk, interest rate risk, credit risk, liquidity risk and operational risk, cash management risk, collateral risk, reputation risk and IT risk. We have policies in place to address these risks, which are reviewed annually by senior management and approved by the Board of Directors.

### ***Risk Management Architecture***

We have formulated a 4-line-of-defense model as part of our risk management architecture, comprising:

1. *Our business and support units that are closest to the customer*— this team, being closest to our customers, is responsible for implementation of the risk mitigation policies. Key elements include:

#### *Hiring the right talent*

Our recruitment practices for new branches primarily relate to recruiting people with knowledge of the local area and those who understand the product. Local hiring assists us better understand the geographical risks and nuances of the local catchment. For our credit function, we prefer to hire people with prior relevant experience and train them before they are allowed to take credit calls. Our branch managers are subject to same level of KYC checks and diligence that are performed on our customers, including a field verification check and a credit bureau check.

#### *Combination of the right product and process*

All of our portfolio is secured against property collateral and we have not ventured into comparably riskier unsecured lending practices. In addition, we ensure that our branches are appropriately staffed, have the required technological and physical infrastructure to function as expected and can source and evaluate business using the local business and field credit teams. Each of our loan files undergoes an online encumbrance check before disbursal, which is in addition to the opinion provided by the empaneled legal teams and in-house legal team on the title of the collateral.

While the operations are decentralized, the decision-making regarding loan sanctioning is independent, that is no member of the business and collections team has any powers to sanction and disburse a loan. Even within the approval credit team, different members have different sanctioning powers based on their experience. There is a well-defined matrix for approval escalation depending on the ticket size of the loan and quality of collateral. All exceptions regarding loans are required to be handled within the Loan Origination System and are tracked and reported by the internal audit team.

#### *Measuring outcomes and providing the necessary motivation*

We believe our model of combining the business and collections teams differentiates us from our competitors. Subject to limited senior level exceptions, each member of the team is responsible for collections of the accounts sourced by them. The incentives for each member of the business and collections team are not only dependent on the business they source but also on the level of collections. This incentive structure ensures that the collections-first culture is ingrained in each member of the business and collections team.

For the credit team, incentives are structured by the number of files reviewed, independent of the ratio of files reviewed to files disbursed and/or rejected. The credit team is therefore incentivized to review each file objectively, irrespective of the final outcome. We believe this incentive structure also serves as a feedback loop to the business and collections team since over time, it provides a pattern to the team on what kind of leads get rejected and for what reasons. This improves their productivity by allowing them to focus on the most suitable leads and reject low-quality leads very early on in the business development process.

#### *Continuous monitoring and review*

We believe that continuous monitoring and review are key to maintaining asset quality in our business. For each branch, there are targets on maintaining our Stage 3 Gross Term Loans below set thresholds as well as targets on maintaining asset quality across stages and DPD groups. The performance of each Branch Manager is tracked against these metrics. Additionally, individual teams such as legal, operations and underwriting have their own quality audit teams that undertake periodic sample file reviews to ensure adherence to policies and standard operating procedures.

Within each of the business and collections and credit teams, we have also put in place a well-defined supervisory

mechanism. For example, within the business and collections team, the assistant Branch Manager reports into a Branch Manager who in turn reports into a senior branch managers or an area manager, as the case may be; the area manager is responsible for oversight on 4-6 branches; each area manager reports into a regional manager with one regional manager having oversight on 3-4 area managers; the regional managers report to the state heads who in-turn report to the Deputy Head of Business and Collections or the Chief Business Officer within the central leadership. In addition, the business and collections function has no influence over the credit function or the cash management function. This allows us to minimize risk of collusion between business and credit / cash management functions. Each of our files has an independent review of the title and legal aspects of the collateral by an independent empaneled legal firm with expertise in real estate title and legal verification in that geography. All external legal opinions are reviewed and verified by our in-house legal team. There are also annual reviews on high ticket loans and doubtful assets. The company also tracks early delinquency accounts and quick mortality accounts with intervention from senior management, where required. Each file on quick mortality accounts is reviewed periodically at the regional and central supervisory level (including intervention from MD & CEO, where required) and steps are taken to ensure speedy resolution.

2. *Our risk management department* — this department is responsible for establishing standards for risk assessment and testing, monitoring and performing testing of the risk controls, consolidating overall risk testing results and escalating any issues to senior management and / or the Risk Management Committee.

Risk management forms an integral part of our business. We continue to improve our internal policies and implement them rigorously for the efficient functioning of our business. As a lending institution, we face financial and non-financial risks. We have established a risk management and audit framework to identify, assess, monitor and manage various types of internal and external risks. We conduct regular training of our staff members with respect to risk related matters, as part of our risk management process.

Our objective in our risk management processes is to measure and monitor the various risks that we are subject to and to follow policies and procedures to mitigate and address such risks. Our risk management framework is driven by our Board and its subcommittees including the Audit Committee, the Asset Liability Management Committee and the Risk Management Committee and is overseen by our full-time Chief Risk Officer. We accord the necessary importance to prudent lending practices and have implemented adequate measures for risk mitigation, which include verification of credit history from credit information bureaus, multiple verifications of a customer's business and residence, verification of income and KYC documents submitted by the customer, technical and legal verifications of the property mortgaged, conservative loan to value and conservative installment to income ratios.

The primary risks we face in our businesses are market risk, interest rate risk, credit risk, liquidity risk, operational risk, cash management risk, collateral risk, reputation risk and IT risk. We have 26 policies put in place to address these risks that are reviewed annually by senior management and approved by the Board of Directors, as of June 30, 2022.

### ***Market Risk***

Market Risk is the risk of loss in on-balance sheet and off-balance sheet positions arising from movements in financial markets, in particular, changes in interest rates, exchange rates and equity. In line with regulatory requirements, we have a Board approved Risk Management and ALM policy. This policy provides the framework for assessing market risk, tracking events happening in market-place, changes in policies and guidelines of the Government and regulators, exchange rate movement, equity market movements and money market movements.

### ***Interest Rate Risk***

We are subject to interest rate risk, primarily since we lend to customers at rates and for maturity periods that may differ from rates and maturities offered under our financing sources, particularly variable rates. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors.

In order to manage interest rate risk, we seek to optimize our borrowing profile between short-term and long-term loans. We adopt financing strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. Assets and liabilities are categorized into various time categories based on their maturities and our Asset Liability Committee prepares an interest rate sensitivity report periodically for assessment of interest rate risks. As of June 30, 2022, 60.66% of our Total Borrowings were fixed interest rate bearing financial liabilities and 39.34% were variable interest rate bearing financial liabilities.

### ***Credit Risk***

Credit risk is the risk of loss that may occur from the default by our customers under our loan agreements. We manage credit risk through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the business function and approvers in the credit risk function. Our Board approved credit policies and procedures mitigate our prime risk which is the default risk. We have a Credit Committee for the review of the policies, process and products on an ongoing basis.

Our credit team ensures the implementation of various policies and processes through random customer visits and assessment, training of branch staff on application errors, liaison with other institutions to obtain necessary information and loan closure documents, and highlight early warning signals and industry developments enabling pro-active field risk management.

Credit sanction is done through a delegation matrix where credit sanctioning powers are defined for respective levels. Portfolio analysis and reporting is used to identify and manage credit quality and concentration risks. We have implemented a structured credit approval process, including multi-step customer verification and comprehensive credit risk assessment, which encompasses analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of a potential customer. As part of our multi-step customer verification, we have established a process by which separate set of verifications are conducted by a relationship manager, the Branch Manager and the credit officer to ensure the quality of customers acquired.

### ***Liquidity Risk***

Liquidity risk arises due to the unavailability of adequate amount of capital at an appropriate cost and tenure. We may face an ALM caused by a difference in the maturity profile of our assets and liabilities. This risk may arise from the unexpected increase in the cost of financing an asset portfolio at the appropriate maturity and the risk of being unable to liquidate a position in a timely manner and at a reasonable price. We monitor liquidity risk through our Asset Liability Committee. Monitoring liquidity risk involves categorizing all assets and liabilities into different maturity profiles and evaluating them for any mismatches in any particular maturities, particularly in the short-term. We actively monitor our liquidity position to ensure that we can meet all borrower and lender-related financing requirements.

Our treasury department secures funds from multiple sources, including banks, financial institutions, HNIs, other NBFCs and capital markets and is responsible for diversifying our capital sources, managing interest rate risks and maintaining strong relationships with our lenders and rating agencies. We continuously seek to diversify our sources of funding to facilitate flexibility in meeting our funding requirements. We maintain adequate liquidity buffers to take care of our working capital requirements and unforeseen market liquidity condition. As of June 30, 2022, we had cash and cash equivalents of ₹4,095.66 million, bank balances (other than cash and cash equivalents) of ₹3,036.44 million and undrawn borrowing facilities amounting to ₹4,788.25 million (inclusive of undrawn amounts from sanctioned cash credit facilities), with the average residual tenor of our assets being 57.70 months and the average residual tenor of our liabilities being 29.78 months.

We have an Asset Liability Management Policy in place, to manage liquidity risk, which provides for several risk management measures including diversifying our sources of capital to facilitate flexibility in meeting our financing requirements and maintaining strong capital adequacy.

### ***Operational Risk***

Operational risks arise from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, failure of computer systems, software or equipment, fraud, inadequate training or employee errors. As one of the features of our lending operations, we offer a quick loan approval process and therefore have adopted a de-centralized loan approval system detailed above. In order to control our operational risks, we have adopted clearly defined loan approval processes and procedures. We also attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking contingency planning. In addition, we have appointed audit firms to conduct internal and process audits to assess adequacy of and compliance with our internal controls, procedures and processes. Reports of the internal auditors as well as the action taken on the matters reported upon are discussed and reviewed at the Audit Committee meetings.

### ***Cash Management Risk***

Our branches collect cash from customers and deposit it in our bank accounts. In some cases, cash payments are also made by our customers to our field staff. To address the cash management risks, we have developed advanced cash management checks

that we employ at every stage to track accounts. We ensure that cash collected up to a certain time is deposited at local bank branches on the same day. Cash that is to be deposited is accounted for at the branch level and at a central level to avoid discrepancies. Moreover, we conduct regular audits to ensure compliance with our cash management systems. Further, we also have insurance policies to mitigate the risk.

### ***Collateral Risk***

Collateral risks arise due to the decrease in the value of collateral over time. The realizable price of a collateral pledged to us may be lower than the total amount of loan and interest outstanding in such borrowing and we may be unable to realize the full amount due from our customers due to such a decrease in the value of collateral. We may also face certain practical and execution difficulties during the process of enforcing the collateral of defaulting customers. We work with our customers to assist them navigate difficult periods rather than enforcing collateral, repossessing the asset and auctioning it to recover our proceeds. We believe this approach allows us to recover our dues more effectively.

### ***Reputation Risk***

We manage reputation risk by training and instructing our employees to adhere to our Fair Practices Code. We also have a grievance redressal mechanism in place, to address any customer complaints, which is communicated to all our customers. In addition, we have established a central service team, who pro-actively reach out to customers, to ensure service quality as well as adherence to company policies by our branch employees.

### ***Information Technology Risk***

We have a well-established IT infrastructure that ensures performance stability and flexibility as well as IT security. We have an IT policy which sets out processes and controls that are required to be maintained in relation to the IT systems. The policy is amended from time to time in order to be compliant with the guidelines of RBI as well as other regulatory bodies. In addition, we initiated an IT review to be conducted every two years with effect from the Financial Year 2019, to determine issues and process level gaps.

As part of our IT risk management process, we consider the information (in IT assets or IT systems) at risk, determine the consequence of compromise of such information, identify threat, recommend appropriate security controls and safeguards, and determine the reduced residual risk remaining after the controls and safeguards are implemented. We also train our new and existing staff in our IT policies, procedures and codes of conduct.

3. ***Our Audit function*** — this team is responsible for independent testing and verification of our risk framework and policies. The Audit function is divided into two parts – an external audit which is carried out by an external audit firm, and an in-house internal audit team headed by a qualified professional. This team, among other things, (i) identifies deviations and highlights areas of improvements to senior management and / or the Audit Committee and Risk Management Committee, (ii) audits each branch twice a year including random field visits, (iii) is responsible for surprise branch and cash inspections, (iv) is responsible for exception reporting to senior management, with the help of the IT team and various other departments, and (vi) is responsible for post-facto file audit on a sample basis. In addition, the internal audit team is responsible for fraud detection, reporting and resolution as also customer grievances. In our board meetings and audit committee meeting, the internal audit team is mandated to report customer grievances and processes undertaken to resolve them. As of June 30, 2022, the internal audit team had 35 employees.
4. ***Our Board of Directors and the associated committees of the Board*** — all of our risk management architecture is approved and periodically reviewed by our Board which also ensures oversight through committees including the Audit Committee, Risk Management Committee, Asset Liability Committee and Stakeholder Relationship Committee. See “Key Regulations and Policies – Key Regulations Applicable to Our Company – The Reserve Bank of India Act, as amended (the “RBI Act”) – Corporate Governance” and “Our Management – Committees of the Board” on pages 205 and 234, respectively.
  - ***Audit Committee.*** Our Audit Committee is authorized, among other things, to oversee the Company’s financial reporting process and disclosure of its financial information to ensure that its financial statements are correct, sufficient and credible; recommend to the Board the appointment, remuneration and terms of appointment of the statutory auditor of the Company; review and monitor the statutory auditor’s independence and performance, and effectiveness of audit process; and approve payments to statutory auditors for any other services rendered by the statutory auditors. The audit committee is chaired by Anand Raghavan, an independent director.

- *Risk Management Committee.* Our Risk Management Committee was formed to ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company; to monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems; to periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity; and to keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken. The risk management committee is chaired by Srinivasaraghavan Thiruvallur Thattai, an independent director. The Risk Management Committee meets once every quarter. Our Chief Risk Officer reports to the Risk Management Committee.
- *Asset Liability Committee.* Our Asset and Liability Committee was formed to monitor and manage our liquidity position by identifying short-term liquidity gaps and implementing immediate actions to correct such gaps, diversifying our sources of capital to facilitate flexibility in meeting our financing requirements, and maintaining strong capital adequacy. Its scope includes liquidity risk management, management of market risks, and financing and capital planning. This is a Committee comprising of company executives including the Chairman and Managing Director, CEO and the CFO.
- *Stakeholder Relationship Committee:* The Stakeholder Relationship Committee was formed to consider and resolve the grievances of the security holders of the Company, review measures take for effective exercise of voting rights by shareholders, review adherence to the service standards adopted by the Company in respect of various services being rendered by the registrar and share transfer agent and review various measures taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company.

## Information Technology

Information technology acts as an enabler in our business and helps us in achieving growth, scale of operations, ease of use, customer focus and secure operations. We have implemented digital solutions across various aspects of our business with these objectives in mind. For example, our credit underwriting and risk management teams utilize technology to process loan applications and analyze credit risks, which also improves the customer experience due to better customer service and engagement and faster turnaround time as a result of faster decision making. We have made strategic investments in our information technology systems and implemented automated, digitized technology-enabled platforms and proprietary tools, to strengthen our offerings and derive greater operational, cost and management efficiencies, and to keep up with technological change. From April 1, 2019 through to June 30, 2022, we have invested ₹246.02 million in our information technology systems, and as of June 30, 2022, our IT and data science teams consisted of 25 personnel. We intend to continue investment in upgrading our systems, including our data storage and backup systems, to improve our operational efficiency, customer service and decision-making process while improving our business continuity and reducing the impact of internal and external risks.

We have also undertaken the following technology measures which have kept us updated with technological development and positively impacted our business across the various functions of loan origination, underwriting, collections and risk and audit, for instance we:

- have a robust loan origination system (“**LOS**”) from login to sanction by using Nucleus FinnOne Neo CAS, a widely used LOS platform for lending businesses. We are also in the process of moving our LOS to a new platform;
- utilize an enterprise-wide loan management system (“**LMS**”), FinnOne Neo LMS, to provide an integrated platform for payment processing, receipting, general ledger, and reporting. The platform facilitates maintaining our customer history and transaction data across the tenure of the loan;
- implemented middleware and unified various internal systems and third-party service providers (like credit bureaus) with our Customer Acquisition system, and introduced hand-held devices directly linked to our CAS for field investigations by our credit team;
- commenced the configuration of a comprehensive collections system i.e. Finn One Neo Collections;

- developed a credit risk engine to provide a credit risk output based upon customer demographics and income profile, which supplements our underwriting process; and
- implemented an online payment gateway to enable our customers to make their payments via UPI and conduct regular tracking of our collections team by providing them with mobile applications to enable them to collect payments from our customers.

We also have an existing and comprehensive data lake (being our repository of data stored in its natural/raw format) which contains data from all the sub-systems being used by us to which we plan to add data from external and third party sources with a view to creating an internal single data source to aid in our data analytics and insight generation.

Through our enterprise document management system, all customer and loan documents are archived in robust and secure manner on the cloud. From login to sanction, all customer files are digital and access is available in a seamless manner to each department with due access control. Business and property collateral pictures, legal opinions, field reports and exception approvals all integrated into file workflow digitally. This ensures a rounded view of the borrower income, collateral value, title, income proxies available for process & approval credit team to view in one place.

Further, all our branches and corporate office are linked through the LMS platform that enhances data management, strengthens service delivery and serves customers in an efficient manner. At our branches, we have installed technology security systems, which helps prevent unauthorized access to our network, manage network broadcasting and provides security from spoofing attacks.

The size and complexity of our computer systems may make them potentially vulnerable to breakdowns, system integration problems, cyber-security threats such as malicious intrusion, ransomware, phishing emails, unauthorized data revision and other such computer viruses. In addition, as part of our business, we store and have access to customers' bank information, credit information and other sensitive data. See "*Risk Factors – We rely significantly on our information technology systems for our business and operations and any failure, inadequacy or security breach in such systems could adversely affect our business, results of operations and reputation*" on page 37.

### **Intellectual Property**

Our intellectual property includes trademarks, licenses and domain registrations associated with our business. We have one trademark, registered with the Registrar of Trademarks under the Trademarks Act. For details, see "*Government and Other Approvals*" on page 390.

### **Marketing**

Given the demographics and spread of our target audience, we look to connect with prospective customers largely through our local outreach activities undertaken to create visibility in our target markets. We undertake local marketing activities, local branding and advertising through distribution of leaflets and posters and also shop to shop marketing by our branch employees in the target market. In addition, we also provide branded merchandise to our partners/ sales force to create a stronger recall with the target audience.

### **Competition**

The small business finance industry in India is highly competitive. We face competition from other NBFCs as well as scheduled commercial banks. In addition to NBFCs and banks, we face competition from unorganized small market participants who are prevalent in semi-urban and urban landscapes, local money lenders in urban areas, and small finance banks which are also focused on lending to low and middle income segments and micro, small and medium enterprises and unorganized money-lenders.

We generally compete on the basis of our product offerings and ticket sizes, reach of branches, turnaround time and simple, transparent and efficient loan process, as well as trained and skilled employee base, with our competitors. Our competitors include Shriram City Union Finance Limited, Vistaar Financial Services Private Limited, Veritas Financial and Management Services Private Limited, Aye Finance, Lendingkart Technologies Private Limited, Digikredit Finance Pvt Ltd and AU Small Finance Bank, Aavas Financiers Limited, Home First Finance Company India and Aptus Value Housing Finance India.

Among such competitors, we consider a subset of large peers, being those entities with more than ₹30,000 million in Gross Term Loans, as our closest competitors. These are Shriram City Union Finance Limited, Aavas Financiers Limited, Home

First Finance Company India, Aptus Value Housing Finance India and AU Small Finance Bank.

In addition, for the purposes of certain peer comparison data, being best asset quality and lowest credit costs, the CRISIL Report has identified a subset of lenders engaged in extending MSME business loans shall, comprising Shriram City Union Finance Limited, Lendingkart Technologies Private Limited, Vistaar Financial Services Private Limited, Veritas Financial and Management Services Private Limited, Aye Finance, and Digikredit Finance Pvt Ltd.

See “Risk Factors – The Indian small business finance industry is highly competitive and our inability to compete effectively could adversely affect our business and results of operations.” on page 34.

## Insurance

We maintain insurance policies that are customary for companies operating in our industry. Our principal types of coverage policies include directors’ and officers’ liability insurance, insurance for medical expenses, personal accident insurance, and money insurance policy pertaining to cash in safes and in transit insurance, as well as a combined corporate policy which covers, among others, fidelity insurance, burglary, fire and allied perils.

See also “Risk Factors – Our insurance coverage may not be sufficient or may not adequately protect us against all material hazards, which may adversely affect our business, results of operations and financial condition.” on page 39.

## Employees

As of June 30, 2022, we had 6,077 employees. We recruit after conducting reference checks and our new employees undergo training. We conduct training programs on a periodic basis for our employees on lending operations, underwriting and due diligence, KYC and anti-money laundering norms, risk management, information technology, and grievance redressal. We also constantly engage with our employees through programs such as periodic review meetings, conferences, and refresher trainings.

We also offer ESOPs to select employees and have good incentive systems for the field staff. Our frontline staff (business and collections, credit, operations, cashier and legal departments) are eligible for these incentive schemes. Members of senior management are paid incentives based on senior leadership’s discretion and our performance whereas other employees (primarily in business and collections and support service functions) receive nominal bonus. Following are the key incentive schemes:

- Incentives based on business and collections targets;
- Incentives based on Stage 3 Asset targets;
- Credit incentives based on file processing; and
- Productivity incentives to Support functions.

In addition to compensation that includes both salary and allowances (including performance linked bonuses), we provide our employees with other benefits which include insurance coverage, medical reimbursements and employee stock options. As of June 30, 2022, 301 employees are covered under our ESOP program.

The following table sets forth the function wise split of our employees, as of June 30, 2022:

Function	Number of employees
Senior Management	21
Business and Collections (Branch)	4,149
Business and Collections (Supervisory team including at Corporate Office)	232
Field Credit (Branch)	324
File Credit i.e. Process & Approval Credit (Branch)	141
Field and File Credit (Supervisory team including at Corporate Office)	14
Legal and technical	49
Internal Audit	35
Operations (Branch)	470
Operations (Corporate Office)	131



Function	Number of employees
Information Technology	25
Human Resources	16
Accounts (Branch)	401
Accounts (Corporate Office)	53
Administration and Other Support function	16
<b>Total</b>	<b>6,077</b>

### Corporate Social Responsibility

We have adopted a Corporate Social Responsibility (“CSR”) policy in compliance with the requirements of the Companies Act 2013 and the Companies (Corporate Social Responsibility) Rules, 2014, as amended notified by the Central Government. Our CSR policy specifies certain focus areas for us, such as education, health and livelihood needs of deserving people. The CSR Committee is responsible for identifying projects to be conducted in these focus areas and for related contributions to be made by us.

We are a growing company and are committed towards social welfare of the common people as we cater the needs of self-employed, informal segment of customers, belonging to middle income, primarily from semi urban and urban markets. In particular, we focus on education, health and livelihood by contributing, among others, to Sri Sathya Sai Institute of Educare, Tamil Nadu Disaster Management Fund, PM CARES Fund, The Pride India, SNEHA (Society for Nutrition Education and Health Action). Our presence, primarily in the semi-urban and urban markets, as well as in rural markets of India also provides employment opportunities in these regions since we primarily recruit our employees locally. As of June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021 and March 31, 2020, ₹37,157.15 million, or 70.15% of our Gross Term Loans, ₹30,932.55 million, or 67.58% of our Gross Term Loans, ₹36,666.84 million, or 72.36% of our Gross Term Loans, ₹29,407.41 million, or 66.15% of our Gross Term Loans and ₹22,704.62 million, or 58.33% of our Gross Term Loans, respectively, were from customers who belonged to the low-income group, earning not more than ₹25,000 per month. Our customers are generally not served by traditional financing institutions and by providing them employment opportunities, we are fulfilling an important social objective of economic upliftment for these segments of the Indian society.

### Properties

Our Registered Office and Corporate Office is located at New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai 600 010, Tamil Nadu, India, which is situated on leased premises.

As of June 30, 2022, we have a network of 311 branches, all of which are located on leased premises. We also own two vacant properties located in Tamil Nadu, purchased in 2015, with a book value of ₹0.36 million, as of June 30, 2022. These properties have been leased from unrelated third parties. The period of lease typically ranges from 11 months to 9 years, and the rentals are typically payable on the basis of prevailing market rates depending on the geographical location of the property. The advance deposit on properties leased ranges from nil to approximately ₹7.00 million. None of the lease agreements have been entered into with related parties. For further details, see “*Other Financial Information — Related Party Transactions*” on page 345.

## KEY REGULATIONS AND POLICIES

Given below is a summary of certain sector specific key laws and regulations in India, which are applicable to our Company. The information detailed in this section has been obtained from various statutes, regulations and/or local legislations and the bye laws of relevant authorities that are available in the public domain. This description may not be exhaustive and is only intended to provide general information to investors, and is neither designed, nor intended as a substitute for professional legal advice. The statements below are based on the current provisions of applicable law, which are subject to change or modification by subsequent legislative, regulatory, administrative, or judicial decisions. For details regarding the registrations and approvals obtained by our Company under applicable laws and regulations see, "Government and other Approvals" beginning on page 390.

### 1. Key Regulations Applicable to Our Company

#### *The Reserve Bank of India Act, as amended (the "RBI Act")*

The RBI Act defines an NBFC as: (a) a financial institution which is a company; (b) a non-banking institution which is a company and which is in the principal business of receiving deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or (c) such other non-banking institution or class of institutions, as the RBI may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.

A company categorized as an NBFC is required to have a net owned fund of ₹2.5 million or such other amount, not exceeding ₹1,000 million, as the RBI may, by notification in the official gazette specify from time to time. Further, NBFCs are required to obtain a certificate of registration from the RBI prior to commencement of the business as an NBFC.

Every NBFC is required to create a reserve fund and transfer thereto a sum not less than 20% of its net profit every year, as disclosed in the profit and loss account and before any dividend is declared. No appropriation can be made from such fund by the NBFC except for the purposes specified by the RBI from time to time and every such appropriation shall be reported to the RBI within 21 days from the date of such withdrawal.

#### *Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016, as amended (the "Master Directions")*

##### *Applicability*

The Master Directions are applicable to the following categories of NBFCs ("**Applicable NBFCs**"):

- i. Systemically Important Non-Deposit taking Non-Banking Financial Company ("**NBFC-ND-SIs**") registered with the RBI under the provisions of the RBI Act;
- ii. Non-Banking Finance Company – Micro Finance Institutions registered with the RBI under the provisions of the RBI Act and having an asset size of ₹5,000 million and above;
- iii. Deposit taking NBFCs registered with the RBI under the provisions of the RBI Act;
- iv. NBFC-Factors (as defined in the Master Directions) and registered under Section 3 of the Factoring Regulation Act, 2011, as amended, having an asset size of ₹5,000 million and above;
- v. Infrastructure Debt Fund – Non-Banking Financial Company (as defined in the Master Directions) registered with the RBI under the provisions of RBI Act; and
- vi. NBFC – Infrastructure Finance Company (as defined in the Master Directions) registered with the RBI under the provisions of the RBI Act, having an asset size of ₹5,000 million and above.

An NBFC-ND-SI has been defined under the Master Directions to mean an NBFC not accepting or holding public deposits and having total assets of ₹5,000 million and above as shown in the last audited balance sheet and a minimum net owned fund of ₹20 million.

##### *Corporate Governance*

### Constitution of Committees

All Applicable NBFCs are required to constitute the committees disclosed below:

- i. **Audit Committee:** An NBFC is required to constitute an audit committee consisting of not less than three members of its board of directors. The audit committee constituted by an NBFC as required under Section 177 of the Companies Act, 2013 shall be the audit committee for the purposes of the Master Directions as well, and its powers and functions shall be as provided under Section 177 of the Companies Act, 2013.
- ii. **Nomination Committee:** NBFCs are required to constitute a nomination committee to ensure 'fit and proper' status of proposed or existing directors, which shall have the same powers and functions as the nomination and remuneration committee required to be constituted under Section 178 of the Companies Act, 2013.
- iii. **Risk Management Committee:** NBFCs are required to constitute a risk management committee to manage the integrated risk.
- iv. **Asset Liability Management Committee:** NBFCs are required to constitute an asset liability management committee. The asset liability management committee is required to be headed by the chief executive officer/ managing director or the executive director of such NBFC, as prescribed under the Master Directions.

### Fit and Proper Criteria

Applicable NBFCs are required to (a) maintain a policy approved by the board of directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis, in line with the guidelines prescribed under the Master Directions; (b) obtain a declaration and undertaking from directors giving additional information on the directors, in the format prescribed under the Master Directions; (c) obtain a deed of covenant signed by directors, in the format prescribed under the Master Directions; and (d) furnish to the RBI a quarterly statement on change of directors and a certificate from the managing director of the Applicable NBFCs that fit and proper criteria in selection of the directors has been followed. The statement must be submitted to the regional office of the Department of Non-Banking Supervision of the RBI where the Applicable NBFC is registered, within 15 days of the close of the respective quarter. The statement submitted for the quarter ending March 31, is required to be certified by the auditors.

### *Disclosures and Transparency*

Applicable NBFCs are required to place before the board of directors, at regular intervals, as may be prescribed by their respective boards of directors, the following:

- i. progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the concerned Applicable NBFC; and
- ii. conformity with corporate governance standards including composition of committees, their roles and functions, periodicity of the meetings and compliance with coverage and review functions and so on.

Applicable NBFCs are required to disclose the following in their annual financial statements:

- i. registration/licence/authorization obtained from other financial sector regulators;
- ii. ratings assigned by credit rating agencies and migration of ratings during the year;
- iii. penalties, if any, levied by any regulator;
- iv. information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries and
- v. asset-liability profile, extent of financing of parent company products, non-performing assets and movement of non-performing assets, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures, as prescribed under the Master Directions

Applicable NBFCs shall rotate the partners of the chartered accountant firm conducting the audit, every three years so that the same partner shall not conduct audit of such NBFC continuously for more than three years. Further, such

NBFCs shall frame their internal guidelines on corporate governance with the approval of the board of directors which shall be published on their respective websites.

#### *Acquisition or Transfer of Control*

Applicable NBFCs are required to obtain prior written permission of RBI for (a) any takeover or acquisition of control, which may or may not result in change in management, (b) any change in the shareholding, including progressive increases over time, which would result in acquisition or transfer of shareholding of 26% or more of the paid-up equity capital (no prior approval is required if the shareholding going beyond 26% is due to buy-back of shares or reduction in capital where it has approval of a competent court but must be reported to the RBI within one month of the occurrence), and (c) any change in the management of the Applicable NBFCs, which results in change in more than 30% of the directors, excluding independent directors, provided that no prior approval shall be required in case of directors who get re-elected on retirement by rotation.

#### *Prudential Norms*

All NBFCs are required to maintain CRAR consisting of Tier I and Tier II capital which shall not be less than 15% of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items. The Tier I capital in respect of Applicable NBFCs, at any point of time, shall not be less than 10%.

#### *Liquidity Risk Management Framework and Liquidity Coverage Ratio*

##### Liquidity Risk Management Framework

Applicable non-deposit taking NBFCs are required to adhere to the liquidity risk management guidelines prescribed under the Master Directions. The guidelines, *inter alia*, require the board of directors of the Applicable NBFC to formulate a liquidity risk management framework detailing entity-level liquidity risk tolerance, funding strategies, prudential limits, framework for stress testing, liquidity planning under alternative scenarios, nature and frequency of management reporting, and periodical review of assumptions used in liquidity projections.

##### Liquidity Coverage Ratio

Pursuant to the RBI circular dated November 4, 2019, on ‘Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies’, all non-deposit taking NBFCs with asset size of ₹100 billion and above, and all deposit taking NBFCs irrespective of their asset size, are required to maintain a liquidity buffer in terms of liquidity coverage ratio which will promote resilience of NBFCs to potential liquidity disruptions by ensuring that they have sufficient high quality liquid asset to survive any acute liquidity stress scenario lasting for 30 days. The stock of high quality liquid asset to be maintained by the NBFCs is required to be a minimum of 100% of total net cash outflows over the next 30 calendar days. The liquidity coverage ratio requirement is binding on NBFCs from December 1, 2020 with the minimum high quality liquid assets to be held being 50% of the liquidity coverage ratio, progressively reaching up to the required level of 100% by December 1, 2024, in accordance with the time-line prescribed below:

<b>From</b>	December 1, 2020	December 1, 2021	December 1, 2022	December 1, 2023	December 1, 2024
<b>Minimum Liquidity Coverage Ratio</b>	50%	60%	70%	85%	100%

All non-deposit taking NBFCs with asset size of ₹50 billion and above but less than ₹100 billion are required to also maintain the required level of liquidity coverage ratio in accordance with the time-line given below:

<b>From</b>	December 1, 2020	December 1, 2021	December 1, 2022	December 1, 2023	December 1, 2024
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<b>Minimum Liquidity Coverage Ratio</b>	30%	50%	60%	85%	100%
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### *Asset Classification and Provisioning Norms*

All NBFCs are required to adopt the asset classification and provisioning norms as set forth below:

#### Asset Classification

- i. a “standard asset” means the asset in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business; and
- ii. a “sub-standard asset” means (a) an asset which has been classified as non-performing asset for a period not exceeding 12 months; (b) an asset where the terms of the agreement regarding interest and/or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms. However, the classification of infrastructure loans as sub-standard assets is subject to the conditions stipulated in the Master Direction.
- iii. a “doubtful asset” means (a) a term loan, or (b) a lease asset, or (c) a hire purchase asset, or (d) any other asset, which remains a sub-standard asset for a period exceeding 12 months.
- iv. a “loss asset” means (a) an asset which has been identified as loss asset by an Applicable NBFC or its internal or external auditor or by the RBI during the inspection of the Applicable NBFC, to the extent it is not written off by the Applicable NBFC; and (b) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.
- v. a “non-performing asset” means: (a) an asset for which interest or principal payment has remained overdue for a period of three months or more; (b) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of three months or more or on which interest amount remained overdue for a period of six months or more; (c) a demand or call loan, which remained overdue for a period of three months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more; (d) a bill which remains overdue for a period of three months or more; (e) the interest in respect of a debt or the income on receivables under the head ‘other current assets’ in the nature of short term loans/advances, which facility remained overdue for a period of three months or more; (f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of three months or more; (g) the lease rental and hire purchase instalment, which has become overdue for a period of three months or more; (h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/beneficiary when any of the above credit facilities becomes non-performing asset. Provided that in the case of lease and hire purchase transactions, an Applicable NBFC is required to classify each such account on the basis of its record of recovery.

#### Provisioning Norms

In addition to provisioning norms under applicable accounting standards, and under the Master Directions, all Applicable NBFCs are required to, after taking into account the time lag between an account becoming nonperforming, its recognition as such, the realisation of the security and the erosion over time in the value of security charged, make provision against sub-standard assets, doubtful assets and loss assets as provided hereunder:

S. No.	Provisioning Requirement
1.	<b>Loans, advances and other credit facilities including bills purchased and discounted</b>

S. No.	Provisioning Requirement											
	(i) Loss Assets	The entire asset is to be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding is to be provided for.										
	(ii) Doubtful Assets	<p>(a) 100% provision to the extent to which the advance is not covered by the realizable value of the security to which the Applicable NBFC has a valid recourse is to be made. The realizable value is to be estimated on a realistic basis.</p> <p>(b) In addition to (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e., estimated realizable value of the outstanding) is to be made on the following basis –</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Period for which the asset has been considered as doubtful</th> <th style="text-align: center;">Per cent of provision</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Up to one year</td> <td style="text-align: center;">20%</td> </tr> <tr> <td style="text-align: center;">One to three years</td> <td style="text-align: center;">30%</td> </tr> <tr> <td style="text-align: center;">More than three years</td> <td style="text-align: center;">50%</td> </tr> </tbody> </table>	Period for which the asset has been considered as doubtful	Per cent of provision	Up to one year	20%	One to three years	30%	More than three years	50%		
Period for which the asset has been considered as doubtful	Per cent of provision											
Up to one year	20%											
One to three years	30%											
More than three years	50%											
	(iii) Sub-standard Assets	A general provision of 10% of total outstanding is to be made.										
2.	<b>Lease and hire purchase assets -</b>											
	(i) Hire purchase Assets	<p>I. In respect of hire purchase assets, the total dues (overdue and future instalments taken together) as reduced by -</p> <p>(a) the finance charges not credited to the profit and loss account and carried forward as unmaturing finance charges; and</p> <p>(b) the depreciated value of the underlying asset, is to be provided for.</p> <p><u>Explanation:</u> (i) the depreciated value of the asset is to be notionally computed as the original cost of the asset to be reduced by depreciation at the rate of 20% per annum on a straight line method; and (ii) in the case of second hand asset, the original cost is to be the actual cost incurred for acquisition of such second hand asset.</p> <p>II. Additional provision for hire purchase and leased assets:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>Where hire charges or lease rentals are overdue upto 12 months</td> <td>Nil</td> </tr> <tr> <td>Where hire charges or lease rentals are overdue for more than 12 months upto 24 months</td> <td>10% of the net book value</td> </tr> <tr> <td>Where hire charges or lease rentals are overdue for more than 24 months but upto 36 months</td> <td>40% of the net book value</td> </tr> <tr> <td>Where hire charges or lease rentals are overdue for more than 36 months but upto 48 months</td> <td>70% of the net book value</td> </tr> <tr> <td>Where hire charges or lease rentals are overdue for more than 48 months</td> <td>100% of the net book value</td> </tr> </tbody> </table> <p>III. On expiry of a period of 12 months after the due date of the last instalment of hire purchase/leased asset, the entire net book value is to be fully provided for</p>	Where hire charges or lease rentals are overdue upto 12 months	Nil	Where hire charges or lease rentals are overdue for more than 12 months upto 24 months	10% of the net book value	Where hire charges or lease rentals are overdue for more than 24 months but upto 36 months	40% of the net book value	Where hire charges or lease rentals are overdue for more than 36 months but upto 48 months	70% of the net book value	Where hire charges or lease rentals are overdue for more than 48 months	100% of the net book value
Where hire charges or lease rentals are overdue upto 12 months	Nil											
Where hire charges or lease rentals are overdue for more than 12 months upto 24 months	10% of the net book value											
Where hire charges or lease rentals are overdue for more than 24 months but upto 36 months	40% of the net book value											
Where hire charges or lease rentals are overdue for more than 36 months but upto 48 months	70% of the net book value											
Where hire charges or lease rentals are overdue for more than 48 months	100% of the net book value											

### Standard Asset Provisioning

All Applicable NBFCs are required to make provisions for standard assets at 0.40% of the outstanding, which shall not be reckoned for arriving at the net NPAs. The provision towards standard assets shall not be netted from gross advances but are required to be shown separately as ‘Contingent Provisions against Standard Assets’ in the balance sheet of the Applicable NBFCs.

### Balance Sheet Disclosures

- (i) Applicable NBFCs are required to separately disclose in their balance sheets the provisions made, as prescribed under the Master Directions, without netting them from income or against the value of assets.
- (ii) The provisions are to be distinctly indicated under separate heads of account as:
  - (a) Provisions for bad and doubtful debts; and
  - (b) Provisions for depreciation in investments.
- (iii) Such provisions shall not be appropriated from the general provisions and loss reserves held, if any, by the Applicable NBFC.
- (iv) Such provisions for each year are required to be debited to the profit and loss account. The excess of provisions, if any, held under the heads general provisions and loss reserves are required to be written back without making adjustment against them.
- (v) Additionally, Applicable NBFCs are required to disclose: (a) Capital to risk assets ratio; (b) exposure to real estate sector, both direct and indirect; and (iii) maturity pattern of assets and liabilities.

#### Regulation of Excessive Interest Charged by NBFCs

- (i) The board of directors of each Applicable NBFC is required to adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest, the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers are required to be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- (ii) The rates of interest and the approach for gradation of risks are also required to be made available on the website of the Applicable NBFCs or published in the relevant newspapers. The information published in the website or otherwise published is required to be updated whenever there is a change in the rates of interest.
- (iii) The rate of interest must be annualized rate so that the borrower is aware of the exact rates that would be charged to the account.

Although rates of interest charged by NBFCs are not regulated by the RBI, rates of interest beyond a certain level may be seen to be excessive. The board of directors of Applicable NBFCs are required to layout appropriate internal principles and procedures in determining interest rates and processing and other charges.

#### Accounting Standards

Accounting Standards and guidance notes issued by the Institute of Chartered Accountants of India are required to be followed by NBFCs insofar as they are not inconsistent with any of the provisions of the Master Directions.

#### Fair Practices Code

All Applicable NBFCs having customer interface are required to adopt a fair practices code in line with the guidelines prescribed under the Master Directions. The Master Directions stipulate that such fair practices code should cover, inter alia, the form and manner of processing of loan applications; loan appraisal and terms and conditions thereof; and disbursement of loans and changes in terms and conditions of loans. The Master Directions also prescribe general conditions to be observed by Applicable NBFCs in respect of loans, and requires the board of directors of Applicable NBFCs to lay down a grievance redressal mechanism. Such fair practices code should preferably be in vernacular language or language understood by borrowers of the Applicable NBFCs.

Further, all Applicable NBFCs are to frame internal guidelines on corporate governance, enhancing the scope of the guidelines without sacrificing the underlying spirit of the guidelines stipulated in the Master Directions. The guidelines framed are required to be published on the NBFC's website for the information of various stakeholders.

#### ***Prevention of Money Laundering Act, 2002 ("PMLA")***

The PMLA was enacted to prevent money laundering and to provide for confiscation of property derived from, or involved, in money laundering, and for incidental matters connected therewith. Section 12 of the PMLA inter alia casts

certain obligations on reporting entities (as defined under the PMLA) in relation to preservation of records and reporting of transactions.

***Master Direction (Know Your Customer) Directions, 2016 dated February 25, 2016, as amended (the “KYC Directions”)***

The KYC Directions require regulated entities (as defined in such directions) to follow certain customer identification procedures while undertaking a transaction. These directions are applicable to every entity regulated by RBI, including scheduled commercial banks, regional rural banks, local area banks, primary (urban) co-operative banks, state and central co-operative banks, all India financial institutions, NBFCs, miscellaneous non-banking companies and residuary non-banking companies, amongst others. Every entity regulated thereunder is required to adopt a ‘know your customer’ (“KYC”) policy, duly approved by its board of directors, which shall include four key elements, namely, customer acceptance policy; risk management policy; customer identification procedures; and monitoring of transactions. Regulated entities are required to ensure compliance with the KYC policy through specifying ‘senior management’ for the purposes of KYC compliance; allocation of responsibility for effective implementation of policies and procedures; independent evaluation of compliance with KYC and anti-money laundering policies and procedures, including legal and regulatory requirements; concurrent/internal audit system for compliance to verify compliance with KYC and anti-money laundering; and submission of quarterly audit notes and compliance to the audit committee of the board of directors of the regulated entity.

***Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 dated September 29, 2016 (“Monitoring of Frauds Directions”)***

The Monitoring of Frauds Directions are applicable to all deposit taking NBFCs and NBFC-ND-SIs, and requires them to put in place a reporting system for recording of frauds. All frauds are required to be reported to the RBI. Fraud reports are required to be submitted to the Central Fraud Monitoring Cell of the RBI in case amount of fraud ₹ 10 million and above. In cases where the amount of fraud is less than ₹10 million, reports shall be sent to the regional office of the Department of Non-Banking Supervision of the RBI, under whose jurisdiction the registered office of the related entity falls. The amounts involved in frauds reported by the entity shall be disclosed in its balance sheet for the year of such reporting. The Monitoring of Frauds Directions also requires submission of a copy of quarterly reports on frauds outstanding to the regional office of the RBI within 15 days of the end of each quarter to which it relates, in the format prescribed.

***Master Direction - Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016, dated September 29, 2016 (“Returns Master Direction”)***

The Returns Master Direction lists detailed instructions in relation to submission of returns prescribed by the RBI for various categories of NBFCs, including their periodicity, reporting time, due date, and the purpose of filing such returns.

***Master Direction - Information Technology Framework for the NBFC Sector Directions, dated June 8, 2017 (“IT Framework Directions”)***

The IT Framework Directions have been notified with the view of benchmarking the information technology/information security framework, business continuity planning, disaster recovery management, information technology (“IT”) audit and other processes to best practices for the NBFC sector. Systemically important NBFCs (i.e., NBFCs with an asset size of above 5,000 million) are required to comply with the IT Framework Directions by June 30, 2018. The IT Framework Directions require all systemically important NBFCs to undertake IT governance through formation of an IT strategy committee and formulation of a board approved IT policy. They also require systemically important NBFCs to conduct an information system audit at least once in a year.

In addition to the above IT Framework Directions, we are also required to comply with the Information Technology Act, 2000, as amended, and the rules framed thereunder.

***Master Direction - Non-Banking Financial Companies Auditor’s Report (Reserve Bank) Directions, 2016 dated September 29, 2016 (“Auditor’s Report Directions”)***

The Auditor’s Report Directions set out disclosures that are to be included in every auditor’s report on the accounts of an NBFC such as: (i) the validity of such NBFC’s certificate of registration and whether the NBFC is entitled to



continue to hold such certificate of registration in terms of its principal business criteria as of March 31 of the applicable year; and (ii) compliance with net owned fund requirements as laid down in the Master Directions.

***Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs, 2017 dated November 9, 2017 (“Outsourcing Directions”)***

The Outsourcing Directions specify the activities that cannot be outsourced and provide the basis for deciding materiality of outsourcing. It mandates the regulatory and supervisory requirements and risk management practices to be complied with by every NBFC before outsourcing its activities. Further, an NBFC intending to outsource any of the permitted activities under the Outsourcing Directions is required to formulate an outsourcing policy which is to be approved by its board of directors.

***Guidelines on Risk-based Internal Audit (“RBI”) System for Select NBFCs and Urban Co-operative Banks (the “RBI Guidelines”)***

RBI for non-deposit taking NBFCs with an asset size of ₹50 billion and above (the “**RBI Applicable NBFCs**”), was mandated by the RBI through its notification dated February 3, 2021 bearing reference number DoS.CO.PPG./SEC.05/11.01.005/2020-21. Under the RBI Guidelines, RBI Applicable NBFCs are required to implement the RBI framework by March 31, 2022. The RBI Guidelines, inter alia, are intended to enhance the efficacy of internal audit systems and contribute to the overall improvement of governance, risk management and control processes followed by RBI Applicable NBFCs. Under the RBI Guidelines, the board of directors of the RBI Applicable NBFC must approve a policy clearly documenting the purpose, authority, and responsibility of the internal audit activity, with a clear demarcation of the role and expectations from risk management function and the RBI function. It’s also mandated that the policy be reviewed periodically, and that the internal audit function not be outsourced. Further, the RBI Guidelines also require that the risk assessment of business and other functions of RBI Applicable NBFCs should be conducted at least on an annual basis.

***Circular dated June 24, 2021 on Declaration of Dividends by NBFCs (“Dividend Circular”)***

The Dividend Circular specifies, inter alia, certain minimum prudential requirements (relating to its capital adequacy, net NPA and other criteria) for an NBFC to be eligible to declare dividend, the maximum permissible dividend payout ratio, the considerations to be taken into account by the board of directors of an NBFC while considering the proposal to declare dividend (such as supervisory findings of the RBI on divergence in classification and provisioning of NPAs, qualifications in the auditors’ report to the financial statements, and long term growth plans) and the manner of reporting details of dividends declared. The Dividend Circular will be applicable to NBFCs for the declaration of dividends from the profits of the financial year ending March 31, 2022 and onwards.

***Master Circular dated January 5, 2022 on Bank Finance to Non- Banking Financial Companies***

The circular lays down RBI’s regulatory policy regarding financing of NBFCs by banks. The circular specifies, inter alia, certain guidelines for bank finance to NBFCs registered with RBI and bank finance to NBFCs not requiring registration. The circular further specifies activities which are not eligible for bank credits (such as certain bills discounted/rediscouted by NBFCs, investments of NBFCs both of current and long-term nature and unsecured loans by NBFCs to any company) and other prohibitions on bank finance to NBFCs. The aforesaid circular also prescribes the prudential ceilings for exposure of banks to NBFCs.

***Reserve Bank of India’s Master Circular on Prudential norms on income recognition, asset classification and provisioning pertaining to advances dated October 1, 2021 (“Master Circular on Prudential Norms”)***

The RBI, pursuant to its “Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances” issued on October 1, 2021, classifies NPAs into (i) standard assets; (ii) doubtful assets; and (iii) loss assets. The circular also specifies provisioning requirements specific to the classification of the assets. The Master Circular on Prudential Norms also lays down guidelines for classification of assets. It also urges the banks to ensure that while granting loans and advances, realistic repayment schedules may be fixed on the basis of cash flows with borrowers. Further, the Master Circular on Prudential Norms states that policy of income recognition should be objective and based on record of recovery rather than on any subjective considerations. Similarly, the classification of assets of banks has to be done based on objective criteria which would ensure a uniform and consistent application of the norms.

RBI further issued “Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications” on November 12, 2021, read with its clarifications dated February 15, 2022, with a view to ensuring uniformity in the implementation of income recognition, asset classification and provisioning norms across all lending institutions. The circular, amongst other matters, requires borrower accounts to be flagged as overdue by lending institutions as part of their day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as special mention accounts (“SMA”) as well as NPA is required to be undertaken as part of day-end processes for the relevant date, such that the date of SMA/ NPA shall reflect the asset classification status of an account at the day-end of that calendar date. The circular clarifies that the SMA classification requirement for borrower accounts is applicable to all loans, including retail loans, irrespective of size of exposure of the lending institution. Further, the circular provides that upgradation of accounts classified as NPAs may be upgraded to ‘standard’ only if the entire arrears of interest and principal are paid by the borrower, as opposed to such upgradation being undertaken upon payment of only interest overdues.

The clarifications were made applicable immediately from the date of circular except for the instructions related to specification of due date / repayment date which were made applicable from December 31, 2021 and instructions related to non-performing assets classification in case of interest payments and customer education which will be applicable from March 31, 2022 onwards.

### ***The Ombudsman Scheme for Non-Banking Financial Companies, 2018 (the “Ombudsman Scheme”)***

The Ombudsman Scheme was introduced by the RBI with the object of enabling resolution of complaints in respect of certain services rendered by particular categories of NBFCs, to facilitate the satisfaction or settlement of such complaints, and matters connected therewith.

The Ombudsman Scheme, inter alia, establishes the office of the ombudsman, specifies the procedure for the redressal of grievances and the mechanism for appeals against the awards passed by the ombudsman.

Further, the RBI through its ‘Statement on Developmental and Regulatory Policies’ dated February 5, 2021, proposed the integration of the Ombudsman Scheme with the Banking Ombudsman Scheme, 2006 and the Ombudsman Scheme for Digital Transactions, 2019 under the ‘One Nation One Ombudsman’ approach for grievance redressal. This is intended to make the process of redress of grievances easier by enabling the customers of the banks, NBFCs and non-bank issuers of prepaid payment instruments to register their complaints under the integrated scheme, with one centralized reference point. The scheme was rolled out in June, 2021.

### ***Pension Fund Regulatory and Development Authority Act, 2013, as amended (the “PFRDA Act”)***

The PFRDA Act establishes the Pension Fund Regulatory and Development Authority (the “PFRDA”). The PFRDA’s functions include: (i) the promotion old age income security by establishing, developing and regulating pension funds; (ii) protecting the interests of subscribers to schemes of pension funds; and (iii) regulating other connected or incidental matters.

The PFRDA Act empowers the PFRDA to grant registrations and permit persons to act as a point of presence for the purpose of receiving contribution and instructions, transmitting them to a trustee bank or the central record keeping agency, as the case may be, and paying out benefits to subscribers. The PFRDA Act empowers the PFRDA to issue regulations, from time to time, to provide, inter alia, for: (a) the manner of receiving contributions and instructions and transmitting them to the trustee bank or central record keeping agency; (b) functioning of points of presence; and (c) the manner in which a pension fund may receive contributions, accumulate them and make payments to subscribers.

## **2. Restrictions in Foreign Ownership applicable to our Company**

### ***The Consolidated FDI Policy Circular of 2020 (No. 5(2)/2020) dated October 15, 2020, as amended (“FDI Policy”) issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (“DPIIT”)***

Foreign investment in NBFCs, carrying on activities approved for FDI, is subject to the conditions specified in Paragraph 3.8.3.1 of the FDI Policy. Pursuant to the FDI Policy, FDI of up to 100% is permitted under the automatic route in our Company.

Foreign investment in securities issued by Indian companies, such as us, is also regulated by the RBI, including through the FEMA.

### 3. COVID-19 Regulatory Framework

In view of the outbreak of the COVID-19 pandemic, the RBI issued various circulars and prescribed other regulatory frameworks and relaxations governing NBFCs to deal with the disruptions caused by the COVID-19 pandemic.

#### *Circular dated March 16, 2020*

Pursuant to its circular dated March 16, 2020 (Reference No. RBI/2019-20/172 DoS.CO.PPG.BC.01/1L0T005/2019-20), the RBI provided an indicative list of actions to be taken by NBFCs as part of their operations and business continuity plans. Among others, the actions included taking steps to share important instructions/strategy with the staff members at all levels and sensitizing the staff members about preventive measures/steps to be taken in suspected cases, based on the instructions received from health authorities from time-to-time, taking stock of critical processes and revisiting business continuity plan in the emerging situations/scenarios with the aim of continuity in critical interfaces and preventing any disruption of services, due to absenteeism either driven by the individual cases of infections or preventive measures.

#### *Circulars dated March 27, 2020 and April 17, 2020*

The RBI, pursuant to its circular dated March 27, 2020 (Reference No. RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20), announced certain regulatory measures, including, inter alia, to mitigate the burden of debt servicing brought about by disruptions on account of the COVID-19 pandemic and to ensure the continuity of viable businesses. In furtherance of such circular, lending institutions were permitted to grant a moratorium of three months on payment of all instalments (including all (i) principal and/or interest components; (ii) bullet repayments; (iii) equated monthly instalments; and (iv) credit card dues) falling due between March 1, 2020 and May 31, 2020 in respect of all term loans (including agricultural term loans, retail and crop loans) ("**Moratorium Period**"). Additional relaxations were granted in relation to the calculation of 'drawing power' in respect of working capital facilities sanctioned in the form of cash credit/overdraft ("**CC/OD**") to borrowers. Under the circular, such measures were not to be treated as a concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower under paragraph 2 of the Annexure to the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 ("**Prudential Framework**") and availing of such measures, by itself, was not to result in asset classification downgrade. The rescheduling of payments, including interest, did not qualify as a default for the purposes of supervisory reporting and reporting to credit information companies ("**CICs**") by the lending institutions. CICs were instructed to ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries. The circular also stated that wherever the exposure of a lending institution to a borrower is ₹50 million or above as on March 1, 2020, the lending institution was required to develop an MIS on the reliefs provided to its borrowers which was required to, inter alia, include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted. Further, pursuant to its circular dated April 17, 2020 (Reference No. RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20), the RBI provided detailed instructions in relation to (i) asset classification under the prudential norms on income recognition, asset classification and (ii) provisioning requirements.

#### *Circular dated May 23, 2020*

Pursuant to its circular dated May 23, 2020 (Reference No. RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20), the RBI further permitted lending institutions (including NBFCs) to extend the Moratorium Period on payment of all instalments in respect of term loans (including agricultural term loans, retail and crop loans) by another three months, i.e., from June 1, 2020 to August 31, 2020. Such circular also permitted certain relaxations in respect of working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions, subject to certain conditions.

The measures in relation to working capital facilities under the RBI circular dated May 23, 2020, were contingent on the lending institutions satisfying themselves that such measures are necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under this relaxation were subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19. Lending institutions, accordingly, could put in place a board approved policy to implement the above measures.

#### *Emergency Credit Line Guarantee Scheme dated May 23, 2020*

The Government of India, through the Ministry of Finance, Department of Financial Services introduced the emergency credit line guarantee scheme ("**ECLGS**"). Pursuant to the ECLGS, the National Credit Guarantee Trustee

Company, a wholly owned trustee company of the Government of India, provided a 100% credit guarantee with respect to eligible credit facilities extended by NBFCs in the form of additional term loans.

#### ***Special Liquidity Scheme for NBFCs/HFCs dated July 1, 2020 and the Partial Credit Guarantee Scheme***

The Government of India approved the Special Liquidity Scheme for NBFCs and HFCs to improve the liquidity position of NBFCs through a special purpose vehicle to avoid potential systemic risks to the financial sector. In order to avail the scheme, NBFCs are required to, inter alia, (a) have made a net profit in one of the two preceding financial years; and (b) be rated investment grade by a SEBI registered rating agency. In accordance with the circular, the scheme is managed by a special purpose vehicle set up by a subsidiary of the State Bank of India, SBI Capital Markets Limited

The Partial Credit Guarantee Scheme (“PCGS”) was introduced on December 11, 2019 to offer a sovereign guarantee for “first loss” to public sector banks for the purchase of pooled assets, from financially sound NBFCs, subject to certain conditions. Pursuant to a press release dated May 20, 2020, the PCGS was amended to increase the coverage offered by the scheme and the window under the PCGS was extended up to March 31, 2021.

#### ***Statement on Development and Regulatory Policies dated August 6, 2020***

The RBI, through its ‘Statement on Developmental and Regulatory Policies’ dated August 6, 2020, stated that with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, provided a window under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as standard (as set out under the Prudential Framework) subject to specified conditions.

#### ***Resolution Framework for COVID-19-related Stress dated August 6, 2020***

The RBI has also issued a notification on August 6, 2020 titled ‘Resolution Framework for COVID-19-related Stress’ (“**COVID-19 Resolution Framework**”, Reference No. RBI/2020-21/16

DOR.No.BP.BC/3/21.04.048/2020-21). Under the COVID-19 Resolution Framework, lending institutions were required to frame policies, as approved by their board of directors, for implementation of viable resolution plans for eligible borrowers pursuant to the COVID-19 Resolution Framework and ensure that the resolution plans under this facility were extended only to borrowers bearing stress on account of the COVID-19 pandemic. The resolution plan extended to eligible borrowers could be invoked anytime till December 31, 2020 and was to be implemented within 180 days from the date of invocation (within 90 days in case of personal loans.).

#### ***Restructuring of Advances to Micro, Small and Medium Enterprises***

The RBI, pursuant to its circular dated August 6, 2020 titled ‘Micro, Small and Medium Enterprises (MSME) sector - Restructuring of Advances’ (“**August 2020 Circular**”, Reference No. RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21), had permitted the classification of loans to MSMEs as ‘standard’ pursuant to their restructuring subject to certain conditions mentioned under such circular and the circular dated February 11, 2020 titled ‘Micro, Small and Medium Enterprises (MSME) sector - Restructuring of Advances’ (Reference No. RBI/2019-20/160 DOR.No.BP.BC.34/21.04.048/2019-20). The RBI, pursuant to its circular dated May 5, 2021 titled ‘Resolution Framework 2.0 - Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)’ (Reference No. RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22) has extended the applicability of the August 2020 Circular, subject to certain conditions, including, that: (i) the borrower should be classified as a micro, small or medium enterprise as on March 31, 2021 in terms of the notification dated June 26, 2020 published by the Ministry of Micro, Small and Medium Enterprises; (ii) the aggregate exposure, including non-fund based facilities, of all lending institutions to such borrower should not exceed ₹250 million as on March 31, 2021; (iii) the borrower’s account should have been a ‘standard asset’ as of March 31, 2021; and (iv) restructuring of the borrower’s account is invoked by September 30, 2021. All the measures under the circular are contingent on lending institutions satisfying themselves that this is necessitated on account of the economic fallout from COVID-19.

#### ***Circular dated September 7, 2020 on resolution framework for COVID-19 related Stress - Financial Parameters***

The RBI, pursuant to its circular dated September 7, 2020 (Reference No. RBI/2020-21/34 DOR.No.BP.BC/13/21.04.048/2020-21) on “Resolution Framework for COVID-19-related Stress - Financial Parameters”, set out key ratios to be mandatorily considered while finalizing the resolution plans in respect of COVID-

19 Resolution Framework. Further, it also prescribed sector specific thresholds to be considered by the lending institutions, intended as floors or ceilings. The resolution plans were required to take into account the pre- COVID-19 operating and financial performance of the borrower and impact of COVID-19 on its operating and financial performance at the time of finalizing the resolution plan, to assess the cash flows in subsequent years, while stipulating appropriate ratios in each case. Lending institutions were free to consider other financial parameters as well while finalizing the resolution assumptions in respect of eligible borrowers apart from the above mandatory key ratios and the sector-specific thresholds that have been prescribed.

### ***TLTRO on Tap Scheme***

The targeted long-term repo operations on tap scheme of the RBI (“**TLTRO on Tap Scheme**”), announced on October 9, 2020 focuses on liquidity measures and revival of activity in specific sectors and, allows banks to avail liquidity to be deployed in corporate bonds, commercial paper and non-convertible debentures issued by entities in such specified sectors. The liquidity availed by banks could also be used to extend bank loans and advances to these sectors. The RBI through its ‘Statement on Developmental and Regulatory Policies’ and its press release dated February 5, 2021 stated that NBFCs are well recognised conduits for reaching out last mile credit and act as a force multiplier in expanding credit to various sectors and accordingly, permitted funds from banks under the TLTRO on Tap Scheme to be provided to NBFCs for incremental lending to these sectors until March 31, 2021. The TLTRO on Tap Scheme has further been extended by a period of nine months i.e., up to December 31, 2021 with a view to increasing the focus of liquidity measures on revival of activity in specified sectors.

### ***Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts***

On October 23, 2020, the Ministry of Finance, Government of India announced a scheme for grant of ex-gratia payment of difference between compound interest and simple interest by way of reliefs for the six months period from March 1, 2020 to August 31, 2020, to borrowers in specified loan accounts (“**October 2020 Scheme**”), benefits of which would be routed through lending institutions. The October 2020 Scheme was applicable to all lending institutions, including, inter alia, banking companies, NBFCs and housing finance companies. Borrowers who had loan accounts with sanctioned limits and outstanding amounts not exceeding ₹20 million as on February 29, 2020 were eligible under the October 2020 Scheme, subject to certain conditions. Borrowers of the following classes of loans were eligible, namely (i) MSME loans; (ii) education loans; (iii) housing loans; (iv) consumer durable loans; (v) credit card dues; (vi) automobile loans; (vii) personal loans to professionals; and (viii) consumption loans.

### ***Circular dated April 7, 2021 on Asset Classification and Income Recognition***

The RBI, pursuant to the decision of the Supreme Court of India in Small Scale Industrial Manufacturers Association v. Union of India, dated March 23, 2021, has issued a circular dated April 7, 2021 (the “**April 2021 Circular**”, Reference No. RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22). The April 2021 Circular stipulates that all lending institutions (including NBFCs) are required to implement a board-approved policy to refund/adjust the “interest on interest” charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 in conformity with the above judgement. In order to ensure that the above judgement is implemented uniformly in letter and spirit by all lending institutions, the methodology for calculation of the amount to be refunded/adjusted for different facilities is required to be finalised by the Indian Banks Association in consultation with other industry participants/bodies, which shall be adopted by all lending institutions. The above reliefs shall be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed, in terms of the circulars dated March 27, 2020 and May 23, 2020.

Further, in relation to asset classification, the April 2021 Circular stipulates that, (i) in respect of accounts which were not granted any moratorium in terms of the COVID-19 regulatory relief provided, asset classification is to be undertaken in terms of the criteria laid out in the Master Circular - Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 (Reference No. RBI/2015-16/101 DBR.No.BP.BC.2/21.04.048/2015-16) or other relevant instructions as applicable to the specific categories of lending institutions; and (ii) in respect of accounts in relation to which a moratorium was granted in terms of the COVID-19 regulatory relief, the asset classification for the period from March 1, 2020 to August 31, 2020 shall be governed in terms of the circular dated April 17, 2020 (Reference No. RBI/2019-20/220)

DOR.No.BP.BC.63/21.04.048/2019-20), read with circular dated May 23, 2020 (Reference No. RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20). For the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable income recognition and asset classification norms.

#### ***Priority Sector Lending Classification***

Pursuant to its 'Statement on Developmental and Regulatory Policies' and notification dated April 7, 2021, the RBI with a view to ensure continued availability of credit to specified sectors to aid faster economic recovery, decided to extend the priority sector lending ("PSL") classification for lending by banks to NBFCs for on-lending by six months i.e. up to September 30, 2021. Considering the increased traction observed in delivering credit to underserved/unserved segments of the economy, the facility was extended till March 31, 2022 vide RBI circular dated October 8, 2021. Previously, the PSL classification, allowing banks to classify lending to NBFCs for on-lending to agriculture/MSME/housing as PSL, was permitted till March 31, 2021.

#### ***Circular dated May 5, 2021 on Resolution Framework for Advances to Individuals and Small Businesses***

Through its circular dated May 5, 2021 titled 'Resolution Framework - 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses' (Reference No. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021- 22), the RBI has permitted lending institutions to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying such credit exposures as 'standard' upon implementation of the resolution plan, subject to certain conditions specified under the circular. The lending institutions are required to frame policies, approved by the board of directors, pertaining to the implementation of viable resolution plans for eligible borrowers ensuring that the resolution under this facility is provided only to the borrowers having stress on account of COVID-19. The last date for invocation of resolutions under the window provided was September 30, 2021. The resolution plans implemented under this window may, inter alia, include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, and granting of moratorium, based on income streams of the borrower. The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.

#### **4. Revised Regulatory Framework for NBFCs**

The RBI released a Discussion Paper dated January 22, 2021 on 'Revised Regulatory Framework for NBFCs - A Scale Based Approach' (the "**NBFC Discussion Paper**"), and had requested public comments thereon. Based on the inputs received, RBI on October 22, 2021 put in place a revised regulatory framework for NBFCs. These guidelines will be effective from October 1, 2022, read with the detailed guidelines put in place by the RBI in its circular dated April 19, 2022.. The Revised Regulatory Framework for NBFCs contemplates the following layers of NBFCs:

- i. **Base Layer:** The Base Layer shall comprise of (a) non-deposit taking NBFCs below the asset size of ₹1000 crore and (b) NBFCs undertaking the following activities- (i) NBFC-Peer to Peer Lending Platform (NBFC-P2P), (ii) NBFC-Account Aggregator (NBFC-AA), (iii) Non-Operative Financial Holding Company (NOFHC) and (iv) NBFCs not availing public funds and not having any customer interface.
- ii. **Middle Layer:** The Middle Layer shall consist of (a) all deposit taking NBFCs (NBFC-Ds), irrespective of asset size, (b) non-deposit taking NBFCs with asset size of ₹1000 crore and above and (c) NBFCs undertaking the following activities (i) Standalone Primary Dealers (SPDs), (ii) Infrastructure Debt Fund - Non-Banking Financial Companies (IDF-NBFCs), (iii) Core Investment Companies (CICs), (iv) Housing Finance Companies (HFCs) and (v) Infrastructure Finance Companies (NBFC-IFCs).
- iii. **Upper Layer:** The Upper Layer shall comprise of those NBFCs which are specifically identified by the Reserve Bank as warranting enhanced regulatory requirement based on a set of parameters and scoring methodology. The top ten eligible NBFCs in terms of their asset size shall always reside in the upper layer, irrespective of any other factor. Further, the RBI, pursuant to its circular dated June 6, 2022, put in place provisioning norms in respect of 'standard' assets for NBFCs for the upper layer at certain specified rates.
- iv. **Top Layer:** The Top Layer will ideally remain empty. This layer can get populated if the Reserve Bank is of the opinion that there is a substantial increase in the potential systemic risk from specific NBFCs in the Upper Layer.

The Revised Regulatory Framework for NBFCs also prescribes specific regulatory changes for each of the different layers in the regulatory structure, that is, capital guidelines, prudential guidelines, governance guidelines and the transition path. Further, the RBI, pursuant to its circular dated April 19, 2022 also prescribed certain additional disclosure requirements to be made by NBFCs in their financial statements, applicable for annual financial statements for the year ending March 31, 2023 onwards.

### **Other Regulations**

In addition to the above, our Company is required to comply with the provisions of the Companies Act, intellectual property laws, labour laws, shops and establishment legislations in various states, various tax related legislations and other applicable statutes for its day-to-day operations.

## HISTORY AND CERTAIN CORPORATE MATTERS

### Brief history of our Company

Our Company was incorporated as Five-Star Business Credits Private Limited at Chennai, Tamil Nadu as a private limited company under the Companies Act, 1956, pursuant to a certificate of incorporation dated May 7, 1984, issued by the RoC. Our Company was converted from a private limited company to a public limited company pursuant to board resolution dated September 7, 1988 and special resolution passed by the Shareholders at the EGM dated October 3, 1988. Consequently, the name of our Company was changed from 'Five-Star Business Credits Private Limited' to 'Five-Star Business Credits Limited' and the certificate of incorporation was amended on October 3, 1988. The name of our Company was subsequently changed to 'Five-Star Business Finance Limited' pursuant to board resolution dated March 25, 2015 and special resolution passed by our Shareholders at the EGM held on April 12, 2016 to align with the objects of the Company, and a fresh certificate of incorporation consequent upon change of name was issued by the RoC on May 13, 2016. Our Company is registered with the RBI to carry on the business of non-banking financial institution without accepting public deposits (certificate of registration no. B-07.00286). For details, see "Government and Other Approvals" beginning on page 390.

### Changes in the Registered Office

Except as disclosed below, there has been no change in the registered office of our Company since the date of incorporation.

Date of change of registered office	Details of change in the registered office	Reasons for change in the registered office
February 27, 2019	Shifting of the registered office of the Company from 39, Outer Circular Road, Kilpauk Garden Colony, Chennai 600 010, Tamil Nadu to New No. 27, Old No. 4, Taylors Road, Kilpauk, Chennai 600 010, Tamil Nadu, India	Ease of operations

### Main objects of our Company

The main objects contained in our Memorandum of Association are as follows:

- "1. To carry on the business of Hire-purchase financing in all its branches and without prejudice to the generality of the foregoing, to finance for the Hire-purchase of movable properties of any kind including motor vehicles of all kinds of electronic, electrical goods such as air-conditioners, refrigerators, televisions or transistors and financing for the hire-purchase agreement relating to acquisition or development of plots of land or the acquisition or construction of houses and granting loans and advances for the purchase of plant and machinery under hire-purchase agreement.*
- 2. To carry on the business of financing for any person, firm, company, association or institution, upon security of his or their undertakings, estate, assets, movable or immovable property or any part thereof or without security, upon such terms and conditions as may be deemed expedient and take such security either in the shape of mortgage, hypothecation, pledge or in any other form.*
- 3. To carry on the business of buying and selling, hiring and letting on hire, leasing and letting on lease of movable properties of all kinds including plant, machinery, cold storage, refrigerators, air-conditioning machinery and equipment, internal communicating systems and equipment, computer, computer programme, software, office equipment of all kinds, security systems, tractors, tillers, commercial vehicles and motor vehicles of all kinds.*
- 4. To carry on all kinds of guarantee and indemnity business and in particular to guarantee the payment of any money and the performance of any contract or obligation by any person, firm, company, association or institution.*
- 5. To carry on the business of Merchant Bankers, Underwriters, Stock Brokers/ Sub Brokers, Portfolio Managers, Financial Consultants in all their aspects in India and outside and Foreign Exchange Dealers."*

The main objects as contained in our Memorandum of Association enable our Company to carry on the business presently being carried on by us.

### Amendments to our Memorandum of Association in the last 10 years

The amendments to our Memorandum of Association in the last 10 years are set out below.



Date of Shareholders' resolution	Details of the amendments
February 21, 2014	Amendment to Clause V of our Memorandum of Association to reflect increase in the authorised share capital from ₹ 70,000,000 (Rupees Seventy Million) divided into 7,000,000 (Seven Million) equity shares of ₹ 10 each to ₹ 120,000,000 (Rupees One Hundred and Twenty Million) divided into 12,000,000 (Twelve Million) equity shares of ₹ 10 each
March 28, 2015	<p>Amendment of Clause III of our Memorandum of Association to make it in compliance with Section 4 and Section 13 of the Companies Act, 2013 read with the rules made thereunder, as stated below:</p> <p>III. (A) The main objects to be pursued by the company on its operations are:</p> <ol style="list-style-type: none"> <li>1. To carry on the business of Hire-purchase financing in all its branches and without prejudice to the generality of the foregoing, to finance for the hire-purchase of movable properties of any kind including motor vehicles of all kinds of electronic, electrical goods such as air-conditioners, refrigerators, televisions or transistors and financing for the hire-purchase agreement relating to acquisition or development of plots of land or the acquisition or construction of houses and granting loans and advances for the purchase of plant and machinery under hire-purchase agreement.</li> <li>2. To carry on the business of financing for any person, firm, company, association or institution, upon security of his or their undertakings, estate, assets, movable or immovable property or any part thereof or without security, upon such terms and conditions as may be deemed expedient and take such security either in the shape of mortgage, hypothecation, pledge or in any other form.</li> <li>3. To carry on the business of buying and selling, hiring and letting on hire, leasing and letting on lease of movable and immovable properties of all kinds including plant, machinery, cold storage, refrigerators, air-conditioning machinery and equipment, internal communicating systems and equipments, computer, computer programme, software, office equipments of all kinds, security systems, tractors, tillers, commercial vehicles and motor vehicles of all kinds.</li> <li>4. To carry on all kinds of guarantee and indemnity business and in particular to guarantee the payment of any money and the performance of any contract or obligation by any person, firm, company, association or institution.</li> <li>5. To carry on the business of the Merchant Bankers, Issue House, Underwriters, Stock Brokers/ Sub Brokers, Stock Transfer Agents, Portfolio Managers, Market Makers, Investment Counsellor, Financial Consultants, Managers and Administrators or Capital Market Funds in all their aspects in India and outside and Foreign Exchange Dealers.</li> <li>6. To carry on the business of house builders, property developers and contractors and to construct, purchase or otherwise acquire residential flats, commercial complex, factories, warehouses, godowns and other buildings and to sell, transfer or otherwise dispose of the same as the Board may deem fit, and also to finance for such building activities.</li> </ol> <p>III(B). Matters which are necessary for furtherance of the objects specified in clause III(A) are:</p> <ol style="list-style-type: none"> <li>1. To draw, accept, endorse, discount, execute promissory notes, bills of exchange, bills of lading, bonds, warrants, debentures and other negotiable or transferable instruments.</li> <li>2. To open current depositor savings account with any bank and to operate the same and to apply for and enjoy credit and other facilities from banks.</li> <li>3. To amalgamate, enter into partnership or into any agreement for sharing profits, union of interest, co-operation, joint venture or reciprocal concession with any person, or firm or company carrying on or engaged in or about to carry on or engage in, any business or transaction which this company is authorized to carry on, or, engage in, so as to directly or indirectly benefit the company.</li> <li>4. To enter into any arrangement with any government of State or Central, local authority or any person for the purpose of carrying out the objects of the company or furthering its interest and to obtain from any such government or authority or person any charities, subsidies, loans, grants,</li> </ol>

Date of Shareholders' resolution	Details of the amendments
	<p>contracts, licences, rights, concessions, privileges which the company may think it desirable to obtain and exercise and comply with any such arrangements, rights, privileges and concessions.</p> <p>5. To purchase or otherwise acquire and undertake the whole or any part of the business of any person, firm or company carrying on any business which this company is authorized to carry on.</p> <p>6. To promote and form and to be interested in, and take, hold and dispose of shares in other companies, to transfer to any such company the property of this company, and to take or otherwise acquire, hold and dispose of shares, debentures and other securities in or of any such company, and subsidise or otherwise assist any such company.</p> <p>7. To apply for, promote and obtain the incorporation, registration, or other recognition of the company, in any state or place and to establish and regulate agencies for the purpose of the company's business and to apply or join in applying to any parliament, local government, municipal or other authority or body, Indian or foreign for any acts of parliament laws, decrees, concession orders, rights or privileges that may seem conducive to the company's objects, or any of them, and to oppose any proceedings or application which may seem calculated directly or indirectly to prejudice the company's interests.</p> <p>8. To acquire any movable and immovable property, which the company may think it desirable to acquire by way of investment or with a view to resell or otherwise and to pay for the same.</p> <p>9. To sell, lease, mortgage, exchange or otherwise dispose of the property, assets, or undertaking of the company or any part thereof for such consideration as the company may think fit, either for cash or for shares or other securities of any other company whether or not having objects altogether or in part similar to those of this company.</p> <p>10. To acquire and hold by way of investment metals, bullion, gold and silver, silver articles, diamonds, precious stones, ornaments and jewellery and painting and coins and manuscripts and objects of art and to pay for the same either in cash or otherwise.</p> <p>11. To undertake, carry out, promote and sponsor rural development comprising of any programme for the betterment of people of any rural area with a view to promote the social and economic status of the masses in those areas and to incur any expenditure on any rural development programme and to assist in the execution and promotion thereof whether directly or indirectly.</p> <p>12. To undertake, carry out, promote, sponsor or assist any activity for the promotion and growth of national economy and for discharging what the Directors may consider to be social and moral responsibilities of the company to the public or any section of the public as also any activity which the Directors may consider to be social and moral responsibilities of the company to the public or any section of the public as also any activity which the Directors consider likely to promote national welfare of social, economic or moral uplift of the public or any section of the public and in such manner and by such means as the Directors may think fit.</p> <p>13. To receive money, securities and valuables of all kinds as deposits or for safe custody and generally to carry on the business of a safe deposit company.</p> <p>14. To borrow or raise money or to accept deposits within the permissible limits without doing any banking business as defined in the Banking Regulation Act, 1949 and in security for the money so borrowed or raised to mortgage, charge or hypothecate or pledge the property of the company and to purchase, redeem or pay off any such securities.</p> <p>15. To invest the surplus funds of the company from time to time in government securities or in other securities as may from time to time be determined by the Directors and to sell or vary all such investments and to execute all assignments, transfers and receipts and documents that maybe necessary in that behalf from time to time.</p> <p>16. To manage, sell and realize any movable or immovable property which may come into the possession of the company in satisfaction or part satisfaction of any of its claims.</p> <p>17. To pay out of the funds of the company all expenses which the company may lawfully pay with respect to the formation and registration of the company.</p>

Date of Shareholders' resolution	Details of the amendments
	<p>18. To insure with any person or company against losses, damages, risks, and liabilities of any kind which may affect the company either wholly or partially.</p> <p>19. To provide for and furnish or secure to any members or customers of the company or to any subscribers to or purchases or possessors of any publication of the company, or of any coupons or tickets issued with any publications of the company, any conveniences, advantages, benefits or special privileges which may seem expedient and either gratuitously or otherwise.</p> <p>20. To provide for the welfare of the Managing Directors, and the employees or ex-Managing Directors, ex-Directors, ex-employees of the company and the wives, widows and families or the dependents of such persons, by building or contributing to building of houses, dwellings or chawls, or by grants of money pensions, providing insurance, allowance, bonus or other payments or by creating and from time to time subscribing or contributing to Provident Fund or other associations, institutions, funds or trusts, and by providing or subscribing or contributing towards places of instructions and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the company shall think fit, and to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, or other institutions, associations and objectives which shall have any moral or claim to support and aid by the Company either by reason of locality of operation or of public and general utility otherwise, subject to the provisions of the Companies Act, 1956.</p> <p>21. To employ experts to investigate and examine into the condition, management prospects, value, character and circumstances of any business concern and undertaking and generally of any assets, property or rights.</p> <p>22. To purchase, take on hire, or on lease and construct, maintain or later any building, store godown or office for the purpose of the company.</p> <p>23. To help any charitable or benevolent object or to make donations to any national or public society subject to the provisions of the Companies Act, 1956.</p> <p>24. To undertake and execute trusts.</p> <p>25. To adopt such means of making known the business of the company as may seem expedient and in particular by advertisement in the press or by circulars, or by publication of books and periodicals or exhibition of works of art or interest and by the grant of prizes and donations, subject to provisions of the Companies Act, 1956.</p> <p>26. To do all or any of the above objects in any part of the world in any capacity.</p> <p>27. To open branches in any part of this country for the purpose of the company.</p> <p>28. To carry on the business of financial advisers.</p> <p>29. To carry on the business as auctioneers, underwriters, trustees and brokers.</p> <p>30. To carry on the business of importers, exporters, buyers, sellers, traders and dealers in Motor Vehicles of all kinds and electronic and electrical goods of all kinds.</p> <p>31. To act as selling and purchasing or other agents of manufacturing companies, insurance agents, publicity and advertising agents, and also to provide specialised services in investor relations relating to the above objects.</p> <p>32. To purchase or otherwise, acquire agricultural lands and to carry out all agro-based activities including development of land as timberland and coconut gardens, rubber estate, mango groves and other agricultural farms for the benefit of company and to finance for such agricultural operations.</p>
April 12, 2016	Amendment to Clause I of our Memorandum of Association to reflect change in name of the Company from 'Five-Star Business Credits Limited' to 'Five-Star Business Finance Limited'
April 12, 2016	Amendment to Clause V of our Memorandum of Association to reflect increase in the authorised share capital from ₹ 120,000,000 (Rupees One Hundred and Twenty Million) divided into 12,000,000 (Twelve

Date of Shareholders' resolution	Details of the amendments
	Million) equity shares of ₹ 10 each to ₹ 200,000,000 (Rupees Two Hundred Million) divided into 20,000,000 (Twenty Million) equity shares of ₹ 10 each
July 14, 2016	<p>Amendment to Clause III of our memorandum of Association to ensure compliance with foreign exchange laws:</p> <ol style="list-style-type: none"> <li data-bbox="464 412 1495 719">1. Clause III(A)(3) was amended from “3. <i>To carry on the business of buying and selling, hiring and letting on hire, leasing and letting on lease of movable and immovable properties of all kinds including plant, machinery, cold storage, refrigerators, air-conditioning machinery and equipment, internal communicating systems and equipments, computer, computer programme, software, office equipments of all kinds, security systems, tractors, tillers, commercial vehicles and motor vehicles of all kinds</i>” to “<i>To carry on the business of buying and selling, hiring and letting on hire, leasing and letting on lease of movable properties of all kinds including plant, machinery, cold storage, refrigerators, air-conditioning machinery and equipment, internal communicating systems and equipment, computer, computer programme, software, office equipment of all kinds, security systems, tractors, tillers, commercial vehicles and motor vehicles of all kinds.</i>”</li> <li data-bbox="464 741 1495 936">2. Clause III(A)(5) was amended from “<i>To carry on the business of the Merchant Bankers, Issue House, Underwriters, Stock Brokers/ Sub Brokers, Stock Transfer Agents, Portfolio Managers, Market Makers, Investment Counsellor, Financial Consultants, Managers and Administrators or Capital Market Funds in all their aspects in India and outside and Foreign Exchange Dealers.</i>” to “<i>To carry on the business of Merchant Bankers, Underwriters, Stock Brokers/ Sub Brokers, Portfolio Managers, Financial Consultants in all their aspects in India and outside and Foreign Exchange Dealers.</i>”</li> <li data-bbox="464 958 1495 987">3. Clause III(A)(6) was deleted in its entirety.</li> </ol>
July 28, 2018	<p>Clause III(B) of the Memorandum of Association was amended:</p> <ol style="list-style-type: none"> <li data-bbox="464 1070 1495 1126">1. Clause III(B)(2) was amended to: “<i>To open current or deposit account with any bank and to operate the same and to apply for and enjoy credit facilities from banks</i>”;</li> <li data-bbox="464 1149 1495 1205">2. Clause III(B)(13) was amended to: “<i>To receive securities and valuables of all kinds for safe custody and generally to carry on the business of a safe deposit company</i>”;</li> <li data-bbox="464 1227 1495 1350">3. Clause III(B)(14) was amended to: “<i>To borrow or raise money within the permissible limits without doing any banking business as defined in the Banking Regulation Act, 1949 and in security for the money so borrowed or raised to mortgage, charge or hypothecate or pledge the property of the company and to purchase, redeem or pay off any such securities</i>”;</li> <li data-bbox="464 1373 1495 1402">4. Clause III(B)32 was deleted in entirety;</li> </ol>
July 28, 2018	Amendment to Clause V of our Memorandum of Association to reflect increase in the authorised share capital from ₹ 200,000,000 (Rupees Two Hundred Million) divided into 20,000,000 (Twenty Million) equity shares of ₹ 10 each to ₹ 300,000,000 (Rupees Three Hundred Million) divided into 30,000,000 (Thirty Million) equity shares of ₹ 10 each
November 13, 2019	Amendment to Clause V of our Memorandum of Association to reflect increase in the authorised share capital pursuant to scheme of arrangement of our Company with Five-Star Housing Finance Private Limited dated March 17, 2020 from ₹ 300,000,000 (Rupees Three Hundred Million) divided into 30,000,000 (Thirty Million) equity shares of ₹ 10 each to ₹ 550,000,000 (Rupees Five Hundred and Fifty Five Million) divided into 55,000,000 (Fifty Five Million) equity shares of ₹ 10 each
October 8, 2021	Amendment to Clause V of our Memorandum of Association to reflect increase in the authorised share capital pursuant to sub-division of shares from ₹ 550,000,000 (Rupees Five Hundred and Fifty Million) divided into 55,000,000 (Fifty Five Million) equity shares of ₹ 10 each to ₹ 550,000,000 (Five Hundred and Fifty Five Million) divided into 550,000,000 (Five Hundred and Fifty Five Million) equity shares of ₹1 each

## Major events in the history of our Company

The table below sets forth the key events in the history of our Company:

<b>Fiscal</b>	<b>Particulars</b>
1984	Incorporation of our Company
1988	Conversion from a private limited company to a public limited company
2006	Rearranged portfolio for advances by moving focus to financing in immoveable properties
2010	Loan book crossed ₹ 250.00 million
2013	Opened our 25 <sup>th</sup> branch
2014	Expanded our geographical presence outside Tamil Nadu to Karnataka and Andhra Pradesh Investment of ₹ 170.00 million by Matrix Holdings; Loan book crossed ₹ 1,000 million
2015	Investment of ₹ 156.00 million by Matrix Holdings
2017	Crossed 100 branches; Expanded our geographical presence to Telangana
2020	Crossed 200 branches
2021	Loan book crossed ₹ 40,000 million
2022	Loan book crossed ₹ 50,000 million

As on the date of this Prospectus, our Company has not received any awards or accreditations.

### **Corporate Profile of our Company**

For details in relation to our corporate profile including details of our business, profile, activities, services, market, growth, competition, launch of key products, entry into new geographies or exit from existing markets, customers, technology, and managerial competence, see “*Our Business*”, “*Our Management*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Risk Factors*” beginning on pages 173, 227, 346, and 22, respectively.

### **Time and cost over-runs**

There have been no time and cost over-runs in respect of our business operations.

### **Defaults or re-scheduling, restructuring of borrowings with financial institutions/banks**

There have been no defaults or re-scheduling/ re-structuring in relation to borrowings availed by our Company from any financial institutions or banks.

### **Significant financial or strategic partners**

As of the date of this Prospectus, our Company does not have any significant financial or strategic partners.

### **Launch of key products or services, entry into new geographies or exit from existing markets, capacity/ facility creation or location of plants**

For details of key products or services launched by our Company, entry into new geographies or exit from existing markets, see “*Our Business*” and “*- Major events in the history of our Company*” on pages 173 and 223, respectively.

### **Details regarding material acquisitions or divestments of business/ undertakings, mergers, amalgamations or any revaluation of assets, in the last 10 years**

Except as disclosed below, our Company has not acquired any business or undertaking and has not undertaken any merger, amalgamation or revaluation of assets in last 10 years.

### ***Scheme of Arrangement between Five-Star Housing Finance Private Limited and our Company***

Five-Star Housing Finance Private Limited, an erstwhile wholly-owned subsidiary of our Company and our Company filed a scheme of arrangement under Section 233 of Companies Act, 2013 to Regional Director, Chennai to transfer, on a going concern basis, the business of providing housing finance loans and undertaking of Five-Star Housing Finance Private Limited (“**Transferor Company**”), and vest such business of Transferor Company in our Company (“**Transferee Company**”) (the “**Scheme of Arrangement**”). Pursuant to the Scheme of Arrangement, the undertaking of the Transferor Company comprising their entire business, all secured and unsecured debts, liabilities, duties and obligations and all the assets, and properties, of whatsoever nature and wheresoever situated, including the immovable properties, if any, was transferred to and vested in and/or deemed to be transferred to and vested in the Transferee Company as a going concern so as to become the undertaking of the

Transferee Company and vest in the Transferee Company all the rights, title, interest or obligations of the Transferor Company therein. The Scheme of Arrangement was approved by the Regional Director, Chennai on March 17, 2020 (“**Approval**”). The Transferor Company being a wholly owned subsidiary of the Transferee Company, there was no issue or allotment of shares of the Transferee Company to the shareholders of the Transferor Company.

The Scheme of Arrangement came into effect from April 1, 2019, being the appointed date.

### **Holding Company**

As on the date of this Prospectus, our Company does not have a holding company.

### **Our Subsidiary, Associates and Joint Ventures**

As on the date of this Prospectus, our Company does not have any subsidiary, associate or joint ventures.

### **Accumulated profits or losses**

As on the date of this Prospectus, there are no accumulated profits or losses that have not been accounted for or consolidated by our Company.

### **Agreements with Key Managerial Personnel, Director, Promoter, or any other employee**

Other than employee stock option agreements entered into with option grantees under our ASOPs, there are no agreements entered into by a Key Managerial Personnel or Director or Promoter or any other employee of our Company, either by themselves or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of our Company. For further details, see “*Capital Structure*” on page 66.

### **Shareholders’ agreements and other agreements**

#### ***Key terms of shareholders’ agreements***

***Amended and Restated shareholders’ agreement dated March 25, 2021 entered into amongst the Company, Sirius II Pte. Limited, Matrix Partners India Investment Holdings II, LLC, Matrix Partners India Investments II Extension, LLC, SCI Investments V, SCI Growth Investments III, SCHF PV Mauritius Limited, EGCS Investment Holdings, Sequoia Capital Global Growth Fund III – Endurance Partners, L.P., Norwest Venture Partners X – Mauritius, TPG Asia VII SF Pte. Ltd. (collectively, the “Investors”), Lakshmi pathy Deenadayalan (“Promoter 1”) and certain of his family members (as detailed under part A of Schedule 1 of the aforesaid agreement) (“SHA”)***

The parties have entered into the SHA to govern their *inter-se* rights including those relating to management and operations of the Company. These include (i) certain restrictions on transfer of Equity Shares held by the shareholders; (ii) tag-along and drag along rights of certain Investors; (iii) information rights; (iv) pre-emptive rights; and (v) certain board nomination rights. In addition, the SHA also provides that the Company shall use best endeavours to provide Investors with an Exit, including by way of an IPO.

The Promoters shall not, without the prior written approval of each of the qualifying investors (as defined in the SHA), transfer any Equity Shares owned by them, other than any transfer pursuant to a drag sale, as defined in and in accordance with the SHA. Each of the Investors and/or their respective affiliates (who hold any Equity Shares) shall be entitled to transfer the Equity Shares to any person without any restriction whatsoever, provided that no Investor (as defined in the SHA) shall be permitted to transfer any Equity Shares: (a) to a restricted person; or (b) to a specified competitor (both as defined in the SHA), except as permitted in the SHA.

Further, pursuant to the SHA, each of the Investors have a right to nominate and appoint one director on the board as long as it hold equity shares equal to or more than 5% of the total share capital of the Company on a fully diluted basis at the relevant time. Similarly, for as long as an Investor holds Equity Shares equal to or more than 4% of the total share capital of the Company on a fully diluted basis at the relevant time, such Investor shall have the right to appoint one observer to attend the meetings of the Board.

The Company and Promoter 1 shall use their best endeavours to conduct and consummate an IPO, before August 3, 2023 (“**Exit Date**”). In the event the IPO is not completed on or before the Exit Date, Promoter 1 and the Company shall, within 30 (thirty) days of receiving a notice from any Investor (with respect to the Equity Shares held by such Investor) (“**Third Party Sale Notice**”), appoint an investment bank and initiate the process of the third party secondary sale (as defined in the SHA). Promoter

1 and Company shall, and Promoter 1 shall procure that the Company shall, subject to having received a third party sale notice, use its best endeavours to consummate the third party secondary sale (as defined in the SHA), within a period of 1 (one) year from the Exit Date.

***Waiver Cum Amendment Agreement dated October 8, 2021, read along with amendment agreement dated October 6, 2022, entered into amongst the Company, Sirius II Pte. Limited, Matrix Partners India Investment Holdings II, LLC, Matrix Partners India Investments II Extension, LLC, SCI Investments V, SCI Growth Investments III, SCHF PV Mauritius Limited, EGCS Investment Holdings, Sequoia Capital Global Growth Fund III – Endurance Partners, L.P., Norwest Venture Partners X – Mauritius, TPG Asia VII SF Pte. Ltd., Lakshmipathy Deenadayalan and certain of his family members (as detailed under part A of Schedule 1 of the agreement) (“Termination Agreement”)***

Our Company has entered into a waiver and termination agreement dated October 8, 2021 with Sirius II Pte. Limited, Matrix Partners India Investment Holdings II, LLC, Matrix Partners India Investments II Extension, LLC, SCI Investments V, SCI Growth Investments III, SCHF PV Mauritius Ltd., EGCS Investment Holdings, Sequoia Capital Global growth Fund III – Endurance Partners, L.P., Norwest Venture Partners X – Mauritius, TPG Asia VII SF Pte. Ltd., Lakshmipathy Deenadayalan and certain of his family members (as detailed under part A of Schedule 1 of the SHA) which provides for the termination of the SHA, upon receipt of listing and trading approval of the Equity Shares of the Company on the Stock Exchanges pursuant to the Offer (“**Consummation of IPO**”). Pursuant to the terms of the Termination Agreement, each party has consented to the issue and transfer of equity shares pursuant to the Offer and waive transfer restrictions in this regard. From the date of Consummation of the IPO, subject to the receipt of the requisite regulatory authorization and corporate authorizations (including shareholder approval in the manner prescribed by SEBI) post-listing of the Equity Shares of the Company, Matrix Partners India Investment Holdings II, LLC, SCI Investments V and Lakshmipathy Deenadayalan shall have the right to nominate one director each to the Board, as per the conditions set out in the Articles of Association of our Company. For further details, see “*Description of Equity Shares and Terms of Articles of Association*” on page 436. Further, from the date of Consummation of the IPO, in the event NVP (together with its affiliates, the “**NVP Group**”) holds 5% or more shares in the Company, NVP’s voting rights will get limited to 4.99999 % of any class of shares of the Company, on account of applicable regulatory restrictions under the US Bank Holding Company Act of 1956, however, such voting restriction will not apply to the NVP Group and it shall be able to exercise voting rights commensurate to its shareholding in connection with any matter that (a) materially and adversely alters or changes the rights of the shares held by NVP Group; (b) increases the authorized number of shares or securities senior to the shares held by NVP Group; (c) results in the buyback or repurchase of the shares held by NVP Group; (d) results in any liquidation, dissolution or winding up of the Company, (e) amends or waives any provision of the charter documents in a manner that materially or adversely affects the rights of the shares held by NVP Group; or (f) involves the declaration of any dividend on the shares where dividends are accrued but unpaid in respect of the shares held by NVP Group. Further, in terms of the Articles of Association of the Company, subject to the receipt of the requisite regulatory authorization and corporate authorizations (including shareholders’ approval in the manner prescribed by SEBI), Lakshmipathy Deenadayalan shall continue to be the Chairman of the Board as long as he is classified as a “promoter” of the Company. Further, pursuant to the amendment agreement dated October 6, 2022, it is stated that the Termination Agreement shall *ipso facto* terminate if the proposed initial public offering of the Equity Shares is not completed by December 31, 2022.

#### **Key terms of other subsisting material agreements**

Our Company has not entered into any material agreement including with strategic partners, joint venture partners, and/or financial partners other than in the ordinary course of business of our Company.

We confirm that there are no other agreements and clauses / covenants which are material and which needs to be disclosed and that there are no other clauses / covenants which are adverse / pre-judicial to the interest of the public shareholders. Further, there are no other agreements, deed of assignments, acquisition agreements, shareholder agreements, inter-se agreements, agreements of like nature other than disclosed in this Prospectus.

## OUR MANAGEMENT

In terms of our Articles of Association, our Company can have a maximum of fifteen Directors. As on the date of this Prospectus, our Board comprises eight Directors, including our Chairman and Managing Director, four Independent Directors (including one woman Director), three Non-Executive Directors.

Details regarding our Board as on the date of this Prospectus are set forth below:

S. No.	Name, DIN, designation, term, period of directorship, address, occupation, date of birth and age	Other Directorships
1.	<p><b>Lakshmipathy Deenadayalan</b></p> <p><b>Designation:</b> Chairman and Managing Director</p> <p><b>Term:</b> Term of five years from June 1, 2022</p> <p><b>Address:</b> No. 39, Outer Circular Road, Kilpauk Garden Colony, Kilpauk, Chennai 600 010, Tamil Nadu, India</p> <p><b>Occupation:</b> Business</p> <p><b>Date of Birth:</b> February 9, 1974</p> <p><b>DIN:</b> 01723269</p> <p><b>Age:</b> 48 years</p>	<p><b>Indian Companies</b></p> <p>Nil</p> <p><b>Foreign Companies</b></p> <p>Nil</p>
2.	<p><b>Anand Raghavan</b></p> <p><b>Designation:</b> Independent Director</p> <p><b>Term:</b> Five years from July 28, 2021</p> <p><b>Address:</b> 22/1, Warren Road, Mylapore, Chennai 600 004, Tamil Nadu, India</p> <p><b>Occupation:</b> Consulting</p> <p><b>Date of Birth:</b> June 4, 1961</p> <p><b>DIN:</b> 00243485</p> <p><b>Age:</b> 61 years</p>	<p><b>Indian Companies</b></p> <ul style="list-style-type: none"> <li>• Chennai International Centre</li> <li>• SK Finance Limited</li> <li>• Jasmine Concrete Exports Private Limited</li> <li>• Nani Palkhivala Arbitration Centre</li> </ul> <p><b>Foreign Companies</b></p> <p>Nil</p>
3.	<p><b>Srinivasaraghavan Thiruvallur Thattai</b></p> <p><b>Designation:</b> Independent Director</p> <p><b>Term:</b> Five years from August 25, 2021</p> <p><b>Address:</b> New No. 9, Old No. 5, III Street Kasturi Estates, Chennai 600 086, Tamil Nadu, India</p> <p><b>Occupation:</b> Service</p> <p><b>Date of Birth:</b> January 19, 1955</p> <p><b>DIN:</b> 00018247</p> <p><b>Age:</b> 67 years</p>	<p><b>Indian Companies</b></p> <ul style="list-style-type: none"> <li>• Brakes India Private Limited</li> <li>• Finance Industry Development Council</li> <li>• Royal Sundaram General Insurance Company Limited</li> <li>• Sundaram Business Services Limited</li> <li>• Sundaram Finance Limited</li> <li>• Sundaram Home Finance Limited</li> <li>• Turbo Energy Private Limited</li> </ul> <p><b>Foreign Companies</b></p>



S. No.	Name, DIN, designation, term, period of directorship, address, occupation, date of birth and age	Other Directorships
		Nil
4.	<p><b>Bhama Krishnamurthy</b></p> <p><b>Designation:</b> Independent Director</p> <p><b>Term:</b> Five years from April 12, 2021</p> <p><b>Address:</b> 401, Fourth Floor, Avarsekars Srushti, Old Prabhadevi Road, Prabhadevi, Mumbai 400 025, Maharashtra, India</p> <p><b>Occupation:</b> Retired from service</p> <p><b>Date of Birth:</b> December 19, 1954</p> <p><b>DIN:</b> 02196839</p> <p><b>Age:</b> 67 years</p>	<p><b>Indian Companies</b></p> <ul style="list-style-type: none"> <li>• Cholamandalam Investment and Finance Company Limited</li> <li>• CSB Bank Limited</li> <li>• E-Eighteen.com Limited</li> <li>• Muthoot Microfin Limited</li> <li>• Network 18 Media &amp; Investments Limited</li> <li>• Poonawalla Housing Finance Limited</li> <li>• Reliance Industrial Infrastructure Limited</li> <li>• Thirumalai Chemicals Limited</li> </ul> <p><b>Foreign Companies</b></p> <p>Nil</p>
5.	<p><b>Ramkumar Ramamoorthy</b></p> <p><b>Designation:</b> Independent Director</p> <p><b>Term:</b> Five years from June 8, 2022</p> <p><b>Address:</b> Flat B-13, Chaitanya Nest, Ratna Nagar, Tenyampet, Chennai – 600 018</p> <p><b>Occupation:</b> Business</p> <p><b>Date of Birth:</b> November 22, 1967</p> <p><b>DIN:</b> 07936844</p> <p><b>Age:</b> 54 years</p>	<p><b>Indian Companies</b></p> <p>Nil</p> <p><b>Foreign Companies</b></p> <p>Nil</p>
6.	<p><b>Ravishankar Ganapathyagraharam Venkataraman</b></p> <p><b>Designation:</b> Non-Executive Director*</p> <p><b>Term:</b> Liable to retire by rotation</p> <p><b>Address:</b> Villa No. 2, Cluster No. 24, Jumeirah Islands, Dubai, United Arab Emirates</p> <p><b>Occupation:</b> Professional</p> <p><b>Date of Birth:</b> April 4, 1978</p> <p><b>DIN:</b> 02604007</p> <p><b>Age:</b> 44 years</p>	<p><b>Indian Companies</b></p> <ul style="list-style-type: none"> <li>• Capfloat Financial Services Private Limited</li> <li>• Finova Capital Private Limited</li> <li>• Fintech Blue Solutions Private Limited</li> <li>• Go Fashion (India) Limited</li> <li>• Homevista Decor and Furnishings Private Limited</li> <li>• Indigo Paints Limited</li> <li>• K12 Techno Services Private Limited</li> <li>• Rebel Foods Private Limited</li> </ul>

S. No.	Name, DIN, designation, term, period of directorship, address, occupation, date of birth and age	Other Directorships
		<ul style="list-style-type: none"> <li>• Rupeek Fintech Private Limited</li> <li>• Sequoia Capital India Advisors Private Limited</li> <li>• Think &amp; Learn Private Limited</li> </ul> <p><b>Foreign Companies</b></p> <ul style="list-style-type: none"> <li>• Eruditus Learning Solutions Pte. Limited</li> <li>• Huspy Holdings Limited</li> <li>• Lean Technologies</li> <li>• Sequoia Capital Middle East Advisors Private Limited</li> </ul>
7.	<p><b>Vikram Vaidyanathan</b></p> <p><b>Designation:</b> Non-Executive Director**</p> <p><b>Term:</b> Liable to retire by rotation</p> <p><b>Address:</b> GW 45, Divyasree 77, East Yemalur Main Road, Yemalur, Bangaluru 560 037, Karnataka, India</p> <p><b>Occupation:</b> Service</p> <p><b>Date of Birth:</b> October 13, 1981</p> <p><b>DIN:</b> 06764019</p> <p><b>Age:</b> 41 years</p>	<p><b>Indian Companies</b></p> <ul style="list-style-type: none"> <li>• Amica Financial Technologies Private Limited</li> <li>• MPI DEVC I Manager Private Limited</li> <li>• MSwipe Capital Private Limited</li> <li>• MSwipe Technologies Private Limited</li> <li>• OFB Tech Private Limited</li> <li>• Ver Se Innovation Private Limited</li> </ul> <p><b>Foreign Companies</b></p> <ul style="list-style-type: none"> <li>• Rocketlane Corp.</li> </ul>
8.	<p><b>Thirulokchand Vasan</b></p> <p><b>Designation:</b> Non-Executive Director</p> <p><b>Term:</b> Liable to retire by rotation</p> <p><b>Address:</b> 1/143/1C, Thilak Street, Paneer Nagar, Mogappair East, Tiruvallur 600 037, Tamil Nadu, India</p> <p><b>Occupation:</b> Professional</p> <p><b>Date of Birth:</b> January 25, 1976</p> <p><b>DIN:</b> 07679930</p> <p><b>Age:</b> 46 years</p>	<p><b>Indian Companies</b></p> <p>Nil</p> <p><b>Foreign Companies</b></p> <p>Nil</p>

\* As a nominee of SCI Investments V

\*\* As a nominee of Matrix Partners India Investment Holdings II, LLC

### Brief Biographies of Directors

**Lakshmiopathy Deenadayalan** is the Chairman and Managing Director on the Board of our Company. He holds a bachelor's degree in engineering in computer science and engineering from the University of Madras. He was a member of the managing

committee of Finance Companies' Association (India). He was first appointed as a director on the Board of our Company on June 21, 2002.

**Anand Raghavan** is an Independent Director on the Board of our Company. He is a member of the Institute of Chartered Accountants of India. He was associated as a Partner with Ernst and Young LLP for ten years. He has served as a member of the committee on functioning of asset reconstruction companies formed by the RBI and the committee to formulate schemes for revival of MSMEs constituted by the Government of Tamil Nadu. He has previously served as Vice President – Corporate Affairs of Sundaram Finance Limited. He has been serving as a director on the Board of our Company from July 28, 2016.

**Srinivasaraghavan Thiruvallur Thattai** is an Independent Director on the Board of our Company. He holds a bachelor's degree in commerce from the University of Madras and a master of business administration degree from Gannon College, Commonwealth of Pennsylvania. He has wide range of experience in the financial services industry and has served close to two decades as director of Sundaram Home Finance Limited. He has been serving as an independent director on the Board of our Company from August 25, 2021.

**Bhama Krishnamurthy** is an Independent Director on the Board of our Company. She holds a master of science degree from University of Mumbai. She is on the board of directors of several companies such as Muthoot Microfin Limited, Cholamandalam Investment and Finance Company Limited and Reliance Industrial Infrastructure Limited. In the past, she served as Chief General Manager of Small Industries Development Bank of India. She has experience of over 36 years in the field of financial services. She has been serving as an independent director on the Board of our Company from April 12, 2016.

**Ramkumar Ramamoorthy** is an Independent Director on the Board of our Company. He holds a bachelor's degree in arts from University of Madras, master's degree in arts from University of Madras, master's degree in philosophy from University of Madras and a post graduate diploma in journalism from the Rajendra Prasad Institute of Communication and Management, Bombay. He has over 22 years of experience in the technology industry. Previously, he was associated with Tata Consultancy Services and as Chairman and Managing Director of Cognizant Technology Solutions India Private Limited. Presently, he is associated with Catalinc Partners LLP as a partner. He has been serving as an independent director on the Board of our Company from June 8, 2022.

**Ravishankar Ganapathyagraharam Venkataraman** is a Non-Executive Director on the Board of our Company. He holds a bachelor's degree in computer science and engineering from Bharathidasan University and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad. He has over 16 years of experience in private equity funds. Previously, he was associated with McKinsey & Company, Inc. Presently, he is associated with Sequoia Capital India LLP, where he acts as the managing partner and with Sequoia Capital India Advisors Private Limited, where he acts as the managing director. He has been serving as a director on the Board of our Company from August 18, 2017.

**Vikram Vaidyanathan** is a Non-Executive Director on the Board of our Company. He holds a bachelor's degree in engineering from Visveswaraiah Technological University, Belgaum and a post graduate diploma in management from India Institute of Management, Bangalore. He is a director on the board of, *inter alia*, Ver Se Innovation Private Limited and OFB Tech Private Limited. He has been serving as a director on the Board of our Company from August 21, 2015.

**Thirulokchand Vasan** is a Non-Executive Director on the Board of our Company. He holds a diploma in hotel management and catering technology from Empee Institute of Hotel Management and Catering Technology, Madras. He was previously associated with Indus Hospitality Careers and Training Private Limited, Cruise Ships Catering and Services International N.V, Carnival Cruise Lines Inc and Oriental Hotels Limited. He has been serving as a director on the Board of our Company from December 15, 2016.

#### **Relationship between our Directors and Key Managerial Personnel**

None of our Directors are related to each other or to any of the Key Managerial Personnel.

#### **Confirmations**

None of our Directors is, or was, a director of any listed company during the last five years preceding the date of this Prospectus, whose shares have been, or were suspended from being traded on any of the stock exchanges during the term of their directorship in such company.

No consideration in cash or shares or otherwise has been paid or agreed to be paid to any of our Directors or to the firms or companies in which they are interested by any person either to induce them to become or to help them qualify as a Director, or

otherwise for services rendered by them or by the firm or company in which they are interested, in connection with the promotion or formation of our Company.

None of our Directors is or was a director of any listed company which has been, or was delisted from any stock exchange during the term of their directorship in such company.

None of our Directors have any interest in any property purchased or acquired in the three years preceding the date of this Prospectus or proposed to be purchased or acquired by our Company or in any transaction by our Company for acquisition of land, construction of building or supply of machinery.

### Terms of Appointment of our Executive Director

#### *Lakshmiipathy Deenadayalan – Chairman and Managing Director*

Lakshmiipathy Deenadayalan was initially appointed as an Executive Director with effect from July 1, 2002. Most recently, he has been appointed as the Chairman and Managing Director of our Company for a term of five years with effect from June 1, 2022, pursuant to the resolutions passed by our Board on April 27, 2022 and Shareholders at the AGM held on September 2, 2022.

Further, pursuant to resolution of our Board dated April 27, 2022 and a resolution passed by the Shareholders dated September 2, 2022, our Company has set out the terms of his remuneration in accordance with the provisions of sections 196, 197 and 203 read with Schedule V of the Companies Act, Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. A description of remuneration payable to Lakshmiipathy Deenadayalan with effect from April 1, 2022, as per the board resolution dated April 27, 2022 and the shareholders' approval in the annual general meeting dated September 2, 2022 is provided below:

Particulars	Amount (in ₹)
<b>Remuneration Details</b>	
<b>Salary</b>	4.22 million per month
<b>Commission</b>	Commission and perquisites not exceeding 1.5 times of the annual salary and together (salary, commission and perquisites) not exceeding 5% of the net profits of the company, calculated as per the provisions of Section 198 of the Companies Act, 2013.

### Payment or benefit to Directors of our Company

Details of the sitting fees or other remuneration paid to our Directors in Financial Year 2022 are set forth below.

#### *Remuneration to our Executive Director*

Details of the remuneration paid to our Chairman and Managing Director in Financial Year 2022 is set forth below:

S. No.	Name of executive Director	Remuneration (in ₹ million)
1.	Lakshmiipathy Deenadayalan	63.19*

\*Managerial remuneration above does not include gratuity and compensated absences, since the same are provided on actuarial basis for the company as a whole and the amount attributable to the key managerial personnel cannot be ascertained separately.

#### *Remuneration to our Non-Executive Directors*

Pursuant to resolution passed by our Board dated April 27, 2022, our Non-Executive Directors and Non-Executive Independent Directors are entitled to receive sitting fees of ₹ 0.05 million per sitting for every meeting of the Board. Additionally, our Non-Executive Directors and Non-Executive Independent Directors are also entitled to receive sitting fees of ₹ 0.04 million per sitting for every meeting of the Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, IPO committee, Risk Management Committee and meeting of the Independent Directors of our Company. Details of the remuneration paid to the Non-Executive Directors and Non – Executive Independent Directors of our Company in the Financial Year 2022 are set forth below.

S. No.	Name of Non-Executive Directors and Non – Executive Independent Directors	Directors Sitting Fees (in ₹ million)	Commission (in ₹ million)	Total (in ₹ million)
1.	Ramanathan Annamalai^	0.94	0.40	1.34
2.	Ramkumar Ramamoorthy*	Nil	Nil	Nil

S. No.	Name of Non-Executive Directors and Non – Executive Independent Directors	Directors Sitting Fees (in ₹ million)	Commission (in ₹ million)	Total (in ₹ million)
3.	Srinivasaraghavan Thiruvallur Thattai	0.43	0.40	0.83
4.	Anand Raghavan	0.98	0.40	1.38
5.	Bhama Krishnamurthy	0.94	0.40	1.34
6.	Thirulokchand Vasam	0.50	0.40	0.90
7.	Balaram Haribabu <sup>#</sup>	0.46	0.20	0.66
8.	Lankupalli Raviprasad Raghavan <sup>#</sup>	0.46	0.20	0.66

<sup>^</sup> Ramanathan Annamalai retired from the Board of the Company on May 25, 2022.

<sup>\*</sup> Ramkumar Ramamoorthy joined the Board of our Company on June 8, 2022.

<sup>#</sup> Balaram Haribabu and Lankupalli Raviprasad Raghavan resigned from the Board of our Company on October 21, 2021

Ravishankar Ganapathyagraharam Venkataraman who is nominated by SCI Investments V and Vikram Vaidyanathan who is nominated by Matrix Partners India Investment Holdings II, LLC, are not entitled to receive any sitting fees or commission for attending meetings of the Board and its Committees. Accordingly, they have not received any remuneration, sitting fees or commission in Financial Year 2022.

#### Arrangement or understanding with major Shareholders, customers, suppliers or others

Other than Ravishankar Ganapathyagraharam Venkataraman who is nominated by SCI Investments V and Vikram Vaidyanathan who is nominated by Matrix Partners India Investment Holdings II, LLC to our Board under the terms of the SHA, and Niren Shah who has been appointed as a board observer by Norwest Venture Partners X– Mauritius, Sanjeev Mehra, who has been appointed as a board observer by TPG Asia VII SF Pte. Ltd. and Rohan Suri, who has been appointed as a board observer by Sirius II Pte. Ltd., there is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any of our Directors has been appointed on the Board. For further details, “*History and Certain Corporate Matters - Shareholders’ Agreements and Other Agreements*” on page 225.

#### Bonus or profit-sharing plan of the Directors

None of our Directors are party to any bonus or profit-sharing plan of our Company.

#### Shareholding of Directors in our Company

As per our Articles of Association, our Directors are not required to hold any qualification shares.

Except as disclosed below, none of our Directors hold any Equity Shares or employee stock options of our Company, as on the date of this Prospectus:

S. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)	Number of employee stock options outstanding	Percentage of the post-Offer of Equity Share Capital (%)
1.	Lakshmiathy Deenadayalan	30,690,678	10.49%	NA	10.49%
<b>Total</b>		30,690,678	10.49%	NA	10.49%

#### Interests of Directors

Other than our Directors who are nominated, all Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of our Board as well as to the extent of other remuneration, commissions and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Certain of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the Equity Shares held by them or the shareholder they represent.

Except as disclosed in this section, our Directors do not have any other interest in our business.

The Directors may also be regarded as interested in the Equity Shares that may be subscribed by or allotted to the companies, firms and trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Offer.

None of our Directors have any interest in any property acquired or proposed to be acquired of the Company or by the Company.

Except Lakshmipathy Deenadayalan, who is a promoter of our Company, none of our Directors have any interests in the promotion or formation of our Company.

No amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our Directors except the normal remuneration for services rendered as Directors.

No loans have been availed by our Directors from our Company.

Except for our Directors (i) Anand Raghavan who is a director on the board of SK Finance Limited; (ii) Ravishankar Ganapathyagraharam Venkataraman who is a director on the board of Finova Capital Private Limited, Rupeek Fintech Private Limited and Capfloat Financial Services Private Limited ; (iii) Bhama Krishnamurthy who is a director on the board of Cholamandalam Investment and Finance Company Limited and Muthoot Microfin Limited; (iv) Srinivasaraghavan Thiruvallur Thattai who is a director on the board of Sundaram Finance Limited , and (v) Vikram Vaidyanathan who is a director on the board of Mswipe Capital Private Limited and Amica Financial Technologies Private Limited, none of our Directors are associated with entities in a similar line of business as our Company.

### Changes in our Board in the last three years

Details of the changes in our Board in the last three years are set forth below.

Name	Date of Change	Reason
Balaram Haribabu	March 28, 2020	Re-Appointment as Independent Director for second term of five years
Gaurav Trehan	May 22, 2020	Resignation as Non-Executive Director (Pursuant to his resignation from TPG)
Sanjeev Mehra	June 10, 2020	Appointment as Non-Executive Director
Ramanathan Annamalai	February 26, 2021	Re-Appointment as Independent Director for second term of fifteen months
Bhama Krishnamurthy	April 12, 2021	Re-Appointment as Independent Director for second term of five years
Ling Wei Ong	April 26, 2021	Cessation as Non-Executive Director (Pursuant to exit of NHPEA Chocolate Holdings)
Arjun Saigal	April 26, 2021	Cessation as Alternate Director to Ling Wei Ong (Pursuant to Ling Wei Ong's cessation)
Gaurav Trehan	April 26, 2021	Appointment as Additional Director.
Anand Raghavan	July 28, 2021	Re-Appointment as Independent Director for second term of five years
Gaurav Trehan	August 6, 2021	Appointment as Non-Executive Director
Srinivasaraghavan Thiruvallur Thattai	August 25, 2021	Appointment as Independent Director for five years
Lankupalli Raviprasad Raghavan	October 21, 2021	Cessation as Non-Executive Director (Due to pre-occupation)
Gaurav Trehan	October 21, 2021	Cessation as Non-Executive Director (Due to pre-occupation)
Balaram Haribabu	October 21, 2021	Cessation as Independent Director (Due to pre-occupation)
Sanjeev Mehra	October 21, 2021	Cessation as Non-Executive Director (Due to pre-occupation)
Ramanathan Annamalai	May 25, 2022	Cessation as Independent Director (Due to retirement)
Lakshmipathy Deenadayalan	June 1, 2022	Re-appointment as Chairman and Managing Director for five years
Ramamoorthy Ramkumar	June 8, 2022	Appointment as Independent Director for five years

### Borrowing Powers of Board

Pursuant to a resolution passed by our Board in its meeting dated February 18, 2021 and our shareholders in their AGM held on April 22, 2021, our Board is authorised to borrow such sum or sums of moneys and for availing all kinds and types of loans, advances and credit/financing/debt facilities including issuance of all kinds of debentures/bonds and other debt instruments, from time to time, up to a sum of ₹ 70,000 million at any point of time on account of principal, for and on behalf of our Company, from its bankers, other banks, non-banking financial companies, financial institutions, companies, firms, bodies corporate, cooperative banks, investment institutions and their subsidiaries, mutual funds, trusts, or from any other person as may be permitted under applicable laws, whether unsecured or secured.

### Corporate Governance

The provisions of the SEBI Listing Regulations with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares with the Stock Exchanges. We are in compliance with the requirements of the applicable regulations, including the SEBI Listing Regulations, the Companies Act and other applicable regulations of SEBI, in respect of

corporate governance including in respect of the constitution of the Board and Committees thereof, and formulation and adoption of policies. Our Board has been constituted in compliance with the Companies Act and the SEBI Listing Regulations.

As on the date of this Prospectus, our Board comprises eight Directors, including our Chairman and Managing Director, four Independent Directors (including one woman Director) and three Non-Executive Directors. In compliance with Section 152 of the Companies Act, not less than two thirds of the Directors (excluding Independent Directors) are liable to retire by rotation.

Our Company undertakes to take all necessary steps to continue to comply with all the requirements of SEBI Listing Regulations and the Companies Act.

### Committees of the Board

Details of the Committees are set forth below. In addition to the Committees detailed below, our Board of Directors may, from time to time constitute Committees for various functions.

#### Audit Committee

The members of the Audit Committee are:

S. No.	Name of Director	Committee Designation
1.	Anand Raghavan	Chairperson
2.	Bhama Krishnamurthy	Member
3.	Vikram Vaidyanathan	Member

The Audit Committee was last reconstituted pursuant to resolution passed by our Board in its meeting held on May 26, 2022. The scope and functions of the Audit Committee are in accordance with Section 177 of the Companies Act and the SEBI Listing Regulations and its terms of reference as stipulated pursuant to resolution passed by our Board, *inter alia*, include:

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that its financial statements are correct, sufficient and credible;
- Recommending to the Board the appointment, remuneration and terms of appointment of the statutory auditor of the Company;
- Reviewing and monitoring the statutory auditor's independence and performance, and effectiveness of audit process;
- Approving payments to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act;
  - Changes, if any, in accounting policies and practices and reasons for the same;
  - Major accounting entries involving estimates based on the exercise of judgment by management;
  - Significant adjustments made in the financial statements arising out of audit findings;
  - Compliance with listing and other legal requirements relating to financial statements;
  - Disclosure of any related party transactions; and
  - Modified opinion(s) in the draft audit report.
- Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
- Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer

document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter. This also includes monitoring the use/application of the funds raised through the proposed initial public offer by the Company;

- Approval or any subsequent modifications of transactions of the Company with related parties and omnibus approval for subject to the conditions as may be prescribed, by the independent directors who are members of the Audit Committee;
- Scrutinising of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluating of internal financial controls and risk management systems;
- Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances
- Reviewing, with the management, the performance of statutory and internal auditors, and adequacy of the internal control systems;
- Reviewing the adequacy of internal audit function if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussing with internal auditors on any significant findings and follow up thereon;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- Reviewing the functioning of the whistle blower mechanism;
- Approving the appointment of the chief financial officer or any other person heading the finance function or discharging that function after assessing the qualifications, experience and background, etc. of the candidate;
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee and any other terms of reference as may be decided by the Board and/or specified/provided under the Companies Act, the Listing Regulations or by any other regulatory authority;
- Reviewing the utilization of loans and/ or advances from/investment by the holding company in any subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as per applicable law; and
- Considering and commenting on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders.

#### ***Powers of the Audit Committee***

The powers of the Audit Committee shall include the following:

1. To investigate any activity within its terms of reference;
2. To seek information from any employee;
3. To obtain outside legal or other professional advice; and



4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

### **Reviewing Powers**

The Audit Committee shall mandatorily review the following information:

1. Management's discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by the management. Provided that only those members of the audit committee, who are independent;
3. directors, shall approve related party transactions;
4. Management letters / letters of internal control weaknesses issued by the statutory auditors;
5. Internal audit reports relating to internal control weaknesses;
6. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee;
7. Examination of the financial statements and the auditors' report thereon; and
8. Statement of deviations:
  - (i) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of the Listing Regulations; and
  - (ii) annual statement of funds utilised for purposes other than those stated in the document/prospectus/notice in terms of the Listing Regulations.

### **Risk Management Committee**

The members of the Risk Management Committee are:

<b>Sr. No.</b>	<b>Name of Director</b>	<b>Committee Designation</b>
1.	Srinivasaraghavan Thiruvallur Thattai	Chairperson
2.	Anand Raghavan	Member
3.	Bhama Krishnamurthy	Member
4.	Lakshmiopathy Deenadayalan	Member

The Risk Management Committee was last reconstituted pursuant to resolution passed by our Board in its meeting held on October 21, 2021. The scope and functions of the Risk Management Committee are in accordance with Regulation 21 of the SEBI Listing Regulations and its terms of reference as stipulated pursuant to resolution passed by our Board, *inter alia*, include:

- (1) To formulate a detailed risk management policy which shall include:
  - (a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
  - (b) Measures for risk mitigation including systems and processes for internal control of identified risks.
  - (c) Business continuity plan.
- (2) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- (3) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- (4) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

- (5) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- (6) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
- (7) To carry out such other functions as may be specified by the Board from time to time or specified/provided the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, each as amended or by any other regulatory authority.

#### ***Nomination and Remuneration Committee***

The members of the Nomination and Remuneration Committee are:

<b>S. No.</b>	<b>Name of Director</b>	<b>Committee Designation</b>
1.	Bhama Krishnamurthy	Chairperson
2.	Anand Raghavan	Member
3.	Vikram Vaidyanathan	Member

The Nomination and Remuneration Committee was last reconstituted pursuant to resolution passed by our Board in its meeting held on May 26, 2022. The scope and functions of the Nomination and Remuneration Committee are in accordance with Section 178 of the Companies Act and the SEBI Listing Regulations and its terms of reference as stipulated pursuant to resolution passed by our Board, *inter alia*, include:

- Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - (i) use the services of an external agencies, if required;
  - (ii) consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - (iii) consider the time commitments of the candidates.
- Formulating of criteria for evaluation of the performance of the independent directors and the Board;
- Devising a policy on Board diversity;
- Identifying persons who qualify to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommending to the Board their appointment and removal, and carrying out evaluations of every director's performance;
- Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
- Analysing, monitoring and reviewing various human resource and compensation matters;
- Determining the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;
- Determining compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component;
- Reviewing and approving compensation strategy from time to time in the context of the then current Indian market in accordance with applicable laws;

- Performing such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2021, as amended;
- Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including:
  - (i) the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; or
  - (ii) the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended.
- Performing such other activities as may be delegated by the Board and/or specified/provided under the Companies Act, the Listing Regulations or by any other regulatory authority”; and
- Recommend to the Board, all remuneration, in whatever form, payable to senior management.

### ***Stakeholders’ Relationship Committee***

The members of the Stakeholders’ Relationship Committee are:

<b>S. No.</b>	<b>Name of Director</b>	<b>Committee Designation</b>
1.	Ramkumar Ramamoorthy	Chairperson
2.	Lakshmipathy Deenadayalan	Member
3.	Thirulokchand Vasan	Member

The Stakeholders’ Relationship Committee was last reconstituted pursuant to resolution passed by our Board in its meeting held on June 8, 2022. The scope and functions of the Stakeholders’ Relationship Committee are in accordance with Section 178 of the Companies Act and the SEBI Listing Regulations and its terms of reference as stipulated pursuant to resolution passed by our Board, *inter alia*, include:

- To consider and resolve the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints;
- To review measures taken for effective exercise of voting rights by shareholders;
- To review adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent;
- To review the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company: and
- Carrying out such other functions as may be specified by the Board from time to time or specified/provided under the Companies Act, 2013 or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, each as amended or by any other regulatory authority.

### ***Corporate Social Responsibility Committee***

The members of the Corporate Social Responsibility Committee are:

<b>S. No.</b>	<b>Name of Director</b>	<b>Committee Designation</b>
1.	Lakshmipathy Deenadayalan	Chairperson
2.	Anand Raghavan	Member
3.	Bhama Krishnamurthy	Member

The Corporate Social Responsibility Committee was last reconstituted pursuant to resolution passed by our Board in its meeting held on October 21, 2021. The scope and functions of the Corporate Social Responsibility Committee are in accordance with Section 135 of the Companies Act and its terms of reference as stipulated pursuant to resolution passed by our Board, *inter alia*, include:

- a) Formulation of a corporate social responsibility policy to the Board, indicating the activities to be undertaken by the Company in areas or subjects specified in the Companies Act, 2013. The activities should be within the list of permitted activities specified in the Companies Act, 2013 and the rules thereunder;
- b) Recommending the amount of expenditure to be incurred, amount to be at least 2% of the average net profit of the Company in the three immediately preceding financial years or where the Company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years;
- c) Instituting a transparent monitoring mechanism for implementation of the corporate social responsibility projects or programs or activities undertaken by the Company;
- d) Monitoring the corporate social responsibility policy from time to time and issuing necessary directions as required for proper implementation and timely completion of corporate social responsibility programmes;
- e) Identifying corporate social responsibility policy partners and corporate social responsibility policy programmes;
- f) Identifying and appointing the corporate social responsibility team of the Company including corporate social responsibility manager, wherever required; and
- g) Performing such other duties and functions as the Board may require the corporate social responsibility committee to undertake to promote the corporate social responsibility activities of the Company or as may be required under applicable laws.
- h) To take note of the compliances made by implementing agency (if any) appointed for the corporate social responsibility activities of the Company.

#### ***IPO Committee***

The members of the IPO Committee are:

<b>Sr. No.</b>	<b>Name of Director</b>	<b>Committee Designation</b>
1.	Lakshmiopathy Deenadayalan	Chairperson
2.	Anand Raghavan	Member
3.	Vikram Vaidyanathan	Member
4.	Ravishankar Ganapathyagraharam Venkataraman	Member

The IPO Committee was constituted pursuant to resolution passed by our Board in its meeting held on September 8, 2021. The terms of reference of the IPO Committee include:

- a) To make applications, seek clarifications, obtain approvals and seek exemptions from, where necessary, the SEBI, the Registrar of Companies, Tamil Nadu at Chennai, the RBI, and any other governmental or statutory authorities as may be required in connection with the Offer and accept on behalf of the Board such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions as may be required and wherever necessary, incorporate such modifications / amendments as may be required in the draft red herring prospectus, the red herring prospectus and the prospectus as applicable;
- b) To finalize, settle, approve, adopt and file in consultation with the book running lead managers appointed for the Offer (the “BRLMs”) where applicable, the draft red herring prospectus, the red herring prospectus and the prospectus in connection with the Offer, the preliminary and final international wrap and any amendments, supplements, notices, addenda or corrigenda thereto, the bid cum application forms, abridged prospectus, confirmation of allocation notes and any other document in relation to the Offer, and take all such actions as may be necessary for the submission and filing of these documents including incorporating such alterations/corrections/ modifications as may be required by SEBI, the Registrar of Companies, Tamil Nadu at Chennai or any other relevant governmental and statutory authorities or in accordance with applicable laws;
- c) To decide along with the Selling Shareholders in consultation with the BRLMs on the actual Offer size, timing, pricing, discount, reservation and all the terms and conditions of the Offer, including the price band (including offer price for anchor investors), bid period, Offer price, and to do all such acts and things as may be necessary and expedient for, and incidental and ancillary to the Offer including to make any amendments, modifications, variations or alterations in relation to the Offer;

- d. To appoint and enter into and terminate arrangements with the BRLMs, underwriters to the Offer, syndicate members to the Offer, brokers to the Offer, escrow collection bankers to the Offer, refund bankers to the Offer, registrars, legal advisors, auditors, advertising agency, monitoring agency and any other agencies or persons or intermediaries in relation to the Offer, to negotiate, finalise and amend the terms of their appointment, including but not limited to the execution of the mandate letter with the BRLMs and negotiation, finalization, execution and, if required, amendment of the offer agreement with the BRLMs, and to remunerate all such intermediaries/agencies including the payments of commissions, brokerages, etc.;
- e. To negotiate, finalise and settle and to execute and deliver or arrange the delivery of the draft red herring prospectus, the red herring prospectus, the prospectus, the preliminary and final international wrap, offer agreement, syndicate agreement, underwriting agreement, share escrow agreement, cash escrow agreement, agreements with the registrar to the Offer and all other documents, deeds, agreements and instruments whatsoever with the registrar to the Offer, legal advisors, auditors, advertising agency and the monitoring agency stock exchange(s), BRLMs, any selling shareholders in the Offer (the “**Selling Shareholders**”) and any other agencies/intermediaries in connection with the Offer with the power to authorise one or more officers of the Company to execute all or any of the aforesaid documents or any amendments thereto as may be required or desirable in relation to the Offer;
- f. To seek, if required, the consent and/or waiver of the lenders of the Company and its subsidiaries, as applicable, customers, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents and/or waivers that may be required in relation to the Offer or any actions connected therewith;
- g. To open and operate bank accounts in terms of the escrow agreement and to authorize one or more officers of the Company to execute all documents/deeds as may be necessary in this regard;
- h. To open and operate bank accounts of the Company in terms of Section 40(3) of the Companies Act, 2013, as amended, and to authorize one or more officers of the Company to execute all documents/deeds as may be necessary in this regard;
- i. To authorize and approve incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Offer;
- j. To accept and appropriate the proceeds of the Offer in accordance with the applicable laws;
- k. To approve code of conduct as may be considered necessary by the IPO Committee or as required under the applicable laws, regulations or guidelines for the Board, officers of the Company and other employees of the Company;
- l. To approve the implementation of any corporate governance requirements that may be considered necessary by the Board or the IPO Committee or as may be required under the applicable laws or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and listing agreements to be entered into by the Company with the relevant stock exchanges, to the extent allowed under law;
- m. To issue receipts/allotment letters/confirmation of allotment notes either in physical or electronic mode representing the underlying Equity Shares in the capital of the Company with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more stock exchange(s), with power to authorize one or more officers of the Company to sign all or any of the aforesaid documents;
- n. To authorize and approve notices, advertisements in relation to the Offer in consultation with the relevant intermediaries appointed for the Offer;
- o. To do all such acts, deeds, matters and things and execute all such other documents, etc., as may be deemed necessary or desirable for such purpose, including without limitation, to finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, share certificates in accordance with the relevant rules, in consultation with the BRLMs;
- p. To do all such acts, deeds and things as may be required to dematerialise the Equity Shares and to sign and/ or modify, as the case maybe, agreements and/or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited, registrar and transfer agents and such other agencies,

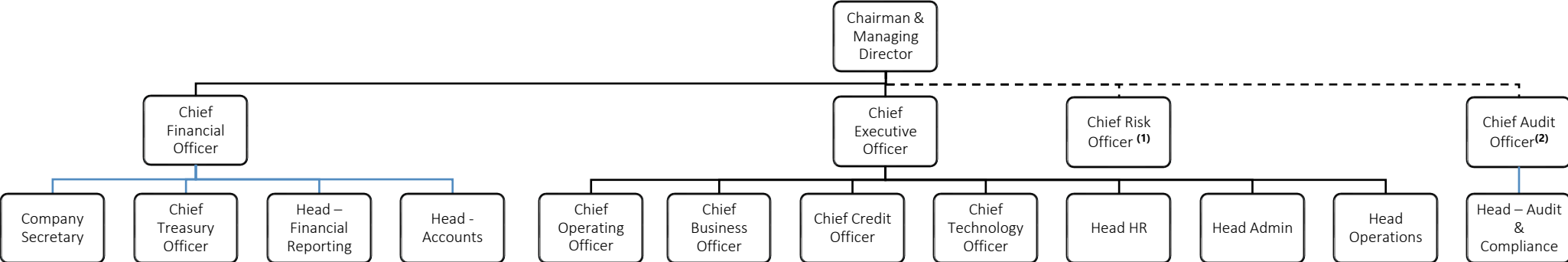
authorities or bodies as may be required in this connection and to authorize one or more officers of the Company to execute all or any of the aforesaid documents;

- q. To make applications for listing of the Equity Shares in one or more stock exchange(s) for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s) in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of the Company where necessary;
- r. To settle all questions, difficulties or doubts that may arise in regard to the Offer, including issue or allotment, terms of the Offer, utilisation of the Offer proceeds and matters incidental thereto as it may deem fit;
- s. To submit undertaking/certificates or provide clarifications to the SEBI, Registrar of Companies, Tamil Nadu at Chennai and the relevant stock exchange(s) where the Equity Shares are to be listed;
- t. To negotiate, finalize, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the IPO Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Offer and any documents or instruments so executed and delivered or acts and things done or caused to be done by the IPO Committee shall be conclusive evidence of the authority of the IPO Committee in so doing;
- u. To approve suitable policies on insider trading, whistle-blowing, risk management, and any other policies as may be required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, or any other applicable laws;
- v. Deciding, negotiating and finalising the pricing and all other related matters regarding the execution of the relevant documents with the investors in consultation with the BRLMs and in accordance with applicable laws;
- w. Taking on record the approval of the Selling Shareholders for offering their Equity Shares in the Offer for Sale and taking all actions as may be authorised in connection therewith;
- x. to withdraw the draft red herring prospectus or the red herring prospectus or to decide to not proceed with the Offer at any stage in accordance with applicable laws and in consultation with the BRLMs; and
- y. To delegate any of its powers set out hereinabove, as may be deemed necessary and permissible under applicable laws to the officials of the Company.

#### **Other Committees**

In addition to the committees mentioned in “ – *Committees of the Board*” on page 234, our Company has constituted such other committees including Asset Liability Committee, Business and Resource Committee and IT Strategy Committee, as required in relation to its business and operations as an NBFC-ND-SI.

# Management Organisation Structure



**Notes:**

- 1. *Direct reporting to the Risk Management Committee*
- 2. *Direct reporting to the Audit Committee*

## Key Managerial Personnel

The details of the Key Managerial Personnel, as of the date of this Prospectus are as follows:

**Lakshmiopathy Deenadayalan** is the Chairman and Managing Director of our Company. For details, see “– *Brief Biographies of Directors*” on page 230. For details of compensation paid to him during Financial Year 2022, see “– *Payment or benefit to Directors of our Company – Remuneration to our Executive Director*” on page 231.

**Rangarajan Krishnan** is the Chief Executive Officer of our Company. He holds a bachelor’s degree in commerce and a master of business administration from Sri Sathya Sai Institute of Higher Learning. He has also a completed post graduate programme in management from Indian School of Business, Hyderabad He was previously associated with The World Bank, HDFC Bank Limited, Spark Financial Holdings Private Limited (formerly, Spark Capital Advisors (India) Limited) and Standard Chartered Bank India in various roles. He joined our Company in August 2015 as Chief Operating Officer and was promoted to CEO of our Company with effect from May 22, 2018. The remuneration (excluding share-based payments) to him was ₹23.58 million in Fiscal 2022. The remuneration does not include gratuity and compensated absences, since the same are provided on actuarial basis for the company as a whole and the amount attributable to the key managerial personnel cannot be ascertained separately.

**Srikanth Gopalakrishnan** is the Chief Financial Officer of our Company. He holds a bachelor’s degree in commerce and a master of business administration from Sri Sathya Sai Institute of Higher Learning. He was previously associated with Citibank India in various roles and was the chief financial officer of Asirvad Microfinance Private Limited. He joined our Company in October 2015. The remuneration (excluding share-based payments) to him was ₹13.53 million in Fiscal 2022. The remuneration does not include gratuity and compensated absences, since the same are provided on actuarial basis for the company as a whole and the amount attributable to the key managerial personnel cannot be ascertained separately.

**Shalini Baskaran** is the Company Secretary and Compliance Officer of our Company. She holds a bachelor’s degree in commerce from University of Madras. She is a member of Institute of Company Secretaries of India. She joined our Company as the Company Secretary on May 23, 2017 and was appointed as the Compliance Officer pursuant to a board resolution dated September 8, 2021. The remuneration (excluding share based payments) paid to her was ₹1.15 million in Fiscal 2022. The remuneration does not include gratuity and compensated absences, since the same are provided on actuarial basis for the company as a whole and the amount attributable to the key managerial personnel cannot be ascertained separately.

## Relationship between our Key Managerial Personnel

None of our Key Managerial Personnel are related to each other.

## Shareholding of Key Managerial Personnel

Except for Lakshmiopathy Deenadayalan, Rangarajan Krishnan, Srikanth Gopalakrishnan and Shalini Baskaran, none of our Key Managerial Personnel hold any Equity Shares in our Company. Further, some of our KMPs have been provided employee stock options under the ASOPs. For further details, see “*Capital Structure*” on page 66.

## Bonus or Profit Sharing Plans of the Key Managerial Personnel

None of our Key Managerial Personnel are party to any bonus or profit-sharing plan of our Company, other than the performance linked incentives given to Key Managerial Personnel.

## Status of Key Managerial Personnel

All our Key Managerial Personnel are permanent employees of our Company.

## Interests of Key Managerial Personnel

Our Key Managerial Personnel do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. The Key Managerial Personnel may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of Equity Shares held in the Company, if any, and employee stock options held by them.



None of our Key Managerial Personnel have been paid any consideration of any nature from our Company, other than their remuneration.

There is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Key Managerial Personnel was selected as member of senior management.

#### **Changes in our Key Managerial Personnel**

Except as disclosed below, there have been no changes in the Key Managerial Personnel in the last three years preceding the date of this Prospectus:

<b>Name</b>	<b>Date of change</b>	<b>Reason for change</b>
Srikanth Gopalakrishnan	March 20,2022	Appointment as Chief Financial Officer
Roopa Sampath Kumar	March 19, 2022	Resigned as Chief Financial Officer
Shalini Baskaran	September 8, 2021	Appointment as Compliance Officer
Roopa Sampath Kumar	June 1, 2021	Appointment as Chief Financial Officer
Srikanth Gopalakrishnan	June 1, 2021	Promoted as Chief of Strategy and Finance

#### **Service Contracts with Directors and Key Managerial Personnel**

Other than statutory benefits upon termination of their employment in our Company or retirement, no officer of our Company, including our Directors or the Key Managerial Personnel is entitled to any benefits upon termination of employment under any service contract with our Company. Further, none of our Directors have entered into a service contract with our Company pursuant to which they have been appointed as a director of our Company or their remuneration has been fixed in the preceding two years.

#### **Contingent and deferred compensation payable to our Directors and Key Managerial Personnel**

There is no contingent or deferred compensation payable to our Directors and Key Managerial Personnel, which does not form a part of their remuneration.

#### **Payment or benefit to Key Managerial Personnel**

Except as stated in this section, no non-salary amount or benefit has been paid or given to any of our Company's officers including Key Managerial Personnel within the two preceding years or is intended to be paid or given.

#### **Employees Stock Options**

For details of the ASOPs of our Company, see "*Capital Structure*" on page 66.

## OUR PROMOTERS AND PROMOTER GROUP

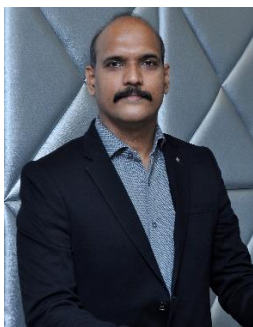
### Our Promoters

The Promoters of our Company are:

1. Lakshmipathy Deenadayalan;
2. Hema Lakshmipathy;
3. Shritha Lakshmipathy;
4. Matrix Partners India Investment Holdings II, LLC; and
5. SCI Investments V.

As on the date of this Prospectus, our Promoters hold 113,925,243 Equity Shares in aggregate, representing 38.95% of the pre-Offer paid up share capital considered on a fully diluted basis, considering the vested stock options as on the date of this Prospectus.

#### I. Details of our Individual Promoters



Lakshmipathy Deenadayalan, aged 48 years, is the Chairman and Managing Director of our Company. For complete profile of Lakshmipathy Deenadayalan, along with his date of birth, educational qualification, personal address, experience in the business/employment, positions/ posts held in past, directorship, special achievements, his business and financial activities, see “*Our Management – Brief Biographies of Directors*” beginning on page 230. Lakshmipathy Deenadayalan is not involved in any other ventures.

Lakshmipathy Deenadayalan’s PAN is AATPL4799L and Aadhaar card number is [REDACTED]. His driving license number is TN02 19950001293.



Hema Lakshmipathy, aged 46 years, is a citizen of India. She was born on December 21, 1975 and is currently residing at No. 39, Outer Circular Road, Kilpauk Garden Colony, Kilpauk, Chennai 600 010, Tamil Nadu, India. She holds a masters in commerce degree from the Annamalai University. She is not involved in any other ventures.

Hema Lakshmipathy’s PAN is AAXPH6639K and Aadhaar card number is [REDACTED]. Her driving license number is TN02 19970007876.



Shritha Lakshmipathy, aged 21 years, is a citizen of India. She was born on March 9, 2001 and is currently residing at No. 39, Outer Circular Road, Kilpauk Garden Colony, Kilpauk, Chennai 600 010, Tamil Nadu, India. She has completed her senior school certificate examination from the Central Board of Secondary Education and is currently pursuing bachelors of science in economics from the Narsee Monjee Institute of Management Studies. Shritha Lakshmipathy is not involved in any other ventures.

Shritha Lakshmipathy’s PAN is KYFPS5050D and Aadhaar card number is [REDACTED]. Her driving license number is TN02 20220004628.

Our Company confirms that the PAN, passport number and bank account number of our Individual Promoters were submitted to the Stock Exchanges at the time of filing of the Draft Red Herring Prospectus with the Stock Exchanges.

## II. Details of our Corporate Promoters

### 1. Matrix Partners India Investment Holdings II, LLC\*

Matrix Partners India Investment Holdings II, LLC (“**Matrix**”) was incorporated on March 29, 2011, as a private limited company, under the laws of Mauritius, having its registered office at Suite Number 7020, 7<sup>th</sup> floor, Hennessy Court, Pope Hennessy Street, Port Louis, Mauritius. Matrix is wholly owned by Matrix Partners India II, LLC.

#### Nature of business:

Matrix holds a Category I Global Business License issued by the Financial Services Commission, established by the Financial Services Act, 2007 of Mauritius. Matrix has been organized with an opportunity to realize substantial long-term capital appreciation. Matrix continues to invest in various companies with an intent to earn capital appreciation. There is no change in the activities of Matrix.

#### Shareholding pattern:

Name of Investor	Shareholding (%)
Matrix Partners India II, LLC	100.00
<b>Total</b>	<b>100.00</b>

#### Board of directors:

Name	Designation
Cathie Hannelas	Director
Kevin Bessoondyal	Director
Erin Mauro	Director
Iqbal Dullo	Director
Timothy Alan Barrows	Director

#### Change in control:

There has been no change in the control of Matrix in the last three years preceding the date of this Prospectus.

#### Promoter of Matrix:

### **Matrix Partners India II, LLC ("Matrix Partners")**

Matrix is promoted by Matrix Partners India II, LLC, a limited liability company incorporated in Mauritius.

#### Board of directors of Matrix Partners:

Name	Designation
Cathie Hannelas	Director
Kevin Bessoondyal	Director
Erin Mauro	Director
Iqbal Dullo	Director
Timothy Alan Barrows	Director

### 2. SCI Investments V

SCI Investments V (“**SCI**”) was incorporated on September 3, 2015, as a private limited company, under the laws of Mauritius, having its registered office at Sanne House, Bank Street, Twenty Eight Cybercity, Ebene 72201, Republic of Mauritius.

#### Nature of business:

SCI has been authorised to invest in the technology, consumer healthcare and other permissible sectors in India and south east Asian countries and is currently engaged in long term capital appreciation through investments in portfolio

companies. There is no change in the activities of SCI.

Board of directors:

Name	Designation
Jimmy Chik Keung Wong	Director
Resmah Bibi Choomka	Director
Dilshaad Banu Rajabalee	Director

Change in control:

There has been no change in the control of SCI in the last three years preceding the date of this Prospectus.

Promoter of SCI:

**Sequoia Capital India V Limited**

Sequoia Capital India V Limited is the holding company of SCI, a limited liability company incorporated in Mauritius.

Board of directors of Sequoia Capital India V Limited:

Name	Designation
Jimmy Chik Keung Wong	Director
Rubina Toorawa	Director
Dilshaad Banu Rajabalee	Director

Our Company confirms that the PAN, bank account number, company registration number and the address of the registrar of companies where our Corporate Promoters are registered, were submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus.

**Interest of our Promoters**

Our Promoters are interested in our Company to the extent (i) that they have promoted our Company; (ii) of their respective shareholding in our Company, the shareholding of their relatives, to the extent relevant, in our Company and the dividends payable, if any, and any other distributions in respect of the Equity Shares held by them or their relatives; (iii) in case of Lakshmi pathy Deenadayalan, to the extent of being the Chairman and Managing Director of our Company and the remuneration or reimbursement of expenses payable by our Company to him; and (iv) in the case of our Corporate Promoters, to the extent of their nominee directors being part of our Board. For details, please see “*Capital Structure*” and “*Our Management*” on pages 66 and 227, respectively.

Our Promoters are not interested in the properties acquired or proposed to be acquired by our Company in the three years preceding the date of this Prospectus.

Further, none of our Promoters have any interest in any transaction of our Company for acquisition of land, construction of building or supply of machinery.

Except as disclosed below, our Promoters do not have any interest in any venture that is involved in any activities similar to those conducted by our Company:

Sr. No.	Name of the Promoter	Venture that is involved in any activities similar to those conducted by our Company
1.	Matrix	OFB Tech Private Limited is a portfolio company of Matrix, whose subsidiary Oxyzo Financial Services Private Limited is involved in activities similar to those conducted by our Company
2.		Mswipe Technologies Private Limited is a portfolio company of Matrix, whose subsidiary Mswipe Capital Private Limited is involved in activities similar to those conducted by our Company

3.		ANI Technologies Private Limited, is a portfolio company of Matrix, whose subsidiary Ola Financial Services Private Limited is involved in activities similar to those conducted by our Company
4.	SCI	Rupeek Fintech Private Limited, a portfolio company of SCI, whose subsidiary Rupeek Capital Private Limited is involved in activities similar to those conducted by our Company
5.		Mycash Fintech Pte. Ltd., is a portfolio company of SCI, whose subsidiary Tapstart Capital Private Limited is involved in activities similar to those conducted by our Company
6.		Finova Capital Private Limited is a portfolio company of SCI and is involved in activities similar to those conducted by our Company

Our Promoters are not interested as a member of a firm or company, and no sum has been paid or agreed to be paid to our Promoters or to such firm or company in cash or shares or otherwise by any person either to induce any of our Promoters to become, or qualify them as a director, or otherwise, as applicable, for services rendered by any of our Promoters or by such firm or company in connection with the promotion or formation of our Company.

#### **Payment or Benefits to our Promoters**

There has been no amount or benefit paid or given, respectively, to our Promoters or members of our Promoter Group during the two years prior to date of this Prospectus and no amount or benefit is intended to be paid or given to any of our Promoters or members of our Promoter Group.

#### **Change in the control of our Company**

There has been no change in the control of the Company in the last five years.

However, pursuant to a resolution passed by the Board of Directors dated October 21, 2021, certain of our existing Shareholders, namely, Lakshmipathy Deenadayalan, Hema Lakshmipathy, Shritha Lakshmipathy, Matrix and SCI have been identified as Promoters. Accordingly, as on the date of this Prospectus, our Company has five Promoters. For further details, please see “*History and Certain Corporate Matters*” and “*Capital Structure - Build-up of Promoters’ Equity shareholding in our Company*” on page 219 and 74.

#### **Material guarantees to third parties with respect to the Equity Shares**

As on the date of this Prospectus, our Promoters have not given any material guarantees to third parties with respect to the Equity Shares of our Company.

#### **Companies or firms with which our Promoters have disassociated in the last three years**

Except as disclosed below, our Promoters have not disassociated themselves from any companies during the preceding three years from the date of filing this Prospectus.

<b>Name of company or firm from which Promoters have disassociated</b>	<b>Reasons for and circumstances leading to disassociation</b>	<b>Date of disassociation</b>
<b>SCI</b>		
Faces Cosmetics India Private Limited	Acquired by another company	January 18, 2022
Belong Pte Limited	Exit from the portfolio company	March 25, 2021
Islestarr Holdings Limited	Exit from the portfolio company	June 23, 2020
Ibahn Illumination Private Limited	Exit from the portfolio company	April 8, 2020
Supermarket Grocery Supplies Private Limited	Exit from the portfolio company	September 3, 2021
Moka Technology Solutions Pte Limited	Exit from the portfolio company	March 17, 2020
iDisha Info Labs Private Limited	Exit from the portfolio company	October 14, 2020
Spoyl Tech Solutions Private Limited	Exit from the portfolio company	March 9, 2021
Dailyninja Delivery Services Private Limited	Acquired by another company	April 1, 2020
PT Tokopedia	Acquired by another company	May 10, 2021
<b>Matrix</b>		
Enhance Aesthetic and Cosmetic Studio Private Limited	Divestment of stake	October 14, 2022
Amber Internet Solutions Private Limited	Divestment of stake	September 23, 2022
Techmed Health Centre and Diagnostic Private Limited	Divestment of stake	December 28, 2021
Twist Mobile India Private Limited	Divestment of stake	August 11, 2021

Name of company or firm from which Promoters have disassociated	Reasons for and circumstances leading to disassociation	Date of disassociation
Sarvaloka Services On Call Private Limited	Divestment of stake	April 16, 2021
DataEmo Technologies Private Limited	Divestment of stake	April 5, 2021
Alchemy Web Private Limited	Divestment of stake	March 5, 2021
Medlife International Private Limited	Divestment of stake	January 22, 2021
MetaRain Distributors Private Limited	Divestment of stake	January 11, 2021
Bengal Speech & Hearing Private Limited	Divestment of stake	January 11, 2021
Meditrina Hospitals Private Limited	Divestment of stake	March 31, 2021
Mewar Hospital Private Limited	Divestment of stake	December 23, 2019

## Promoter Group

Apart from our Promoters, the following individuals and entities constitute our Promoter Group in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations.

### *Natural persons who are part of our Promoter Group*

Name of the Promoter	Members of the Promoter Group
Lakshmipathy Deenadayalan	Hema Lakshmipathy – Spouse
	Deenadayalan Rangasamy - Father
	Varalakshmi Deenadayalan – Mother
	Ramkrishnan Deenadayalan - Brother
	Sudha Boopathy - Sister
	Shritha Lakshmipathy and Srishti Lakshmipathy - Daughters
	Ranganathan Vasireddy Kuppuswamy – Father-in-law
	Suguna Ranganathan – Mother-in-law
	Sujatha Janarthanam – Wife’s sister
Hema Lakshmipathy	Lakshmipathy Deenadayalan - Spouse
	Ranganathan Vasireddy Kuppuswamy - Father
	Suguna Ranganathan – Mother
	Sujatha Janarthanam - Sister
	Shritha Lakshmipathy and Srishti Lakshmipathy - Daughters
	Deenadayalan Rangasamy – Father-in-law
	Varalakshmi Deenadayalan – Mother-in-law
	Ramkrishnan Deenadayalan – Brother-in-law
	Sudha Boopathy – Sister-in-law
Shritha Lakshmipathy	Lakshmipathy Deenadayalan – Father
	Hema Lakshmipathy – Mother
	Srishti Lakshmipathy - Sister

### *Entities forming part of our Promoter Group*

#### **I. Matrix\***

1. Bitnomix Technologies Private Limited
2. Chumbak Design Private Limited
3. Matrix Partners India II, LLC
4. Mswipe Technologies Private Limited
5. Shotformat Digital Productions Private Limited
6. Waterlife India Private Limited

\*SEBI has granted an exemption vide letter dated January 7, 2022 in response to our exemption application dated November 9, 2021 under Regulation 300(1)(c) of the SEBI ICDR Regulations seeking an exemption from identifying a body corporate, Inasra Technologies Private Limited, in which one of our Corporate Promoters, i.e. Matrix, holds 20% or more of the equity share capital, as a member of the promoter group in terms of Regulation 2(1)(pp)(iii)(B) of the SEBI ICDR Regulations in the Offer Documents, and from including any confirmations or disclosures required from a member of the promoter group under the SEBI ICDR Regulations, in respect of such body corporate in the Offer Documents and in connection with the Offer.

#### **II. SCI**

1. Amogha Polymers India Private Limited

2. Awfis Space Solutions Private Limited
3. Cardup Pte. Ltd.
4. Cue Learn Private Limited
5. Digital Technologies Limited
6. Faces Investment Holdings
7. Finova Capital Private Limited
8. Fintech Blue Solutions Private Limited
9. Insider SG Pte. Ltd.
10. Loconav, Inc.
11. Minions Ventures Private Limited
12. Mycash Fintech Pte. Ltd.
13. M-League Pte. Ltd.
14. NEXTSCM Solutions Private Limited
15. Nugit Pte. Ltd.
16. Paradime Technologies Private Limited
17. Pocket Aces Pictures Private Limited
18. Rupeek Fintech Private Limited
19. Sequoia Capital India V Limited
20. Trust IQ Pte. Ltd.
21. Vymo Inc.

## OUR GROUP COMPANIES

Pursuant to a resolution dated November 8, 2021, our Board formulated a policy for identification of group companies and has noted that in accordance with the SEBI ICDR Regulations and for the purpose of disclosure in this Prospectus, group companies of our Company shall include (i) the companies with which there were related party transactions as per IndAs 24 as disclosed in the Restated Financial Information during any of the last three Fiscals (and stub period, if any, in respect of which, the Restated Financial Information is included); or (ii) such other companies with which there were related party transactions for the period (after the period in respect of which Restated Financial Information are included in the Offer Documents) until the date of filing of this Prospectus.

Accordingly, in terms of the policy adopted by the Board for identification of group companies, our Board has identified NHPEA Chocolate Holding B.V. and TPG Asia VII SF Pte. Ltd. as the Group Companies of our Company.

### Details of our Group Companies

#### 1. NHPEA Chocolate Holding B.V. (“NHPEA”)

The registered office of NHPEA is situated at Radarweg 29 B 7, 1043 NX Amsterdam, the Netherlands.

NHPEA does not have its own website. Further, NHPEA is not required to audit its financial statements as per the laws applicable to it as per its place of incorporation and registration. However, in accordance with the SEBI ICDR Regulations, the details of the reserves (excluding revaluation reserves), sales, profit/(loss) after tax, basic earnings per share, diluted earnings per share and net asset value per share derived from the financial statements of NHPEA for the financial years ended December 31, 2021, 2020 and 2019 are available on the website of our Company at <https://fivestargroup.in/investors/>.

It is clarified that such details available in relation to NHPEA on our Company's website do not form a part of this Prospectus. Anyone placing reliance on any other source of information, would be doing so at their own risk. Our Company has provided the link above solely to comply with the requirements of the SEBI ICDR Regulations. None of our Company, the BRLMs or any of our or the BRLMs' respective directors, employees, affiliates, associates, advisors, agents or representatives have verified the information available on the link provided above.

#### 2. TPG Asia VII SF Pte. Ltd. (“TPG VII”)

The registered office of TPG VII is situated at 83 Clemenceau Avenue, #11-01UE Square, Singapore 239920.

TPG VII does not have its own website. However, in accordance with the SEBI ICDR Regulations, the details of the reserves (excluding revaluation reserves), sales, profit/(loss) after tax, basic earnings per share, diluted earnings per share and net asset value per share derived from the audited financial statements of TPG VII for the financial years ended December 31, 2021, 2020 and 2019 are available on the website of our Company at <https://fivestargroup.in/investors/>.

It is clarified that such details available in relation to TPG VII on our Company's website do not form a part of this Prospectus. Anyone placing reliance on any other source of information, would be doing so at their own risk. Our Company has provided the link above solely to comply with the requirements of the SEBI ICDR Regulations. None of our Company, the BRLMs or any of our or the BRLMs' respective directors, employees, affiliates, associates, advisors, agents or representatives have verified the information available on the link provided above.

### Nature and extent of interest of our Group Companies

#### a. *In the promotion of our Company*

Our Group Companies do not have any interest in the promotion of our Company.

#### b. *In the properties acquired by us in the preceding three years before filing this Prospectus or proposed to be acquired by our Company*

Our Group Companies are not interested in the properties acquired by us in the three years preceding the filing of this Prospectus or proposed to be acquired by us as on the date of this Prospectus.



c. ***In transactions for acquisition of land, construction of building and supply of machinery***

Our Group Companies are not interested in any transactions for the acquisition of land, construction of building or supply of machinery.

**Common Pursuits between our Group Companies and our Company**

Our Group Companies are not in the same line of business as our Company and there are no common pursuits between our Group Companies and our Company.

**Related Business Transactions with the Group Companies and significance on the financial performance of our Company**

Other than the transactions disclosed in the section “*Other Financial Information – Related Party Transactions*” on page 345, there are no other related business transactions with our Group Companies.

**Business interest of our Group Companies in our Company**

Other than the transactions disclosed in the section “*Other Financial Information – Related Party Transactions*” on page 345, our Group Companies have no business interest in our Company.

**Litigation**

Our Group Companies are not party to any pending litigations which will have a material impact on our Company.

## DIVIDEND POLICY

The declaration and payment of dividends will be recommended by the Board of Directors and approved by the Shareholders, at their discretion, subject to the provisions of the Articles of Association and applicable laws, including the Companies Act.

The Company has adopted formal dividend policy vide board resolution dated November 8, 2021 (“**Dividend Policy**”). In terms of the Dividend Policy, the dividend, if any, will depend on a number of internal and external factors, which *inter alia*, include (a) standalone/net operating profit after tax, (b) operating cash flow of the Company, (c) maintaining of liquidity position, (d) funds required for loan repayment, working capital and capital expenditure requirements, (e) funds required for merger/acquisition, (f) cash flow required for contingencies, (g) maintaining of regulatory capital adequacy and solvency, (h) dividend pay-out ratios of companies in same industry and (h) any other factor that is likely to have significant impact on the Company. Our Company may also, from time to time, pay interim dividends.

In addition, our ability to pay dividends may be impacted by a number of factors, including restrictive covenants under loan or financing arrangements our Company is currently availing of or may enter into to finance our fund requirements for our business activities. For details, see “*Financial Indebtedness*” and “*Risk Factors - Our ability to pay dividends in the future will depend on our earnings, financial condition, working capital requirements, capital expenditures and restrictive covenants of our financing arrangements*” on pages 383 and 42.

Our Company has not declared or paid any dividends on the Equity Shares in any of the three Financial Years preceding the filing of this Prospectus and from April 1, 2022, until the filing of this Prospectus.

## SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in conjunction with our “Financial Information” on page 272 as well as “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 173 and 346, respectively.

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section. We compute and disclose such non-GAAP financial measures and such other statistical information as we consider such information to be useful measures of our business and financial performance. These non-GAAP financial measures and other statistical information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other financial services companies, and are not measures of operating performance or liquidity defined by Ind AS and may not be comparable with financial or statistical information of similar nomenclature computed and presented by other companies. See “Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation — Financial Data – Non-GAAP financial measures and certain other statistical information” on page 18, and “Risk Factors — We have included certain non-GAAP financial measures and other selected statistical information related to our operations in this Prospectus. Such non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry and may not be comparable with financial or statistical information of similar nomenclature computed and presented by other companies” on page 43.

### Return on Equity and Assets

The following table sets forth, as of and for the periods/years indicated, our key financial and operational metrics:

	As of / for the three months ended June 30,		As of / for the Financial Year		
	2022	2021	2022	2021	2020
	(₹ in millions, except percentages and per share data)				
Profit for the period / year	1,394.33	1,015.71	4,535.45	3,589.94	2,619.51
Total Assets <sup>(1)</sup>	64,715.48	61,291.03	63,430.66	57,936.11	43,531.54
Average Total Assets <sup>(2)</sup>	64,835.66	61,933.52	63,330.17	51,325.96	35,835.81
Gross Term Loans	52,965.35	45,775.11	50,670.78	44,453.81	38,922.28
Average Gross Term Loans <sup>(3)</sup>	51,749.84	45,502.96	46,875.12	39,940.36	28,708.56
Net Worth <sup>(4)</sup>	38,569.75	29,444.13	37,103.51	23,181.72	19,445.80
Average Net Worth <sup>(5)</sup>	37,821.20	27,645.82	32,732.18	21,301.87	17,060.68
Total Borrowings <sup>(6)</sup>	25,203.19	31,212.18	25,588.31	34,251.97	23,636.93
Average Total Borrowings <sup>(7)</sup>	24,487.32	32,267.13	28,379.55	28,409.16	17,814.34
Return on Total Assets <sup>(8)</sup>	8.63%	6.58%	7.16%	6.99%	7.31%
Return on Equity <sup>(9)</sup>	14.79%	14.74%	13.86%	16.85%	15.35%
Basic Earnings Per Equity Share <sup>(10)</sup>	4.79*	3.80*	16.09	14.01	10.32
Diluted Earnings Per Equity Share <sup>(10)</sup>	4.74*	3.66*	15.92	13.61	10.07
Net Asset Value Per Share <sup>(11)</sup>	132.38	102.73	127.35	85.26	71.68

\*Earnings per Equity Share not annualised for the periods ended June 30, 2022 and June 30, 2021.

- (1) Total Assets represents the total of our financial assets and non-financial assets.
- (2) Average Total Assets represents the simple average of our monthly Total Assets plus impairment loss allowance as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- (3) Average Gross Term Loans represents the simple average of our monthly Gross Term Loans as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- (4) Net Worth is equivalent to the sum of Equity Share Capital and Other Equity.
- (5) Average Net Worth represents the simple average of our monthly Net Worth as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- (6) Total Borrowings represents the aggregate of debt securities and borrowings (other than debt securities) as of the last day of the relevant period/year.
- (7) Average Total Borrowings is the simple average of our monthly Total Borrowings outstanding as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- (8) Return on Total Assets is calculated as the Profit After Tax for the relevant period/year as a percentage of Average Total Assets in such period/year.
- (9) Return on Equity is calculated as the Profit After Tax for the relevant period/year as a percentage of Average Net Worth in such period/year.

(10) Basic and diluted earnings per equity share: Basic and diluted earnings per equity share are computed in accordance with Indian Accounting Standard 33 notified under the Companies (Indian Accounting Standards) Rules of 2015 (as amended). Pursuant to our board resolution dated September 8, 2021, and shareholders' resolution dated October 8, 2021, our equity shares of face value of ₹10 each were sub-divided into equity shares of face value of ₹1 each. Consequently, our issued, subscribed and paid up share capital, comprising 29,013,512 equity shares of face value of ₹10 each, was sub-divided into 290,135,120 equity shares of face value of ₹1 each. The sub-division of equity shares is retrospectively considered for the computation of basic and diluted earnings per equity share in accordance with Ind AS 33 for all periods/years presented.

(11) Net Asset Value Per Share is Net Worth as at the end of the relevant period/year divided by Number of equity shares outstanding at the end of the relevant period/year. This is computed after giving effect to the subdivision of each equity share of face value of ₹10, each fully paid up into 10 equity shares of face value ₹1, each fully paid up, in accordance with Ind AS 33 principles for all periods/years presented.

## Financial Ratios

The following table sets forth, for the periods/years indicated, certain of our financial ratios:

	For the three months ended June 30,		For the Financial Year		
	2022	2021	2022	2021	2020
	(₹ in millions, except percentages and ratios/time)				
Gross Term Loans (A)	52,965.35	45,775.11	50,670.78	44,453.81	38,922.28
Gross Term Loans Growth <sup>(1)</sup>	4.53%	2.97%	13.99%	14.21%	84.22%
Average Gross Term Loans <sup>(2)</sup>	51,749.84	45,502.96	46,875.12	39,940.36	28,708.56
Securitized assets <sup>(3)</sup>	3,910.87	7,461.13	4,840.10	8,181.56	3,339.60
Total Assets <sup>(4)</sup>	64,715.48	61,291.03	63,430.66	57,936.11	43,531.54
Disbursements <sup>(5)</sup>	5,684.33	3,331.60	17,562.40	12,450.54	24,086.69
Live Accounts (including securitized loans) <sup>(6)</sup>	230,175	184,479	217,745	176,467	143,079
Total Revenue from Operations	3,379.71	3,005.15	12,540.64	10,497.42	7,867.15
Other Income	10.88	2.40	21.05	15.13	6.32
Total Income	3,390.59	3,007.55	12,561.69	10,512.55	7,873.47
Finance Costs (B)	647.98	864.14	3,006.00	3,251.91	2,169.35
Fee expenses (C)	-	-	-	26.68	4.25
Interest on lease liability (D)	5.30	4.71	22.00	17.95	16.78
Interest on current tax liability (E)	-	-	-	-	7.15
Adjusted Finance Costs <sup>(7)</sup> (F=B+C-D-E)	642.68	859.43	2,984.00	3,260.64	2,149.67
Operating Expenses <sup>(8)</sup>	890.41	629.21	3,080.42	2,135.75	1,737.37
Operating Expenses to Average Total Assets <sup>(9)</sup>	5.51%	4.07%	4.86%	4.16%	4.85%
Impairment on Financial Instruments	(4.11)	165.38	455.18	351.76	493.42
Impairment Loss Allowance to Average Total Assets <sup>(10)</sup>	(0.03)%	1.07%	0.72%	0.69%	1.38%
Total Expenses <sup>(11)</sup>	1,528.98	1,654.02	6,519.60	5,748.15	4,380.46
Operating Expenses to Net Income <sup>(12)</sup>	32.40%	29.29%	32.16%	29.45%	30.35%
Total Income (G)	3,390.59	3,007.55	12,561.69	10,512.55	7,873.47
Adjusted Finance Costs <sup>(7)</sup> (H)	642.68	859.43	2,984.00	3,260.64	2,149.67
Total Expenses <sup>(11)</sup> (I)	1,528.98	1,654.02	6,519.60	5,748.15	4,380.46
Cost to income ratio <sup>(13)</sup> (J=(I-H)/(G-H))	32.25%	36.99%	36.91%	34.30%	38.97%
Stage 3 Gross Term Loans <sup>(14)</sup> (K)	591.37	748.55	530.50	451.93	532.26
Stage 3 Gross Term Loans to Gross Term Loans <sup>(15)</sup> (L = K/A)	1.12%	1.64%	1.05%	1.02%	1.37%
Impairment Loss Allowance on Stage 3 Gross Term Loans (M)	231.94	278.12	185.10	81.19	94.21
Stage 3 Gross Term Loans (net) <sup>(16)</sup> (N=K-M)	359.43	470.43	345.40	370.74	438.05
Stage 3 Gross Term Loans (net) to Gross Term Loans <sup>(17)</sup> (O=N/A)	0.68%	1.03%	0.68%	0.83%	1.13%
Provision Coverage Ratio – Stage 3 Gross Term Loans <sup>(18)</sup> (P=M/K)	39.22%	37.15%	34.89%	17.97%	17.70%

	For the three months ended June 30,		For the Financial Year		
	2022	2021	2022	2021	2020
	<i>(₹ in millions, except percentages and ratios/time)</i>				
Gross Term Loans / Net Worth	1.37	1.55	1.37	1.92	2.00
Average Gross Term Loans / Average Net Worth	1.37	1.65	1.43	1.87	1.68
Net Gross Term Loans <sup>(19)</sup> (Q=A-M)	52,733.41	45,496.99	50,485.68	44,372.62	38,828.07
Stage 3 Gross Term Loans (net) to Net Gross Term Loans (R=N/Q)	0.68%	1.03%	0.68%	0.84%	1.13%

- (1) *Gross Term Loans Growth represents percentage growth in Gross Term Loans for the relevant period/year over Gross Term Loans of the previous period/year end.*
- (2) *Average Gross Term Loans represents the simple average of our monthly Gross Term Loans as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.*
- (3) *Securitized assets represents aggregate of future principal outstanding and overdue principal outstanding and interest accrued due and interest accrued not due, if any, for loan assets which have been transferred by us by way of securitisation and outstanding as of the last day of the relevant period/year but excludes the amount of over collateral outstanding as of the last day of the relevant period/year.*
- (4) *Total Assets represents the total of our financial assets and non-financial assets.*
- (5) *Disbursements represents the aggregate of all loan amounts extended to our customers in the relevant period/year.*
- (6) *Live Accounts (including securitized accounts) represents the aggregate number of loan accounts outstanding as of the end of the relevant period/year including loan accounts which have been transferred by us by way of securitisation and are outstanding as of the last day of the relevant period/year.*
- (7) *Adjusted Finance Costs represent the aggregate of finance costs and fee expenses reduced by interest on lease liabilities and interest on current tax liability*
- (8) *Operating Expenses represents employee benefits expense, depreciation and amortisation expense, interest on lease liabilities, interest on income tax liability and other expenses for the relevant period/year.*
- (9) *Operating Expenses to Average Total Assets represents the aggregate of employee benefits expense, depreciation and amortisation expense and other expenses for the relevant period/year upon the simple average of our monthly Total Assets as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year, represented as a percentage.*
- (10) *Impairment Loss Allowance to Average Total Assets represents the impairment on financial instruments to simple average our monthly Total Assets as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year, represented as a percentage.*
- (11) *Total Expenses represents total expenses for the relevant period/year. Total expenses include employee benefits expense, finance cost, impairment on financial instruments, depreciation and amortisation expense, other expenses.*
- (12) *Operating Expenses to Net Income represents the ratio of operating expenses for the relevant period/year divided by Net Income for the period/year, expressed as a percentage. Net Income represents Total Income less Adjusted Finance Costs for the relevant period/year.*
- (13) *Cost to income ratio represents the ratio of total expenses, which include employee benefits expense, impairment on financial instruments, depreciation and amortisation expense, other expenses divided by the total income less Adjusted finance cost for the relevant period/year, expressed as a percentage*
- (14) *Stage 3 Gross Term Loans represent the gross carrying amount of Stage 3 Gross Term Loans.*
- (15) *Stage 3 Gross Term Loans to Gross Term Loans represents the Stage 3 Gross Term Loans as of the last day of the relevant period/year to the Gross Term Loans as of the last day of the relevant period/year, represented as a percentage.*
- (16) *Stage 3 Gross Term Loans (net) represents Stage 3 Gross Term Loans reduced by Impairment Loss Allowance (i.e., Expected Credit Loss Allowance or ECLs) against these loans as of the last day of relevant period/year, represented as a percentage.*
- (17) *Stage 3 Gross Term Loans (net) to Gross Term Loans represents the Stage 3 Gross Term Loans (net) as of the last day or the relevant period/year to the Gross Term Loans as of the last day of the relevant period/year, represented as a percentage.*
- (18) *Provision Coverage Ratio represents Impairment Loss Allowance on Stage 3 Gross Term Loans for the period/year, as a percentage of total Stage 3 Gross Term Loans as of the last day of the period/year.*
- (19) *Net Gross Term Loans represents Gross Term Loans less Impairment Loss Allowance on Stage 3 Gross Term Loans as of the last day of the relevant period/year.*

## Return Ratios

	For the three months ended June 30,		For the Financial Year		
	2022	2021	2022	2021	2020
	<i>(in percentages)</i>				
Revenue from Operations to Average Gross Term Loans <sup>(1)</sup>	26.20%	26.49%	26.75%	26.28%	27.40%
Other Income to Average Gross Term Loans <sup>(2)</sup>	0.08%	0.02%	0.04%	0.04%	0.02%
Total Revenue to Average Gross Term Loans <sup>(3)</sup>	26.28%	26.51%	26.80%	26.32%	27.43%
Finance cost to Average Gross Term Loans <sup>(4)</sup>	4.98%	7.58%	6.37%	8.16%	7.49%

	For the three months ended June 30,		For the Financial Year		
	2022	2021	2022	2021	2020
	(in percentages)				
Interest Margin to Average Gross Term Loans <sup>(5)</sup>	19.17%	16.63%	17.68%	16.00%	16.69%
Operating Expenses to Average Gross Term Loans <sup>(6)</sup>	6.90%	5.55%	6.57%	5.35%	6.05%
Impairment Loss Allowance to Average Gross Term Loans <sup>(7)</sup>	(0.03)%	1.46%	0.97%	0.88%	1.72%
PBT to Average Gross Term Loans <sup>(8)</sup>	14.43%	11.93%	12.89%	11.93%	12.17%
PAT to Average Gross Term Loans <sup>(9)</sup>	10.81%	8.95%	9.68%	8.99%	9.12%
PAT to Average Net Worth <sup>(10)</sup>	14.79%	14.74%	13.86%	16.85%	15.35%

- (1) Revenue from Operations to Average Gross Term Loans represents our total revenue from operations for the period/year to the Average Gross Term Loans for the period/year. Average Gross Term Loans represents the simple average of our monthly Gross Term Loans as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- (2) Other Income to Average Gross Term Loans represents our other income for the relevant period/year to the Average Gross Term Loans for the period/year.
- (3) Total Revenue to Average Gross Term Loans represents sum of Revenue from operations and other income for the period/year to the Average Gross Term Loans for the period/year.
- (4) Finance cost to Average Gross Term Loans represents our Adjusted finance costs for the period/year to the Average Gross Term Loans for the period/year.
- (5) Interest Margin to Average Gross Term Loans represents the difference between adjusted interest income and adjusted finance cost for the period/year to the Average Gross Term Loans for the period/year.
- (6) Operating Expenses to Average Gross Term Loans represents our operating expenses for the period/year to the Average Gross Term Loans for the period/year.
- (7) Impairment Loss Allowance to Average Gross Term Loans represents our Impairment Loss Allowance for the period/year to the Average Gross Term Loans for the period/year.
- (8) PBT to Average Gross Term Loans represents our Profit Before Tax for the period/year to the Average Gross Term Loans for the period/year.
- (9) PAT to Average Gross Term Loans represents our Profit After Tax for the period/year to the Average Gross Term Loans for the period/year.
- (10) PAT to Average Net Worth represents our Profit After Tax for the period/year to the Average Net Worth for the period/year.

## Yields, Spreads and Margins

	For the three months ended June 30,		For the Financial Year		
	2022	2021	2022	2021	2020
	(₹ in millions, except percentages)				
Interest Income	3,352.20	2,902.29	12,037.66	10,148.76	7,468.25
Adjusted Interest Income <sup>(1)</sup>	3,115.72	2,745.75	11,273.64	9,651.59	6,941.37
Finance Costs (A)	647.98	864.14	3,006.00	3,251.91	2,169.35
Fee expenses (B)	-	-	-	26.68	4.25
Interest on lease liability (C)	5.30	4.71	22.00	17.95	16.78
Interest on current tax liability (D)	-	-	-	-	7.15
Adjusted Finance Costs <sup>(2)</sup> (E=A+B-C-D)	642.68	859.43	2,984.00	3,260.64	2,149.67
Total Interest-earning Assets <sup>(3)</sup>	64,087.31	60,619.21	62,667.38	54,774.35	42,122.15
Average Interest-earning Assets <sup>(4)</sup>	63,213.93	59,676.22	61,490.11	48,418.50	34,125.32
Average Total Assets <sup>(5)</sup>	64,835.66	61,933.52	63,330.17	51,325.96	35,835.81
Average Interest-bearing liabilities <sup>(6)</sup>	24,487.32	32,267.13	28,379.55	28,409.16	17,814.34
Total Income	3,390.59	3,007.55	12,561.69	10,512.55	7,873.47
Net Interest Income <sup>(7)</sup>	2,473.04	1,886.32	8,289.64	6,390.95	4,791.70
Average yield on Gross Term Loans <sup>(8)</sup>	24.15%	24.20%	24.05%	24.17%	24.18%
Average Cost of Borrowings <sup>(9)</sup>	10.53%	10.68%	10.51%	11.48%	12.07%
Spread <sup>(10)</sup>	13.62%	13.52%	13.54%	12.69%	12.11%
Net Interest Margin <sup>(11)</sup>	19.17%	16.63%	17.68%	16.00%	16.69%
Average Yield on Disbursements <sup>(12)</sup>	24.76%	24.77%	24.77%	24.75%	24.82%
Incremental Cost of Borrowings <sup>(13)</sup>	8.42%	0.00%	8.51%	9.68%	11.37%
Fresh Borrowings during the period/year	2,150.00	-	3,154.10	23,617.90	17,816.63

- (1) Adjusted Interest Income represents interest charged to the borrowers on their loans and does not include penal interest, and amortization of processing fee.
- (2) Adjusted Finance Costs represent the aggregate of finance costs and fee expenses reduced by interest on lease liabilities and interest on current tax liability.

- (3) Total Interest-earning Assets represents loans; balances with banks in deposit accounts with original maturity of less than three months; balances with banks in other deposit accounts with an original maturity of more than three months; fixed deposits with banks; and investment in mutual funds, government securities and bonds as of the last day of the previous period/year.
- (4) Average Interest-earning Assets represent the simple average of total interest-earning assets as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- (5) Average Total Assets is as defined above.
- (6) Average Interest-bearing Liabilities is the simple average of our total interest-bearing liabilities (which comprises Total Borrowings) outstanding as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- (7) Net Interest Income or "NII" represents Adjusted interest income less Adjusted finance costs, for the relevant period/year.
- (8) Average Yield on Gross Term Loans represents the ratio of interest income for the period/year to the average Gross Term Loans for the period/year.
- (9) Average Cost of Borrowings including securitization represents finance cost for the relevant period/year as a percentage of Average Total Borrowings in such period/year. Average Total Borrowings is the simple average of our Total Borrowings outstanding as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- (10) Spread represents Average Yield on Gross Term Loans less Average Cost of Borrowings including securitisation.
- (11) Net Interest Margin represents our Net Interest Income for the period/year to the Average Total Assets for the period/year, represented as a percentage.
- (12) Average Yield on Disbursement represents weighted Average Yield on Disbursement, weights being sanctioned amount of each loan disbursed during the relevant period/year.
- (13) Incremental Cost of Borrowing represents weighted average rate of interest on fresh borrowings in the relevant period/year, weights being availed amount of each borrowing during the relevant period/year.

## Asset Quality

### Provisioning and Write-Offs

Asset Category	For the three months ended June 30,		For the Financial Year		
	2022	2021	2022	2021	2020
	(₹ in millions)				
Gross Term Loans	52,965.35	45,775.11	50,670.78	44,453.81	38,922.28
Stage 3 Gross Term Loans <sup>(1)</sup> (A)	591.37	748.55	530.50	451.93	532.26
Impairment Loss Allowance on Stage 3 Gross Term Loans (B)	231.94	278.12	185.10	81.19	94.21
Stage 3 Gross Term Loans (net) <sup>(2)</sup> (C = A-B)	359.43	470.43	345.40	370.74	438.05
Bad Debts Write-off	45.82	91.31	292.64	99.68	48.61

(1) Stage 3 Gross Term Loans represent the gross carrying amount of Stage 3 Gross Term Loans.

(2) Stage 3 Gross Term Loans (net) represents Stage 3 Gross Term Loans reduced by Impairment Loss Allowance (i.e., Expected Credit Loss Allowance or ECLs) against these loans as of the last day of relevant period/year, represented as a percentage.

### Stage Wise Gross Term Loans, Impairment Loss Allowance and Gross Term Loans (Net)

	As of June 30, 2022		As of March 31,		
	2022	2021	2022	2021	2020
	(₹ in millions)				
<b>Gross Carrying Amount – Gross Term Loans</b>					
1. Stage 1 Gross Term Loans <sup>(1)</sup>	44,643.89	35,865.69	42,169.64	38,959.51	34,323.23
2. Stage 2 Gross Term Loans <sup>(2)</sup>	7,730.09	9,160.87	7,970.64	5,042.37	4,066.79
3. Stage 3 Gross Term Loans <sup>(3)</sup>	591.37	748.55	530.50	451.93	532.26
<b>4. Total Gross Term Loans (Gross)</b>	<b>52,965.35</b>	<b>45,775.11</b>	<b>50,670.78</b>	<b>44,453.81</b>	<b>38,922.28</b>
<b>Impairment Loss Allowance</b>					
5. Stage 1 Gross Term Loans	142.25	155.62	144.84	127.65	166.14
6. Stage 2 Gross Term Loans	604.74	506.65	698.92	657.48	353.89
7. Stage 3 Gross Term Loans	231.94	278.12	185.10	81.19	94.21
<b>8. Total Impairment Loss Allowance</b>	<b>978.93</b>	<b>940.39</b>	<b>1,028.86</b>	<b>866.32</b>	<b>614.24</b>

	As of June 30, 2022		As of March 31,		
	2022	2021	2022	2021	2020
	(₹ in millions)				
<b>Gross Term Loans (Net)</b>					
9. Stage 1 Gross Term Loans (net) (9=1-5)	44,501.64	35,710.07	42,024.80	38,831.86	34,157.09
10. Stage 2 Gross Term Loans (net) (10=2-6)	7,125.35	8,654.22	7,271.72	4,384.89	3,712.90
11. Stage 3 Gross Term Loans (net) (11=3-7)	359.43	470.43	345.40	370.74	438.05
<b>12. Total Gross Term Loans (Net) (12=4-8)</b>	<b>51,986.42</b>	<b>44,834.72</b>	<b>49,641.92</b>	<b>43,587.49</b>	<b>38,308.04</b>

- (1) Gross Term Loans where credit risk has not increased significantly since initial recognition and represents loans which are not overdue or overdue for not more than thirty days.
- (2) Gross Term Loans where credit risk has increased significantly since initial recognition and represents loans which are overdue for more than 30 days but overdue for not more than 90 days.
- (3) Gross Term Loans which are credit impaired and represents loans which are overdue for more than 90 days.

## Disbursement Metrics

The following table sets forth, for the periods/years indicated, our disbursement metrics:

	For the three months ended June 30,		For the Financial Year					
	2022	2021	2022	2021	2020	2019*	2018*	2017*
Number of Loans Disbursed <sup>(1)</sup>	19,793	12,236	63,633	48,111	76,634	43,988	19,257	9,611
Disbursements <sup>(2)</sup> (₹ in millions)	5,684.33	3,331.60	17,562.40	12,450.54	24,086.69	14,814.62	6,837.99	3,730.53
Average Ticket Size <sup>(3)</sup> (₹ in millions)	0.29	0.27	0.28	0.26	0.31	0.34	0.36	0.39

\*As certified by R P S V & Co., Independent Chartered Accountant, pursuant to their certificate dated November 15, 2022.

- (1) Number of Loans Disbursed represents the number of loans disbursed to our borrowers (both new and existing) during the relevant period/year.
- (2) Amount Disbursed represents the aggregate of all loan amounts extended to our customers during the relevant period/year.
- (3) Average Ticket Size is computed by dividing the Amount Disbursed (both to new and existing customers) by the Number of Loans Disbursed for the relevant period/year.

## Productivity Ratios

The following table sets forth, for the periods/years indicated, certain of our productivity ratios:

	As of June 30,		As of March 31,		
	2022	2021	2022	2021	2020
Number of branches <sup>(1)</sup>	311	263	300	262	252
Number of Business Officers	2,550	2,046	2,467	2,008	1,834
Number of Collections Officers	874	-	709	-	-
Number of on-roll employees <sup>(2)</sup>	6,077	3,986	5,675	3,938	3,734
Average number of Business Officers per branch <sup>(3)</sup>	8.20	7.78	8.22	7.66	7.28
Live Accounts (including securitized accounts) <sup>(4)</sup>	230,175	184,479	217,745	176,467	143,079
Gross Term Loans per branch <sup>(5)</sup> (₹ in millions)	170.31	174.05	168.90	169.67	154.45
Gross Term Loans per Business Officer <sup>(6)</sup> (₹ in millions)	20.77	22.37	20.54	22.14	21.22
Gross Term Loans per employee <sup>(7)</sup> (₹ in millions)	8.72	11.48	8.93	11.29	10.42
Disbursement per branch <sup>(8)</sup> (₹ in millions)	18.70	12.67	64.33	48.07	112.03
Disbursement per Business Officer <sup>(9)</sup> (₹ in millions)	2.27	1.65	7.92	6.52	16.79
Disbursement per employee <sup>(10)</sup> (₹ in millions)	0.97	0.84	3.87	3.25	8.49
Live Accounts per branch <sup>(11)</sup>	740	701	726	674	568
Live Accounts per Business Officer <sup>(12)</sup>	90	90	88	88	78
Live Accounts per employee <sup>(13)</sup>	38	46	38	45	38

- (1) Number of branches represents aggregate number of our branches as of the last day of relevant period/year.
- (2) Number of on-roll employees represents aggregate number of our employees as of the last day of relevant period/year.
- (3) Represents the Number of Business Officers as of the last day of the relevant period/year divided by the Number of Branches as of the last day of the relevant period/year.



- (4) Live Accounts (including securitised accounts) represents the aggregate number of loan accounts outstanding as of the end of the relevant period/year including loan accounts which have been transferred by us by way of securitisation and are outstanding as of the last day of the relevant period/year.
- (5) Gross Term Loans per branch represents Gross Term Loans as of last day of the relevant period/year divided by number of branches.
- (6) Gross Term Loans per Business Officer represents Gross Term Loans as of the last day of the relevant period/year divided by number of Business Officers.
- (7) Gross Term Loans per employee represents Gross Term Loans as of the last day of the relevant period/year divided by number of on-roll employees.
- (8) Disbursement per branch represents disbursements in the relevant period/year divided by average number of branches which is a simple average of the monthly number of branches as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- (9) Disbursement per Business Officer represents disbursements in the relevant period/year divided by average number of Business Officers, which is a simple average of the monthly number of Business Officers as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- (10) Disbursement per employee represents disbursements in the relevant period/year divided by average number of on roll employees, which is a simple average of the monthly number of on roll employees as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- (11) Live Accounts per branch represents live accounts as of the last day of the relevant period/year divided by number of branches.
- (12) Live Accounts per Business Officer represents live accounts as of the last day of the relevant period/year divided by number of Business Officers.
- (13) Live Accounts per employee represents live accounts as of the last day of the relevant period/year divided by number of on roll employees.

### Capital Adequacy<sup>(1)</sup>

Particulars	As of June 30,		As of March 31,		
	2022	2021	2022	2021	2020
	(₹ in millions, except percentages and multiples)				
Tier I Capital	34,795.92	25,580.24	33,581.47	19,669.00	18,477.74
Tier II Capital	-	-	-	-	-
<b>Total Capital</b>	<b>34,795.92</b>	<b>25,580.24</b>	<b>33,581.47</b>	<b>19,669.00</b>	<b>18,477.74</b>
<b>Risk Weighted Assets</b>	<b>49,755.72</b>	<b>37,546.32</b>	<b>44,658.62</b>	<b>33,416.35</b>	<b>34,901.50</b>
<b>Capital Adequacy Ratio (CRAR)</b>	<b>69.93%</b>	<b>68.13%</b>	<b>75.20%</b>	<b>58.86%</b>	<b>52.94%</b>
CRAR- Tier I Capital	69.93%	68.13%	75.20%	58.86%	52.94%
CRAR -Tier II Capital	-	-	-	-	-
<b>Total Borrowings<sup>(2)</sup> to Total Equity Ratio<sup>(3)</sup></b>	<b>0.65</b>	<b>1.06</b>	<b>0.69</b>	<b>1.48</b>	<b>1.22</b>

(1) Computed in accordance with relevant RBI guidelines.

(2) Total Borrowings represents the aggregate of debt securities and borrowings (other than debt securities) as of the last day of the relevant period/year.

(3) Total Borrowings to Total Equity ratio represents the aggregate of debt securities and borrowings (other than debt securities) as of the last day of the relevant period/year to Total Equity as of the last day of the relevant period/year.

### Sources of Capital

Particulars	As of / for the three months ended June 30,		As of / for the Financial Year		
	2022	2021	2022	2021	2020
	(₹ in millions, except quantities and percentages)				
Number of entities borrowed from	52	51	53	54	40
- Private sector banks	17	14	20	15	18
- Public sector banks	7	9	9	9	4
- NBFCs	13	14	13	16	12
- Mutual Funds	1	1	1	1	1
- Insurance Companies	-	-	-	-	-
- Others	14	13	10	13	5
<b>Total Borrowings<sup>(1)</sup></b>	<b>25,203.19</b>	<b>31,212.18</b>	<b>25,588.31</b>	<b>34,251.97</b>	<b>23,636.93</b>
- Private sector banks	7,300.28	7,982.76	7,318.59	9,081.24	4,708.54
- Public sector banks	5,852.95	8,432.39	5,270.39	8,777.87	3,638.99
- NBFCs	3,657.00	6,834.88	4,297.00	8,505.40	5,009.10
- Mutual Funds	1,501.26	2,001.69	2,002.26	2,002.02	6,918.10
- Insurance Companies	-	-	-	-	-
- Others	6,891.70	5,960.46	6,700.07	5,885.44	3,362.20

Particulars	As of / for the three months ended June 30,		As of / for the Financial Year		
	2022	2021	2022	2021	2020
	<i>(₹ in millions, except quantities and percentages)</i>				
Average Cost of Borrowings (excluding assignments)	10.53%	10.68%	10.51%	11.48%	12.07%
Total Equity	38,569.75	29,444.13	37,103.51	23,181.72	19,445.80
Total Borrowings to Total Equity Ratio <sup>(2)</sup>	0.65	1.06	0.69	1.48	1.22
Undrawn borrowing facilities <sup>(3)</sup>	4,788.25	1,250.00	4,377.61	200.34	1,630.00

- (1) Total Borrowings represents the aggregate of debt securities, borrowings (other than debt securities) as of the last day of the relevant period/year.
- (2) Total Borrowings to Total Equity Ratio represents the aggregate of debt securities, borrowings (other than debt securities) as of the last day of the relevant period/year to Total Equity as of the last day of the relevant period/year.
- (3) Undrawn borrowing facilities represent the aggregate of borrowings that have been sanctioned by lenders but yet to be drawn by us and includes undrawn amounts from sanctioned cash credit facilities but does not include securitisation or assignment transactions.

### Types of Interest bearing Financial Liabilities (Total Borrowings including Securitisation)

Type of Interest bearing Financial Liabilities (Total Borrowings including Securitisation)	As of June 30,				As of March 31,					
	2022		2021		2022		2021		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
<i>(₹ in millions, except percentages)</i>										
Fixed Interest Rate Financial Liabilities (Total Borrowings including Securitisation)	15,289.10	60.66%	22,637.94	72.53%	16,775.85	65.56%	25,238.26	73.68%	16,858.66	71.32%
Floating Interest Rate Financial Liabilities (Total Borrowings including Securitisation)	9,914.09	39.34%	8,574.24	27.47%	8,812.46	34.44%	9,013.71	26.32%	6,778.27	28.68%
<b>Total Interest bearing Financial Liabilities (Total Borrowings including Securitisation)</b>	<b>25,203.19</b>	<b>100.00%</b>	<b>31,212.18</b>	<b>100%</b>	<b>25,588.31</b>	<b>100.00%</b>	<b>34,251.97</b>	<b>100.00%</b>	<b>23,636.93</b>	<b>100.00%</b>

### Average Cost of Borrowings and Tenure

Particulars	As of June 30,		As of March 31,		
	2022	2021	2022	2021	2020
	<i>(in months, except percentages)</i>				
Average Tenure of Borrowings (including securitisation) <sup>(1)</sup>	51.34	47.12	50.17	46.72	48.50
Average Tenure of Borrowings (including securitisation) <sup>(2)</sup>	29.78	30.16	29.15	34.23	37.44
Average Cost of Borrowings <sup>(3)</sup>	10.53%	10.68%	10.51%	11.48%	12.07%

- (1) Weighted based on origination tenure.
- (2) Weighted based on residual tenure.
- (3) Average Cost of Borrowings represents finance cost for the relevant period/year as a percentage of Average Total Borrowings in such period/year. Average Total Borrowings is the simple average of our monthly Total Borrowings outstanding as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.

### ALM

Years	As of June 30,			As of March 31,		
	2022			2021		
	Liabilities <sup>(1)</sup>	Assets <sup>(2)</sup>	Gap	Liabilities <sup>(1)</sup>	Assets <sup>(2)</sup>	Gap
<i>(₹ in millions)</i>						
Up to 1 Year	17,908.32	21,289.56	3,381.24	14,890.62	21,771.24	6,880.62
Up to 3 year	11,797.61	23,803.63	12,006.02	15,246.74	22,666.48	7,419.74
Up to 5 year	2,164.18	18,883.02	16,718.84	1,904.61	18,270.58	16,365.97

	As of June 30,			As of March 31,		
	2022					
	Liabilities <sup>(1)</sup>	Assets <sup>(2)</sup>	Gap	Liabilities <sup>(1)</sup>	Assets <sup>(2)</sup>	Gap
	<i>(₹ in millions)</i>					
Over 5 years	39,929.74	7,823.64	(32,106.10)	38,194.96	7,528.62	(30,666.34)
<b>Total (including over 5 years)</b>	<b>71,799.85</b>	<b>71,799.85</b>	-	<b>70,236.93</b>	<b>70,236.93</b>	-

(1) Liabilities represent trade payables, debt securities, borrowings (other than debt securities), lease liabilities, other financial liabilities, non-financial liabilities and equity.

(2) Assets represents cash and cash equivalents, bank balance (other than cash and cash equivalents), loans, investments other financial assets, and non-financial assets.

#### End-use Wise Gross Term Loans (in terms of Amount)

End-use Wise Gross Term Loans (in terms of Amount)	As of June 30,		As of March 31,		
	2022	2021	2022	2021	2020
	<i>(₹ in millions, except percentages)</i>				
Business Loan	32,903.06	28,769.34	31,634.74	27,934.54	24,477.65
Other Loans	20,062.29	17,005.77	19,035.94	16,519.27	14,444.64
<b>Total</b>	<b>52,965.35</b>	<b>45,775.11</b>	<b>50,670.78</b>	<b>44,453.81</b>	<b>38,922.28</b>

#### End-use Wise Gross Term Loans (in terms of Cases)

End-use Wise Gross Term Loans (in terms of Cases)	As of June 30,		As of March 31,		
	2022	2021	2022	2021	2020
	<i>(in numbers)</i>				
Business Loan	137,912	112,021	131,088	107,198	87,160
Other Loans	92,263	72,458	86,657	69,269	55,919
<b>Total</b>	<b>230,175</b>	<b>184,479</b>	<b>217,745</b>	<b>176,467</b>	<b>143,079</b>

#### End-use Wise Stage 3 Gross Term Loans

Stage 3 Gross Term Loans	As of June 30,		As of March 31,		
	2022	2021	2022	2021	2020
	<i>(in numbers)</i>				
Business Loan	418.17	520.68	374.87	306.02	355.91
Other Loans	173.20	227.87	155.63	145.91	176.35
<b>Total</b>	<b>591.37</b>	<b>748.55</b>	<b>530.50</b>	<b>451.93</b>	<b>532.26</b>

#### End-use Wise Number of Cases of Stage 3 Gross Term Loans

End-use Wise Number of Cases of Stage 3 Gross Term Loans	As of June 30,		As of March 31,		
	2022	2021	2022	2021	2020
	<i>(in numbers)</i>				
Business Loan	1,284	1,570	1,114	883	1,223
Other Loans	569	756	507	437	599
<b>Total</b>	<b>1,853</b>	<b>2,326</b>	<b>1,621</b>	<b>1,320</b>	<b>1,822</b>

#### End-use Wise % Stage 3 Gross Term Loans

End-use Wise % Stage 3 Gross Term Loans	As of June 30,		As of March 31,		
	2022	2021	2022	2021	2020
	<i>(in percentages)</i>				
Business Loan	0.79	1.14	0.74	0.69	0.92
Other Loans	0.33	0.50	0.31	0.33	0.45
<b>Total</b>	<b>1.12</b>	<b>1.64</b>	<b>1.05</b>	<b>1.02</b>	<b>1.37</b>

### End-use Wise Disbursement

Product Wise Disbursement	As of June 30,		As of March 31,		
	2022	2021	2022	2021	2020
	<i>(₹ in millions)</i>				
Business Loan	3,948.65	2,104.02	10,882.47	7,806.63	15,436.89
Other Loans	1,735.68	1,227.58	6,679.93	4,643.91	8,649.80
<b>Total</b>	<b>5,684.33</b>	<b>3,331.60</b>	<b>17,562.40</b>	<b>12,450.54</b>	<b>24,086.69</b>

### Average Ticket Size on Disbursement (End-use Wise, Segment Wise)

ATS on Disbursement	For the three months ended June 30,		For the Financial Year		
	2022	2021	2022	2021	2020
	<i>(₹ in millions)</i>				
<b>Business Loan</b>					
<=0.5 million	0.28	0.27	0.27	0.26	0.30
>0.5 to 1.0 million	0.65	0.68	0.65	0.65	0.66
>1.0 to 1.5 million	1.23	1.25	1.25	1.22	1.26
>1.5 million	2.19	2.12	2.06	2.05	2.34
<b>Total</b>	<b>0.30</b>	<b>0.28</b>	<b>0.29</b>	<b>0.27</b>	<b>0.32</b>
<b>Other Loans</b>					
<=0.5 million	0.25	0.27	0.25	0.24	0.28
>0.5 to 1.0 million	0.67	0.68	0.62	0.62	0.65
>1.0 to 1.5 million	1.20	1.25	1.32	1.35	1.24
>1.5 million	2.00	2.12	3.40	2.25	2.13
<b>Total</b>	<b>0.26</b>	<b>0.26</b>	<b>0.26</b>	<b>0.25</b>	<b>0.30</b>
<b>Total Disbursals</b>					
<=0.5 million	0.27	0.27	0.26	0.26	0.29
>0.5 to 1.0 million	0.65	0.68	0.64	0.64	0.66
>1.0 to 1.5 million	1.22	1.25	1.25	1.24	1.26
>1.5 million	2.30	2.12	2.23	2.09	2.29
<b>Total</b>	<b>0.29</b>	<b>0.27</b>	<b>0.28</b>	<b>0.26</b>	<b>0.31</b>

### Branches by State/Territory

State/Territory	As of June 30,		As of March 31,		
	2022	2021	2022	2021	2020
Tamil Nadu	100	89	98	89	88
Andhra Pradesh	84	68	79	68	64
Telangana	48	38	45	38	36
Karnataka	33	33	33	32	30
Madhya Pradesh	37	27	37	27	26
Maharashtra	5	4	4	4	4
Chhattisgarh	3	3	3	3	3
Uttar Pradesh	1	1	1	1	1
<b>Total</b>	<b>311</b>	<b>263</b>	<b>300</b>	<b>262</b>	<b>252</b>

### Branch Size to Gross Term Loans

Metric	As of / for the						
	Three months ended June 30,		Financial Year				
	2022	2021	2022	2021	2020	2019*	2018*
Number of Super Branches	167	96	160	95	92	-	-
Number of Normal Branches	144	167	140	167	160	173	130
Number of branches with Gross Term Loans of more than ₹400 million	8	7	8	5	7	1	0
Number of branches with Gross Term Loans of more than ₹300 million and less than ₹400 million	37	35	34	33	19	2	1
Number of branches with Gross Term Loans of more than ₹200 million and less than ₹300 million	70	61	67	61	68	27	1
Number of branches with Gross Term Loans of more than ₹100 million and less than ₹200 million	93	73	90	74	60	67	37
Number of branches with Gross Term Loans of less than ₹100 million	103	87	101	89	98	76	91

\*As certified by R P S V & Co., Independent Chartered Accountant, pursuant to their certificate dated November 15, 2022.

### State-wise Branch Vintage

State/Territory	As of June 30, 2022			
	Less than or equal to 3 years	3-5 years	More than 5 years	Weighted average vintage* (Number of months)
Tamil Nadu	24	28	48	72.48
Andhra Pradesh	38	9	37	46.17
Telangana	15	20	13	41.65
Karnataka	19	13	1	39.39
Madhya Pradesh	21	16	-	29.30
Maharashtra	2	3	-	34.40
Chhattisgarh & Uttar Pradesh	4	-	-	32.50
<b>Total</b>	<b>123</b>	<b>89</b>	<b>99</b>	<b>50.84</b>

\* Represents the simple average of branch vintage in each of the states

### State-wise Vintage-wise Average Gross Term Loans per Branch

State/Territory	As of June 30, 2022		
	Less than or equal to 3 years	3-5 years	More than 5 years
	(₹ in millions)		
Tamil Nadu	84.18	201.28	260.75
Andhra Pradesh	101.12	234.53	265.32
Telangana	64.37	250.16	335.16

State/Territory	As of June 30, 2022		
	Less than or equal to 3 years	3-5 years	More than 5 years
	(₹ in millions)		
Karnataka	86.52	148.98	212.78
Madhya Pradesh	56.30	79.58	-
Maharashtra	26.09	92.76	-
Chhattisgarh & Uttar Pradesh	29.45	-	-
<b>Total</b>	<b>79.87</b>	<b>182.45</b>	<b>271.75</b>

### Gross Term Loans by State/Territory

State/Territory	As of June 30,				As of March 31,					
	2022		2021		2022		2021		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ in millions, except percentages)									
Tamil Nadu	20,172.11	38.09	18,750.82	40.97	19,676.87	38.84	18,445.87	41.50	16,603.60	42.65
Andhra Pradesh	15,770.01	29.77	13,016.46	28.44	14,843.29	29.29	12,509.64	28.15	10,790.35	27.72
Telangana	10,325.80	19.50	8,478.77	18.52	9,734.44	19.21	8,167.83	18.37	7,441.49	19.12
Karnataka	3,793.47	7.16	3,350.89	7.32	3,680.78	7.25	3,219.25	7.24	2,594.63	6.67
Madhya Pradesh	2,455.70	4.64	1,732.21	3.78	2,285.76	4.51	1,664.26	3.74	1,096.06	2.82
Maharashtra	330.45	0.62	356.68	0.78	335.16	0.66	361.66	0.81	356.92	0.92
Chhattisgarh	71.33	0.13	55.89	0.12	71.47	0.14	52.66	0.12	17.44	0.04
Uttar Pradesh	46.48	0.09	33.39	0.07	43.01	0.08	32.64	0.07	21.79	0.06
<b>Total</b>	<b>52,965.35</b>	<b>100.00</b>	<b>45,775.11</b>	<b>100.00</b>	<b>50,670.78</b>	<b>100.00</b>	<b>44,453.81</b>	<b>100.00</b>	<b>38,922.28</b>	<b>100.00</b>

### Collections & DPD metrics

Metric	As of							
	June 30, 2022	March 31, 2022	December 31, 2021*	September 30, 2021*	June 30, 2021	March 31, 2021	March 31, 2020	March 31, 2019*
	(₹ in millions, except for percentages)							
30+ DPD to Gross Term Loans <sup>(1)</sup>	15.71%	16.78%	19.36%	17.66%	21.65%	12.36%	11.82%	11.07%
60+ DPD to Gross Term Loans <sup>(2)</sup>	8.03%	6.60%	10.82%	8.71%	11.75%	6.47%	6.67%	6.45%
Stage 3 Gross Term Loans to Gross Term Loans	1.12%	1.05%	1.27%	1.44%	1.64%	1.02%	1.37%	0.88%
Impairment loss allowance on Stage 3 Gross Term Loans	231.94	185.10	211.12	118.91	278.12	81.19	94.21	43.20
Stage 3 Gross Term Loans (net) to Gross Term Loans	0.68%	0.68%	0.83%	1.18%	1.03%	0.83%	1.13%	0.68%
Incremental restructured portfolio <sup>(3)</sup>	-	-	-	13.67	816.85	N/A	N/A	N/A
Total restructured portfolio <sup>(3)</sup>	712.19	730.86	774.74	830.52	816.85	-	-	-
Total restructured portfolio as a % of Gross Term Loans	1.34%	1.44%	1.62%	1.87%	1.84%	N/A	N/A	N/A

\*As certified by R P S V & Co., Independent Chartered Accountant, pursuant to their certificate dated November 15, 2022.

(1) Represents Gross Term Loans which are overdue by more than 30 days as a percentage of the total Gross Term Loans as of the last day of the relevant period/year.

(2) Represents Gross Term Loans which are overdue by more than 60 days as a percentage of the total Gross Term Loans as of the last day of the relevant period/year.

(3) Represents the outstanding amounts as of March 31, 2021 on loans that were restructured during the quarter ending on the day as indicated.

### Quarterly Collections Efficiency

	June	March 31,	December 31,	September 30,	June 30,	March 31,	December 31,	September 30,
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	30, 2022*	2022*	2021*	2021 <sup>(2)*</sup>	2021 <sup>(2)*</sup>	2021*	2020*	2020 <sup>(3)*</sup>
Collections Efficiency	99.17%	101.45%	98.22%	102.04%	89.33%	96.50%	95.98%	93.28%

\*As certified by R P S V & Co., Independent Chartered Accountant, pursuant to their certificate dated November 15, 2022.

- (1) The proportion of actual collections (from billings for the period and overdues but excluding prepayments) during the period to scheduled billings during the period (assuming no moratorium during the months of April 2020 to August 2020).
- (2) Collections Efficiency for the period from April 2021 to September 2021 has been computed after adjusting for the restructured accounts, where dues falling between April 1, 2021 and September 30, 2021 has been excluded from the denominator since moratorium was provided for such dues.
- (3) Collections Efficiency for the second quarter of the Financial Year 2021 has been computed assuming no moratorium for the months of April 2020 to June 2020.

### Collection Efficiency (State Wise)<sup>(1)</sup>

State/Territory	For the three months ended June 30,		For the Financial Year		
	2022	2021	2022 <sup>(2)</sup>	2021 <sup>(4)</sup>	2020
Tamil Nadu	100.23%	85.55%	98.23%	96.83%	96.90%
Andhra Pradesh	99.27%	92.51%	98.22%	97.08%	96.77%
Telangana	98.83%	91.35%	98.08%	96.31%	97.45%
Karnataka	96.08%	83.49%	95.04%	94.60%	96.54%
<b>Total<sup>(3)</sup></b>	<b>99.34%</b>	<b>88.68%</b>	<b>97.89%</b>	<b>96.66%</b>	<b>96.97%</b>

- (1) The proportion of actual collections (from billings for the period/year and overdues but excluding prepayments) during the relevant period/year to scheduled billings during the relevant period/year (assuming no moratorium during the months of April 2020 to August 2020).
- (2) Collections efficiency for the Financial Year 2022 has been computed after adjusting for the restructured accounts, where dues falling in the Financial Year 2022 has been excluded from the denominator since moratorium was provided for such dues.
- (3) Represents our collections efficiency, including all states in which we operate.
- (4) Computed only for the months of September 2020 to March 2021 since moratorium was granted to almost all the loans for the months of April 2020 to August 2020.

### Function-wise split of employees

Function	As of June 30,		As of March 31,		
	2022	2021	2022	2021	2020
Senior Management	21	21	22	18	17
Business and Collections (Branch)	4,149	2,394	3,890	2,358	2,334
Business and Collections (Supervisory team including at Corporate Office)	232	159	171	153	131
Field Credit (Branch)	324	248	306	252	234
File Credit i.e. Process & Approval Credit (Branch)	141	135	145	140	139
Field and File Credit (Supervisory team including at Corporate Office)	14	15	11	12	11
Legal and technical	49	50	50	45	47
Internal Audit	35	20	24	23	15
Operations (Branch)	470	362	440	365	259
Operations (Corporate Office)	131	145	131	148	165
Information Technology	25	23	21	24	23
Human Resources	16	12	12	12	12
Accounts (Branch)	401	332	383	318	289
Accounts (Corporate Office)	53	54	54	55	42
Administration and Other Support function	16	16	15	15	16
<b>Total</b>	<b>6,077</b>	<b>3,986</b>	<b>5,675</b>	<b>3,938</b>	<b>3,734</b>

### Non-GAAP Reconciliations

Below are the reconciliations of the non-GAAP measures presented in this section:

	As of / for the				
	Three months ended June 30,		Financial Year		
	2022	2021	2022	2021	2020
	<i>(₹ in millions, except percentages)</i>				
<b>Adjusted Finance Costs</b>					
Finance Costs (A)	647.98	864.14	3,006.00	3,251.91	2,169.35
Fee expenses (B)	-	-	-	26.68	4.25
Interest on lease liability (C)	5.30	4.71	22.00	17.95	16.78
Interest on current tax liability (D)	-	-	-	-	7.15
<b>Adjusted Finance Costs (E=A+B-C-D)</b>	<b>642.68</b>	<b>859.43</b>	<b>2,984.00</b>	<b>3,260.64</b>	<b>2,149.67</b>
<b>Average Cost of Borrowings</b>					
Finance Costs (A)	647.98	864.14	3,006.00	3,251.91	2,169.35
Fee expenses (B)	-	-	-	26.68	4.25
Interest on lease liability (C)	5.30	4.71	22.00	17.95	16.78
Interest on current tax liability (D)	-	-	-	-	7.15
Adjusted Finance Costs (E=A+B-C-D)	642.68	859.43	2,984.00	3,260.64	2,149.67
Total Borrowings (F) <sup>(1)</sup>	25,203.19	31,212.18	25,588.31	34,251.97	23,636.93
Average Total Borrowing (G) <sup>(2)</sup>	24,487.32	32,267.13	28,379.55	28,409.16	17,814.34
<b>Average Cost of Borrowings (I=E/G*100)</b>	<b>10.53%</b>	<b>10.68%</b>	<b>10.51%</b>	<b>11.48%</b>	<b>12.07%</b>
<b>Stage 3 Gross Term Loans to Gross Term Loans</b>					
Stage 3 Gross Term Loans <sup>(3)</sup> (A)	591.37	748.55	530.50	451.93	532.26
Less: Impairment Loss Allowance on Stage 3 Gross Term Loans (B)	231.94	278.12	185.10	81.19	94.21
Stage 3 Gross Term Loans (net) <sup>(4)</sup> (C=A-B)	359.43	470.43	345.40	370.74	438.05
Gross Term Loans (D)	52,965.35	45,775.11	50,670.78	44,453.81	38,922.28
<b>Stage 3 Gross Term Loans <sup>(3)</sup> to Gross Term Loans (E=A/D*100)</b>	<b>1.12%</b>	<b>1.64%</b>	<b>1.05%</b>	<b>1.02%</b>	<b>1.37%</b>
<b>Stage 3 Gross Term Loans (net)<sup>(4)</sup> to Gross Term Loans</b>					
Stage 3 Gross Term Loans <sup>(3)</sup> (A)	591.37	748.55	530.50	451.93	532.26
Less: Impairment Loss Allowance on Stage 3 Gross Term Loans (B)	231.94	278.12	185.10	81.19	94.21
Stage 3 Gross Term Loans (net) <sup>(4)</sup> (C=A-B)	359.43	470.43	345.40	370.74	438.05
Gross Term Loans (D)	52,965.35	45,775.11	50,670.78	44,453.81	38,922.28
<b>Stage 3 Gross Term Loans (net)<sup>(4)</sup> to Gross Term Loans (E=C/D*100)</b>	<b>0.68%</b>	<b>1.03%</b>	<b>0.68%</b>	<b>0.83%</b>	<b>1.13%</b>
<b>Provision Coverage Ratio – Stage 3 Gross Term Loans</b>					
Stage 3 Gross Term Loans <sup>(3)</sup> (A)	591.37	748.55	530.50	451.93	532.26
Less: Impairment Loss Allowance on Stage 3 Gross Term Loans (B)	231.94	278.12	185.10	81.19	94.21
Stage 3 Gross Term Loans (net) <sup>(4)</sup> (C=A-B)	359.43	470.43	345.40	370.74	438.05
Gross Term Loans (D)	52,965.35	45,775.11	50,670.78	44,453.81	38,922.28
<b>Provision Coverage Ratio – Stage 3 Gross Term Loans (E=B/A)</b>	<b>39.22%</b>	<b>37.15%</b>	<b>34.89%</b>	<b>17.97%</b>	<b>17.70%</b>
<b>Net Worth</b>					
Equity Share Capital (A)	291.37	271.17	291.34	256.45	255.82
Other Equity (B)	38,278.38	29,172.96	36,812.17	22,925.27	19,189.98
<b>Net Worth<sup>(16)</sup> (C=A+B)</b>	<b>38,569.75</b>	<b>29,444.13</b>	<b>37,103.51</b>	<b>23,181.72</b>	<b>19,445.80</b>
<b>Total Borrowings to Total Equity Ratio<sup>(5)</sup></b>					
Debt securities (A)	9,474.05	12,238.38	10,085.34	13,037.86	10,788.64
Borrowings (Other than debt securities) (B)	15,729.14	18,973.80	15,502.97	21,214.11	12,848.29



	As of / for the				
	Three months ended June 30,		Financial Year		
	2022	2021	2022	2021	2020
	<i>(₹ in millions, except percentages)</i>				
Total Borrowings <sup>(1)</sup> (C=A+B)	25,203.19	31,212.18	25,588.31	34,251.97	23,636.93
Total Equity (D)	38,569.75	29,444.13	37,103.51	23,181.72	19,445.80
<b>Total Borrowings to Total Equity Ratio (C/D)</b>	<b>0.65</b>	<b>1.06</b>	<b>0.69</b>	<b>1.48</b>	<b>1.22</b>
<b>Operating Expenses to Net Income<sup>(6)</sup></b>					
Total Income (A)	3,390.59	3,007.55	12,561.69	10,512.55	7,873.47
Finance Costs (B)	647.98	864.14	3,006.00	3,251.91	2,169.35
Fee expenses (C)	-	-	-	26.68	4.25
Interest on lease liability (D)	5.30	4.71	22.00	17.95	16.78
Interest on current tax liability (E)	-	-	-	-	7.15
Adjusted Finance Costs (F=B+C-D-E)	642.68	859.43	2,984.00	3,260.64	2,149.67
Net income (G=A-F)	2,747.91	2,148.12	9,577.69	7,251.91	5,723.80
Employees benefits expense (H)	718.90	520.19	2,361.15	1,637.18	1,271.07
Depreciation and amortisation expense (I)	36.19	26.08	122.45	113.85	100.68
Other expenses (J)	130.02	78.23	574.82	366.77	341.69
Adjusted Other Expenses (K=J+D+E)	135.32	82.94	596.82	384.72	365.62
Operating Expenses (L=H+I+K)	890.41	629.21	3,080.42	2,135.75	1,737.37
<b>Operating Expenses to Net Income (M=L/G*100)</b>	<b>32.40%</b>	<b>29.29%</b>	<b>32.16%</b>	<b>29.45%</b>	<b>30.35%</b>
<b>Cost to income ratio</b>					
Total Income (A)	3,390.59	3,007.55	12,561.69	10,512.55	7,873.47
Finance Costs (B)	647.98	864.14	3,006.00	3,251.91	2,169.35
Fee expenses (C)	-	-	-	26.68	4.25
Interest on lease liability (D)	5.30	4.71	22.00	17.95	16.78
Interest on current tax liability (E)	-	-	-	-	7.15
Adjusted Finance Costs (F = B+C-D-E)	642.68	859.43	2,984.00	3,260.64	2,149.67
Total Expenses (G)	1,528.98	1,654.02	6,519.60	5,748.15	4,380.46
<b>Cost to income ratio (H=(G-F)/(A-F))</b>	<b>32.25%</b>	<b>36.99%</b>	<b>36.91%</b>	<b>34.30%</b>	<b>38.97%</b>
<b>Return on Total Average Assets</b>					
Profit for the period / year (A)	1,394.33	1,015.71	4,535.45	3,589.94	2,619.51
Total Assets (B)	64,715.48	61,291.03	63,430.66	57,936.11	43,531.54
Average total assets <sup>(10)</sup> (C)	64,835.66	61,933.52	63,330.17	51,325.96	35,835.81
<b>Return on Total Average Assets (D=A/C*100)</b>	<b>8.63%</b>	<b>6.58%</b>	<b>7.16%</b>	<b>6.99%</b>	<b>7.31%</b>
<b>Operating Expenses to Average Total Assets<sup>(7)</sup></b>					
Employee benefits expense (A)	718.90	520.19	2,361.15	1,637.18	1,271.07
Depreciation and amortisation expense (B)	36.19	26.08	122.45	113.85	100.68
Other expenses (C)	130.02	78.23	574.82	366.77	341.69
Interest on lease liability (D)	5.30	4.71	22.00	17.95	16.78
Interest on current tax liability (E)	-	-	-	-	7.15
Adjusted Other Expenses (F=C+D+E)	135.32	82.94	596.82	384.72	365.62
Operating expenses (G=A+B+F)	890.41	629.21	3,080.42	2,135.75	1,737.37
Average total assets <sup>(8)</sup> (H)	64,833.66	61,933.52	63,330.17	51,325.96	35,835.81
<b>Operating Expenses to Average Total Assets (I=G/H*100)</b>	<b>5.51%</b>	<b>4.07%</b>	<b>4.86%</b>	<b>4.16%</b>	<b>4.85%</b>
<b>Impairment Loss Allowance to Average Total Assets</b>					
Impairment on Financial Instruments (A)	(4.11)	165.38	455.18	351.76	493.42
Average Total Assets <sup>(8)</sup> (B)	64,835.66	61,933.52	63,330.17	51,325.96	35,835.81
<b>Impairment Loss Allowance to Average Total Assets (C=A/B)</b>	<b>(0.03)%</b>	<b>1.07%</b>	<b>0.72%</b>	<b>0.69%</b>	<b>1.38%</b>
<b>Average Yield on Gross Term Loans<sup>(9)</sup></b>					
Adjusted Interest Income (A)	3,115.72	2,745.75	11,273.64	9,651.59	6,941.37
Average Gross Term Loans (E)	51,749.84	45,502.96	46,875.12	39,940.36	28,708.56

	As of / for the				
	Three months ended June 30,		Financial Year		
	2022	2021	2022	2021	2020
	<i>(₹ in millions, except percentages)</i>				
<b>Average Yield on Gross Term Loans (F=A/E*100)</b>	<b>24.15%</b>	<b>24.20%</b>	<b>24.05%</b>	<b>24.17%</b>	<b>24.18%</b>
<b>Net Interest Margin</b>					
Adjusted Interest Income (A)	3,115.72	2,745.75	11,273.64	9,651.59	6,941.37
Finance Costs (B)	647.98	864.14	3,006.00	3,251.91	2,169.35
Fee expenses (C)	-	-	-	26.68	4.25
Interest on lease liability (D)	5.30	4.71	22.00	17.95	16.78
Interest on current tax liability (E)	-	-	-	-	7.15
Adjusted Finance Costs (F = B+C-D-E)	642.68	859.43	2,984.00	3,260.64	2,149.67
Net Interest Income <sup>(10)</sup> (G=A-F)	2,473.04	1,886.32	8,289.64	6,390.95	4,791.70
Average Total Assets <sup>(8)</sup> (H)	64,843.66	61,933.52	63,330.17	51,325.96	35,835.81
<b>Net Interest Margin (I=G/H*100)</b>	<b>15.30%</b>	<b>12.22%</b>	<b>13.09%</b>	<b>12.45%</b>	<b>13.37%</b>
<b>Net asset value per share<sup>(11)</sup></b>					
Equity Share Capital (A)	291.37	271.17	291.34	256.45	255.82
Other Equity (B)	38,278.38	29,172.96	36,812.17	22,925.27	19,189.98
Total Equity (C=A+B)	38,569.75	29,444.13	37,103.51	23,181.72	19,445.80
Number of equity shares after split (D)	291,366,120	286,627,120	291,343,120	271,907,410	271,278,910
<b>Net asset value per share (E=C/D)</b>	<b>132.38</b>	<b>102.73</b>	<b>127.35</b>	<b>85.26</b>	<b>71.68</b>
<b>Operating Expenses</b>					
Employee benefits expense (A)	718.90	520.19	2,361.15	1,637.18	1,271.07
Depreciation and amortisation expense (B)	36.19	26.08	122.45	113.85	100.68
Other expenses (C)	130.02	78.23	574.82	366.77	341.69
Interest on lease liability (D)	5.30	4.71	22.00	17.95	16.78
Interest on current tax liability (E)	-	-	-	-	7.15
Adjusted Other Expenses (F=C+D+E)	135.32	82.94	596.82	384.72	365.62
<b>Operating Expenses (G=A+B+F)</b>	<b>890.41</b>	<b>629.21</b>	<b>3,080.42</b>	<b>2,135.75</b>	<b>1,737.37</b>
<b>Return on Net Worth<sup>(12)</sup></b>					
Profit for the period / year (A)	1,394.33	1,015.71	4,535.45	3,589.94	2,619.51
Equity Share Capital	291.37	271.17	291.34	256.45	255.82
Other Equity	38,278.38	29,172.96	36,812.17	22,925.27	19,189.98
Total equity (B)	38,569.75	29,444.13	37,103.51	23,181.72	19,445.80
<b>Return on Net Worth (C=A/B)</b>	<b>3.62%*</b>	<b>3.45%*</b>	<b>12.22%</b>	<b>15.49%</b>	<b>13.47%</b>
<b>Return on Average Net Worth<sup>(13)</sup></b>					
Profit for the period / year (A)	1,394.33	1,015.71	4,535.45	3,589.94	2,619.51
Equity Share Capital	291.37	271.17	291.34	256.45	255.82
Other Equity	38,278.38	29,172.96	36,812.17	22,925.27	19,189.98
Total equity	38,569.75	29,444.13	37,103.51	23,181.72	19,445.80
Average Net Worth (B)	37,821.20	27,645.82	32,732.18	21,301.87	17,060.68
<b>Return on Average Net Worth (C=A/B)</b>	<b>3.69%*</b>	<b>3.67%*</b>	<b>13.86%</b>	<b>16.85%</b>	<b>15.35%</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)<sup>(14)</sup></b>					
Profit for the period / year (A)	1,394.33	1,015.71	4,535.45	3,589.94	2,619.51
Tax Expense (B)	467.28	337.82	1,506.64	1,174.46	873.50
Depreciation and amortisation expense (C)	36.19	26.08	122.45	113.85	100.68
Finance Costs (D)	647.98	864.14	3,006.00	3,251.91	2,169.35
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA) (E=A+B+C+D)</b>	<b>2,545.78</b>	<b>2,243.75</b>	<b>9,170.54</b>	<b>8,130.16</b>	<b>5,763.04</b>
<b>Earnings before interest, tax, depreciation and amortisation margin (EBITDA margin)<sup>(19)</sup></b>					
Profit for the period / year (A)	1,394.33	1,015.71	4,535.45	3,589.94	2,619.51

	As of / for the				
	Three months ended June 30,		Financial Year		
	2022	2021	2022	2021	2020
	<i>(₹ in millions, except percentages)</i>				
Tax Expense (B)	467.28	337.82	1,506.64	1,174.46	873.50
Depreciation and amortisation expense (C)	36.19	26.08	122.45	113.85	100.68
Finance Costs (D)	647.98	864.14	3,006.00	3,251.91	2,169.35
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA) (E=A+B+C+D)</b>	<b>2,545.78</b>	<b>2,243.75</b>	<b>9,170.54</b>	<b>8,130.16</b>	<b>5,763.04</b>
<b>Total Revenue from Operations (F)</b>	<b>3,379.71</b>	<b>3,005.15</b>	<b>12,540.64</b>	<b>10,497.42</b>	<b>7,867.15</b>
<b>EBITDA Margin (G=F/E)</b>	<b>75.33%</b>	<b>74.66%</b>	<b>73.13%</b>	<b>77.45%</b>	<b>73.25%</b>
<b>Net Profit Margin</b>					
Profit for the period / year (A)	1,394.33	1,015.71	4,535.45	3,589.94	2,619.51
Total Income (B)	3,390.59	3,007.55	12,561.69	10,512.55	7,873.47
<b>Net Profit Margin<sup>(16)</sup> (C=A/B)</b>	<b>41.12%</b>	<b>33.77%</b>	<b>36.11%</b>	<b>34.15%</b>	<b>33.27%</b>
<b>Stage 3 Gross Term Loans (net) to Net Gross Term Loans</b>					
Stage 3 Gross Term Loans <sup>(3)</sup> (A)	591.37	748.55	530.50	451.93	532.26
Less: Impairment loss allowance on Stage 3 Gross Term Loans (B)	231.94	278.12	185.10	81.19	94.21
Stage 3 Gross Term Loans (net) <sup>(4)</sup> (C=A-B)	359.43	470.43	345.40	370.74	438.05
Gross Term Loans (D)	52,965.35	45,775.11	50,670.78	44,453.81	38,922.28
Net Gross Term Loans <sup>(7)</sup> (E=D-B)	52,733.41	45,496.99	50,485.68	44,372.62	38,828.07
<b>Stage 3 Gross Term Loans (net)<sup>(4)</sup> to Net Gross Term Loans (F=C/E*100)</b>	<b>0.68%</b>	<b>1.03%</b>	<b>0.68%</b>	<b>0.84%</b>	<b>1.13%</b>
<b>Net tangible assets<sup>(18)</sup></b>					
Total assets (A)	64,715.48	61,291.03	63,430.66	57,936.11	43,531.54
Less: Other intangible assets (B)	9.95	17.74	8.87	19.03	19.28
Less: Right of use asset (C)	207.96	165.31	197.81	145.26	148.80
Less: Total financial liabilities (D)	25,847.93	31,679.58	26,146.92	34,510.38	23,859.98
Less: Total non-financial liabilities (E)	297.80	167.32	180.23	244.01	225.76
<b>Net tangible assets (F=A-B-C-D-E)<sup>(18)</sup></b>	<b>38,351.84</b>	<b>29,261.08</b>	<b>36,896.83</b>	<b>23,017.43</b>	<b>19,277.72</b>

\*Not annualised

- (1) Total Borrowings represents the aggregate of debt securities and borrowings (other than debt securities), as of the last day of the relevant period/year.
- (2) Average Total Borrowings is the simple average of our monthly Total Borrowings outstanding as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- (3) Stage 3 Gross Term Loans represent the gross carrying amount of Stage 3 Gross Term Loans.
- (4) Stage 3 Gross Term Loans (net) represents Stage 3 Gross Term Loans reduced by Impairment Loss Allowance (i.e., Expected Credit Loss Allowance or ECLs) against these loans as of the last day of relevant period/year, represented as a percentage.
- (5) Total Borrowings to Total Equity Ratio represents the aggregate of debt securities, borrowings (other than debt securities) as of the last day of the relevant period/year upon Total Equity as of the last day of the relevant period/year.
- (6) Operating Expenses to Net Income represents employee benefits expense, depreciation and amortisation expense and other expenses for the relevant period/year to Net income for the relevant period/year, represented as a percentage. Net Income represents Total Income less Adjusted Finance Costs.
- (7) Operating Expenses to Average Total Assets represents aggregate of employee benefits expense, depreciation and amortisation expense and other expenses for the relevant period/year upon the simple average of our total assets as of the last day of the relevant period/year and our total assets as of the last day of the previous period/year, represented as a percentage.
- (8) Average Total Assets represents the simple average of our monthly Total Assets plus impairment loss allowance as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.
- (9) Average Yield on Gross Term Loans represents the interest income for the period/year to the average Gross Term Loans for the period/year, represented as a percentage.
- (10) Net Interest Income represents Adjusted interest income less Adjusted finance costs, for the relevant period/year.
- (11) Net asset value per share is computed as the total equity as of the last day of the relevant period/year divided by the outstanding number of equity shares as of the last day of the relevant period/year.
- (12) Return on Net Worth is computed as the profit for the period / year divided by the Total Equity as of the last day of the relevant period/year.

- (13) *Return on Average Net Worth is computed as the profit for the period / year divided by our Average Net Worth. Average Net Worth represents the simple average of our monthly Net Worth as of the last day of the month starting from the last month of the previous period/year and ending with the last month of the relevant period/year.*
- (14) *EBITDA is calculated as profit for the period / year plus income tax expense, depreciation and amortisation expense, and finance costs.*
- (15) *Net Worth is equivalent to the sum of Equity Share Capital and Other Equity.*
- (16) *Net Profit Margin represents Profit for the period / year as a percentage of Total Income.*
- (17) *Net Gross Term Loans represents Gross Term Loans less Impairment Loss Allowance on Stage 3 Gross Term Loans as of the last day of the relevant period/year.*
- (18) *Net tangible assets represents the sum of all of our assets, excluding intangible assets as defined under Ind AS 38 and right of use asset as defined under Ind AS 116, reduced by our total liabilities.*
- (19) *Earnings before interest, tax, depreciation and amortisation margin represents EBITDA for the period / year as a percentage of Total Revenue from Operations.*

**SECTION V: FINANCIAL INFORMATION**

**FINANCIAL STATEMENTS**

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**Independent Auditors' Examination Report on the Restated Statement of Assets and Liabilities as at June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021, and March 31, 2020 and Restated Statement of Profit and Loss (including Other Comprehensive Income), and Restated Statement of Cash Flows and Restated Statement of Changes in Equity for each of the three month period ended June 30, 2022 and June 30, 2021 and for each of the years ended March 31, 2022, March 31, 2021, and March 31, 2020, Summary of significant accounting policies and other explanatory information for each of the three month periods ended June 30, 2022 and June 30, 2021 and for each of the years ended March 31, 2022, March 31, 2021 and March 31, 2020 of Five-Star Business Finance Limited (the "Company") (collectively, the "Restated Financial Information")**

The Board of Directors  
Five-Star Business Finance Limited  
New No. 27, Old No. 4, Taylor's Road  
Kilpauk, Chennai 600010, Tamil Nadu, India

Dear Sir /Madam,

1. We, S.R. Batliboi & Associates LLP ("we", "us" or "SRBA") have examined the attached Restated Financial Information of the Company.

The Restated Financial Information have been approved by the Board of Directors of the Company at their meeting held on October 6, 2022, for the purpose of inclusion in the Red Herring Prospectus ("RHP") and Prospectus (collectively referred to as "Offer Documents"), in connection with its proposed Initial Public Offer of equity shares of face value of Re.1 each (the "Proposed IPO"), and have been prepared by the Company in accordance with the requirements of:

- a) Section 26 of Part I of Chapter III of The Companies Act, 2013 (the "Act");
- b) relevant provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the "ICDR Regulations"); and
- c) The Guidance Note on Reports on Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI"), (the "Guidance Note")

**Management's Responsibility for the Restated Financial Information**

2. The preparation of Restated Financial Information is the responsibility of the Board of Directors of the Company, for the purpose set out in paragraph 12 below. The Restated Financial Information have been prepared by the Board of Directors of the Company on the basis of preparation stated in Note 2 to the Restated Financial Information. The responsibility of the Board of Directors of the Company includes designing, implementing and maintaining adequate internal controls relevant to the preparation and presentation of the Restated Financial Information. The Board of Directors of the Company are also responsible for identifying and ensuring that the Company complies with the Act and the ICDR Regulations and the Guidance Note.

**Auditors' Responsibilities**

3. We have examined such Restated Financial Information taking into consideration:
  - a) the terms of reference and our engagement agreed with you vide our engagement letter dated August 24, 2022, requesting us to carry out work on such Restated Financial Information, proposed to be included in the Offer Documents of the Company in connection with the Company's Proposed IPO;
  - b) the Guidance Note. The Guidance Note also requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI;

- c) concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Financial Information; and
- d) the requirements of Section 26 of the Act and applicable provisions of the ICDR Regulations.

Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act, the ICDR Regulations and the Guidance Note in connection with the Proposed IPO.

#### **Restated Financial Information as per audited financial statements**

- 4. The Restated Financial Information have been compiled by the management from
  - a. The audited interim financial statements of the Company as at and for the three month period ended June 30, 2022, prepared in accordance with Indian Accounting Standard 34 "Interim Financial Reporting", specified under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India (referred to as "Ind-AS"), which has been approved by the Board of Directors at their meetings held on October 6, 2022;
  - b. The audited interim financial statements of the Company as at and for the three month period ended June 30, 2021, prepared in accordance with Indian Accounting Standard 34 "Interim Financial Reporting", specified under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India (referred to as "Ind-AS"), which has been approved by the Board of Directors at their meetings held on October 6, 2022;
  - c. the audited financial statements of the Company as at and for the year ended March 31, 2022, , which was prepared in accordance with the Indian Accounting Standards as prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India, which has been approved by the Board of Directors at their meetings held on April 27, 2022;.
  - d. audited financial statements of the Company as at and for the year ended March 31, 2021, which was prepared in accordance with the Indian Accounting Standards as prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India, which has been approved by the Board of Directors at their meetings held on May 28, 2021; and
  - e. audited financial statements of the Company as at and for the year ended March 31, 2020, which was prepared in accordance with the Indian Accounting Standards as prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India, which has been approved by the Board of Directors at their meetings held on June 10, 2020.
- 5. For the purpose of our examination, we have relied on:
  - a. The Independent Auditor's Reports issued by us dated October 6, 2022, October 6, 2022 and April 27, 2022, on the interim financial statements of the Company as at and for the three month period ended June 30, 2022 and June 30, 2021 and on the financial statements of the Company as at and for the year ended March 31, 2022, as referred to in Paragraph 4 above; and
  - b. the Independent auditor's reports dated May 28, 2021 and June 10, 2020 on the financial statements of the Company as at and for the years ended March 31, 2021 and 2020, issued by the Company's previous auditor, B S R & Co. LLP (the "Previous Auditors"), as referred to in Paragraph 4 above.

- c. Examination report dated October 6, 2022 of the Previous Auditors, on the Restated Statement of Assets and Liabilities as at March 31, 2021 and 2020, and Restated Statement of Profit and Loss (including other comprehensive income), Restated Statement of Changes in Equity and restated statement of cash flows, the Summary Statement of Significant Accounting Policies and other explanatory information for the years ended March 31, 2021 and 2020 (“Restated Prior Period Financial Information”), examined by them, confirming that the Restated Prior Period Financial Information:
- (i) have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regroupings / reclassifications retrospectively in the financial years ended March 31, 2021 and 2020 to reflect the same accounting treatment as per the accounting policies and groups / classifications followed as at and for the three month period ended June 30, 2022;
  - (ii) do not contain any qualifications requiring adjustments. However, those qualifications included in the Annexure to the auditors' report issued under Companies (Auditor's Report) Order, 2016, as applicable, on the financial statements for the years ended March 31, 2021 and 2020 which do not require any corrective adjustment in the Restated Prior Period Financial Information have been disclosed in Note 49 to the Restated Prior Period Financial Information; and
  - (iii) have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.
6. The examination report of the Previous Auditors included the following matters reproduced below which do not require any corrective adjustments in the Restated Financial Information (also refer note 51 of the Restated Financial Information):
- (1) Emphasis of matter as at and for the year ended March 31, 2021
- The auditors' report has drawn attention to extent to which the ongoing COVID-19 pandemic will have impact on the Company's financial performance including the Company's estimates of impairment of loans, are dependent on future developments, the severity and duration of the pandemic, which are highly uncertain.
- The auditors' report has drawn attention to extent to which the COVID-19 pandemic will have impact on the Company's internal financial controls with reference to the financial statements is dependent on future developments, which are highly uncertain.
- Our opinion is not modified in respect of the above matters.
- (2) Emphasis of matter as at and for the year ended March 31, 2020
- The auditors' report has drawn attention to the extent to which the COVID - 19 pandemic will impact the Company's financial performance is dependent on future developments, which are highly uncertain. The auditors' report has drawn attention to extent to which the COVID-19 pandemic will have impact on the Company's internal financial controls with reference to the financial statements is dependent on future developments, which are highly uncertain.
- Our opinion is not modified in respect of the above matters.
- (3) Matters with respect to Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub section (11) of section 143 of the Act in relation to year ended March 31, 2021 and March 31, 2020 as disclosed in note 49 to the Restated Prior Period Financial Information
7. Based on our examination, in accordance with the requirements of Section 26 of Part I of Chapter III of the Act, the ICDR Regulations and the Guidance Note, and according to the information and



explanations given to us, and the reliance placed on the examination reports of the Previous Auditors as stated in paragraph 5.b and 6 above, we report that the Restated Financial Information:

- a. have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regroupings / reclassifications more fully described in Note 50 to the Restated Financial Information;
  - b. does not contain any qualifications requiring adjustments. However, those qualifications included in the Annexure to the auditors' report issued under Companies (Auditor's Report) Order, 2020 , on the financial statements for the years ended March 31, 2022, and Annexure to the auditors' report issued under Companies (Auditor's Report) Order, 2016 on the financial statements for the years ended 2021 and 2020 which do not require any corrective adjustment in the Restated Financial Information have been disclosed in Note 50D to the Restated Financial Information;
  - c. have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.
8. We have not audited any financial statements of the Company as of any date or for any period subsequent to June 30, 2022. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company as of any date or for any period subsequent to June 30, 2022.
  9. The Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the reports on the audited interim financial statements and audited financial statements mentioned in paragraph 4 above.
  10. This report should not in any way be construed as a reissuance or re-dating of any of the previous audit reports issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.
  11. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
  12. Our report is intended solely for use of the management for inclusion in the Offer Documents to be filed with Registrar of Companies Tamil Nadu at Chennai, SEBI, BSE Limited, and National Stock Exchange of India Limited in connection with the Proposed IPO of the Company. Our report should not be used, referred to or distributed for any other purpose.

for **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W / E300004

per **Bharath N S**

Partner

Membership Number: 210934

UDIN: 22210934AYLBAQ1079

Place of Signature: Chennai

Date: October 6, 2022

**Five-Star Business Finance Limited**  
**Restated Statement of Assets and Liabilities**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	Note	As at	As at	As at	As at	As at
		June 30, 2022	June 30, 2021	March 31, 2022	March 31, 2021	March 31, 2020
<b>ASSETS</b>						
<b>Financial assets</b>						
Cash and cash equivalents	4	4,095.66	9,837.38	6,131.63	12,671.83	2,897.79
Bank balances other than cash and cash equivalents	5	3,036.44	4,289.73	2,667.75	885.40	1,613.49
Loans	6	54,543.53	44,834.72	51,024.11	43,587.49	38,308.04
Investments	7	1,891.60	1,500.00	2,481.84	-	-
Derivative Financial Instruments	14	4.08	-	-	-	-
Other financial assets	8	187.02	55.65	179.79	47.43	52.47
<b>Total Financial Assets</b>		<b>63,758.33</b>	<b>60,517.48</b>	<b>62,485.12</b>	<b>57,192.15</b>	<b>42,871.79</b>
<b>Non-financial assets</b>						
Current tax assets (net)	9	31.64	55.79	22.01	79.58	43.55
Deferred tax assets (net)	38	471.29	419.49	466.67	369.89	282.30
Investment property	10	0.36	0.36	0.36	0.36	0.36
Property, plant and equipment	12	129.92	80.43	121.45	84.56	110.61
Right of use asset	39	207.96	165.31	197.81	145.26	148.80
Other intangible assets	13	9.95	17.74	8.87	19.03	19.28
Other non-financial assets	11	106.03	34.43	128.37	45.28	54.85
<b>Total Non-Financial Assets</b>		<b>957.15</b>	<b>773.55</b>	<b>945.54</b>	<b>743.96</b>	<b>659.75</b>
<b>Total assets</b>		<b>64,715.48</b>	<b>61,291.03</b>	<b>63,430.66</b>	<b>57,936.11</b>	<b>43,531.54</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>Financial liabilities</b>						
Derivative financial instruments	14	-	-	13.89	-	-
Payables						
Trade payables						
total outstanding dues of micro and small enterprises		-	-	-	-	-
total outstanding dues of creditors other than micro and small enterprises	15	109.30	69.41	130.04	86.72	66.24
Debt securities	16	9,474.05	12,238.38	10,085.34	13,037.86	10,788.64
Borrowings (other than debt securities)	17	15,729.14	18,973.80	15,502.97	21,214.11	12,848.29
Other financial liabilities	18	535.44	397.99	414.68	171.69	156.81
<b>Total Financial Liabilities</b>		<b>25,847.93</b>	<b>31,679.58</b>	<b>26,146.92</b>	<b>34,510.38</b>	<b>23,859.98</b>
<b>Non-financial liabilities</b>						
Current tax liabilities (net)	19	109.44	29.54	-	-	7.48
Provisions	20	134.92	111.12	90.00	71.98	57.76
Other non-financial liabilities	21	53.44	26.66	90.23	172.03	160.52
<b>Total Non-Financial Liabilities</b>		<b>297.80</b>	<b>167.32</b>	<b>180.23</b>	<b>244.01</b>	<b>225.76</b>
<b>Total Liabilities</b>		<b>26,145.73</b>	<b>31,846.90</b>	<b>26,327.15</b>	<b>34,754.39</b>	<b>24,085.74</b>
<b>EQUITY</b>						
Equity share capital	22	291.37	271.17	291.34	256.45	255.82
Other equity	23	38,278.38	29,172.96	36,812.17	22,925.27	19,189.98
<b>Total Equity</b>		<b>38,569.75</b>	<b>29,444.13</b>	<b>37,103.51</b>	<b>23,181.72</b>	<b>19,445.80</b>
<b>Total liabilities and equity</b>		<b>64,715.48</b>	<b>61,291.03</b>	<b>63,430.66</b>	<b>57,936.11</b>	<b>43,531.54</b>

Significant accounting policies

2 and 3

The accompanying notes are integral part of the restated financial information.

As per our report of even date  
for **S.R. Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of  
**Five-Star Business Finance Limited**  
CIN : U65991TN1984PLC010844

per **Bharath N S**  
**Partner**  
Membership No: 210934

**D Lakshminpathy**  
Chairman and Managing Director  
DIN: 01723269

**R Anand**  
Independent Director  
DIN: 00243485

**G Srikanth**  
Chief Financial Officer

**K Rangarajan**  
Chief Executive Officer

**B Shalini**  
Company Secretary  
ACS: A51334

Place : Chennai  
Date : October 06, 2022

Place : Chennai  
Date : October 06, 2022

**Five-Star Business Finance Limited**  
**Restated Statement of Profit and Loss**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	Note	For the three month period ended June 30, 2022	For the three month period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Revenue from operations</b>						
Interest income	24	3,352.20	2,902.29	12,037.66	10,148.76	7,468.25
Fee Income	25	12.33	42.81	293.96	216.76	297.08
Net gain on fair value changes	26	15.18	60.05	209.02	131.90	101.82
<b>Total revenue from operations (I)</b>		<b>3,379.71</b>	<b>3,005.15</b>	<b>12,540.64</b>	<b>10,497.42</b>	<b>7,867.15</b>
Other income (II)	27	10.88	2.40	21.05	15.13	6.32
<b>Total Income (III) = (I) + (II)</b>		<b>3,390.59</b>	<b>3,007.55</b>	<b>12,561.69</b>	<b>10,512.55</b>	<b>7,873.47</b>
<b>Expenses</b>						
Finance costs	28	647.98	864.14	3,006.00	3,251.91	2,169.35
Fees expenses	29	-	-	-	26.68	4.25
Impairment on financial instruments	30	(4.11)	165.38	455.18	351.76	493.42
Employee benefits expense	31	718.90	520.19	2,361.15	1,637.18	1,271.07
Depreciation and amortisation expense	32	36.19	26.08	122.45	113.85	100.68
Other expenses	33	130.02	78.23	574.82	366.77	341.69
<b>Total Expenses (IV)</b>		<b>1,528.98</b>	<b>1,654.02</b>	<b>6,519.60</b>	<b>5,748.15</b>	<b>4,380.46</b>
<b>Profit before tax (V) = (III) - (IV)</b>		<b>1,861.61</b>	<b>1,353.53</b>	<b>6,042.09</b>	<b>4,764.40</b>	<b>3,493.01</b>
<b>Tax expense (VI)</b>						
Current tax	34 A	469.42	382.95	1,595.91	1,259.41	1,005.61
Deferred tax (net)	38	(2.14)	(45.13)	(89.27)	(84.95)	(132.11)
Tax Expense		467.28	337.82	1,506.64	1,174.46	873.50
<b>Profit for the period / year (A) = (V) - (VI)</b>		<b>1,394.33</b>	<b>1,015.71</b>	<b>4,535.45</b>	<b>3,589.94</b>	<b>2,619.51</b>
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit or loss</b>						
Re-measurements of the defined benefit plan		(4.29)	(17.75)	(17.16)	(10.53)	(14.88)
Income tax relating to items that will not be reclassified to profit or loss	34 B	1.08	4.47	4.32	2.65	3.74
<b>Net other comprehensive income / (deficit) not to be reclassified subsequently to profit or loss</b>		<b>(3.21)</b>	<b>(13.28)</b>	<b>(12.84)</b>	<b>(7.88)</b>	<b>(11.14)</b>
<b>Items that will be reclassified subsequently to profit or loss</b>						
Net movement on effective portion of cash flow hedge		(5.58)	-	(12.69)	-	-
Income tax relating to items that will be reclassified subsequently to profit or loss		1.40	-	3.18	-	-
<b>Net other comprehensive income to be reclassified subsequently to profit or loss</b>		<b>(4.18)</b>	<b>-</b>	<b>(9.51)</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income / (deficit) for the period / year, net of income tax</b>		<b>(7.39)</b>	<b>(13.28)</b>	<b>(22.35)</b>	<b>(7.88)</b>	<b>(11.14)</b>
<b>Total comprehensive income</b>		<b>1,386.94</b>	<b>1,002.43</b>	<b>4,513.10</b>	<b>3,582.06</b>	<b>2,608.37</b>
<b>Earnings per equity share (face value Re.1 each) (also refer note 40) (the EPS for the three month period ended June 30, 2022 / June 30, 2021 is not annualised)</b>						
Basic (in rupees)		4.79	3.80	16.09	14.01	10.32
Diluted (in rupees)		4.74	3.66	15.92	13.61	10.07

Significant accounting policies 2 and 3

The accompanying notes are integral part of the restated financial information

As per our report of even date  
for **S.R. Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of  
**Five-Star Business Finance Limited**  
CIN : U65991TN1984PLC010844

per **Bharath N S**  
Partner  
Membership No: 210934

**D Lakshmi pathy**  
Chairman and Managing Director  
DIN: 01723269

**R Anand**  
Independent Director  
DIN: 00243485

**G Srikanth**  
Chief Financial Officer

**K Rangarajan**  
Chief Executive  
Officer

**B Shalini**  
Company Secretary  
ACS: A51334

Place : Chennai  
Date : October 06, 2022

Place : Chennai  
Date : October 06, 2022

**Five-Star Business Finance Limited**  
**Restated Statement of Cash Flows**

(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	For the three month period ended June 30, 2022	For the three month period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>A. Cash Flow from Operating Activities</b>					
<b>Profit before tax</b>	<b>1861.61</b>	<b>1353.53</b>	<b>6,042.09</b>	<b>4,764.40</b>	<b>3,493.01</b>
<b>Adjustments for:</b>					
Depreciation and amortisation expense	36.19	26.08	122.45	113.85	100.68
Impairment on financial instruments	(4.11)	165.38	455.18	351.76	493.42
Loss on sale/retirement of property, plant and equipment (net)	0.00	0.00	0.13	0.23	0.08
Profit on sale of current investments (net)	(15.18)	(60.05)	(209.02)	(131.90)	(101.82)
Interest income on deposits with banks / others	(95.51)	(74.33)	(270.34)	(193.75)	(288.67)
Interest on loans	(3,256.69)	(2,827.95)	(11,767.32)	(9,955.01)	(7,179.58)
Finance costs	647.98	864.14	3,006.00	3,251.91	2,169.35
Gain recognised on derecognition of leases	(1.25)	(0.33)	(2.17)	(4.23)	(0.66)
Employee stock option expenses	76.73	98.24	354.42	150.94	16.80
<b>Operating cash flow before working capital changes</b>	<b>(750.23)</b>	<b>(455.29)</b>	<b>(2,268.57)</b>	<b>(1,651.80)</b>	<b>(1,297.39)</b>
<b>Changes in Working Capital:</b>					
<i>Adjustments for (Increase) / Decrease in operating assets:</i>					
Loans	(3,508.52)	(1,101.40)	(7,722.71)	(5,597.21)	(17,688.98)
Other non- financial assets	22.35	10.85	(83.10)	9.59	(18.26)
Other financial assets	(7.23)	(8.20)	(132.36)	5.02	(23.87)
<i>Adjustments for Increase / (Decrease) in operating liabilities:</i>					
Trade payables	(20.73)	(17.31)	43.31	20.48	36.97
Provisions	40.63	21.39	0.86	3.69	5.26
Other financial liabilities	109.63	205.04	184.59	17.49	0.59
Other non financial liabilities	(36.78)	(145.37)	(81.81)	11.51	3.37
<b>Net cash (used in) operations</b>	<b>(4,150.88)</b>	<b>(1,490.29)</b>	<b>(10,059.79)</b>	<b>(7,181.23)</b>	<b>(18,982.31)</b>
Finance cost paid	(475.10)	(637.97)	(2,739.51)	(3,009.53)	(2,254.33)
Interest income received	3249.90	2516.74	11,566.05	9,921.02	7,025.73
Direct taxes paid (net)	(369.61)	(329.62)	(1,538.34)	(1,302.93)	(1,021.89)
<b>Net Cash from/ (used in) Operating Activities (A)</b>	<b>(1,745.69)</b>	<b>58.86</b>	<b>(2,771.59)</b>	<b>(1,572.67)</b>	<b>(15,232.80)</b>
<b>B. Cash Flow from Investing Activities</b>					
Purchase of Property plant and equipment	(25.95)	(5.55)	(86.29)	(32.44)	(97.10)
Proceeds from sale of Property, plant and equipment	0.03	0.00	0.09	0.10	0.08
(Purchase)/Redemption of Mutual Funds (Net)	15.18	(1,439.95)	209.02	131.90	101.82
(Purchase)/Redemption of investments (Net)	590.23	-	(2,481.84)	-	-
Interest income on deposits with banks / others	95.51	51.89	215.53	177.88	266.29
Movement in bank balances other than cash and cash equivalents	(368.69)	(3,381.89)	(1,695.36)	743.97	(1,590.43)
<b>Net Cash from / (used in) Investing Activities (B)</b>	<b>306.31</b>	<b>(4,775.50)</b>	<b>(3,838.85)</b>	<b>1,021.41</b>	<b>(1,319.34)</b>
<b>C. Cash Flow from Financing Activities</b>					
Proceeds from issue of equity shares	0.02	14.72	34.89	0.63	16.83
Proceeds from securities premium (net off utilisation)	2.54	5147.03	9,019.38	2.28	3,152.53
Fresh Borrowings during the period/year	2150.00	-	3,154.10	23,617.90	17,816.63
Repayment of Borrowings during the period/year	(2,731.55)	(3,265.96)	(12,083.04)	(13,245.25)	(3,695.02)
Payment towards leases (excluding interest)	(17.60)	(13.60)	(55.09)	(50.26)	(37.61)
<b>Net Cash from/(used in) Financing Activities (C)</b>	<b>(596.59)</b>	<b>1,882.19</b>	<b>70.24</b>	<b>10,325.30</b>	<b>17,253.36</b>
<b>Net increase / (decrease) in Cash and Cash Equivalents [ (A) + (B) + (C) ]</b>	<b>(2,035.97)</b>	<b>(2,834.45)</b>	<b>(6,540.20)</b>	<b>9,774.04</b>	<b>701.22</b>
<b>Cash and Cash Equivalents at the beginning of the period/ year</b>	<b>6,131.63</b>	<b>12,671.83</b>	<b>12,671.83</b>	<b>2,897.79</b>	<b>2,196.57</b>
<b>Cash and Cash Equivalents at the end of the period/ year</b>	<b>4,095.66</b>	<b>9,837.38</b>	<b>6,131.63</b>	<b>12,671.83</b>	<b>2,897.79</b>

**Five-Star Business Finance Limited**  
**Restated Statement of Cash Flows**

(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	For the three month period ended June 30, 2022	For the three month period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Notes</b>					
1 Cash and cash equivalents					
Cash on hand	108.26	57.35	50.40	42.59	5.77
Balances with banks					
(i) In current accounts	180.08	654.61	474.19	3,145.49	1,305.09
(ii) In other deposit accounts (original maturity less than 3 months)	3807.32	9,125.42	5,607.04	9,483.75	1,586.93
	<b>4,095.66</b>	<b>9,837.38</b>	<b>6,131.63</b>	<b>12,671.83</b>	<b>2,897.79</b>

2 Change in liabilities arising from financing activities

Particulars	Debt securities	Borrowings (other than debt)
<b>As at March 31, 2019</b>	<b>4,335.07</b>	<b>5,265.22</b>
Cash flows (net)	6,553.48	7,651.98
Others	(99.91)	(68.91)
<b>As at March 31, 2020</b>	<b>10,788.64</b>	<b>12,848.29</b>
<b>As at April 1, 2020</b>	<b>10,788.64</b>	<b>12,848.29</b>
Cash flows (net)	2,215.89	8,410.36
Others	33.33	(44.54)
<b>As at March 31, 2021</b>	<b>13,037.86</b>	<b>21,214.11</b>
<b>As at April 1, 2021</b>	<b>13,037.86</b>	<b>21,214.11</b>
Cash flows (net)	(1,000.00)	(2,265.96)
Others	200.52	25.65
<b>As at June 30, 2021</b>	<b>12,238.38</b>	<b>18,973.80</b>
<b>As at March 31, 2021</b>	<b>13,037.86</b>	<b>21,214.11</b>
Cash flows (net)	(3,109.73)	(5,819.21)
Others	157.21	108.07
<b>As at March 31, 2022</b>	<b>10,085.34</b>	<b>15,502.97</b>
Cash flows (net)	(750.05)	168.50
Others	138.76	57.68
<b>As at June 30, 2022</b>	<b>9,474.05</b>	<b>15,729.14</b>

(i) Others includes the effect of interest accrued but not due, amortization of processing fees etc.

(ii) Liabilities represents Debt securities and Borrowings (other than debt securities)

Significant accounting policies

2 and 3

The accompanying notes are integral part of the restated financial information

As per our report of even date

for **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of

**Five-Star Business Finance Limited**

CIN : U65991TN1984PLC010844

per **Bharath N S**

**Partner**

Membership No: 210934

**D Lakshminpathy**

Chairman and Managing Director

DIN: 01723269

**R Anand**

Independent Director

DIN: 00243485

**G Srikanth**

Chief Financial Officer

Place : Chennai

Date : October 06, 2022

**K Rangarajan**

Chief Executive Officer

**B Shalini**

Company Secretary

ACS: A51334

Place : Chennai

Date : October 06, 2022

**Five-Star Business Finance Limited**  
**Restated Statement of Changes in Equity**

(All amounts are in Indian Rupees in millions, unless otherwise stated)

**A Equity share capital**

Particulars	Number of shares	Amount
<b>Equity Shares of INR 10 each as at April 1, 2019</b>	2,38,99,582	239.00
Change in equity share capital during the year		
Add: Issued during the year - fully paid up	15,10,712	15.10
Add: Issued during the year - partly paid up	17,17,597	1.72
<b>Balance as at March 31, 2020</b>	<b>2,71,27,891</b>	<b>255.82</b>
<b>Equity Shares of INR 10 each as at April 1, 2020</b>	2,71,27,891	255.82
Change in equity share capital during the year		
Add: Issued during the year	62,850	0.63
<b>Balance as at March 31, 2021</b>	<b>2,71,90,741</b>	<b>256.45</b>
<b>Equity Shares of INR 10 each as at April 1, 2021</b>	2,71,90,741	256.45
Change in equity share capital during the period		
Add: Issued during the year		
1. Issue of Equity Shares under Employee Stock Option	200	0.00
2. Fresh Issue of Equity Shares	14,71,771	14.72
<b>Balance as at June 30, 2021</b>	<b>2,86,62,712</b>	<b>271.17</b>
<b>Equity Shares of INR 10 each at April 1, 2021</b>	2,71,90,741	256.45
Change in equity share capital during the period		
Additional shares pursuant to share split issued during the year *(Refer Note-22)	24,47,16,669	-
Add: Issued during the year		
1. Fresh Issue of Equity Shares	1,77,17,710	17.72
2. Issue of Equity Shares under Employee Stock Option	17,18,000	1.72
3. Calling Up Unpaid Capital	-	15.45
<b>Balance as at March 31, 2022</b>	<b>29,13,43,120</b>	<b>291.34</b>
<b>Equity Shares of INR 1 each as at April 1, 2022</b>	29,13,43,120	291.34
Change in equity share capital during the period		
Add: Issued during the year	23,000	0.03
<b>Balance as at June 30, 2022</b>	<b>29,13,66,120</b>	<b>291.37</b>

**B Other Equity**

	Reserves and surplus					Other Comprehensive Income		Total
	Statutory reserve	Securities premium	Share options outstanding account	General reserve	Retained earnings	Re-Measurement of Defined benefit plan	Effective portion of Cash Flow Hedge Reserve	
<b>As at April 1, 2019</b>	562.28	10,731.39	49.03	71.96	1,997.62	-	-	13,412.28
<b>Changes in equity for the year ended March 31, 2020</b>								
Premium received on shares issued during the year (including monies received for partly paid up shares)	-	3,175.53	-	-	-	-	-	3,175.53
Total comprehensive income for the year	-	-	-	-	2,619.51	(11.14)	-	2,608.37
Transfer to statutory reserve	523.90	-	-	-	(523.90)	-	-	-
Re-measurements of defined benefit plan	-	-	-	-	(11.14)	11.14	-	-
Share based payment expense for the year	-	-	16.80	-	-	-	-	16.80
Transfer to securities premium	-	-	(23.00)	-	-	-	-	(23.00)
<b>As at March 31, 2020</b>	<b>1,086.18</b>	<b>13,906.92</b>	<b>42.83</b>	<b>71.96</b>	<b>4,082.09</b>	<b>-</b>	<b>-</b>	<b>19,189.98</b>

**Five-Star Business Finance Limited**  
**Restated Statement of Changes in Equity**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

**B Other Equity**

	Reserves and surplus				Other Comprehensive Income			Total
	Statutory reserve	Securities premium	Share options outstanding account	General reserve	Retained earnings	Re-Measurement of Defined benefit plan	Effective portion of Cash Flow Hedge Reserve	
<b>As at April 1, 2020</b>	<b>1,086.18</b>	<b>13,906.92</b>	<b>42.83</b>	<b>71.96</b>	<b>4,082.09</b>	-	-	<b>19,189.98</b>
<b>Changes in equity for the year ended March 31, 2021</b>								
Premium received on shares issued during the year	-	16.53	-	-	-	-	-	<b>16.53</b>
Total comprehensive income for the year	-	-	-	-	3,589.94	(7.88)	-	<b>3,582.06</b>
Transfer to statutory reserve	717.99	-	-	-	(717.99)	-	-	-
Transfer to retained earnings	-	-	-	-	(7.88)	7.88	-	-
Share based payment expense for the year	-	-	150.94	-	-	-	-	<b>150.94</b>
Transfer to securities premium	-	-	(14.24)	-	-	-	-	<b>(14.24)</b>
<b>As at March 31, 2021</b>	<b>1,804.17</b>	<b>13,923.45</b>	<b>179.53</b>	<b>71.96</b>	<b>6,946.16</b>	-	-	<b>22,925.27</b>
<b>As at April 1, 2021</b>	<b>1,804.17</b>	<b>13,923.45</b>	<b>179.53</b>	<b>71.96</b>	<b>6,946.16</b>	-	-	<b>22,925.27</b>
<b>Changes in equity for the Period ended June 30, 2021</b>								
Premium received on shares issued during the period	-	5,164.04	-	-	-	-	-	<b>5,164.04</b>
Profit for the Period	-	-	-	-	1,015.71	-	-	<b>1,015.71</b>
Re-measurements of defined benefit plan	-	-	-	-	(13.28)	-	-	<b>(13.28)</b>
Share based payment expense for the period	-	-	98.23	-	-	-	-	<b>98.23</b>
Share issue Expenses	-	(17.01)	-	-	-	-	-	<b>(17.01)</b>
Transfer to securities premium	-	0.12	(0.12)	-	-	-	-	-
<b>As at June 30, 2021</b>	<b>1,804.17</b>	<b>19,070.60</b>	<b>277.64</b>	<b>71.96</b>	<b>7,948.59</b>	-	-	<b>29,172.96</b>
<b>As at April 1, 2021</b>	<b>1,804.17</b>	<b>13,923.45</b>	<b>179.53</b>	<b>71.96</b>	<b>6,946.16</b>	-	-	<b>22,925.27</b>
<b>Changes in equity for the period ended March 31, 2022</b>								
Premium received on shares issued during the period (including monies received for partly paid up shares)	-	9,036.39	-	-	-	-	-	<b>9,036.39</b>
Profit for the Year	-	-	-	-	4,535.45	-	-	<b>4,535.45</b>
Other Comprehensive Income for the Year	-	-	-	-	-	-	(9.51)	<b>(9.51)</b>
Transfer to statutory reserve	907.09	-	-	-	(907.09)	-	-	-
Re-measurements of defined benefit plan	-	-	-	-	(12.84)	-	-	<b>(12.84)</b>
Share based payment expense for the year	-	-	354.42	-	-	-	-	<b>354.42</b>
Share issue Expenses	-	(17.01)	-	-	-	-	-	<b>(17.01)</b>
Transfer to securities premium on exercise of ESOP	-	193.36	(193.36)	-	-	-	-	-
<b>As at March 31, 2022</b>	<b>2,711.26</b>	<b>23,136.19</b>	<b>340.59</b>	<b>71.96</b>	<b>10,561.68</b>	-	<b>(9.51)</b>	<b>36,812.17</b>

**Five-Star Business Finance Limited**  
**Restated Statement of Changes in Equity**

(All amounts are in Indian Rupees in millions, unless otherwise stated)

	Reserves and surplus					Other Comprehensive Income		Total
	Statutory reserve	Securities premium	Share options outstanding account	General reserve	Retained earnings	Re-Measurement of Defined benefit plan	Effective portion of Cash Flow Hedge Reserve	
<b>As at April 1, 2022</b>	<b>2,711.26</b>	<b>23,136.19</b>	<b>340.59</b>	<b>71.96</b>	<b>10,561.68</b>	-	(9.51)	<b>36,812.18</b>
<b>Changes in equity for the period ended June 30, 2022</b>								-
Premium received on shares issued during the period (including monies	-	2.53	-	-	-	-	-	2.53
Profit for the Period	-	-	-	-	1,394.33	-	-	1,394.33
Other Comprehensive Income for the Period	-	-	-	-	-	-	(4.18)	(4.18)
Re-measurements of defined benefit plan	-	-	-	-	(3.21)	-	-	(3.21)
Share based payment expense for the period	-	-	76.73	-	-	-	-	76.73
Transfer to securities premium on exercise of ESOP	-	4.97	(4.97)	-	-	-	-	-
<b>As at June 30, 2022</b>	<b>2,711.26</b>	<b>23,143.69</b>	<b>412.35</b>	<b>71.96</b>	<b>11,952.80</b>	-	(13.68)	<b>38,278.38</b>

Significant accounting policies 2 and 3

The accompanying notes are integral part of the restated financial information

As per our report of even date  
for **S.R. Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of  
**Five-Star Business Finance Limited**  
CIN : U65991TN1984PLC010844

per **Bharath N S**  
**Partner**  
Membership No: 210934

**D Lakshmiopathy**  
Chairman and Managing Director  
DIN: 01723269

**R Anand**  
Independent Director  
DIN: 00243485

Place : Chennai  
Date : October 06, 2022

**G Srikanth**  
Chief Financial Officer  
Place : Chennai  
Date : October 06, 2022

**K Rangarajan**  
Chief Executive Officer

**B Shalini**  
Company Secretary  
ACS: A51334



## Five-Star Business Finance Limited

### Summary of significant accounting policies and other explanatory information

(All amounts are in Indian Rupees in millions, unless otherwise stated)

#### 1 Reporting entity

Five-Star Business Finance Limited ("the Company"), is a public limited company domiciled in India, and incorporated under the provisions of the erstwhile Companies Act 1956. The Company is a systemically important non-deposit taking Non-Banking Finance Company (NBFC). The Company has received the Certificate of Registration dated June 9, 2016 in lieu of Certificate of Registration dated December 3, 2002 from the Reserve Bank of India ("RBI") to carry on the business of Non Banking Financial Institution without accepting public deposits ("NBFC-ND"). The Company is primarily engaged in providing loans for business purposes, house renovation / extension purposes and other mortgage purposes.

The Company had one wholly owned subsidiary (Five-Star Housing Finance Private Limited) upto the financial year 2018-2019, which was merged with itself in financial year 2019-2020. Also refer note 52.

#### 2 Basis of preparation

##### 2.1 Statement of compliance

The Restated Statement of Assets and Liabilities of the Company as at June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021 and March 31, 2020 and the Restated Statement of Profit and Loss (including Other Comprehensive Income), the Restated Statement of Changes in Equity and the Restated Statement of Cash flows for each of the three month periods ended June 30, 2022 and June 30, 2021 and for each of the years ended March 31, 2022, March 31, 2021 and March 31, 2020 and the Summary of Significant Accounting Policies and other explanatory information (together referred to as 'Restated Financial Information') have been prepared specifically for inclusion in the updated Draft Red Herring Prospectus ("DRHP"), Red Herring Prospectus ("RHP") and Prospectus ("Prospectus") (collectively referred to as "Offer Document") to be filed by the Company with the Securities and Exchange Board of India ("SEBI"), Registrar of Companies Tamil Nadu ("ROC Tamil Nadu"), BSE Limited and National Stock Exchange of India in connection with the proposed Initial Public Offer of equity shares of face value of Re 1 each of the Company (the "Proposed IPO").

These Restated Financial Information have been approved by the Board of Directors on October 6, 2022 and is prepared by the management of the Company to comply in all material respects with the requirements of

(i) Section 26 of Part I of Chapter III of The Companies Act, 2013 (the "Act");

(ii) relevant provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, issued by the Securities and Exchange Board of India ("SEBI"), as amended ("ICDR Regulations"); and

(iii) Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI") (the "Guidance Note").

The Restated financial information have been compiled from the

a. audited interim financial statements of the Company as at and for the three month periods ended June 30, 2022 and June 30, 2021, prepared in accordance with Indian Accounting Standard 34 "Interim Financial Reporting", specified under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India (referred to as "Ind-AS"), which have been approved by the Board of Directors at their meetings held on October 06, 2022.

b. audited financial statements of the Company as at and for the years ended March 31, 2022, March 31, 2021 and March 31, 2020 which were prepared in accordance with the Indian Accounting Standards as prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India (referred to as "Ind AS"), which have been approved by the Board of Directors at their meetings held on April 27, 2022, May 28, 2021 and June 10, 2020 respectively.

The underlying financial statements as at and for the three month period ended June 30, 2022 and June 30, 2021 and for each of the years ended March 31, 2022, March 31, 2021 and March 31, 2020 mentioned above, are collectively referred as Historical Audited Financial Statements. The Restated financial information have been prepared under the historical cost basis, except for certain financial assets and liabilities which are required to be measured at fair value.

##### 2.2 Presentation of Restated Financial Information

The historical audited financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and notified under section 133 of the Act along with other relevant provisions of the Act, the Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (the NBFC Master Directions) and notification for Implementation of Indian Accounting Standard vide circular RBI/2019-20/170 DOR(NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020 and RBI/2020-21/15 DOR (NBFC).CC.PD.No.116/22.10.106/2020-21 dated 24 July 2020 ('RBI Notification for Implementation of Ind AS') issued by RBI.

The financial statements are presented in Indian Rupee (INR) which is also the functional currency of the Company. The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value. The financial statements are prepared on a going concern basis, as the Management is satisfied that the Company shall be able to continue its business for the foreseeable future and no material uncertainty exists that may cast significant doubt on the going concern assumption. In making this assessment, the Management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

The Balance Sheet, the Statement of Profit and Loss and Statement of Changes in Equity are presented in the format prescribed under Division III of Schedule III to the Companies Act, 2013 as amended from time to time, for Non Banking Financial Companies ('NBFC') that are required to comply with Ind AS. The statement of cash flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

The Company presents its balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented separately.

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:-

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the company and / or its counterparties.

Derivative assets and liabilities with master netting arrangements are only presented net when they satisfy the eligibility of netting for all of the above criteria and not just in the event of default.

**Five-Star Business Finance Limited****Summary of significant accounting policies and other explanatory information**

(All amounts are in Indian Rupees in millions, unless otherwise stated)

**2.3 Functional and presentation currency**

These Restated Financial Information are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest millions (two decimals), unless otherwise indicated

**2.4 Basis of measurement**

The Restated Financial Information have been prepared on the historical cost basis except for the following items:

<b>Items</b>	<b>Measurement basis</b>
Financial assets and liabilities	Fair value /Amortised cost, as applicable
Liabilities for equity-settled share-based payment arrangements	Fair value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations

**2.5 Use of estimates and judgements**

The preparation of the Restated Financial Information in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the Restated Financial Information and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the Restated Financial Information in the period in which changes are made and, if material, their effects are disclosed in the notes to the Restated Financial Information.

**i) Business model assessment**

Classification and measurement of financial assets depends on the results of business model and the solely payments of principal and interest ("SPPI") test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI) that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**ii) Fair value of financial instruments**

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

**iii) Effective Interest Rate ("EIR") method**

The Company's EIR methodology, as explained in Note 3.1(A), recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and delayed interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behavior and life-cycle of the instruments, as well as expected changes to interest rates and other fee income/ expense that are integral parts of the instrument.

## **2.5 Use of estimates and judgements**

### **iv) Impairment of financial assets**

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include :

- a) The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time expected credit loss ("LTECL") basis.
- b) Development of ECL models, including the various formulae and the choice of inputs.
- c) Determination of associations between macroeconomic scenarios and economic inputs, such as gross domestic products, lending interest rates and collateral values, and the effect on probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD").
- d) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.

### **v) Provisions and other contingent liabilities**

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings in the ordinary course of the Company's business.

When the Company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company records a provision against the case. Where the outflow is considered to be probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

These estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances. Management believes that the estimates used in preparation of the Restated Financial Information are prudent and reasonable.

### **vi) Leases**

The estimates and judgements related to leases include:

- a) The determination of lease term for some lease contracts in which the Company is a lessee, including whether the Company is reasonably certain to exercise lessee options.
- b) The determination of the incremental borrowing rate used to measure lease liabilities.

### **vii) Other assumptions and estimation uncertainties**

Information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- i) Measurement of defined benefit obligations: key actuarial assumptions;
- ii) Estimated useful life of property, plant and equipment and intangible assets;
- iii) Recognition of deferred taxes.

## **3 Significant accounting policies**

### **3.1 Revenue Recognition**

The Company recognises revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue from contracts with customers'. The Company identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognises revenue only on satisfactory completion of performance obligations. Revenue is measured at the fair value of the consideration received or receivable

#### **A. Effective Interest Rate ('EIR') Method**

Under Ind AS 109, interest income is recorded using the effective interest rate method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial instrument.

**Five-Star Business Finance Limited****Summary of significant accounting policies and other explanatory information**

(All amounts are in Indian Rupees in millions, unless otherwise stated)

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If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through interest income in the statement of profit and loss.

The Company calculates interest income by applying EIR to the gross carrying amount of financial assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'stage 3', the Company continues to calculate interest income on the amortized cost of the financial asset.

**B. Dividend income**

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

**C. Other interest income**

Other interest income is recognised on a time proportionate basis.

**D. Fee income**

Fees income such as legal inspection charges, cheque bounce charges are recognised on an accrual basis in accordance with term of contract with the customer. Cheque Bounce charges are recognised as income upon certainty of receipt

**E. Net gain on fair value changes:**

The Company designates certain financial assets for subsequent measurement at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The Company recognises gains on fair value change of financial assets measured at FVTPL and realised gains on derecognition of financial asset measured at FVTPL and FVOCI on net basis in profit or loss

**E. Others**

Delayed interest and other operating income are recognized as income upon certainty of receipt.

The Company recognises income on recoveries of financial assets written off on realisation or when the right to receive the same without any uncertainties of recovery is established

All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection.

**3.2 Financial instruments - initial recognition****A. Date of recognition**

Debt securities issued are initially recognised when they are originated. Loans are recognised when funds are transferred to the customers account. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

**B. Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit and loss (FVTPL), transaction costs are added to, or subtracted from this amount.

**C. Measurement categories of financial assets and liabilities**

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- i) Amortised cost
- ii) FVOCI
- iii) FVTPL

### **3.3 Financial assets and liabilities**

#### **A. Financial assets**

##### **Business model assessment**

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- a) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- b) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- c) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- d) The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

##### **SPPI test**

As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Accordingly, financial assets are measured as follows based on the existing business model:

##### **i) Financial assets carried at amortised cost (AC)**

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Bank balances, Loans, Trade receivables and other financial investments that meet the above conditions are measured at amortised cost.

##### **ii) Financial assets at fair value through Other Comprehensive Income (FVOCI)**

Financial assets are measured at FVOCI when the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset meets the SPPI test.

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

A financial asset which is not classified as measured at amortised cost/ FVOCI are measured at FVTPL.

### **3.3 Financial assets and liabilities**

#### **B. Financial liabilities**

##### **i) Initial recognition and measurement**

All financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liability, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition.

##### **ii) Subsequent measurement**

Financial liabilities are carried at amortized cost using the effective interest method.

##### **iii) Debt Securities and other borrowed funds**

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the instrument.

The Company issues certain non-convertible debentures, the return of which is linked to performance of specified indices market indicators over the period of the debenture. Such debentures have a component of an embedded derivative which is fair valued at a reporting date. The resultant 'net unrealised loss or gain' on the fair valuation of these embedded derivatives is recognised in the statement of profit and loss. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

##### **iv) Embedded derivatives**

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index or prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument

Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

### **3.4 Reclassification of financial assets and liabilities**

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its significant financial assets or liabilities in the year ended March 31, 2022, March 31, 2021 and March 31, 2020.

### **3.5 Derecognition of financial assets and liabilities**

#### **A. Derecognition of financial assets due to substantial modification of terms and conditions**

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be Purchased or originated credit impaired (POCI)

When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

#### **B. Derecognition of financial assets other than due to substantial modification**

##### **i) Financial Assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of profit and loss.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

**ii) Financial Liability**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of profit and loss.

**3.6 Impairment of financial assets**

**A. Overview of ECL principles**

In accordance with Ind AS 109, the Company uses ECL model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL). The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down.

Expected credit losses are measured through a loss allowance at an amount equal to:

- i.) The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- ii.) Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

Both LTECLs and 12 months ECLs are calculated on collective basis.

**3.6 Impairment of financial assets**

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

**Stage 1:**

When loans are first recognised, the Company recognises an allowance based on 12 months ECL. Stage 1 loans includes those loans where there is no significant credit risk observed and also includes facilities where the credit risk has been improved and the loan has been reclassified from stage 2 or stage 3.

**Stage 2:**

When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the life time ECL. Stage 2 loans also includes facilities where the credit risk has improved and the loan has been reclassified from stage 3.

**Stage 3:**

Loans considered credit impaired are the loans which are past due for more than 90 days. The Company records an allowance for life time ECL. For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

**B. Calculation of ECLs**

The mechanics of ECL calculations are outlined below and the key elements are, as follows:

**Probability of Default (PD):**

Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

**Exposure at Default (EAD):**

Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

**Loss Given Default (LGD):**

Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The Company has calculated PD, EAD and LGD to determine impairment loss on the portfolio of loans and discounted at an approximation to the EIR. At every reporting date, the above calculated PDs, EAD and LGDs are reviewed and changes in the forward looking estimates are analysed.

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 mechanics of the ECL method are summarised below:

**Stage 1:**

The 12 months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-months default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

**Stage 2:**

When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

**Significant increase in credit risk**

The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime LTECLs rather than 12mECLs.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward looking information.

**Stage 3:**

For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

**Credit-impaired financial assets**

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract such as a default or past due event;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider:

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikelihood to pay indicators and a back-stop if amounts are overdue for 90 days or more.

**Loan Commitments**

When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.



**C. Forward looking information**

In its ECL models, the Company relies on a broad range of forward looking macro parameters and estimated the impact on the default at a given point of time (Also refer note no. 48).

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

**3.7 Write-offs**

Financial assets are written off when there is a significant doubt on recoverability in the medium term. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of profit and loss.

**3.8 Determination of fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company has taken into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

**Level 1 financial instruments:** Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date;

**Level 2 financial instruments:** Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3;

**Level 3 financial instruments** – Those that include one or more unobservable input that is significant to the measurement as whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company evaluates the levelling in the hierarchy at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period.

**3.9 Foreign currency transactions**

Transactions in foreign currencies are translated into the functional currency of the Company, at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognized in profit or loss.

**3.10 Investment Property**

Investment property represents property held to earn rentals or for capital appreciation or both.

Depreciation on building classified as investment property has been provided on the straight-line method over a period of 60 years based on the Company's estimate of their useful lives taking into consideration technical factors, which is the same as the period prescribed in Sch II to the Companies Act 2013.

Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an external independent valuer applying valuation models.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit and loss in the period of derecognition.

**3.11 Property, plant and equipment**

**i. Recognition and measurement**

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

**ii. Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

**3.11 Property, plant and equipment****iii. Depreciation**

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the written down value method, and is generally recognised in the statement of profit and loss.

The Company follows estimated useful lives which are given under Part C of the Schedule II of the Companies Act, 2013. The estimated useful lives of items of property, plant and equipment are as follows:

Asset category	Estimated Useful life
Vehicles	8 years
Furniture and fittings	10 years
Office equipment	5 years
Computers and accessories	3 years
Servers	6 years

Leasehold improvements are depreciated over the remaining period of lease or estimated useful life of the assets, whichever is lower. Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

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

**3.11 Intangible assets****i. Recognition and measurement**

Intangible assets including those acquired by the Company are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

**ii. Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

**iii. Amortisation**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight line method, and is included in depreciation and amortisation in Statement of Profit and Loss.

Asset category	Estimated Useful life
Computer softwares	5 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

### **3.12 Employee benefits**

#### **i. Post-employment benefits**

##### **Defined contribution plan**

The Company's contribution to provident fund is considered as defined contribution plan and is charged as an expense as they fall due based on the amount of contribution required to be made and when the services are rendered by the employees.

##### **Defined benefit plans**

###### **Gratuity**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the 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 ('the asset ceiling'), if any. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### **ii. Other long-term employee benefits**

##### **Compensated absences**

The employees can carry forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

##### **iii. Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

##### **iv. Stock based compensation**

The grant date fair value of equity settled share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

### **3.13 Provisions, contingent liabilities and contingent assets**

#### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

#### **Contingent liability**

A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or; present obligation that arises from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability are disclosed as contingent liability and not provided for.

#### **Contingent asset**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are neither recognised nor disclosed in the Restated Financial Information.

### **3.14 Leases**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Company determines the lease term as the initial period agreed in the lease agreement, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the initial period agreed in the lease agreement.

### **3.15 Taxes**

#### **i. Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

**ii. Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction; temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Indirect taxes

Goods and services tax /value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the goods and services tax/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

**3.16 Borrowing cost**

Borrowing costs are interest and other costs incurred in connection with the borrowings of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of the asset. Other borrowings costs are recognized as an expense in the statement of profit and loss account on an accrual basis using the effective interest method.

**3.17 Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**3.18 Segment reporting- Identification of segments:**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker (CODM) to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108 Operating Segments, the CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

**3.19 Earnings per share**

The Company reports basic and diluted earnings per equity share in accordance with Ind AS 33, Earnings Per Share. Basic earnings per equity share is computed by dividing net profit / loss after tax attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed and disclosed by dividing the net profit/ loss after tax attributable to the equity share holders for the year after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period.

**3.20 Cash flow statement**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated. Cash flows in foreign currencies are accounted at the actual rates of exchange prevailing at the dates of the transactions.

**3.21 Impairment of non-financial assets**

The Company determines periodically whether there is any indication of impairment of the carrying amount of its non-financial assets. The recoverable amount (higher of net selling price and value in use) is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The recoverable amounts of such asset are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, are recognised in the statement of profit and loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**3.22 Derivative financial instruments**

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date

The Company enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps and cross currency interest rate swaps.

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in the statement of profit and loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the statement of profit and loss depends on the nature of the hedge relationship. The Company designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

**3.22.1 Hedge accounting**

The Company makes use of derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Company applies hedge accounting for transactions that meet specific criteria. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging / economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Company would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

**3.22.2 Cash Flow Hedges**

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit and loss. For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in Finance Cost in the statement of profit and loss. When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss. When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the statement of profit and loss.

The Company's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind-AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

**3.23 Standards issued but not yet effective**

Ministry of Corporate Affairs has issued Companies (Indian Accounting Standards) Amendment Rules, 2022 on March 23, 2022, which contains various amendments to Ind AS. Management has evaluated these and have concluded that there is no material impact on the Company's financial statements.

**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
<b>4 Cash and cash equivalents</b>					
Cash on hand	108.26	57.35	50.40	42.59	5.77
Balances with banks					
(i) In current accounts	180.08	654.61	474.19	3,145.49	1,305.09
(ii) In other deposit accounts (original maturity less than 3 months)	3,807.32	9,125.42	5,607.04	9,483.75	1,586.93
	<b>4,095.66</b>	<b>9,837.38</b>	<b>6,131.63</b>	<b>12,671.83</b>	<b>2,897.79</b>
Short-term deposits are made for varying periods of upto three months, depending on the immediate cash requirements of the company and earn interest at the respective short-term deposit rates.					
<b>5 Bank Balances other than cash and cash equivalents</b>					
Fixed Deposit with Banks	3,036.18	4,289.33	2,667.49	885.00	1,612.94
In earmarked accounts					
Unclaimed dividend account	0.26	0.40	0.26	0.40	0.55
	<b>3,036.44</b>	<b>4,289.73</b>	<b>2,667.75</b>	<b>885.40</b>	<b>1,613.49</b>
<b>Note :</b>					
Fixed deposit and other balances with banks earns interest at fixed rate or floating rates based on bank deposit rates. Fixed Deposits amounting to INR. 728.71 million (June 30, 2021- INR 794.60 million, March 31, 2022- INR.728.71 million, March 31, 2021- INR.764.26 million, March 31,2020-INR.240.56 million) have been provided as credit enhancement for securitisation transaction and INR 82.5 million (June 30, 2021-82.5 million, March 31, 2022-82.5 million, March 31, 2021-82.5 million, March 31, 2020-Nil) have been provided as cash collateral against specific Non-Convertible Debentures .					
<b>6 Loans (At amortised cost)</b>					
<b>A Based on nature</b>					
Gross term loans	52,965.35	45,775.11	50,670.78	44,453.81	38,922.28
Inter-corporate deposits	2,557.11	-	1,382.19	-	-
<b>Gross loans</b>	<b>55,522.46</b>	<b>45,775.11</b>	<b>52,052.97</b>	<b>44,453.81</b>	<b>38,922.28</b>
Less: Impairment loss allowance	978.93	940.39	1,028.86	866.32	614.24
<b>Net loans</b>	<b>54,543.53</b>	<b>44,834.72</b>	<b>51,024.11</b>	<b>43,587.49</b>	<b>38,308.04</b>
<b>B Based on security</b>					
Secured by tangible assets	52,965.35	45,775.11	50,670.78	44,453.81	38,922.28
Unsecured	2,557.11	-	1,382.19	-	-
<b>Gross loans</b>	<b>55,522.46</b>	<b>45,775.11</b>	<b>52,052.97</b>	<b>44,453.81</b>	<b>38,922.28</b>
Less: Impairment loss allowance	978.93	940.39	1,028.86	866.32	614.24
<b>Net loans</b>	<b>54,543.53</b>	<b>44,834.72</b>	<b>51,024.11</b>	<b>43,587.49</b>	<b>38,308.04</b>
<b>C Based on region</b>					
<b>Loans in India</b>					
Public sector	-	-	-	-	-
Others	55,522.46	45,775.11	52,052.97	44,453.81	38,922.28
Less: Impairment loss allowance	978.93	940.39	1,028.86	866.32	614.24
	<b>54,543.53</b>	<b>44,834.72</b>	<b>51,024.11</b>	<b>43,587.49</b>	<b>38,308.04</b>
<b>Loans outside India</b>	-	-	-	-	-
Less: Impairment loss allowance	-	-	-	-	-
<b>Net loans</b>	<b>54,543.53</b>	<b>44,834.72</b>	<b>51,024.11</b>	<b>43,587.49</b>	<b>38,308.04</b>

**Note:**

Secured exposures are secured by registered mortgage of immoveable property

The Company has not granted any Loans or Advances to Promoters,directors, KMPs and the Related Parties (as defined under Companies Act 2013)



Five-Star Business Finance Limited

Summary of significant accounting policies and other explanatory information

(All amounts are in Indian Rupees in millions, unless otherwise stated)

6.1 Analysis of changes in the gross carrying amount and the corresponding ECL allowances:

6.1.1 Reconciliation of gross carrying amount is given below:

Gross Term Loans

Particulars	30-Jun-22				30-Jun-21				31-Mar-22				31-Mar-21				31-Mar-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	42,169.64	7,970.64	530.50	50,670.78	38,959.51	5,042.37	451.93	44,453.81	38,959.51	5,042.37	451.93	44,453.81	34,323.23	4,066.79	532.26	38,922.28	18,788.04	2,153.30	186.72	21,128.06
Asset derecognised or repaid (excluding write-off)	(1,171.07)	(206.73)	(12.94)	(1,390.74)	(736.22)	(106.35)	(11.91)	(854.48)	(4,517.12)	(639.22)	(31.09)	(5,187.43)	(3,098.08)	(422.94)	(46.31)	(3,567.33)	(1,795.66)	(345.55)	(21.96)	(2,163.17)
Assets partially repaid	(1,509.70)	(236.80)	(4.40)	(1,750.90)	(1,024.05)	(82.19)	(8.86)	(1,115.10)	(3,931.37)	(681.28)	(19.73)	(4,632.38)	(2,756.40)	(30.05)	-	(2,786.45)	(1,674.81)	(391.12)	(32.11)	(2,098.04)
Roll forwards to higher stages	(878.85)	(134.29)	-	(1,013.14)	(5,192.38)	(400.36)	-	(5,592.74)	(5,508.13)	(334.43)	-	(5,842.56)	(3,128.09)	(70.05)	-	(3,198.14)	(2,768.33)	(309.63)	-	(3,077.96)
Roll forward from lower stages	-	877.66	135.48	1,013.14	-	5,186.68	406.06	5,592.74	-	5,425.72	416.84	5,842.56	-	3,090.22	107.92	3,198.14	-	2,640.95	437.01	3,077.96
Roll back from higher stages	588.53	24.02	-	612.55	647.91	7.90	-	655.81	1,161.50	27.09	-	1,188.59	1,771.48	64.80	-	1,836.28	224.12	4.85	-	228.97
Roll back to lower stages	-	(581.82)	(30.73)	(612.55)	-	(641.30)	(14.51)	(655.81)	-	(1,153.00)	(35.59)	(1,188.59)	-	(1,759.73)	(76.55)	(1,836.28)	-	(221.88)	(7.09)	(228.97)
Amount written off	-	-	(45.82)	(45.82)	-	-	(91.02)	(91.02)	-	-	(292.64)	(292.64)	-	-	(99.68)	(99.68)	-	-	(48.61)	(48.61)
New assets originated/ incremental accretions	5,445.33	17.40	19.27	5,482.00	3,210.93	154.12	16.86	3,381.91	16,005.25	283.39	40.78	16,329.42	11,847.37	103.33	34.29	11,984.99	21,549.87	535.87	18.30	22,104.04
Gross carrying amount closing balance*	44,643.89	7,730.09	591.37	52,965.35	35,865.69	9,160.87	748.55	45,775.11	42,169.64	7,970.64	530.50	50,670.78	38,959.51	5,042.37	451.93	44,453.81	34,323.23	4,066.79	532.26	38,922.28

\* 1621 loan accounts in Stage 3 as on March 31, 2022

Inter-Corporate Deposits

Particulars	30-Jun-22				30-Jun-21				31-Mar-22				31-Mar-21				31-Mar-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	1,382.19	-	-	1,382.19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asset derecognised or repaid (excluding write-off)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets partially repaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roll forwards to higher stages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roll forward from lower stages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roll back from higher stages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roll back to lower stages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New assets originated/ incremental accretions	1,174.92	-	-	1,174.92	-	-	-	-	1,382.19	-	-	1,382.19	-	-	-	-	-	-	-	-
Gross carrying amount closing balance	2,557.11	-	-	2,557.11	-	-	-	-	1,382.19	-	-	1,382.19	-	-	-	-	-	-	-	-

6.1.2 Reconciliation of ECL balance is given below:

Particulars	30-Jun-22				30-Jun-21				31-Mar-22				31-Mar-21				31-Mar-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment Loss Allowance- opening balance	144.84	698.92	185.10	1,028.86	127.65	657.48	81.19	866.32	127.65	657.48	81.19	866.32	166.14	353.89	94.21	614.24	27.66	98.56	43.20	169.42
New assets originated/ incremental accretions	59.58	163.10	124.19	346.87	169.95	374.21	328.26	872.42	88.92	520.16	309.60	918.68	7.52	337.31	91.06	435.89	144.93	287.59	104.61	537.13
Reversal/Utilization/write off during the Year	(62.17)	(257.28)	(77.35)	(396.80)	(141.98)	(525.04)	(131.33)	(798.35)	(71.73)	(478.72)	(205.69)	(756.14)	(46.01)	(33.72)	(104.08)	(183.81)	(6.45)	(32.26)	(53.60)	(92.31)
Impairment Loss Allowance- closing balance	142.25	604.74	231.94	978.93	155.62	506.65	278.12	940.39	144.84	698.92	185.10	1,028.86	127.65	657.48	81.19	866.32	166.14	353.89	94.21	614.24

**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
<b>7 Investments</b>					
<b>At fair value through profit or loss</b>					
Quoted: Investment in mutual funds	-	1,500.00	-	-	-
<b>Investments in Government Securities (At amortized Cost)*</b>					
Investment in Treasury Bills	248.68	-	742.33	-	-
Investment in Government of India Fixed Rate Bonds	752.10	-	752.84	-	-
Investment in Government of India STRIPS	890.82	-	986.67	-	-
	<b>1,891.60</b>	<b>1,500.00</b>	<b>2,481.84</b>	-	-

\* Investments are made in India

**7.1 Internal rating grade (Investments measured at amortized Cost)**

Grade	As at 30th June 2022			
	Stage 1	Stage 2	Stage 3	Total
Low Risk	1,891.60	-	-	1,891.60
Medium Risk	-	-	-	-
High Risk	-	-	-	-
	<b>1,891.60</b>	-	-	<b>1,891.60</b>
Grade	As at 31st March 2022			
	Stage 1	Stage 2	Stage 3	Total
Low Risk	2,481.84	-	-	2,481.84
Medium Risk	-	-	-	-
High Risk	-	-	-	-
	<b>2,481.84</b>	-	-	<b>2,481.84</b>
Grade	As at 30th June 2021			
	Stage 1	Stage 2	Stage 3	Total
Low Risk	-	-	-	-
Medium Risk	-	-	-	-
High Risk	-	-	-	-
	-	-	-	-
Grade	As at 31st March 2021			
	Stage 1	Stage 2	Stage 3	Total
Low Risk	-	-	-	-
Medium Risk	-	-	-	-
High Risk	-	-	-	-
	-	-	-	-
Grade	As at 31st March 2020			
	Stage 1	Stage 2	Stage 3	Total
Low Risk	-	-	-	-
Medium Risk	-	-	-	-
High Risk	-	-	-	-
	-	-	-	-

**7.2 Movement in investments (Investments measured at Amortised cost)**

Particulars	Stage 1	Stage 2	Stage 3
<b>Opening balance as at April 01, 2019</b>	-	-	-
New assets purchased	-	-	-
Assets redeemed	-	-	-
Assets derecognized or written off	-	-	-
Transfer to stages	-	-	-
<b>Opening balance as at April 01, 2020</b>	-	-	-
New assets purchased	-	-	-
Assets redeemed	-	-	-
Assets derecognized or written off	-	-	-
Transfer to stages	-	-	-
<b>Closing balance as at March 31, 2021</b>	-	-	-
New assets purchased	-	-	-
Assets redeemed	-	-	-
Assets derecognized or written off	-	-	-
Transfer to stages	-	-	-
<b>Closing balance as at June 30, 2021</b>	-	-	-
<b>Closing balance as at March 31, 2021</b>	-	-	-
New assets purchased	2,835.05	-	-
Assets redeemed	(353.21)	-	-
Assets derecognized or written off	-	-	-
Transfer to stages	-	-	-
<b>Closing balance as at March 31, 2022</b>	<b>2,481.84</b>	-	-
New assets purchased	-	-	-
Assets redeemed	(590.24)	-	-
Assets derecognized or written off	-	-	-
Transfer to stages	-	-	-
<b>Closing balance as at June 30, 2022</b>	<b>1,891.60</b>	-	-

**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
<b>8 Other financial assets</b>					
<b>Unsecured, considered good</b>					
Security deposits	49.77	36.74	45.70	36.96	36.32
Other receivables*	137.25	18.91	134.09	10.47	16.15
	<b>187.02</b>	<b>55.65</b>	<b>179.79</b>	<b>47.43</b>	<b>52.47</b>
Other receivables as at June 30, 2022 include INR 128.01 million (June 30, 2021 - Nil, March 31, 2022 - INR 128.01 million, March 31, 2021 - Nil, March 31, 2020 - Nil ) incurred towards various expenses in connection with proposed initial public offer of equity shares of the Company recoverable from Selling shareholders in terms of the Offer agreement					
<b>9 Current tax assets (net)</b>					
Advance income tax paid (net of provision for tax)	31.64	55.79	22.01	79.58	43.55
	<b>31.64</b>	<b>55.79</b>	<b>22.01</b>	<b>79.58</b>	<b>43.55</b>
<b>10 Investment property</b>					
<b>Land</b>					
<b>Cost or deemed cost (Gross carrying amount)</b>					
Balance at the beginning of the period/ year	0.36	0.36	0.36	0.36	0.36
Acquisitions	-	-	-	-	-
Transfer from property, plant and equipment	-	-	-	-	-
<b>Balance at the end of the period/ year</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>
<b>Accumulated depreciation</b>					
Balance at the beginning of the period/ year	-	-	-	-	-
Depreciation for the period/ year	-	-	-	-	-
<b>Balance at the end of the period/ year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amounts</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>
<b>Fair value</b>	0.72	0.72	0.72	0.65	0.62

**Note**

- The fair value of the investment property is based on the valuation by registered valuer as defined under rule 2 of Companies (Registered Valuer and Valuation) Rules, 2017. There were no immovable properties where the title deeds are not held in the name of the Company.
- Price per Square feet is the Significant unobservable input used for the Fair valuation of the Investment Property. The fair value changes by Rs. 0.07 million as at June 30, 2022 (June 2021 - 0.07 million and March 2022 - 0.07 million) at a sensitivity of 10%

**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
<b>11 Other non-financial assets</b>					
Capital advances	28.49	2.49	9.81	4.26	7.28
Prepaid expenses	64.25	24.81	86.59	33.11	40.48
Balance with government authorities	13.29	7.13	31.97	7.91	7.09
	<b>106.03</b>	<b>34.43</b>	<b>128.37</b>	<b>45.28</b>	<b>54.85</b>

**14 Derivative Financial instruments**

	As at June 30, 2022			As at June 30, 2021		
	Notional Amount (millions)	Fair Value of Assets (millions)	Fair Value of Liabilities (millions)	Notional Amount (millions)	Fair Value of Assets (millions)	Fair Value of Liabilities (millions)
Part-I						
Other Derivatives-Cross Currency Swap	759.10	4.08	-	-	-	-
	<b>759.10</b>	<b>4.08</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Part-II  
Included in above (Part-I) are derivatives held for hedging and risk management purposes as follows:

Cash Flow Hedging-Cross Currency Swap	759.10	4.08	-	-	-	-
	<b>759.10</b>	<b>4.08</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	As at March 31, 2022			As at March 31, 2021		
	Notional Amount (millions)	Fair Value of Assets (millions)	Fair Value of Liabilities (millions)	Notional Amount (millions)	Fair Value of Assets (millions)	Fair Value of Liabilities (millions)
Part-I						
Other Derivatives-Cross Currency Swap	759.10	-	13.89	-	-	-
	<b>759.10</b>	<b>-</b>	<b>13.89</b>	<b>-</b>	<b>-</b>	<b>-</b>

Part-II  
Included in above (Part-I) are derivatives held for hedging and risk management purposes as follows:

Cash Flow Hedging-Cross Currency Swap	759.10	-	13.89	-	-	-
	<b>759.10</b>	<b>-</b>	<b>13.89</b>	<b>-</b>	<b>-</b>	<b>-</b>

	As at March 31, 2020		
	Notional Amount (millions)	Fair Value of Liabilities (millions)	Fair Value of Liabilities (millions)
Part-I			
Other Derivatives-Cross Currency Swap	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>

Part-II  
Included in above (Part-I) are derivatives held for hedging and risk management purposes as follows:

Cash Flow Hedging-Cross Currency Swap	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>

The Notional amounts in the above table refers to the foreign currency borrowing on which the company has hedged the risk of foreign currency fluctuations.

The company has entered into a Derivative Financial Instrument, with a scheduled bank with Investment grade credit rating. Derivatives are fair valued using inputs that are directly or indirectly observable in market place.

The Asset Liability Management Committee and Business Committee periodically monitors and reviews the risks involved.

Five-Star Business Finance Limited

Summary of significant accounting policies and other explanatory information

(All amounts are in Indian Rupees in millions, unless otherwise stated)

12 Property, plant and equipment

Particulars	Furniture and fittings	Computers and accessories	Office equipments	Vehicles	Leasehold improvements	Total
<b>Cost or deemed cost (gross carrying amount)</b>						
<b>As at March 31, 2019</b>	<b>38.42</b>	<b>39.32</b>	<b>10.60</b>	<b>3.93</b>	<b>39.86</b>	<b>132.13</b>
Additions	22.54	47.85	15.28	-	0.64	86.30
Disposals	0.42	-	0.02	-	-	0.44
<b>As at March 31, 2020</b>	<b>60.54</b>	<b>87.17</b>	<b>25.86</b>	<b>3.93</b>	<b>40.50</b>	<b>217.99</b>
Additions	13.37	8.13	5.90	-	0.01	27.41
Disposals	1.01	0.05	0.01	-	-	1.07
<b>As at March 31, 2021</b>	<b>72.90</b>	<b>95.25</b>	<b>31.75</b>	<b>3.93</b>	<b>40.51</b>	<b>244.33</b>
Additions	0.64	2.23	0.83	-	0.78	4.48
Disposals	0.01	-	-	-	-	0.01
<b>As at June 30, 2021</b>	<b>73.53</b>	<b>97.48</b>	<b>32.58</b>	<b>3.93</b>	<b>41.29</b>	<b>248.79</b>
<b>As at April 1st, 2021</b>	<b>72.90</b>	<b>95.25</b>	<b>31.75</b>	<b>3.93</b>	<b>40.51</b>	<b>244.33</b>
Additions	18.71	49.46	15.64	-	0.95	84.76
Disposals	0.82	-	0.07	-	-	0.89
<b>As at March 31, 2022</b>	<b>90.79</b>	<b>144.71</b>	<b>47.32</b>	<b>3.93</b>	<b>41.46</b>	<b>328.20</b>
Additions	6.16	7.94	9.68	-	-	23.78
Disposals	0.16	-	0.02	-	-	0.18
<b>As at June 30, 2022</b>	<b>96.79</b>	<b>152.65</b>	<b>56.98</b>	<b>3.93</b>	<b>41.46</b>	<b>351.81</b>
<b>Accumulated depreciation</b>						
<b>As at March 31, 2019</b>	<b>10.92</b>	<b>21.22</b>	<b>4.74</b>	<b>2.06</b>	<b>18.75</b>	<b>57.69</b>
Depreciation for the year	10.04	25.03	5.48	0.58	8.85	49.97
Depreciation on disposals	0.28	-	0.00	-	-	0.28
<b>As at March 31, 2020</b>	<b>20.68</b>	<b>46.25</b>	<b>10.22</b>	<b>2.64</b>	<b>27.60</b>	<b>107.38</b>
<b>As at April 1, 2020</b>	<b>20.68</b>	<b>46.25</b>	<b>10.21</b>	<b>2.64</b>	<b>27.60</b>	<b>107.38</b>
Depreciation for the year	11.99	27.78	8.39	0.40	4.56	53.13
Depreciation on disposals	0.70	0.03	0.01	-	-	0.74
<b>As at March 31, 2021</b>	<b>31.97</b>	<b>74.00</b>	<b>18.61</b>	<b>3.04</b>	<b>32.16</b>	<b>159.78</b>
Depreciation for the year	2.68	3.41	1.51	0.06	0.94	8.59
Depreciation on disposals	0.00	-	-	-	-	0.00
<b>As at June 30, 2021</b>	<b>34.65</b>	<b>77.41</b>	<b>20.12</b>	<b>3.10</b>	<b>33.10</b>	<b>168.37</b>
<b>As at April 1st, 2021</b>	<b>31.97</b>	<b>74.00</b>	<b>18.61</b>	<b>3.04</b>	<b>32.16</b>	<b>159.78</b>
Depreciation for the period	12.30	23.61	7.58	0.24	3.91	47.64
Depreciation on disposals	0.58	0.03	0.05	-	-	0.66
<b>As at March 31, 2022</b>	<b>43.69</b>	<b>97.58</b>	<b>26.14</b>	<b>3.28</b>	<b>36.07</b>	<b>206.75</b>
Depreciation for the period	3.74	7.78	3.13	0.04	0.58	15.27
Depreciation on disposals	0.13	-	0.01	-	-	0.14
<b>As at June 30, 2022</b>	<b>47.30</b>	<b>105.36</b>	<b>29.26</b>	<b>3.32</b>	<b>36.65</b>	<b>221.89</b>
<b>Carrying amount (net)</b>						
<b>As at March 31, 2020</b>	<b>39.86</b>	<b>40.92</b>	<b>15.64</b>	<b>1.29</b>	<b>12.90</b>	<b>110.61</b>
<b>As at March 31, 2021</b>	<b>40.93</b>	<b>21.25</b>	<b>13.14</b>	<b>0.89</b>	<b>8.35</b>	<b>84.56</b>
<b>As at March 31, 2022</b>	<b>47.11</b>	<b>47.14</b>	<b>21.18</b>	<b>0.65</b>	<b>5.39</b>	<b>121.45</b>
<b>As at June 30, 2021</b>	<b>38.88</b>	<b>20.07</b>	<b>12.46</b>	<b>0.83</b>	<b>8.19</b>	<b>80.43</b>
<b>As at June 30, 2022</b>	<b>49.49</b>	<b>47.29</b>	<b>27.72</b>	<b>0.61</b>	<b>4.81</b>	<b>129.92</b>

**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

**13 Other Intangible assets**

Particulars	Softwares	Total
<b>Cost or deemed cost (gross carrying amount)</b>		
<b>As at March 31, 2019</b>	<b>29.59</b>	<b>29.59</b>
Additions	5.98	5.98
Disposals	-	-
<b>As at March 31, 2020</b>	<b>35.57</b>	<b>35.57</b>
Additions	5.03	5.03
Disposals	-	-
<b>As at March 31, 2021</b>	<b>40.60</b>	<b>40.60</b>
Additions	1.08	1.08
Disposals	-	-
<b>As at June 30, 2021</b>	<b>41.68</b>	<b>41.68</b>
<b>As at April 1, 2021</b>	<b>40.60</b>	<b>40.60</b>
Additions	1.53	1.53
Disposals	-	-
<b>As at March 31, 2022</b>	<b>42.13</b>	<b>42.13</b>
Additions	2.17	2.17
Disposals	-	-
<b>As at June 30, 2022</b>	<b>44.31</b>	<b>44.31</b>
<b>Accumulated amortisation</b>		
<b>As at March 31, 2019</b>	<b>9.41</b>	<b>9.41</b>
Amortisation for the year	6.88	6.88
Amortisation on disposals	-	-
<b>As at March 31, 2020</b>	<b>16.29</b>	<b>16.29</b>
Amortisation for the year	5.28	5.28
Amortisation on disposals	-	-
<b>As at March 31, 2021</b>	<b>21.57</b>	<b>21.57</b>
Additions	2.37	2.37
Disposals	-	-
<b>As at June 30, 2021</b>	<b>23.93</b>	<b>23.93</b>
<b>As at April 01, 2021</b>	<b>21.57</b>	<b>21.57</b>
Amortisation for the period	11.69	11.69
Amortisation on disposals	-	-
<b>As at March 31, 2022</b>	<b>33.26</b>	<b>33.26</b>
Amortisation for the period	1.10	1.10
Amortisation on disposals	-	-
<b>As at June 30, 2022</b>	<b>34.36</b>	<b>34.36</b>
<b>Carrying amount (net)</b>		
<b>As at March 31, 2020</b>	<b>19.28</b>	<b>19.28</b>
<b>As at March 31, 2021</b>	<b>19.03</b>	<b>19.03</b>
<b>As at March 31, 2022</b>	<b>8.87</b>	<b>8.87</b>
<b>As at June 30, 2021</b>	<b>17.74</b>	<b>17.74</b>
<b>As at June 30, 2022</b>	<b>9.95</b>	<b>9.95</b>

**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
<b>15 Payables</b>					
<b>15.1 Trade payables</b>					
total outstanding dues of micro and small enterprises	-	-	-	-	-
total outstanding dues of creditors other than micro and small enterprises	109.30	69.41	130.04	86.72	66.24
	<b>109.30</b>	<b>69.41</b>	<b>130.04</b>	<b>86.72</b>	<b>66.24</b>
To related parties	-	-	-	-	-
Others	109.30	69.41	130.04	86.72	66.24
	<b>109.30</b>	<b>69.41</b>	<b>130.04</b>	<b>86.72</b>	<b>66.24</b>

**Trade payables (Ageing Schedule)**

The following schedules reflect ageing of trade payables with respect to the date of transactions.

**As at June 30, 2022:**

Particulars	Unbilled	Not Due	Less than 1 Year	1-2 Years	2-3 Years	More than 3 years	Total
(i) MSME	-	-	-	-	-	-	-
(ii) Others	86.57	-	17.16	5.57	-	-	109.30
(iii) Disputed Dues-MSME	-	-	-	-	-	-	-
(iv) Disputed Dues-Others	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>-</b>	<b>-</b>	<b>17.16</b>	<b>5.57</b>	<b>-</b>	<b>-</b>	<b>109.30</b>

**As at June 30, 2021:**

Particulars	Unbilled	Not Due	Less than 1 Year	1-2 Years	2-3 Years	More than 3 years	Total
(i) MSME	-	-	-	-	-	-	-
(ii) Others	46.03	-	23.38	-	-	-	69.41
(iii) Disputed Dues-MSME	-	-	-	-	-	-	-
(iv) Disputed Dues-Others	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>46.03</b>	<b>-</b>	<b>23.38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69.41</b>

**As at March 31, 2022:**

Particulars	Unbilled	Not Due	Less than 1 Year	1-2 Years	2-3 Years	More than 3 years	Total
(i) MSME	-	-	-	-	-	-	-
(ii) Others	102.90	-	27.14	-	-	-	130.04
(iii) Disputed Dues-MSME	-	-	-	-	-	-	-
(iv) Disputed Dues-Others	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>102.90</b>	<b>-</b>	<b>27.14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130.04</b>

**As at March 31, 2021:**

Particulars	Unbilled	Not Due	Less than 1 Year	1-2 Years	2-3 Years	More than 3 years	Total
(i) MSME	-	-	-	-	-	-	-
(ii) Others	62.58	-	24.11	0.03	-	-	86.72
(iii) Disputed Dues-MSME	-	-	-	-	-	-	-
(iv) Disputed Dues-Others	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>-</b>	<b>-</b>	<b>24.11</b>	<b>0.03</b>	<b>-</b>	<b>-</b>	<b>86.72</b>

**As at March 31, 2020:**

Particulars	Unbilled	Not Due	Less than 1 Year	1-2 Years	2-3 Years	More than 3 years	Total
(i) MSME	-	-	-	-	-	-	-
(ii) Others	53.54	-	12.56	0.02	0.05	0.07	66.24
(iii) Disputed Dues-MSME	-	-	-	-	-	-	-
(iv) Disputed Dues-Others	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>53.54</b>	<b>-</b>	<b>12.56</b>	<b>0.02</b>	<b>0.05</b>	<b>0.07</b>	<b>66.24</b>

Based on information received from the suppliers, the management has identified the enterprises which have provided services to the Company and which qualify under the definition of micro, medium and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act"). Such determination / identification for the purpose of presentation under this disclosure has been done on the basis of information received and available with the Company which has been solely relied upon by the auditors.

**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
<b>16 Debt securities (refer note 16.1)</b>					
<b>At amortised cost</b>					
<b>Secured debentures</b>					
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, March 31, 2021 - Nil, March 31, 2020- 750,) 11.45% redeemable, non-convertible debentures of INR 0.1 million each	-	-	-	-	75.40
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, March 31, 2021 - Nil, March 31, 2020- 1,250) 11.45% redeemable, non-convertible debentures of INR 0.1 million each	-	-	-	-	125.98
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, March 31, 2021 - Nil, March 31, 2020- 300) 13.60% redeemable, non-convertible debentures of INR 1 million each	-	-	-	-	89.44
2,000 (June 30, 2021 - 2000, March 31, 2022 - 2000, March 31, 2021 - 2000, March 31, 2020- 2,000), 10.30% redeemable, non-convertible debentures of INR 1 million each	1,501.27	2,001.69	2,002.26	2,002.33	2,002.25
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, March 31, 2021 - Nil, March 31, 2020- 300) 11.50% redeemable, non-convertible debentures of INR 1 million each	-	-	-	-	233.80
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, March 31, 2021 - Nil, March 31, 2020- 240) 11.25% redeemable, non-convertible debentures of INR 1 million each	-	-	-	-	242.20
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, March 31, 2021 - Nil, March 31, 2020- 450) 11.50% redeemable, non-convertible debentures of INR 1 million each	-	-	-	-	350.70
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, March 31, 2021 - Nil, March 31, 2020- 5,000) 12.64% redeemable, non-convertible debentures of INR 1 million each	-	-	-	-	5,005.18
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, March 31, 2021 - 1000, March 31, 2020- 1,000) 12.64% redeemable, non-convertible debentures of INR 1 million each	-	-	-	1,001.35	1,001.09
30 million, (June 30, 2021 - 30 million, March 31, 2022 - 30 million, March 31, 2021 - 30 million, March 31, 2020- 30 million) 11.40% redeemable, non-convertible debentures of INR 10 each	300.09	300.11	300.11	300.11	300.11
2,000, (June 30, 2021 - 2,000, March 31, 2022 - 2,000, March 31, 2021 - 2,000, March 31, 2020- 2,000) redeemable, non-convertible debentures of INR 0.1 million each*	292.47	258.83	283.70	251.06	222.23
1250, (June 30, 2021 - 1250, March 31, 2022 - 1250, March 31, 2021 - 1250, March 31, 2020- 1,250) 11.88% redeemable, non-convertible debentures of INR 1 million each	1,302.93	1,302.93	1,263.77	1,263.77	1,264.16
10, (June 30, 2021 - 420, March 31, 2022 - 55, March 31, 2021 - 420, March 31, 2020- 420) 12.50% redeemable, non-convertible debentures of INR 100 each	0.01	0.62	0.08	0.62	0.64
15 million, (June 30, 2021 - 15 million, March 31, 2022 - 15 million, March 31, 2021 - 15 million, March 31, 2020- Nil) 12.75% redeemable, non-convertible debentures of INR 10 each	150.05	150.05	150.05	150.05	-
150, (June 30, 2021- 150, March 31, 2022- 150, March 31, 2021- 150, March 31, 2020- Nil) 10.50% redeemable, non-convertible debentures of INR 1 million each	151.47	151.47	163.29	163.13	-
250, (June 30, 2021 - 250, March 31, 2022 - 250, March 31, 2021 - 250, March 31, 2020- Nil) 11.00% redeemable, non-convertible debentures of INR 1 million each	251.43	251.43	251.51	251.51	-
500, (June 30, 2021 - 500, March 31, 2022 - 500, March 31, 2021 - 500, March 31, 2020- Nil) 11.00% redeemable, non-convertible debentures of INR 1 million each	510.70	510.70	510.55	510.55	-
150, (June 30, 2021 - 150, March 31, 2022 - 150, March 31, 2021 - 150, March 31, 2020- Nil) 11.00% redeemable, non-convertible debentures of INR 1 million each	153.21	153.21	153.16	153.16	-
500, (June 30, 2021 - 500, March 31, 2022 - 500, March 31, 2021 - 500, March 31, 2020- Nil) 11.00% redeemable, non-convertible debentures of INR 1 million each	510.70	510.70	510.55	510.55	-
Nil, (June 30, 2021 - 500, March 31, 2022 - Nil, March 31, 2021 - 500, March 31, 2020- Nil) 9.75% redeemable, non-convertible debentures of INR 1 million each	-	548.48	-	536.33	-
Nil, (June 30, 2021 - 500, March 31, 2022 - Nil, March 31, 2021 - 500, March 31, 2020- Nil) 9.75% redeemable, non-convertible debentures of INR 1 million each	-	544.74	-	532.59	-
Nil, (June 30, 2021 - 500, March 31, 2022 - Nil, March 31, 2021 - 500, March 31, 2020- Nil) 9.75% redeemable, non-convertible debentures of INR 1 million each	-	544.74	-	532.59	-
Nil, (June 30, 2021 - 250, March 31, 2022 - Nil, March 31, 2021 - 250, March 31, 2020- Nil) 9.50% redeemable, non-convertible debentures of INR 1 million each	-	270.50	-	264.58	-
Nil, (June 30, 2021 - 250, March 31, 2022 - Nil, March 31, 2021 - 250, March 31, 2020- Nil) 9.50% redeemable, non-convertible debentures of INR 1 million each	-	270.50	-	264.58	-
2500, (June 30, 2021 - 2,500, March 31, 2022 - 2,500, March 31, 2021 - 2,500, March 31, 2020- Nil) redeemable, non-convertible debentures of INR 0.1 million each *	300.80	271.47	293.24	264.78	-
700, (June 30, 2021 - 700, March 31, 2022 - 700, March 31, 2021 - 700, March 31, 2020- Nil) 10.91% redeemable, non-convertible debentures of INR 1 million each	720.58	720.58	700.44	700.44	-
Nil, (June 30, 2021 - 250, March 31, 2022 - 250, March 31, 2021 - 250, March 31, 2020- Nil) 9.50% redeemable, non-convertible debentures of INR 1 million each	-	264.58	258.65	258.65	-
750, (June 30, 2021 - 750, March 31, 2022 - 750, March 31, 2021 - 750, March 31, 2020- Nil) redeemable, non-convertible debentures of INR 1 million each *	859.45	786.68	840.70	769.52	-
500, (June 30, 2021 - 500, March 31, 2022 - 500, March 31, 2021 - 500, March 31, 2020- Nil) redeemable, non-convertible debentures of INR 1 million each *	572.83	524.33	560.33	512.88	-
Nil, (June 30, 2021 - 2000, March 31, 2022 - Nil, March 31, 2021 - 2000, March 31, 2020- Nil) redeemable, non-convertible debentures of INR 0.1 million each *	-	210.92	-	205.83	-
2000, (June 30, 2021 - 2000, March 31, 2022 - 2000, March 31, 2021 - 2000, March 31, 2020- Nil) redeemable, non-convertible debentures of INR 0.1 million each *	233.63	211.23	227.83	205.99	-
1500 ( June 30, 2021 - 1500, March 31, 2022 - 1500, March 31, 2021 - 1500, March 31, 2020- Nil) redeemable, non-convertible debentures of INR 1 million each *	1,695.10	1,555.58	1,659.14	1,522.12	-
	<b>9,506.72</b>	<b>12,316.07</b>	<b>10,129.36</b>	<b>13,129.08</b>	<b>10,913.19</b>
Less: Unamortised processing fee	(32.67)	(77.69)	(44.02)	(91.22)	(124.55)
	<b>9,474.05</b>	<b>12,238.38</b>	<b>10,085.34</b>	<b>13,037.86</b>	<b>10,788.64</b>
Debts securities in India	9,474.05	12,238.38	10,085.34	13,037.86	10,788.64
Debts securities outside India	-	-	-	-	-
	<b>9,474.05</b>	<b>12,238.38</b>	<b>10,085.34</b>	<b>13,037.86</b>	<b>10,788.64</b>

\* Coupon rates are linked to performance of specified indices including market indicators over the period of the debentures.



**16.1 Details of terms of redemption/repayment and security provided in respect of debt securities and borrowings**

Particulars	Repayment Terms	Tenor	Earliest installment date	As at	As at	As at	As at	As at
				June 30, 2022	June 30, 2021	March 31, 2022	March 31, 2021	March 31, 2020
<b>Secured debentures</b>								
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, Principal payment frequency: Repayable in 48 months March 31, 2021 - Nil, March 31, 2020- 750), 11.45% in 9 quarterly installments redeemable, non-convertible debentures of INR 0.1 million each		48 months	April 15, 2019	-	-	-	-	75.40
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, Principal payment frequency: Repayable in 48 months March 31, 2021 - Nil, March 31, 2020- 1.250) in 9 quarterly installments 11.45% redeemable, non-convertible debentures of INR 0.1 million each		48 months	March 7, 2019	-	-	-	-	125.98
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, Principal payment frequency: Repayable in 60 months March 31, 2021 - Nil, March 31, 2020- 300) 13.60% in 7 half-yearly installments redeemable, non-convertible debentures of INR 1 million each		60 months	December 6, 2017	-	-	-	-	89.44
2,000 (June 30, 2021 - 2000, March 31, 2022 - 2000, Principal payment frequency: Repayable in 4 quarterly March 31, 2021 - 2000, March 31, 2020- 2,000), installments 10.30% redeemable, non-convertible debentures of INR 1 million each		60 months	June 28, 2022	1,501.27	2,001.69	2,002.26	2,002.33	2,002.25
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, Principal payment frequency: Repayable in 4 quarterly March 31, 2021 - Nil, March 31, 2020- 300) 11.50% installments redeemable, non-convertible debentures of INR 1 million each		48 months	March 30, 2020	-	-	-	-	233.80
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, Principal payment frequency: Entire principal repayable March 31, 2021 - Nil, March 31, 2020- 240) 11.25% at maturity redeemable, non-convertible debentures of INR 1 million each		48 months	February 28, 2021	-	-	-	-	242.20
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, Principal payment frequency: Repayable in 4 quarterly March 31, 2021 - Nil, March 31, 2020- 450) 11.50% installments redeemable, non-convertible debentures of INR 1 million each		48 months	March 30, 2020	-	-	-	-	350.70
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, Principal payment frequency: Repayable in 12 monthly March 31, 2021 - Nil, March 31, 2020- 5,000) installments 12.64% redeemable, non-convertible debentures of INR 1 million each		36 months	April 29, 2021	-	-	-	-	5,005.18
Nil, (June 30, 2021 - Nil, March 31, 2022 - Nil, Principal payment frequency: Repayable in 12 monthly March 31, 2021 - 1000, March 31, 2020- 1,000) installments 12.64% redeemable, non-convertible debentures of INR 1 million each		36 months	April 29, 2021	-	-	-	1,001.35	1,001.09
30 million, (June 30, 2021 - 30 million, March 31, 2022 - 30 million, at maturity March 31, 2020- 30 million) 11.40% redeemable, non-convertible debentures of INR 10 each		60 months	April 11, 2024	300.09	300.11	300.11	300.11	300.11
2,000, (June 30, 2021 - 2,000, March 31, 2022 - 2,000, March 31, 2021 - 2,000, March 31, 2020- at maturity 2,000) redeemable, non-convertible debentures of INR 0.1 million each*		38 months	July 3, 2022	292.47	258.83	283.70	251.06	222.23
1250, (June 30, 2021 - 1250, March 31, 2022 - 1250, March 31, 2021 - 1250, March 31, 2020- 1.250) at maturity 11.88% redeemable, non-convertible debentures of INR 1 million each		72 months	August 28, 2025	1,302.93	1,302.93	1,263.77	1,263.77	1,264.16
10, (June 30, 2021 - 420, March 31, 2022 - 55, March 31, 2021 - 420, March 31, 2020- 420) 12.50% at maturity redeemable, non-convertible debentures of INR 100 each		36 months	November 19, 2014	0.01	0.62	0.08	0.62	0.64
15 million, (June 30, 2021 - 15 million, March 31, 2022 - 15 million, March 31, 2021 - 15 million, in 4 installments from March 2023 March 31, 2020- Nil) 12.75% redeemable, non-convertible debentures of INR 10 each		72 months	March 31, 2023	150.05	150.05	150.05	150.05	-
150, (June 30, 2021 - 150, March 31, 2022 - 150, March 31, 2021 - 150, March 31, 2020- Nil) 10.50% at maturity redeemable, non-convertible debentures of INR 1 million each		36 months	May 26, 2023	151.47	151.47	163.29	163.13	-
250, (June 30, 2021 - 250, March 31, 2022 - 250, March 31, 2021 - 250, March 31, 2020- Nil) 11.00% at maturity redeemable, non-convertible debentures of INR 1 million each		36 months	June 12, 2023	251.43	251.43	251.51	251.51	-
500, (June 30, 2021 - 500, March 31, 2022 - 500, March 31, 2021 - 500, March 31, 2020- Nil) 11.00% at maturity redeemable, non-convertible debentures of INR 1 million each		33 months	April 21, 2023	510.70	510.70	510.55	510.55	-
150, (June 30, 2021 - 150, March 31, 2022 - 150, March 31, 2021 - 150, March 31, 2020- Nil) 11.00% at maturity redeemable, non-convertible debentures of INR 1 million each		33 months	April 21, 2023	153.21	153.21	153.16	153.16	-
500, (June 30, 2021 - 500, March 31, 2022 - 500, March 31, 2021 - 500, March 31, 2020- Nil) 11.00% at maturity redeemable, non-convertible debentures of INR 1 million each		33 months	April 21, 2023	510.70	510.70	510.55	510.55	-
Nil, (June 30, 2021 - 500, March 31, 2022 - Nil, Principal payment frequency: Entire principal repayable March 31, 2021 - 500, March 31, 2020- Nil) 9.75% at maturity redeemable, non-convertible debentures of INR 1 million each		18 months	January 3, 2022	-	548.48	-	536.33	-
Nil, (June 30, 2021 - 500, March 31, 2022 - Nil, Principal payment frequency: Entire principal repayable March 31, 2021 - 500, March 31, 2020- Nil) 9.75% at maturity redeemable, non-convertible debentures of INR 1 million each		18 months	January 31, 2022	-	544.74	-	532.59	-
Nil, (June 30, 2021 - 500, March 31, 2022 - Nil, Principal payment frequency: Entire principal repayable March 31, 2021 - 500, March 31, 2020- Nil) 9.75% at maturity redeemable, non-convertible debentures of INR 1 million each		18 months	January 31, 2022	-	544.74	-	532.59	-
Nil, (June 30, 2021 - 250, March 31, 2022 - Nil, Principal payment frequency: Entire principal repayable March 31, 2021 - 250, March 31, 2020- Nil) 9.50% at maturity redeemable, non-convertible debentures of INR 1 million each		18 months	February 21, 2022	-	270.50	-	264.58	-
Nil, (June 30, 2021 - 250, March 31, 2022 - Nil, Principal payment frequency: Entire principal repayable March 31, 2021 - 250, March 31, 2020- Nil) 9.50% at maturity redeemable, non-convertible debentures of INR 1 million each		18 months	February 21, 2022	-	270.50	-	264.58	-

**Five-Star Business Finance Limited**

**Summary of significant accounting policies and other explanatory information**

(All amounts are in Indian Rupees in millions, unless otherwise stated)

**16.1 Details of terms of redemption/repayment and security provided in respect of debt securities and borrowings**

Particulars	Repayment Terms	Tenor	Earliest installment date	As at	As at	As at	As at	As at
				June 30, 2022	June 30, 2021	March 31, 2022	March 31, 2021	March 31, 2020
2500, (June 30, 2021 - 2,500, March 31, 2022 - Principal payment frequency: Entire principal repayable at maturity) 2,500, March 31, 2021 - 2,500, March 31, 2020- Nil) at maturity	redeemable, non-convertible debentures of INR 0.1 Coupon payment frequency: Entire interest repayable at maturity	30 months	February 28, 2023	300.80	271.47	293.24	264.78	-
700, (June 30, 2021 - 700, March 31, 2022 - 700, March 31, 2021 - 700, March 31, 2020- Nil) 10.91% at maturity	redeemable, non-convertible debentures of INR 1 Coupon payment frequency: Half Yearly	36 months	September 30, 2023	720.58	720.58	700.44	700.44	-
Nil, (June 30, 2021 - 250, March 31, 2022 - 250, March 31, 2021 - 250, March 31, 2020- Nil) 9.50% at maturity	redeemable, non-convertible debentures of INR 1 Coupon payment frequency: Yearly	18 months	May 19, 2022	-	264.58	258.65	258.65	-
750, (June 30, 2021 - 750, March 31, 2022 - 750, March 31, 2021 - 750, March 31, 2020- Nil) at maturity	redeemable, non-convertible debentures of INR 1 Coupon payment frequency: Entire interest repayable at maturity	24 months	December 16, 2022	859.45	786.68	840.70	769.52	-
500, (June 30, 2021 - 500, March 31, 2022 - 500, March 31, 2021 - 500, March 31, 2020- Nil) at maturity	redeemable, non-convertible debentures of INR 1 Coupon payment frequency: Entire interest repayable at maturity	24 months	December 17, 2022	572.83	524.33	560.33	512.88	-
Nil, (June 30, 2021 - 2000, March 31, 2022 - Nil, March 31, 2021 - 2000, March 31, 2020- Nil) at maturity	redeemable, non-convertible debentures of INR 0.1 Coupon payment frequency: Entire interest repayable at maturity	15 months	March 15, 2022	-	210.92	-	205.83	-
2000, (June 30, 2021 - 2000, March 31, 2022 - 2000, March 31, 2021 - 2000, March 31, 2020- Nil) at maturity	redeemable, non-convertible debentures of INR 0.1 Coupon payment frequency: Entire interest repayable at maturity	30 months	June 15, 2023	233.63	211.23	227.83	205.99	-
1500, (June 30, 2021 - 1500, March 31, 2022 - 1500, March 31, 2021 - 1500, March 31, 2020- Nil) at maturity	redeemable, non-convertible debentures of INR 1 Coupon payment frequency: Entire interest repayable at maturity	27 months	April 30, 2023	1,695.10	1,555.58	1,659.14	1,522.12	-
				<b>9,506.76</b>	<b>12,318.55</b>	<b>10,129.36</b>	<b>13,129.08</b>	<b>10,913.19</b>

All debentures are secured by pari passu charge on immoveable property and exclusive first charge on book debts with security cover ranging from 1 to 1.25 times of the outstanding amount at any point in time.

16.1 Details of terms of redemption/repayment and security provided in respect of debt securities and borrowings

Particulars	Repayment Terms	Tenor	Earliest installment date	As at	As at	As at	As at	As at
				June 30, 2022	June 30, 2021	March 31, 2022	March 31, 2021	March 31, 2020
<b>Term loans from banks</b>								
Term Loan 1	Repayable in 48 monthly installments	48 months	April 15, 2017	-	-	-	0.37	50.62
Term Loan 2	Repayable in 60 monthly installments	60 months	March 3, 2019	127.51	203.98	146.61	223.17	300.35
Term Loan 3	Repayable in 36 monthly installments	36 months	May 1, 2019	-	84.12	-	109.39	210.37
Term Loan 4	Repayable in 20 quarterly installments	60 months	June 30, 2019	174.48	275.08	199.49	300.09	400.12
Term Loan 5	Repayable in 36 monthly installments	36 months	February 5, 2019	-	48.89	-	70.54	155.52
Term Loan 6	Repayable in 36 monthly installments	36 months	April 5, 2018	-	-	-	0.02	55.70
Term Loan 7	Repayable in 36 monthly installments	36 months	May 5, 2018	-	-	-	3.65	39.87
Term Loan 8	Repayable in 48 monthly installments	48 months	April 23, 2018	-	-	-	-	25.00
Term Loan 9	Repayable in 48 monthly installments	48 months	April 23, 2018	-	19.48	-	24.64	49.28
Term Loan 10	Repayable in 60 monthly installments	60 months	December 5, 2015	-	-	-	-	0.86
Term Loan 11	Repayable in 36 monthly installments	36 months	May 7, 2017	-	-	-	-	3.51
Term Loan 12	Repayable in 56 monthly installments	60 months	July 28, 2016	-	-	-	-	11.82
Term Loan 13	Repayable in 12 quarterly installments	36 months	May 28, 2018	-	-	-	-	67.21
Term Loan 14	Repayable in 34 monthly installments	36 months	September 30, 2017	-	-	-	-	26.48
Term Loan 15	Repayable in 34 monthly installments	36 months	May 21, 2018	-	-	-	-	64.72
Term Loan 16	Repayable in 40 monthly installments	42 months	September 30, 2018	-	75.02	-	112.53	262.57
Term Loan 17	Repayable in 34 monthly installments	36 months	May 18, 2019	-	117.68	-	161.81	338.33
Term Loan 18	Repayable in 12 quarterly installments	39 months	August 9, 2017	-	-	-	-	4.20
Term Loan 19	Repayable in 60 monthly installments	60 months	May 2, 2016	-	-	-	-	12.24
Term Loan 20	Repayable in 9 half-yearly installments	60 months	March 28, 2018	-	11.11	-	11.11	22.22
Term Loan 21	Repayable in 58 monthly installments	60 months	April 30, 2017	-	49.04	-	69.67	148.35
Term Loan 22	Repayable in 36 monthly installments	36 months	May 5, 2018	-	-	-	7.02	91.15
Term Loan 23	Repayable in 11 quarterly installments	36 months	December 13, 2016	-	-	-	-	-
Term Loan 24	Repayable in 60 monthly installments	60 months	January 30, 2020	150.00	216.76	165.00	231.94	287.68
Term Loan 25	Repayable in 36 monthly installments	36 months	May 1, 2020	111.99	246.60	145.62	280.31	400.00
Term Loan 26	Repayable in 36 monthly installments	36 months	May 31, 2019	-	-	-	162.50	312.50
Term Loan 27	Repayable in 36 monthly installments	36 months	June 30, 2019	-	92.45	16.67	117.82	218.77
Term Loan 28	Repayable in 57 monthly installments	60 months	September 30, 2019	40.29	61.41	45.54	66.68	87.75
Term Loan 29	Repayable in 48 monthly installments	48 months	July 29, 2019	37.50	106.13	46.88	84.38	121.88
Term Loan 30	Repayable in 33 monthly installments	36 months	December 30, 2019	15.16	75.00	37.89	128.86	219.76
Term Loan 31	Repayable in 36 monthly installments	36 months	September 25, 2019	11.11	78.37	27.78	95.18	162.74
Term Loan 32	Repayable in 60 monthly installments	62 months	January 30, 2020	1,017.10	1,424.15	1,118.83	1,525.89	1,950.67
Term Loan 33	Repayable in 60 monthly installments	60 months	April 30, 2020	203.22	275.48	221.56	293.89	402.47
Term Loan 34	Repayable in 57 monthly installments	60 months	June 25, 2020	248.48	342.36	271.82	364.88	501.00
Term Loan 35	Repayable in 36 monthly installments	36 months	February 5, 2020	58.35	158.37	83.35	183.38	283.41
Term Loan 36	Repayable in 36 monthly installments	36 months	March 5, 2020	47.03	117.57	64.68	134.17	204.17
Term Loan 37	Repayable in 12 monthly installments	37 months	May 26, 2020	47.88	111.75	63.34	127.76	191.73
Term Loan 36	Repayable in 60 monthly installments	60 months	December 5, 2018	28.50	48.61	33.53	53.66	73.95
Term Loan 37	Repayable in 34 monthly installments	36 Months	August 16, 2020	113.26	236.82	144.15	267.72	-
Term Loan 38	Repayable in 34 monthly installments	36 Months	September 30, 2020	141.21	282.42	176.51	317.74	-
Term Loan 39	Repayable in 20 quarterly installments	60 months	February 28, 2021	266.10	355.60	288.30	377.80	-
Term Loan 40	Repayable in 48 monthly installments	52 months	October 1, 2020	-	127.75	-	135.84	-
Term Loan 41	Repayable in 34 monthly installments	36 Months	December 31, 2020	183.32	383.43	233.33	433.33	-
Term Loan 42	Repayable in 46 monthly installments	48 Months	November 25, 2020	141.30	208.43	157.61	224.95	-
Term Loan 43	Repayable in 36 monthly installments	36 Months	November 30, 2020	111.14	194.50	131.98	215.34	-
Term Loan 44	Repayable in 36 monthly installments	36 Months	December 10, 2020	118.06	202.92	131.85	224.00	-
Term Loan 45	Repayable in 48 monthly installments	48 Months	February 5, 2021	149.51	207.81	163.99	222.11	-
Term Loan 46	Repayable in 36 monthly installments	36 Months	March 23, 2021	132.39	220.65	154.45	242.71	-
Term Loan 47	Repayable in 36 monthly installments	36 Months	January 31, 2021	50.00	83.33	58.33	91.67	-
Term Loan 48	Repayable in 33 monthly installments	36 Months	May 31, 2021	142.79	234.85	165.52	250.00	-
Term Loan 49	Repayable in 60 monthly installments	60 Months	March 3, 2021	147.81	188.49	157.89	198.20	-
Term Loan 50	Repayable in 32 monthly installments	35 Months	July 31, 2021	163.36	250.00	185.88	250.00	-
Term Loan 51	Repayable in 36 monthly installments	36 Months	April 30, 2021	29.17	46.11	33.33	50.00	-
Term Loan 52	Repayable in 36 monthly installments	36 Months	April 30, 2021	437.60	687.61	500.12	750.18	-
Term Loan 53	Repayable in 48 monthly installments	48 Months	May 1, 2021	428.32	579.53	466.23	600.30	-
Term Loan 54	Repayable in 34 monthly installments	36 Months	March 30, 2022	176.51	-	194.16	-	-
Term Loan 55	Repayable in 36 monthly installments	36 Months	January 31, 2022	416.60	-	458.30	-	-
Term Loan 56	Repayable in 60 monthly installments	60 Months	April 30, 2022	184.63	-	195.83	-	-
Term Loan 57	Repayable in 60 monthly installments	60 Months	April 30, 2022	712.67	-	750.18	-	-
Term Loan 58	Repayable in 57 monthly installments	60 Months	June 30, 2022	495.12	-	495.11	-	-
Term Loan 59	Repayable in 72 monthly installments	74 Months	June 30, 2022	1,458.33	-	250.14	-	-
Term Loan 61	Repayable in 48 monthly installments	48 Months	May 4, 2022	289.51	-	-	-	-
Term Loan 62	Repayable in 34 monthly installments	36 Months	September 21, 2022	400.09	-	-	-	-
Term Loan 63	Repayable in 10 quarterly installments	33 Months	December 30, 2022	200.00	-	-	-	-
				<b>9,407.38</b>	<b>8,729.66</b>	<b>8,181.78</b>	<b>9,797.20</b>	<b>7,758.95</b>

All the above loans are secured by an exclusive first charge on book debts with security cover ranging from 1.05 to 1.33 times of the outstanding amount at any point in time.

As at June 30, 2022, the rate of interest across term loans from banks was in the range of 7.95% p.a to 10.90% p.a (June 30, 2021 - 7.50% p.a to 11.50% p.a, March 31, 2022 - 7.95% p.a to 10.90% p.a, March 31, 2021 - 8.70% p.a to 11.60% p.a, March 31, 2020 - 9.36% p.a to 11.60% p.a)

Five-Star Business Finance Limited

Summary of significant accounting policies and other explanatory information

(All amounts are in Indian Rupees in millions, unless otherwise stated)

16.1 Details of terms of redemption/repayment and security provided in respect of debt securities and borrowings

Particulars	Repayment Terms	Tenor	Earliest installment date	As at	As at	As at	As at	As at
				June 30, 2022	June 30, 2021	March 31, 2022	March 31, 2021	March 31, 2020
<b>Term loans from others</b>								
Term loans from others 1	Repayable in 10 quarterly installments	36 months	November 30, 2018	-	-	-	-	80.02
Term loans from others 2	Repayable in 48 monthly installments	48 months	February 11, 2019	36.47	98.98	52.10	114.61	177.13
Term loans from others 3	Repayable in 60 monthly installments	60 months	May 1, 2019	43.42	64.12	48.78	68.86	86.44
Term loans from others 4	Repayable in 48 monthly installments	48 months	January 29, 2019	-	85.96	-	98.91	147.14
Term loans from others 5	Repayable in 16 quarterly installments	48 months	April 28, 2017	-	-	-	-	32.44
Term loans from others 6	Repayable in 20 quarterly installments	63 months	September 1, 2019	53.86	81.09	60.64	87.90	114.92
Term loans from others 7	Repayable in 60 monthly installments	60 months	November 22, 2015	-	-	-	-	6.49
Term loans from others 8	Repayable in 60 monthly installments	60 months	April 22, 2017	-	28.19	-	37.08	70.22
Term loans from others 9	Repayable in 36 monthly installments	36 months	March 20, 2019	-	22.61	-	31.09	65.01
Term loans from others 10	Repayable in 60 monthly installments	60 months	April 27, 2019	-	30.98	-	33.35	42.17
Term loans from others 11	Repayable in 20 quarterly installments	60 months	February 29, 2020	-	105.00	-	112.53	142.54
Term loans from others 12	Repayable in 36 monthly installments	36 months	January 22, 2020	19.00	54.05	28.13	62.24	92.84
Term loans from others 13	Repayable in 36 monthly installments	36 months	February 22, 2020	66.22	170.44	93.36	194.81	285.80
Term loans from others 14	Repayable in 3 annual installments	36 months	February 1, 2021	125.91	189.01	125.00	187.50	250.00
Term loans from others 15	Repayable in 48 monthly installments	48 months	March 5, 2020	32.72	52.37	37.63	57.30	76.93
Term loans from others 16	Repayable in 30 monthly installments	30 months	April 30, 2019	-	-	-	-	31.00
Term loans from others 17	Repayable in 42 monthly installments	48 months	June 30, 2018	7.14	35.72	14.29	42.87	71.43
Term loans from others 18	Repayable in 36 monthly installments	36 months	May 27, 2020	-	162.08	-	181.81	-
Term loans from others 19	Repayable in 8 monthly installments	10 months	September 10, 2020	-	-	-	50.24	-
Term loans from others 20	Repayable in 36 monthly installments	36 months	January 20, 2021	250.68	418.06	292.60	459.80	-
Term loans from others 21	Repayable in 36 monthly installments	36 months	January 31, 2021	150.04	250.07	175.04	275.07	-
Term loans from others 22	Repayable in 30 monthly installments	32 months	February 3, 2021	187.05	342.57	212.56	379.02	-
Term loans from others 23	Repayable in 36 monthly installments	36 months	April 30, 2021	111.69	167.02	126.08	180.00	-
Term loans from others 24	Repayable in 49 monthly installments	49 months	April 1, 2021	151.17	201.50	150.00	200.51	-
Term loans from others 25	Repayable in 16 quarterly installments	48 months	June 1, 2021	173.18	236.16	188.95	250.00	-
				<b>1,408.56</b>	<b>2,795.96</b>	<b>1,605.16</b>	<b>3,105.51</b>	<b>1,772.53</b>

All the above loans are secured by an exclusive first charge on book debts with security cover ranging from 1 to 1.2 times of the outstanding amount at any point in time

As at June 30, 2022, the rate of interest across term loans from others was in the range of 9.50% p.a to 11.75% p.a (June 30, 2021 - 9.90% p.a to 11.75% p.a, March 31, 2022- 9.50% p.a to 11.75% p.a, March 31, 2021- 6.32% p.a to 11.75% p.a, March 31, 2020- 9.75% p.a to 13.25% p.a)

**Borrowings Under Securitization**

Borrowings Under Securitization 1	Repayable in 33 monthly installments	35 months	August 16, 2019	-	118.99	-	202.23	643.99
Borrowings Under Securitization 2	Repayable in 59 monthly installments	59 months	September 17, 2019	157.13	404.40	217.10	470.67	813.28
Borrowings Under Securitization 3	Repayable in 64 monthly installments	65 months	February 17, 2020	219.70	712.24	339.26	824.34	1,278.02
Borrowings Under Securitization 4	Repayable in 40 monthly installments	40 months	March 21, 2020	33.06	251.08	77.85	315.04	673.54
Borrowings Under Securitization 5	Repayable in 60 monthly installments	60 months	May 15, 2020	374.93	634.66	435.54	695.82	-
Borrowings Under Securitization 6	Repayable in 60 monthly installments	60 months	July 15, 2020	376.83	642.93	437.57	712.11	-
Borrowings Under Securitization 7	Repayable in 65 monthly installments	65 months	August 14, 2020	320.57	577.90	383.15	642.31	-
Borrowings Under Securitization 8	Repayable in 55 monthly installments	55 months	November 20, 2020	398.53	655.42	465.45	717.41	-
Borrowings Under Securitization 9	Repayable in 59 monthly installments	60 months	January 16, 2021	191.19	357.03	232.12	394.60	-
Borrowings Under Securitization 10	Repayable in 48 monthly installments	48 months	January 15, 2021	106.33	199.34	130.31	222.59	-
Borrowings Under Securitization 11	Repayable in 60 monthly installments	61 months	February 21, 2021	885.53	1,304.38	996.69	1,394.40	-
Borrowings Under Securitization 12	Repayable in 61 monthly installments	61 months	February 18, 2021	171.80	296.43	202.76	330.79	-
Borrowings Under Securitization 13	Repayable in 57 monthly installments	57 months	April 21, 2021	450.50	637.98	496.61	681.58	-
Borrowings Under Securitization 14	Repayable in 53 monthly installments	53 months	April 16, 2021	486.70	769.24	557.25	824.40	-
				<b>4,172.80</b>	<b>7,562.04</b>	<b>4,971.66</b>	<b>8,428.29</b>	<b>3,408.83</b>

As at June 30, 2022 the rate of interest across term loans from others was in the range of 8.85% p.a to 11% p.a (June 30, 2021 -9.00% p.a to 11% p.a, March 31, 2022-8.55% p.a to 11% p.a, March 31, 2021- 9.15% p.a to 11.00% p.a, March 31, 2020- 9.75% p.a to 11.00% p.a).

These borrowings are secured by way of book debts and cash collateral with security cover ranging from 1.15 to 1.20 times of the outstanding amount at any point in time.

**Loans from Others-(External Commercial Borrowing)**

External Commercial Borrowing-1	Repayable in 5 Half yearly installments	60 months	March 31, 2025	798.54	-	758.45	-	-
				<b>798.54</b>	<b>-</b>	<b>758.45</b>	<b>-</b>	<b>-</b>

As at June 30, 2022, the rate of interest on External Commercial Borrowing was 4.20% p.a (March 31, 2022 - 4.20% p.a )

**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
<b>17 Borrowings (other than debt securities) (refer note 16.1)</b>					
<b>At amortised cost</b>					
Term loans (secured)					
From banks	9,407.38	8,740.97	8,181.78	9,797.20	7,758.95
From other parties	1,408.56	2,784.66	1,605.16	3,105.51	1,772.53
Borrowings under securitisation (secured)	4,172.80	7,562.04	4,971.66	8,428.29	3,408.83
Loans repayable on demand (secured)					
From banks	15.92	-	76.56	19.67	-
Term loans from others parties (unsecured)					
External Commercial Borrowings	798.54	-	758.45	-	-
	15,803.20	19,087.66	15,593.61	21,350.67	12,940.31
Less: Unamortised processing fee	(74.06)	(113.86)	(90.64)	(136.56)	(92.02)
	<b>15,729.14</b>	<b>18,973.80</b>	<b>15,502.97</b>	<b>21,214.11</b>	<b>12,848.29</b>
Borrowings in India	14,930.61	18,973.80	14,744.52	21,214.11	12,848.29
Borrowings outside India	798.54	-	758.45	-	-
	<b>15,729.14</b>	<b>18,973.80</b>	<b>15,502.97</b>	<b>21,214.11</b>	<b>12,848.29</b>
<p>Loans repayable on demand includes on cash credit and working capital demand loans from banks which are secured by specific charge on identified receivables. As at June 30, 2022, the rate of interest across the cash credit and working capital demand loans was in the range of 7.25% p.a to 11.00% p.a (June 30, 2021 - 9.25% p.a to 11.45% p.a, March 31, 2022 - 7.95% p.a to 11.00% p.a, March 31, 2021 - 9.25% p.a to 11.45% p.a, March 31, 2020 - 10.20% p.a to 12.00% p.a)</p> <p>The Company has not defaulted in the repayment of the borrowings (including debt securities) and was regular in repayments</p> <p>Debt Securities and borrowings other than debt securities aggregating to INR 8435.80 million has been guaranteed by the promoter, Mr. D Lakshmiopathy.</p> <p>The Company has used the borrowings from banks and financial institutions for the specified purpose as per agreement with the lender.</p> <p>The quarterly returns/statements of current assets filed by the Company with banks or financial institutions in relation to secured borrowings wherever applicable, are in agreement with the books of accounts.</p>					
<b>18 Other financial liabilities</b>					
Unpaid dividends	0.26	0.40	0.26	0.40	0.55
Lease liability (Refer note 39)	222.44	174.18	211.33	152.94	155.53
Employee related payables	295.53	205.69	189.53	-	-
Others*	17.21	17.72	13.56	18.35	0.73
	<b>535.44</b>	<b>397.99</b>	<b>414.68</b>	<b>171.69</b>	<b>156.81</b>
<p>*Others include unspent corporate social responsibility fund amounting to INR 8.75 million. (June 30, 2021 - INR 13.75 million, March 31, 2022 - INR 10.00 million, March 31, 2021 - INR 15.00 million, March 31, 2020 - Nil)</p>					
<b>19 Current tax liabilities (net)</b>					
Provision for tax (net)	109.44	29.54	-	-	7.48
	<b>109.44</b>	<b>29.54</b>	<b>-</b>	<b>-</b>	<b>7.48</b>
<b>20 Provisions</b>					
Provision for employee benefits					
Provision for gratuity	60.32	49.87	33.96	25.48	24.71
Provision for compensated absences	74.60	61.25	56.04	46.50	33.05
	<b>134.92</b>	<b>111.12</b>	<b>90.00</b>	<b>71.98</b>	<b>57.76</b>
<b>21 Other non-financial liabilities</b>					
Statutory dues payable	53.44	26.66	90.23	48.74	53.05
Employee related payables	-	-	-	123.29	107.47
	<b>53.44</b>	<b>26.66</b>	<b>90.23</b>	<b>172.03</b>	<b>160.52</b>

**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
<b>22 Equity share capital</b>					
<b>Authorised</b>					
550,000,000 shares (March 31, 2022- 550,000,000) of INR 1 each (June 30, 2021 - 55,000,000, March 31, 2021 - 55,000,000, March 31, 2020 - 55,000,000) of INR 10 each	550.00	550.00	550.00	550.00	550.00
<b>Issued, subscribed and paid up</b>					
291,366,120 shares (March 31, 2022- 291,343,120) of INR 1 each fully paid up (June 30, 2021-26,945,115, March 31, 2021 - 25,473,144 , March 31, 2020 - 25,410,294) of INR 10 each fully paid up	291.37	269.45	291.34	254.73	254.10
Nil shares (June 30,2021-1,717,597, March 31, 2022 -Nil , March 31, 2021 - 1,717,597 , March 31, 2020 - 1,717,597) of INR 10 each (partly paid up - INR 1 each paid up)	-	1.72	-	1.72	1.72

Note: During the year ended March 31, 2022, the Board of Directors of the Company in its meeting held on September 8, 2021 and shareholders in the Extraordinary General Meeting held on October 8, 2021 approved the sub-division of shares from ₹ 10 per share to ₹ 1 per share. Also refer note-40.

**22.A Reconciliation of shares outstanding at the beginning and at the end of the reporting period**

	As at June 30, 2022		As at June 30, 2021	
	Number of shares	Amount in Millions of INR	Number of shares	Amount in Millions of INR
As at beginning of the period	29,13,43,120	291.34	2,71,90,741	256.45
Shares issued in exercise of employee stock options	23,000	0.03	200	0.00
Shares issued-fully paid up	-	-	14,71,771	14.72
As at the end of the period	<b>29,13,66,120</b>	<b>291.37</b>	<b>2,86,62,712</b>	<b>271.17</b>

	As at March 31, 2022		As at March 31, 2021		As at March 31, 2020	
	Number of shares	Amount in Millions of INR	Number of shares	Amount in Millions of INR	Number of shares	Amount in Millions of INR
As at beginning of the period	2,71,90,741	256.45	2,71,27,891	255.82	2,38,99,582	239.00
Additional shares pursuant to share split issued during the year	24,47,16,669	-	-	-	-	-
Shares issued in exercise of employee stock options	17,18,000	1.72	62,850	0.63	1,78,450	1.78
Shares issued-fully paid up	1,77,17,710	17.72	-	-	13,32,262	13.32
Shares issued-partly paid up	-	-	-	-	17,17,597	1.72
Receipt of pending call money of partly paid up shares	-	15.45	-	-	-	-
As at the end of the period	<b>29,13,43,120</b>	<b>291.34</b>	<b>2,71,90,741</b>	<b>256.45</b>	<b>2,71,27,891</b>	<b>255.82</b>

**Terms/rights attached to Equity Shares:**

The Company has a single class of equity shares. Accordingly all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend to the extent the shares are paid up, as declared from time to time subject to payment of dividend to preference shareholders. Dividends are paid in Indian Rupees. Dividend proposed by the board of directors, if any, is subject to the approval of the shareholders at the General Meeting, except in the case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders, to the extent the shares are paid up.

**Shares reserved for issue under options**

Information relating to employee stock option schemes including the details of options issued, exercised and lapsed during the period and options outstanding at the end of the reporting period, is set out in Note 43.

**22.B Promoter Holdings**

Name of the Promoter	As at June 30, 2022					
	Number of Shares at the beginning of the period	Additional shares pursuant to share split issued during the year	Movement during the period	Number of Shares at the end of the period	% of Total Shares	% of Change during the period
<b>Fully paid up shares</b>						
(i) D. Lakshmiopathy	3,60,37,450	-	-	3,60,37,450	12.37%	-
(ii) L.Hema	2,08,90,600	-	-	2,08,90,600	7.17%	-
(iii) L.Shritha	2,00,000	-	-	2,00,000	0.07%	-
(iv) Matrix Partners India Investment Holding II LLC	4,10,09,990	-	-	4,10,09,990	14.08%	-
(v) SCI Investments V	2,56,96,500	-	-	2,56,96,500	8.82%	-
<b>Grand Total</b>	<b>12,38,34,540</b>	<b>-</b>	<b>-</b>	<b>12,38,34,540</b>	<b>42.50%</b>	<b>-</b>

Name of the Promoter	As at June 30, 2021					
	Number of Shares at the beginning of the period	Additional shares pursuant to share split issued during the year	Movement during the period	Number of Shares at the end of the period	% of Total Shares	% of Change during the period
<b>Fully paid up shares</b>						
(i) D. Lakshmiopathy	21,85,771	-	1,050	21,86,821	7.63%	0.05%
(ii) L.Hema	20,89,060	-	-	20,89,060	7.29%	-
(iii) R.Deenadayalan	1,63,200	-	-	1,63,200	0.57%	-
(iv) D.Varalakshmi	44,770	-	-	44,770	0.16%	-
(v) L.Shritha	20,000	-	-	20,000	0.07%	-
<b>Sub-Total</b>	<b>45,02,801</b>	<b>-</b>	<b>1,050</b>	<b>45,03,851</b>	<b>15.71%</b>	<b>0.02%</b>
<b>Partly paid up shares</b>						
(i) D. Lakshmiopathy	15,25,000	-	-	15,25,000	-	-
<b>Sub-Total</b>	<b>15,25,000</b>	<b>-</b>	<b>-</b>	<b>15,25,000</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>60,27,801</b>	<b>-</b>	<b>1,050</b>	<b>60,28,851</b>	<b>15.71%</b>	<b>0.00</b>

Name of the Promoter	As at March 31, 2022					% of Total Shares	% of Change during the period
	Number of Shares at the beginning of the period	Additional shares pursuant to share split issued during the year	Movement during the period	Number of Shares at the end of the period			
<b>Fully paid up shares</b>							
(i) D. Lakshmiopathy	21,85,771	1,96,71,939	1,41,79,740	3,60,37,450	12.37%	64.87%	
(ii) L.Hema	20,89,060	1,88,01,540	-	2,08,90,600	7.17%	-	
(iii) L.Shritha	20,000	1,80,000	-	2,00,000	0.07%	-	
(iv) Matrix Partners India Investment Holding II LLC	41,00,999	3,69,08,991	-	4,10,09,990	14.08%	-	
(v) SCI Investments V	25,69,650	2,31,26,850	-	2,56,96,500	8.82%	-	
<b>Sub-Total</b>	<b>1,09,65,480</b>	<b>9,86,89,320</b>	<b>1,41,79,740</b>	<b>12,38,34,540</b>	<b>42.50%</b>	<b>12.93%</b>	
<b>Partly paid up shares</b>							
(i) D. Lakshmiopathy	15,25,000	1,37,25,000	(1,52,50,000)	-	-	(100.00%)	
<b>Sub-Total</b>	<b>15,25,000</b>	<b>1,37,25,000</b>	<b>(1,52,50,000)</b>	<b>-</b>	<b>-</b>	<b>(100.00%)</b>	
<b>Grand Total</b>	<b>1,24,90,480</b>	<b>11,24,14,320</b>	<b>(10,70,260)</b>	<b>12,38,34,540</b>	<b>42.50%</b>	<b>(0.86%)</b>	

The Board of Directors of the Company, pursuant to their resolution dated October 21, 2021 have taken on record, that D. Lakshmiopathy, L.Hema, L.Shritha, Matrix Partners India Investment Holdings II, LLC and SCI Investments V be identified as the promoters of the Company for the purposes of its proposed initial public offering of its equity shares and for all other purposes, regulatory, statutory or otherwise.

Name of the Promoter	As at March 31, 2021					% of Total Shares	% of Change during the Year
	Number of Shares at the beginning of the year	Movement during the year	Number of Shares at the end of the year				
<b>Fully paid up shares</b>							
(i) D. Lakshmiopathy	21,85,771	-	21,85,771	8.04%	-		
(ii) L.Hema	20,89,060	-	20,89,060	7.68%	-		
(iii) R.Deenadayalan	1,63,200	-	1,63,200	0.60%	-		
(iv) D.Varalakshmi	44,770	-	44,770	0.16%	-		
(v) L.Shritha	20,000	-	20,000	0.07%	-		
<b>Sub-Total</b>	<b>45,02,801</b>	<b>-</b>	<b>45,02,801</b>	<b>16.55%</b>	<b>-</b>		
<b>Partly paid up shares</b>							
(i) D. Lakshmiopathy	15,25,000	-	15,25,000	5.61%	-		
<b>Sub-Total</b>	<b>15,25,000</b>	<b>-</b>	<b>15,25,000</b>	<b>5.61%</b>	<b>-</b>		
<b>Grand Total</b>	<b>60,27,801</b>	<b>-</b>	<b>60,27,801</b>	<b>22.16%</b>	<b>-</b>		

Name of the Promoter	As at March 31, 2020					% of Total Shares	% of Change during the Year
	Number of Shares at the beginning of the year	Movement during the year	Number of Shares at the end of the year				
<b>Fully paid up shares</b>							
(i) D. Lakshmiopathy	22,87,551	(1,01,780)	21,85,771	8.06%	(4.45%)		
(ii) L. Hema	20,83,060	6,000	20,89,060	7.70%	0.29%		
(iii) R.Deenadayalan	1,63,200	-	1,63,200	0.60%	-		
(iv) D. Varalakshmi	44,770	-	44,770	0.17%	-		
(v) L.Shritha	20,000	-	20,000	0.07%	-		
<b>Sub-Total</b>	<b>45,98,581</b>	<b>(95,780)</b>	<b>45,02,801</b>	<b>16.59%</b>	<b>(2.08%)</b>		
<b>Partly paid up shares</b>							
(i) D. Lakshmiopathy	-	15,25,000	15,25,000	5.62%	-		
<b>Sub-Total</b>	<b>-</b>	<b>15,25,000</b>	<b>15,25,000</b>	<b>5.62%</b>	<b>-</b>		
<b>Grand Total</b>	<b>45,98,581</b>	<b>14,29,220</b>	<b>60,27,801</b>	<b>22.21%</b>	<b>31.08%</b>		

\*\*Promoter means Promoter as defined in Companies Act 2013

The determination / identification of promoters for the purpose of presentation under this disclosure has been done on the basis of information available with the Company which has been solely relied upon by the auditors.

During the FY 2021-22, the Company has approved the sub-division of each equity share of face value of INR 10 each fully paid up into 10 equity shares of face value of INR 1 each fully paid up.

## 22.C Details of shareholders holding more than 5% shares in the company

Name of shareholder	As at June 30, 2022		As at June 30, 2021	
	Number of shares	% of total shares in class	Number of shares	% of total shares in class
TPG Asia VII SF Pte. Ltd.	6,11,06,730	20.97%	61,10,673	21.32%
Matrix Partners India Investment Holdings II, LLC	4,10,09,990	14.08%	41,00,999	14.31%
D. Lakshmiopathy	3,60,37,450	12.37%	37,11,821	12.95%
Norwest Venture Partners X - Mauritius	2,97,48,060	10.21%	29,74,806	10.38%
SCI Investments V	2,56,96,500	8.82%	25,69,650	8.97%
L. Hema	2,08,90,600	7.17%	20,89,060	7.29%
Sirius II Pte. Ltd.	1,75,93,990	6.04%	15,34,399	5.35%

Name of shareholder	As at March 31, 2022		As at March 31, 2021		As at March 31, 2020	
	Number of shares	% of total shares in class	Number of shares	% of total shares in class	Number of shares	% of total shares in class
TPG Asia VII SF Pte. Ltd.	6,11,06,730	20.97%	61,10,673	22.47%	61,10,673	22.53%
Matrix Partners India Investment Holdings II, LLC	4,10,09,990	14.08%	41,00,999	15.08%	41,00,999	15.12%
D. Lakshmiopathy	3,60,37,450	12.37%	37,10,771	13.65%	37,10,771	13.68%
NHPEA Chocolate Holding B.V	-	-	35,98,051	13.23%	35,98,051	13.26%
Norwest Venture Partners X - Mauritius	2,97,48,060	10.21%	25,69,650	9.45%	25,69,650	9.47%
SCI Investments V	2,56,96,500	8.82%	25,69,650	9.45%	25,69,650	9.47%
L. Hema	2,08,90,600	7.17%	20,89,060	7.68%	20,89,060	7.70%
Sirius II Pte. Ltd.	1,75,93,990	6.04%	-	-	-	-

The above disclosures given in Note 22 with respect to number of shares(as at March 31, 2021 and March 31, 2020) are based on face value of INR 10. During the FY 2021-22, the Company has approved the sub-division of each equity share of face value of INR 10 each fully paid up into 10 equity shares of face value of INR 1 each fully paid up.

Particulars	As at	As at	As at	As at	As at
	June 30, 2022	June 30, 2021	March 31, 2022	March 31, 2021	March 31, 2020
<b>23 Other Equity</b>					
Statutory reserve	2,711.26	1,804.17	2,711.26	1,804.17	1,086.18
Share options outstanding account	412.35	277.64	340.59	179.53	42.83
Securities premium	23,143.69	19,070.60	23,136.19	13,923.45	13,906.92
General reserve	71.96	71.96	71.96	71.96	71.96
Retained earnings	11,952.80	7,948.59	10,561.68	6,946.16	4,082.09
Cash Flow Hedge Reserve	(13.68)	-	(9.51)	-	-
	<b>38,278.38</b>	<b>29,172.96</b>	<b>36,812.17</b>	<b>22,925.27</b>	<b>19,189.98</b>
<b>i Statutory reserve</b>					
Opening balance	2,711.26	1,804.17	1,804.17	1,086.18	562.28
Amount transferred from surplus in the statement of profit and loss	-	-	907.09	717.99	523.90
<b>Closing balance</b>	<b>2,711.26</b>	<b>1,804.17</b>	<b>2,711.26</b>	<b>1,804.17</b>	<b>1,086.18</b>
As per Section 45-IC of the Reserve Bank of India Act, 1934, the Company is required to create a reserve fund at the rate of 20% of the net profit after tax of the Company every year. Accordingly, the Company has transferred an amount of Nil (June 30, 2021: Nil, March 31, 2022: 907.09 million, March 31, 2021: 717.99 million, March 31, 2020: INR 523.90 million), out of the profit after tax for the year ended March 31, 2022 to Statutory Reserve. As described in note 52, Five-Star Housing Finance Private Limited, the wholly owned subsidiary amalgamated with the Company with appointed date under the aforesaid Scheme as April 1, 2019. The wholly owned subsidiary has surrendered its Certificate of Registration to carry on the business of housing finance institution to National Housing Bank (NHB) on June 5, 2020. The statutory reserve maintained by the wholly owned subsidiary under section 29C of the National Housing Bank Act, 1987 has been subsumed in the statutory reserve maintained by the Company. No appropriation of any sum from this reserve fund shall be made by the non-banking financial company except for the purpose as may be specified by RBI.					
Transfer to Statutory reserve is made at the end of the year as per the requirements of Section 45-IC of the Reserve Bank of India Act, 1934					
<b>ii Share options outstanding account</b>					
Opening balance	340.59	179.53	179.53	42.83	49.03
Share based payment expense	76.73	98.23	354.42	150.94	16.80
Less : Transfer to securities premium	4.97	0.12	193.35	14.24	23.00
<b>Closing balance</b>	<b>412.35</b>	<b>277.64</b>	<b>340.59</b>	<b>179.53</b>	<b>42.83</b>
The amount represents reserve created to the extent of granted options based on the Employees Stock Option Schemes. Under Ind AS 102, fair value of the options granted is to be expensed out over the life of the vesting period as employee compensation costs reflecting period of receipt of service. Also refer note 43.					
<b>iii Securities premium</b>					
Opening balance	23,136.19	13,923.45	13,923.45	13,906.92	10,731.39
Premium on shares issued during the period / year (including monies received for partly paid up shares)	7.50	5,164.16	9,229.75	16.53	3,175.53
Less : Utilised during the period / year for share issue expenses	-	17.01	17.01	-	-
<b>Closing balance</b>	<b>23,143.69</b>	<b>19,070.60</b>	<b>23,136.19</b>	<b>13,923.45</b>	<b>13,906.92</b>
Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013. During the period ended June 30, 2022, no amount from Securities premium was utilised towards share issue expenses, in line with Section 52 of the Companies Act 2013.					
<b>iv General reserve</b>					
Opening balance	71.96	71.96	71.96	71.96	71.96
Amount transferred from surplus in the statement of profit and loss	-	-	-	-	-
<b>Closing balance</b>	<b>71.96</b>	<b>71.96</b>	<b>71.96</b>	<b>71.96</b>	<b>71.96</b>
General reserve are free reserves which can be utilised for any purpose as may be required.					
<b>v Retained earnings</b>					
Opening balance	10,561.68	6,946.16	6,946.16	4,082.09	1,997.62
Net Profit for the period / year	1,394.33	1,015.71	4,535.45	3,589.94	2,619.51
Less: Transfer to Statutory reserve	-	-	907.09	717.99	523.90
Re-measurements of defined benefit plan	(3.21)	(13.28)	(12.84)	(7.88)	(11.14)
<b>Closing balance</b>	<b>11,952.80</b>	<b>7,948.59</b>	<b>10,561.68</b>	<b>6,946.16</b>	<b>4,082.09</b>
Retained earnings are the profits/(loss) that the Company has earned/incurred till date, less any transfers to general reserve, dividends or other distributions paid to shareholders. Retained earnings is a free reserve available to the Company and eligible for distribution to shareholders, in case where it is having positive balance representing net earnings till date. The amount that can be distributed by the Company as dividends to its Equity Shareholders is determined based on the financial statements of the Company and also considering the requirements of the Companies Act, 2013 and the Regulations of Reserve Bank of India.					
<b>vi Other comprehensive income</b>					
Opening balance	-	-	-	-	-
Remeasurements of defined benefit asset/ (liability)	(3.21)	(13.28)	(12.84)	(7.88)	(11.14)
Transferred to retained earnings	3.21	13.28	12.84	7.88	11.14
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Remeasurement of the net defined benefit liabilities comprise actuarial gain or loss, if any.					
<b>vii Cash Flow Hedge Reserve</b>					
Opening balance	(9.51)	-	-	-	-
Additions	(4.18)	-	(9.51)	-	-
<b>Closing balance</b>	<b>(13.68)</b>	<b>-</b>	<b>(9.51)</b>	<b>-</b>	<b>-</b>
Cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges, which shall be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the Company accounting policies.					



**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	For the period ended June 30, 2022	For the period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>24 Interest income</b>					
<b>(On financial assets measured at amortised cost)</b>					
Interest on term loans	3,256.70	2,827.96	11,705.17	9,955.01	7,179.58
Interest on deposits with banks	69.83	74.33	270.33	193.75	288.67
Interest on Investment in Government Securities	25.67	-	62.16	-	-
<b>Total</b>	<b>3,352.20</b>	<b>2,902.29</b>	<b>12,037.66</b>	<b>10,148.76</b>	<b>7,468.25</b>
<b>25 Fee Income</b>					
Legal and inspection fees	(0.00)	36.19	256.23	189.41	291.76
Others charges*	12.33	6.62	37.73	27.35	5.32
<b>Total</b>	<b>12.33</b>	<b>42.81</b>	<b>293.96</b>	<b>216.76</b>	<b>297.08</b>
* Comprises of charges collected from the customers in the nature of Document storage charges, Cheque dishonour charges and other charges as applicable. All services that generate revenue from contract with Customers are rendered at a point in time and are rendered in India					
<b>26 Net gain on fair value changes</b>					
<b>Net gain on financial instruments at fair value through profit or loss (FVTPL)</b>					
<b>On trading portfolio</b>					
-Mutual fund investments at FVTPL	15.18	60.05	209.02	131.90	101.82
	<b>15.18</b>	<b>60.05</b>	<b>209.02</b>	<b>131.90</b>	<b>101.82</b>
<b>Fair value changes</b>					
Realised	15.18	60.05	209.02	131.90	101.82
Unrealised	-	-	-	-	-
	<b>15.18</b>	<b>60.05</b>	<b>209.02</b>	<b>131.90</b>	<b>101.82</b>
<b>27 Other income</b>					
Recovery of assets written off	9.31	1.93	18.58	8.69	5.30
Other non-operating income	1.57	0.47	2.47	6.44	1.02
	<b>10.88</b>	<b>2.40</b>	<b>21.05</b>	<b>15.13</b>	<b>6.32</b>
<b>28 Finance costs</b>					
<b>(On financial liabilities measured at amortised cost)</b>					
Interest on borrowings					
- term loans from banks	199.19	237.27	780.76	885.93	554.61
- cash credits and overdraft	0.55	0.44	1.60	0.93	1.56
- term loans from others*	171.21	280.75	918.08	796.92	315.89
Interest on debt securities	269.64	338.32	1,273.59	1,550.18	1,273.36
Interest on lease liability	5.30	4.71	22.00	17.95	16.78
Interest on current tax liability	-	-	-	-	7.15
Other borrowing costs	2.09	2.65	9.97	-	-
	<b>647.98</b>	<b>864.14</b>	<b>3,006.00</b>	<b>3,251.91</b>	<b>2,169.35</b>
*Includes interest of INR 107.67 million (June 30, 2021 - INR 190.98 million, March 31, 2022 - INR 636.14 million, March 31, 2021 - INR 532.65 million, March 31, 2020- INR 168.68 million) pertaining to borrowings from securitisation arrangements.					
<b>29 Fees expenses</b>					
Amortisation of ancillary costs relating to borrowings	-	-	-	26.68	4.25
	<b>-</b>	<b>-</b>	<b>-</b>	<b>26.68</b>	<b>4.25</b>

**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	For the period ended June 30, 2022	For the period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>30 Impairment on financial instruments</b>					
<b>(On financial assets measured at amortised cost)</b>					
Impairment loss allowance on loans*	(4.11)	165.38	455.18	351.76	493.42
	<b>(4.11)</b>	<b>165.38</b>	<b>455.18</b>	<b>351.76</b>	<b>493.42</b>
* Includes write-off of INR 45.82 million (June 30, 2021 - INR 91.31 million, March 31, 2022 - INR 292.64 million, March 31, 2021 - INR 99.68 million, March 31, 2020 - INR 48.61 million)					
<b>31 Employee benefits expense</b>					
Salaries, wages and bonus	558.83	361.89	1,785.40	1,337.61	1,127.23
Contribution to provident and other funds	66.30	49.38	139.60	108.05	90.58
Employee stock option expenses (Refer note 43)	76.73	98.23	354.42	150.94	16.80
Staff welfare expenses	17.04	10.69	81.73	40.58	36.46
	<b>718.90</b>	<b>520.19</b>	<b>2,361.15</b>	<b>1,637.18</b>	<b>1,271.07</b>
<b>32 Depreciation and amortisation expense</b>					
Depreciation on property, plant and equipment (Refer note 12)	15.27	8.59	47.64	53.13	49.97
Amortisation of intangible assets (Refer note 13)	1.10	2.37	11.69	5.28	6.88
Depreciation on Right of use asset (Refer note 39)	19.82	15.13	63.12	55.44	43.83
	<b>36.19</b>	<b>26.08</b>	<b>122.45</b>	<b>113.85</b>	<b>100.68</b>
<b>33 Other expenses</b>					
Rent	1.20	1.11	5.29	4.08	1.51
Rates and taxes	1.58	0.89	4.23	11.13	10.43
Electricity expenses	3.56	2.93	9.73	9.25	7.83
Repairs and maintenance	10.29	5.94	34.83	25.99	20.33
Communication costs	15.96	11.39	62.10	44.37	44.24
Printing and stationery	8.81	4.51	29.42	23.83	34.30
Advertisement and publicity	0.13	0.08	0.75	0.32	0.25
Directors fees, allowances and expenses	2.04	2.20	7.75	1.44	1.36
Auditor's fees and expenses (Refer note 33.1)	3.85	2.91	14.95	5.15	4.71
Legal and professional charges	11.06	23.48	152.87	118.31	138.96
Insurance	0.29	0.42	1.70	1.33	1.43
Corporate social responsibility expenses (Refer note 33.2)	-	-	69.97	42.86	0.74
Travel expenses	17.98	0.73	22.60	4.55	19.28
Information technology expenses	45.77	17.38	110.09	56.84	39.42
Loss on sale of property, plant and equipment	0.00	0.00	0.13	0.23	0.08
Bank charges	4.18	3.96	18.13	14.08	12.21
Collection/Recovery costs	0.20	-	27.92	0.16	2.59
Miscellaneous expenses	3.12	0.30	2.36	2.85	2.02
	<b>130.02</b>	<b>78.23</b>	<b>574.82</b>	<b>366.77</b>	<b>341.69</b>
<b>33.1 Payments to auditors (Refer Note)</b>					
Statutory audit including limited review	3.64	2.45	14.08	4.14	3.82
Tax audit	0.05	0.05	0.22	0.22	0.22
Other services	0.16	0.41	0.65	0.55	0.52
Reimbursement of expenses	-	-	-	0.24	0.15
	<b>3.85</b>	<b>2.91</b>	<b>14.95</b>	<b>5.15</b>	<b>4.71</b>

Note:

1. Payment to auditors towards statutory audit including limited review above includes INR.4.05 million paid to predecessor auditors during financial year 2021-2022.
2. Excludes remuneration to predecessor auditor during FY 2021-22 and for the period ended June 30,2022 for services in connection with proposed initial public offer of equity shares of the Company, which is included under other receivables as these will be recoverable from selling shareholders.

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**33.2 Details of expenditure on corporate social responsibility ("CSR")**

Particulars	Period Ended June 30,2022	Period Ended June 30,2021	Year ended March 31, 2022	Year ended March 31, 2021	Year ended March 31, 2020
(a) Amount required to be spent by the Company during the period/year	23.83	17.49	69.97	42.86	21.63
(b) Amount of expenditure incurred during the period/year	-	-	69.97	27.86	0.74
(c) Shortfall at the end of the period/year	23.83	17.49	-	15.00	20.89
(d) Total of previous years shortfall**	8.75	13.75	10.00	Not Applicable	Not Applicable
(e) Reason for shortfall	Not Applicable	Not Applicable	Not Applicable	*	*
(f) Nature of CSR activities	Contribution towards projects in the domain of education and healthcare .	Contribution towards projects in the domain of education and healthcare .	Contribution towards projects in the domain of education and healthcare.	Contribution to government relief funds and funds expended towards projects in the domain of education and others.	Expended towards activities for Public Safety
(g) Details of related party transactions	Nil	Nil	Nil	Nil	Nil

\* The reason for shortfall in CSR expenditure is on account of the fact that the management was in the process of identifying suitable projects and programme which can be identified which would complement the business of the company. Auditors have relied on the reasoning provided by the management

\*\* Against the shortfall of INR 10 million for the year ended March 31, 2021, the company pursuant to the approval of the board at its meeting held on March 22, 2021, has earmarked INR 10 million to be spent on an ongoing project towards welfare of education, under section 135 of the Companies Act 2013

**34 A Income tax**

**i. Current tax**

In respect of current year	469.42	382.95	1,595.91	1,255.73	1,008.37
In respect of prior years			-	3.68	(2.76)
	<b>469.42</b>	<b>382.95</b>	<b>1,595.91</b>	<b>1,259.41</b>	<b>1,005.61</b>

**ii. Deferred tax**

Attributable to- Origination and reversal of temporary differences	(2.14)	(45.13)	(89.27)	(84.95)	(132.11)
	<b>(2.14)</b>	<b>(45.13)</b>	<b>(89.27)</b>	<b>(84.95)</b>	<b>(132.11)</b>
<b>Tax expense (i)+(ii)</b>	<b>467.28</b>	<b>337.82</b>	<b>1,506.64</b>	<b>1,174.46</b>	<b>873.50</b>

**34 B Deferred tax recognized in other comprehensive income**

Tax Impact on Re-measurements of the defined benefit plan	1.08	4.47	4.32	2.65	3.74
Tax impact due to Cash Flow hedge reserve	1.40	-	3.18		
<b>Deferred tax charged to OCI</b>	<b>2.48</b>	<b>4.47</b>	<b>7.50</b>	<b>2.65</b>	<b>3.74</b>

**34 C Reconciliation of total tax expense**

Profit before tax	1,861.61	1,353.53	6,042.09	4,764.40	3,493.01
Applicable tax rate	25.17%	25.17%	25.17%	25.17%	25.17%
<b>Computed tax expense</b>	<b>468.53</b>	<b>340.66</b>	<b>1,520.67</b>	<b>1,199.10</b>	<b>879.11</b>
<b>Tax effect of :</b>					
<i>Permanent differences</i>					
Deduction u/s 80JJAA of the Income Tax Act, 1961	(7.44)	(7.22)	(28.87)	(36.26)	(24.49)
Disallowance related to CSR expenditure	6.04	4.38	17.61	10.83	0.17
Change in tax rate (refer note below)	-	-	-	-	19.44
Others	0.15	-	(2.77)	0.79	(0.73)
<b>Income tax expense recognised in statement of profit and loss (Pertaining to current period/ year)</b>	<b>467.28</b>	<b>337.82</b>	<b>1,506.64</b>	<b>1,174.46</b>	<b>873.50</b>
Effective tax rate	25.10%	24.96%	24.94%	24.65%	25.01%

Note: The Company has elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961, as introduced by the Taxation laws (Amendment) Ordinance, 2019. Accordingly, the Company had recognised provision for income tax and remeasured its net deferred tax asset at concessional rate from the financial year 2019-2020 onwards.

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Particulars	As at	As at	As at	As at	As at
	June 30, 2022	June 30, 2021	March 31, 2022	March 31, 2021	March 31, 2020
<b>35 Commitments</b>					
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	2.56	0.20	16.25	0.60	1.47
<b>36 Contingent liabilities</b>					
Claims against the Company not acknowledged as debt					
- Income tax related matters (excluding penalties and interest)	0.67	0.67	0.67	0.67	0.67
- Provident Fund (refer note below)					
In light of judgement of Honorable Supreme Court dated February 28, 2019 on the definition of "Basic Wages" under the Employees Provident Funds & Misc. Provisions Act, 1952 and based on the legal advice received, the Company has aligned the manner of computation of liability for Provident Fund effective the date of the order. There are significant uncertainties in determining the liability including, period of assessment, application for present and past employees and assessment of interest and penalties. The amount of the obligation therefore cannot be measured with sufficient reliability for past periods and hence disclosed as a contingent liability.					
<b>37 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006</b>					
Under Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with management and confirmation sought from suppliers on registration with specified authority under MSMED, principal amount, interest accrued and remaining unpaid and interest paid during the year/period to such enterprise is Nil.					
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year/ period					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year/period:					
	-	-	-	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year/ period) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;					
	-	-	-	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year/ period; and					
	-	-	-	-	-
The amount of further interest remaining due and payable even in the succeeding years/ periods, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.					
	-	-	-	-	-

Based on information received from the suppliers, the management has identified the enterprises which have provided services to the Company and which qualify under the definition of micro, medium and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act"). Such determination / identification for the purpose of presentation under this disclosure has been done on the basis of information received and available with the Company which has been solely relied upon by the auditors.

**38 Deferred tax assets / (liability):**

In relation to :

Difference between written down value of fixed assets as per books of accounts and income tax	18.34	14.03	19.72	13.41	9.52
Employee Benefits	77.24	63.46	64.06	44.85	30.39
Cash flow hedge reserve	4.58	-	3.18	-	-
Impairment allowance	204.13	220.05	227.79	198.72	128.98
Impact of Effective interest rate adjustment on Financial Assets	191.06	167.74	182.99	167.90	166.40
Impact of Effective interest rate adjustment on Financial liabilities	(26.86)	(48.22)	(33.89)	(57.33)	(54.51)
Recognition of lease liability and right to use asset	2.80	2.45	2.82	2.34	1.52
<b>Total</b>	<b>471.29</b>	<b>419.49</b>	<b>466.67</b>	<b>369.89</b>	<b>282.30</b>

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

	Opening Balance	Recognised in profit of loss	Recognised in other comprehensive income	Closing Balance
<b>For the year ended June 30, 2022:</b>				
Difference between written down value of fixed assets	19.72	(1.38)	-	18.34
Employee Benefits	64.06	12.10	1.08	77.24
Cash flow hedge reserve	3.18	(0.00)	1.40	4.58
Impairment allowance	227.79	(23.66)	-	204.13
Impact of Effective interest rate adjustment on Financial Assets	182.99	8.07	-	191.06
Impact of Effective interest rate adjustment on Financial liabilities	(33.89)	7.03	-	(26.86)
Recognition of lease liability and right to use asset	2.82	(0.03)	-	2.80
<b>Total</b>	<b>466.67</b>	<b>2.14</b>	<b>2.48</b>	<b>471.29</b>
	Opening Balance	Recognised in profit of loss	Recognised in other comprehensive income	Closing Balance
<b>For the year ended June 30, 2021:</b>				
Difference between written down value of fixed assets	13.41	0.62	-	14.03
Employee Benefits	44.85	14.14	4.47	63.46
Impairment allowance	198.72	21.33	-	220.05
Impact of Effective interest rate adjustment on Financial Assets	167.90	(0.16)	-	167.74
Impact of Effective interest rate adjustment on Financial liabilities	(57.33)	9.11	-	(48.22)
Recognition of lease liability and right to use asset	2.34	0.11	-	2.45
<b>Total</b>	<b>369.89</b>	<b>45.13</b>	<b>4.47</b>	<b>419.49</b>
	Opening Balance	Recognised in profit of loss	Recognised in other comprehensive income	Closing Balance
<b>For the year ended March 31, 2022:</b>				
Difference between written down value of fixed assets as per books of accounts and income tax	13.41	6.31	-	19.72
Employee Benefits	44.85	14.89	4.32	64.06
Cash flow hedge reserve	-	-	3.18	3.18
Impairment allowance	198.72	29.07	-	227.79
Impact of Effective interest rate adjustment on Financial Assets	167.90	15.09	-	182.99
Impact of Effective interest rate adjustment on Financial liabilities	(57.33)	23.44	-	(33.89)
Recognition of lease liability and right to use asset	2.34	0.48	-	2.82
<b>Total</b>	<b>369.89</b>	<b>89.27</b>	<b>7.50</b>	<b>466.67</b>

38 Deferred tax assets / (liability)

	Opening Balance	Recognised in profit of loss	Recognised in other comprehensive income	Closing Balance
<b>For the year ended March 31, 2021:</b>				
Difference between written down value of fixed assets as per books of accounts and income tax	9.52	3.89	-	13.41
Employee Benefits	30.39	11.81	2.65	44.85
Impairment allowance	128.98	69.74	-	198.72
Impact of Effective interest rate adjustment on Financial Assets	166.40	1.50	-	167.90
Impact of Effective interest rate adjustment on Financial liabilities	(54.51)	(2.82)	-	(57.33)
Recognition of lease liability and right to use asset	1.52	0.82	-	2.34
<b>Total</b>	<b>282.30</b>	<b>84.95</b>	<b>2.65</b>	<b>369.89</b>
<b>For the year ended March 31, 2020:</b>				
Difference between written down value of fixed assets as per books of accounts and income tax	6.95	2.57	-	9.52
Employee Benefits	15.93	10.72	3.74	30.39
Preliminary expense	0.11	(0.11)	-	-
Impairment allowance	34.29	94.69	-	128.98
Impact of Effective interest rate adjustment on Financial Assets	103.04	63.36	-	166.40
Impact of Effective interest rate adjustment on Financial liabilities	(13.87)	(40.64)	-	(54.51)
Recognition of lease liability and right to use asset	-	1.52	-	1.52
<b>Total</b>	<b>146.45</b>	<b>132.11</b>	<b>3.74</b>	<b>282.30</b>

39 Leases

The Company has taken office premises on lease for its operations. The Company's obligations under its leases are secured by the lessor's title to the leased assets. The Company also has certain leases with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of lease liabilities included under financial liabilities and the movements during the year:

i) Movement in carrying value of right of use assets

Particulars	For the period ended June 30, 2022	For the period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening balance	197.81	145.26	145.26	148.80	-
Right of use asset recognised on initial application of IND AS 116	-	-	-	-	110.47
Reclassification of prepaid rent as at April 1, 2019	-	-	-	-	4.61
Additions during the year	31.81	36.52	126.40	68.33	88.41
Depreciation	(19.82)	(15.13)	(63.12)	(55.44)	(43.83)
Derecognition on termination of leases	(1.84)	(1.36)	(10.73)	(16.43)	(10.86)
<b>Closing balance</b>	<b>207.96</b>	<b>165.31</b>	<b>197.81</b>	<b>145.26</b>	<b>148.80</b>

39 Leases

ii) Movement in lease liabilities

Particulars	For the period ended June 30, 2022	For the period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening balance	211.33	152.94	152.94	155.53	-
Lease liabilities recognised on initial application of IND AS 116	-	-	-	-	116.24
Additions during the period / year	31.81	36.524	127.27	68.21	87.15
Interest on lease liabilities	5.3	4.71	22.00	17.95	16.78
Rent payments	(22.90)	(18.31)	(77.98)	(68.08)	(53.12)
Derecognition on termination of leases	(3.10)	(1.68)	(12.90)	(20.67)	(11.52)
<b>Closing balance</b>	<b>222.44</b>	<b>174.18</b>	<b>211.33</b>	<b>152.94</b>	<b>155.53</b>

iii) Amounts recognised in statement of profit and loss

Particulars	For the period ended June 30, 2022	For the period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
Rent expense on short term leases	1.20	1.11	5.29	4.08	1.51
Interest on lease liabilities	5.30	4.71	22.00	17.95	16.78
Depreciation on Right of use asset	19.82	15.13	63.12	55.44	43.83
Gain recognised on derecognition of leases	(1.25)	(0.33)	(2.17)	(4.23)	(0.66)
Rent concession related to COVID-19	-	-	-	(1.91)	-

iv) Future lease commitments

Particulars	For the period ended June 30, 2022	For the period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
Future undiscounted lease payments to which leases is not yet commenced	25.95	4.06	4.11	88.28	38.59

v) Cash flows

Particulars	For the period ended June 30, 2022	For the period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
Total cash outflow for leases	24.10	19.42	83.27	72.16	54.63

vi) Maturity analysis of undiscounted lease liabilities

Particulars	For the period ended June 30, 2022	For the period ended June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
Not later than one year	84.28	70.76	80.56	60.84	63.68
Later than one year and not later than five years	162.80	129.51	155.49	115.60	115.35
Later than five years	267.84	212.08	19.19	12.81	16.18

Lease liabilities are recognised at weighted average incremental borrowing rate ranging from 8.41% to 12.50%

**40 Earnings per share**

Particulars	For the period ended June 30, 2022	For the period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
Profit after tax	1,394.33	1,015.71	4,535.45	3,589.94	2,619.51
Weighted Average Number of Equity Shares in calculation of basic earnings per share	29,13,48,933	26,71,23,706	28,18,98,756	25,61,81,767	25,37,33,970
Dilution on account of ESOP and partly-paid up shares	31,10,155	1,03,80,616	30,29,537	76,67,340	64,04,630
Weighted Average Number of Equity Shares in calculation of diluted earnings per share	29,44,59,088	27,75,04,322	28,49,28,293	26,38,49,107	26,01,38,600
Basic earnings per share	4.79	3.80	16.09	14.01	10.32
Diluted earnings per share	4.74	3.66	15.92	13.61	10.07
	Not Annualized	Not Annualized	Annualized	Annualized	Annualized

During the year ended March 31, 2022, the Board of Directors of the Company in its meeting held on September 8, 2021 and shareholders in the Extraordinary General Meeting held on October 8, 2021 approved the sub-division of shares from ₹ 10 per share to ₹ 1 per share. The number of shares used for the calculation of earnings per share, and the earnings per share in the above note (including that in the comparative periods), have been adjusted for pursuant to Paragraph 64 of Ind AS 33 - "Earnings Per Share", prescribed under Section 133 of the Companies Act, 2013.

**41 Segment Information**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Company's Chairman and Managing Director (CMD) to make decisions about resources to be allocated to the segments and assess their performance. The CMD is considered to be the Chief Operating Decision Maker (CODM) within the purview of Ind AS 108 Operating Segments.

The CODM considers the entire business of the Company on a holistic basis to make operating decisions and thus there are no segregated operating segments. The Company is primarily engaged in providing loans for business purposes, house renovation / extension purposes and other mortgage purposes. The CODM of the Company reviews the operating results of the Company as a whole and therefore not more than one reportable segment is required to be disclosed by the Company as envisaged by Ind AS 108 Operating Segments. Accordingly, amounts appearing in these Restated Financial Information relates to small business loans and loans for house renovations / extensions etc.

The Company does not have any separate geographic segment other than India. As such there are no separate reportable segments as per Ind AS 108 Operating Segments.

## 42 Employee benefits - post employment benefit plans

### A Defined contribution plans

The Company makes provident fund and employee state insurance scheme contributions which are defined contribution plans, for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised INR 30.56 million (June 30, 2021 - 18.92 million, March 31, 2022 - 88.97 million, March 31, 2021 - 67.22 million, March 31, 2020 - INR 49.23 million) for provident fund contributions, and INR 8.40 million (June 30, 2021 - 5.72, March 31, 2022 - 24.52 million, March 31, 2021 - 20.45 million, March 31, 2020 - INR 16.86 million) for employee state insurance scheme contributions in the statement of profit and loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

### B Defined benefit plans

#### Gratuity

The Company operates a defined benefit plan (the Gratuity plan) covering eligible employees. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age/ resignation date.

The defined benefit plans expose the Company to risks such as Actuarial risk, Investment risk, Liquidity risk, Market risk, Legislative risk. These are discussed as follows:

**Actuarial risk:** It is the risk that benefits will cost more than expected. This can arise due to one of the following reasons:

Adverse salary growth experience: Salary hikes that are higher than the assumed salary escalation will result into an increase in obligation at a rate that is higher than expected.

Variability in mortality rates: If actual mortality rates are higher than assumed mortality rate assumption then the gratuity benefits will be paid earlier than expected. Since there is no condition of vesting on the death benefit, the acceleration of cash flow will lead to an actuarial loss or gain depending on the relative values of the assumed salary growth and

Variability in withdrawal rates: If actual withdrawal rates are higher than assumed withdrawal rate assumption then the Gratuity Benefits will be paid earlier than expected. The impact of this will depend on whether the benefits are vested as at the resignation date.

**Investment risk:** For funded plans that rely on insurers for managing the assets, the value of assets certified by the insurer may not be the fair value of instruments backing the liability. In such cases, the present value of the assets is independent of the future discount rate. This can result in wide fluctuations in the net liability or the funded status if there are significant changes in the discount rate during the inter-valuation period.

**Liquidity risk:** Employees with high salaries and long durations or those higher in hierarchy, accumulate significant level of benefits. If some of such employees resign/retire from the company there can be strain on the cash flows.

**Market risk:** Market risk is a collective term for risks that are related to the changes and fluctuations of the financial markets. One actuarial assumption that has a material effect is the discount rate. The discount rate reflects the time value of money. An increase in discount rate leads to decrease in defined benefit obligation of the plan benefits and vice versa. This assumption depends on the yields on the government bonds and hence the valuation of liability is exposed to fluctuations in the yields as at the valuation date.

**Legislative risk:** Legislative risk is the risk of increase in the plan liabilities or reduction in the plan assets due to change in the legislation/regulation. The government may amend the labour laws, thus requiring the companies to pay higher benefits to the employees. This will directly affect the present value of the defined benefit obligation and the same will have to be recognized immediately in the year when any such amendment is effective.

#### Funding

The Company has funded their gratuity liability with Life Insurance Corporation. Gratuity provision has been made based on the actuarial valuation.

#### Reconciliation of net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit asset (liability) and its components.

Particulars	As at	As at	As at	As at	As at
	June 30, 2022	June 30, 2021	March 31, 2022	March 31, 2021	March 31, 2020
Present value of obligations	152.02	105.88	124.68	81.16	50.10
Fair value of plan assets	(91.71)	(56.01)	(90.72)	(55.68)	(25.39)
<b>Asset/ (Liability) recognised in the balance sheet</b>	<b>(60.31)</b>	<b>(49.87)</b>	<b>(33.96)</b>	<b>(25.48)</b>	<b>(24.71)</b>

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**B Defined benefit plans**

<i>Reconciliation of present value of defined benefit obligation</i>	As at	As at	As at	As at	As at
	June 30, 2022	June 30, 2021	March 31, 2022	March 31, 2021	March 31, 2020
Balance at the beginning of the period/ year	124.68	81.16	81.16	50.10	25.57
Benefits paid	(1.45)	(0.50)	(3.96)	(2.09)	(0.85)
Current service cost	21.57	6.33	25.34	19.60	8.58
Interest cost	1.81	1.10	4.32	2.85	1.73
Actuarial (gain)/loss recognized in other comprehensive income	-	-	-	-	-
changes in demographic assumptions	-	-	-	-	-
changes in financial assumptions	-	-	(2.44)	1.47	2.74
experience adjustments	5.41	17.79	20.26	9.23	12.33
<b>Balance at the end of the period/ year</b>	<b>152.02</b>	<b>105.88</b>	<b>124.68</b>	<b>81.16</b>	<b>50.10</b>

**Expense recognized in profit and loss**

Current service cost	21.57	6.33	25.34	19.60	8.58
Net Interest cost	0.50	0.35	0.45	0.56	0.89
	<b>22.06</b>	<b>6.68</b>	<b>25.79</b>	<b>20.16</b>	<b>9.47</b>

**Remeasurements recognized in other comprehensive income**

Actuarial (gain) loss on defined benefit obligation	4.29	17.79	17.82	10.70	15.07
Return on plan assets excluding interest income	-	(0.04)	(0.66)	(0.17)	(0.19)
	<b>4.29</b>	<b>17.75</b>	<b>17.16</b>	<b>10.53</b>	<b>14.88</b>

**Changes in the fair value of plan assets**

Fair value of plan assets as at the beginning of the period/ year	90.72	55.68	55.68	25.39	-
Expected return on plan assets	1.32	0.76	3.87	2.29	0.83
Contributions	0.00	0.00	34.46	29.92	25.00
Direct Contributions towards direct benefit payments	-	0.04	-	-	0.21
Benefits paid and Charges deducted from the fund	(1.45)	(0.47)	(3.95)	(2.09)	(0.63)
Direct Benefit Payments	-	(0.04)	-	-	(0.21)
Actuarial gain/(loss) on plan assets	1.12	0.04	0.66	0.17	0.19
<b>Fair value of plan assets as at the end of the period/ year</b>	<b>91.71</b>	<b>56.01</b>	<b>90.72</b>	<b>55.68</b>	<b>25.39</b>

**Net defined benefit (asset) liability**

<b>Actuarial assumptions</b>	<b>60.30</b>	<b>49.87</b>	<b>33.96</b>	<b>25.48</b>	<b>24.71</b>
Discount rate	7.04%	5.51%	5.85%	5.46%	5.81%
Future salary growth	15.00%	15.00%	15.00%	15.00%	15.00%
Attrition rate	25.00%	25.00%	25.00%	25.00%	25.00%

**Sensitivity Analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
Discount rate					
-1% increase	(7.46)	(5.27)	(5.87)	(4.08)	(2.57)
-1% decrease	8.22	5.82	6.45	4.50	2.83
Future salary growth					
-1% increase	7.70	5.44	3.01	2.33	2.62
-1% decrease	(7.21)	(5.08)	(3.25)	(2.51)	(2.46)
Attrition rate					
-1% increase	(3.66)	(2.94)	(6.03)	(4.17)	(1.52)
-1% decrease	3.98	3.19	5.66	3.89	1.63

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Particulars	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
Average Duration of Defined Benefit Obligations (in Years)	5.50	6.00	5.70	6.05	6.20
Projected undiscounted expected benefit outgo (mid year cash flows) (in lakhs)					
Year 1	19.58	11.15	14.94	8.03	4.57
Year 2	23.22	12.98	18.20	9.79	5.52
Year 3	25.05	15.29	19.83	11.54	6.64
Year 4	21.64	16.52	17.25	12.97	7.66
Year 5	20.59	13.85	15.62	10.87	8.09
Next 5 Years	66.08	44.14	50.74	34.09	22.45
Expected benefit payments for the next annual reporting year (in milli)	19.58	11.15	14.94	8.03	4.57



**Five-Star Business Finance Limited**

**Summary of significant accounting policies and other explanatory information**

(All amounts are in Indian Rupees in millions, unless otherwise stated)

**43 Share Based Payments**

**A Description of schemes**

The decision to introduce Five-Star Associate Stock Option Scheme, 2015 (hereinafter called "FIVE-STAR ASOP, 2015") was taken by the Board of Directors at the meeting held on September 18, 2015 and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on April 12, 2016. The total options issuable under the plan are upto 563,000 options.

Later, the Board of Directors issued another scheme, named Five-Star Associate Stock Option Scheme, 2018 (hereinafter called "FIVE-STAR ASOP, 2018") at their meeting held on February 28, 2018 and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on March 26, 2018. The total options issuable under the plan are upto 500,000 options.

Nomination and Remuneration Committee constituted by the Board of Directors of the Company administers the plans. Under these plans, the participants are granted options which vest as per the schedule provided in the Grant Letter given to each of the participants. The time period for exercise of these options is defined in the Scheme document.

**i Reconciliation of outstanding share options**

	As at June 30, 2022		As at June 30, 2021	
	Weighted average exercise price per option	Number of options	Weighted average exercise price per option	Number of options
Outstanding at beginning of period	65.01	39,08,000	569.88	4,69,300
Addition in number of options on account of share split*	-	-	-	-
Forfeited during the period	13.00	38,000	-	-
Exercised during the period	111.36	23,000	130.00	200
Granted during the period	83.65	2,76,530	961.65	54,000
Outstanding as at end of period	66.48	41,23,530	610.49	5,23,100
<b>Exercisable at the end of the period</b>	<b>56.67</b>	<b>96,000</b>	<b>130.00</b>	<b>51,300</b>

	As at March 31, 2022		As at March 31, 2021		As at March 31, 2020	
	Weighted average exercise price per option	Number of options	Weighted average exercise price per option	Number of options	Weighted average exercise price per option	Number of options
Outstanding at beginning of period	56.99	4,69,300	121.63	1,60,150	50.03	3,30,600
Addition in number of options on account of share split*		42,23,700	-	-	-	-
Forfeited during the period	114.96	2,04,000	-	-	85.00	1,000
Exercised during the period	44.53	17,18,000	46.31	62,850	12.19	1,78,450
Granted during the period	76.12	11,37,000	674.40	3,72,000	674.40	9,000
Outstanding as at end of period	65.01	39,08,000	569.88	4,69,300	121.63	1,60,150
<b>Exercisable at the end of the period</b>	<b>67.44</b>	<b>2,000</b>	<b>130.00</b>	<b>48,000</b>	<b>101.93</b>	<b>42,750</b>

The weighted average share price at the date of exercise of options exercised during the period ended June 30, 2022 is INR 399.86 per share ( June 30, 2021 is INR 3518.00 per share , March 31, 2022 is INR 375.49 per share , March 31, 2021 : INR 1,501.23 per share, March 31, 2020 : INR 2,122.87 per share)

Note: During the year ended March 31, 2022, the Board of Directors of the Company in its meeting held on September 8, 2021 and shareholders in the Extraordinary General Meeting held on October 8, 2021 approved the sub-division of shares from ₹ 10 per share to ₹ 1 per share. Also refer note-40.

**For the options outstanding at the end of the year/ period:**

	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
Weighted average remaining contractual life (in years)	6.47	6.48	6.63	6.61	5.43
Range of exercise prices (INR)	1-236.44	130-1,320.72	1-236.440	10-674.40	10-674.4

**ii Expense recognised in the statement of profit and loss**

	For the period ended June 30, 2022	For the period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
Total expense	76.73	98.23	354.42	150.94	16.80

**iii Measurement of fair values #**

The fair value of options have been estimated on the dates of each grant using the Black Scholes model. As the Company is unlisted, the expected price volatility is based on historical volatility (based on the remaining life of the options) in share prices of a listed proxy. The various inputs considered in the pricing model for the stock options granted by the Company during the year are as follows:

	For the period ended June 30, 2022	For the period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
Share price on Grant date (INR)	399.86	3,518.00	351.80-385.49	1,466.24-2,187.24	2128.91
Weighted average share price (INR)	399.86	3,518.00	351.80-385.49	1,466.24-2,187.24	2128.91
Exercise price (INR)	67.44 - 236.40	674.40 - 1320.72	1 - 236.44	674.4	674.40
Fair value of options at grant date (INR)	234.32 - 349.16	2480.05 - 3039.39	212.56 - 384.82	932.13 - 1,755.59	1591.82 - 1716.24
Expected volatility	39.75% - 48.43%	37.67% - 44.53%	37.67% - 47.78%	34.42% - 38.28%	31.06% - 33.56%
Option term	3.54 - 7.54 years	3.54 - 7.54 years	3.54 - 7.54 years	3.54 - 7.54 years	3.54 - 7.54 years
Expected dividends	Nil	Nil	Nil	Nil	Nil
Risk free interest rate	5.45% - 5.50%	5.30% - 5.40%	5.30% - 5.40%	5.30% - 5.40%	6.25%

#The above disclosure for June 30, 2022 and March 2022 is after considering the subdivision of shares from ₹ 10 per share to ₹ 1 per share. Also Refer note 40.

**44 Related party disclosures**

**a Name of the related parties and nature of relationship:**

**Key Management Personnel :**

D. Lakshmiopathy, Chairman and Managing Director  
 K.Rangarajan, Chief Executive Officer  
 G. Srikanth, Chief Financial Officer upto May 31, 2021; Chief - Strategy and Finance from June 1, 2021 to March 19, 2022 and Chief Financial Officer from March 20, 2022  
 Roopa Sampath Kumar, Chief Financial Officer (from June 1, 2021 to March 19 2022)  
 B. Shalini, Company Secretary

**Director and relative of Key Management Personnel / Director**

L. Hema, Wife of Mr. D. Lakshmiopathy  
 R. Deenadayalan, Father of Mr. D. Lakshmiopathy  
 B Sudha, Sister of Mr. D. Lakshmiopathy  
 L.Shritha, Daughter of Mr.D. Lakshmiopathy  
 Bhama Krishnamurthy, Independent Director  
 B. Haribabu, Independent Director (upto October 20, 2021)  
 A. Ramanathan, Independent Director (upto May 25, 2022)  
 T.T. Srinivasaraghavan, Independent Director (from August 25, 2021)  
 L.R. Ravi Prasad, Non-executive Director (upto October 20, 2021)  
 Ramkumar Ramamoorthy, Independent Director( from June 08, 2022)  
 V. Thirulokchand, Non-executive Director  
 R Anand, Independent Director  
 Vikram Vaidyanathan, Non-Executive Director  
 G V Ravishankar, Non-Executive Director  
 R. Bhuvanewari, Wife of Mr. L.R Ravi Prasad  
 L.R.Deepak Krishna, Son of Mr. L.R Ravi Prasad  
 L.R.Venkatesh, Son of Mr. L.R. Ravi Prasad

**Entities with Significant Influence over the Company**

TPG Asia VII SF Pte. Ltd.(from 29 August 2019)  
 M/s.NHPEA Chocolate Holding B.V. (upto 29 August 2019)  
 Matrix Partners India Investment Holding II LLC  
 SCI Investments V

**b Key management personnel (KMP) compensation**

**Short-term employee benefits**

	For the period ended June 30, 2022	For the period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
D. Lakshmiopathy	19.58	15.67	63.17	50.19	50.33
K.Rangarajan	6.74	5.72	23.56	19.22	17.66
G.Srikanth	3.84	3.26	13.51	11.19	10.11
Roopa Sampath Kumar	-	1.04	9.61	-	-
B.Shalini	0.45	0.27	1.13	0.82	0.75

**Post employment benefits**

D. Lakshmiopathy	0.01	0.01	0.02	0.02	0.02
K.Rangarajan	0.01	0.01	0.02	0.02	0.02
G.Srikanth	0.01	0.01	0.02	0.02	0.02
Roopa Sampath Kumar	-	0.00	0.02	-	-
B.Shalini	0.01	0.01	0.02	0.02	0.02

**Share based payments**

K.Rangarajan	38.49	69.74	233.25	96.96	1.09
G.Srikanth	11.97	19.78	62.41	32.83	0.34
B.Shalini	0.18	-	1.47	-	-
Roopa Sampath Kumar	-	2.15	-	-	-

**Directors sitting fees and commission**

	For the period ended June 30, 2022	For the period ended June 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
R Anand	0.42	0.37	1.38	0.62	0.55
Bhama Krishnamurthy	0.46	0.37	1.34	0.62	0.53
B. Haribabu	-	0.33	0.66	0.50	0.51
A. Ramanathan	0.28	0.37	1.34	0.56	0.54
L.R Ravi Prasad	-	0.33	0.66	0.45	0.48
V. Thirulokchand	0.30	0.25	0.90	0.45	0.45
T.T. Srinivasaraghavan	0.30	-	0.83	-	-
Ramkumar Ramamoorthy	0.10	-	-	-	-

Managerial remuneration above does not include gratuity and compensated absences, since the same are provided on actuarial basis for the company as a whole and the amount attributable to the key managerial personnel cannot be ascertained separately.

Compensation to independent and non-executive directors represent commission and sitting fees paid.

**Five-Star Business Finance Limited**

**Summary of significant accounting policies and other explanatory information**

(All amounts are in Indian Rupees in millions, unless otherwise stated)

**44 Related party disclosures**

**c Details of related party transactions**

**Nature of transaction**

**Interest expense**

R.Bhuvaneshwari	-	-	-	-	0.00**
L.R.Deepak Krishna	-	-	-	-	0.03
L.R. Ravi Prasad	-	-	-	-	0.00**
L.R. Venkatesh	-	-	-	-	0.02

**Issue of equity shares**

TPG Asia VII SF Pte. Ltd.	-	-	-	-	13.32
D. Lakshmiopathy	-	-	3.00	-	1.53
K.Rangarajan	-	-	0.68	0.42	1.56
G. Srikanth	-	-	0.25	0.10	0.30
B.Shalini	0.00	-	-	-	-

**Receipt of pending call money of partly paid up shares**

D. Lakshmiopathy	-	-	13.73	-	-
K.Rangarajan	-	-	0.58	-	-
G. Srikanth	-	-	0.40	-	-

**Receipt of Securities Premium**

TPG Asia VII SF Pte. Ltd.	-	-	-	-	3,136.68
D. Lakshmiopathy	-	-	3,568.18	-	13.73
K.Rangarajan	-	-	126.67	-	0.58
G. Srikanth	-	-	72.19	-	0.40
B.Shalini	0.39	-	-	-	-

**Loans repaid**

R.Bhuvaneshwari	-	-	-	-	0.12
L.R.Deepak Krishna	-	-	-	-	3.43
L.R. Ravi Prasad	-	-	-	-	0.30
L.R. Venkatesh	-	-	-	-	2.72

**Year end balances (payable) : Others**

D. Lakshmiopathy	9.60	7.68	12.60	10.68	10.02
K.Rangarajan	3.01	2.64	4.09	3.36	3.36
G. Srikanth	1.28	1.15	1.29	1.14	1.07
Roopa Sampath Kumar	-	0.54	-	-	-
B.Shalini	0.10	0.08	-	-	-
R Anand	0.15	0.09	0.36	0.28	0.27
Bhama Krishnamurthy	0.15	0.09	0.36	0.28	0.27
B. Haribabu	-	0.09	0.18	0.28	0.27
A. Ramanathan	0.10	0.09	0.36	0.28	0.27
L.R Ravi Prasad	-	0.09	0.18	0.28	0.27
V. Thirulokchand	0.15	0.09	0.36	0.28	0.27
T.T. Srinivasaraghavan	0.15	-	0.36	-	-
Ramkumar Ramamoorthy	0.05	-	-	-	-

In addition to the above note, the Debt Securities and borrowings other than debt securities aggregating to INR 8,435.80 million has been guaranteed by the promoter, Mr. D Lakshmiopathy.

\*\* Absolute value is less than INR 1 lakh

#### 45 Capital

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the regulator, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

The Company has complied in full with all its externally imposed capital requirements over the reporting period.

##### Capital management

The primary capital management objective is to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years with regard to capital management. However, they are under constant review by the Board.

#### i Net Debt to Equity Ratio

Consistent with the others in industry, the company monitors the capital on the basis of gearing ratio (Net Debt divided by Equity). Under the terms of the major borrowing facilities, the company is required to maintain the gearing ratio in line with the RBI guidelines or in a slightly more conservative manner. The actual gearing stipulated differs between the various lending agreements. The company has complied with this covenant through out the year.

	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
<b>Equity</b>	38,569.75	29,444.13	37,103.51	23,181.72	19,445.80
Debt Securities	9,474.05	12,238.38	10,085.34	13,037.86	10,788.64
Borrowings other than Debt Securities	15,729.14	18,973.80	15,502.97	21,214.11	12,848.29
Cash and Cash equivalents	4,095.66	9,837.38	6,131.63	12,671.83	2,897.79
<b>Net Debt</b>	21,107.55	21,374.80	19,456.68	21,580.14	20,739.14
<b>Net Debt to Equity Ratio</b>	<b>0.55</b>	<b>0.73</b>	<b>0.52</b>	<b>0.93</b>	<b>1.07</b>

#### ii Regulatory capital

The company has to mandatorily comply with the capital adequacy requirements stipulated by Reserve Bank of India from time to time. Capital adequacy ratio or capital-to-risk weighted assets ratio (CRAR) is computed by dividing company's Tier I and Tier II capital by risk weighted assets.

Tier I capital comprised of share capital, share premium, retained earnings including current year profit and Tier II capital comprises of provision on standard assets. Risk weighted assets represents the weighted sum of company's credit exposures based on their risk.

	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
Tier I Capital	34,795.92	25,580.24	33,581.47	19,669.00	18,477.74
Tier II Capital	-	-	-	-	-
<b>Total Capital</b>	<b>34,795.92</b>	<b>25,580.24</b>	<b>33,581.47</b>	<b>19,669.00</b>	<b>18,477.74</b>
CRAR%	69.93	68.13	75.20	58.86	52.94
CRAR - Tier I Capital%	69.93	68.13	75.20	58.86	52.94
CRAR - Tier II Capital%	-	-	-	-	-
Amount of subordinated debt raised as Tier-II capital	-	-	-	-	-
Amount raised by issue of perpetual debt instruments	-	-	-	-	-

Tier I capital consists of shareholders' equity and retained earnings. Tier II Capital consists of general provision and loss reserve against stage 1 assets. Credit enhancement relating to securitisation has been adjusted against Tier I and Tier II capital in accordance with RBI circular DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020. Tier I and Tier II capital has been reported on the basis of Ind AS financial information. Risk weighted assets represents the weighted sum of company's credit exposures based on their risk as prescribed by RBI guidelines.

**46 Fair Value Measurement**

**Fair Value Hierarchy**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair value disclosures are provided in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards.

The following methodologies and assumptions were used to estimate the fair values of the financial assets or liabilities

- i) The fair value of loans have estimated by discounting expected future cash flows using discount rate equal to the rate near to the reporting date of the comparable product
- ii) The fair value of debt securities, borrowings other than debt securities and subordinated liabilities have estimated by discounting expected future cash flows discounting rates.
- iii) The fair values of Debt Securities and Borrowings other than Debt securities are estimated by discounted cash flow models that incorporate interest cost estimates considering all significant characteristics of the borrowing. They are classified as Level 3 fair values in the fair value hierarchy due to the use of unobservable inputs
- iv) The fair value of investment in Government securities are derived from rate equal to the rate near to the reporting date of the comparable product.
- v) The fair value of Derivatives are determined using inputs that are directly or indirectly observable in market place.

**(a) Fair Value of financial instruments recognised and measured at fair value**

Particulars	Level 1	Level 2	Level 3	Total
<b>As at June 30, 2022</b>				
<b>Financial Assets</b>				
Derivative Financial Instruments	-	4.08	-	4.08

For all the Company's assets and liabilities which are not carried at fair value, disclosure of fair value is not required as the carrying amounts approximates the fair value, except as stated below. Such estimation is determined based on inputs where one or more unobservable input is significant to the measurement of the instrument as a whole (level 3), except for cash and cash equivalents, bank balances other than cash and cash equivalents and investments where such estimation is determined based on unadjusted quoted prices from active markets for identical assets (level 1). The fair value of investment, Loans, debt securities and borrowings other than debt securities for three Months ended June 22 amounted to 1800.50 million, 54,898.91 million, 9,493.65 million and 15,696.48 million respectively .

**(a) Fair Value of financial instruments recognised and measured at fair value**

Particulars	Level 1	Level 2	Level 3	Total
<b>As at June 30, 2021</b>				
<b>Financial Assets</b>				
Derivative Financial Instruments	-	-	-	-

For all the Company's assets and liabilities which are not carried at fair value, disclosure of fair value is not required as the carrying amounts approximates the fair value, except as stated below. Such estimation is determined based on inputs where one or more unobservable input is significant to the measurement of the instrument as a whole (level 3), except for cash and cash equivalents, bank balances other than cash and cash equivalents and investments where such estimation is determined based on unadjusted quoted prices from active markets for identical assets (level 1). The fair value of Loans, debt securities and borrowings other than debt securities for three Months ended June 21 amounted to 45,020.21 million, 12,305.16 million and 19,235.75 million respectively .

Particulars	Level 1	Level 2	Level 3	Total
<b>As at March 31, 2022</b>				
<b>Financial liabilities</b>				
Derivative Financial Instruments	-	13.89	-	13.89

For all the Company's assets and liabilities which are not carried at fair value, disclosure of fair value is not required as the carrying amounts approximates the fair value, except as stated below. Such estimation is determined based on inputs where one or more unobservable input is significant to the measurement of the instrument as a whole (level 3), except for cash and cash equivalents, bank balances other than cash and cash equivalents and investments where such estimation is determined based on unadjusted quoted prices from active markets for identical assets (level 1). The fair value of investment, Loans, debt securities and borrowings other than debt securities FY 22 amounted to INR 2,454.65 millions, INR 51,753.93 millions, INR 10,629.18 millions and INR 15,565.68 millions respectively.

**(b) Fair Value of Financial Instruments Recognition**

**Financial instruments by category**

The carrying value of financial instruments by categories as of June 30, 2022 were as follows:

Particulars	Carrying amount			Total carrying value
	Amortised cost	Fair value through profit or loss	Other Comprehensive Income	
<b>Financial assets:</b>				
Cash and cash equivalents	4,095.66	-	-	4,095.66
Bank balances other than cash and cash equivalents	3,036.44	-	-	3,036.44
Loans	54,543.53	-	-	54,543.53
Investments	1,891.60	-	-	1,891.60
Derivative financial instruments	-	-	4.08	4.08
Other financial assets	187.02	-	-	187.02
<b>Total</b>	<b>63,754.25</b>	<b>-</b>	<b>4.08</b>	<b>63,758.33</b>
<b>Financial liabilities:</b>				
Trade payables	109.30	-	-	109.30
Debt securities	9,474.05	-	-	9,474.05
Borrowings (Other than debt securities)	15,729.14	-	-	15,729.14
Other financial liabilities	535.44	-	-	535.44
<b>Total</b>	<b>25,847.93</b>	<b>-</b>	<b>-</b>	<b>25,847.93</b>

**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

The carrying value of financial instruments by categories as of June 30, 2021 were as follows:

Particulars	Carrying amount			Total carrying value
	Amortised cost	Fair value through profit or loss	Other Comprehensive Income	
<b>Financial assets:</b>				
Cash and cash equivalents	9,837.38	-	-	9,837.38
Bank balances other than cash and cash equivalents	4,289.73	-	-	4,289.73
Loans	44,834.72	-	-	44,834.72
Investments	-	1,500.00	-	1,500.00
Other financial assets	55.65	-	-	55.65
<b>Total</b>	<b>59,017.48</b>	<b>1,500.00</b>	<b>-</b>	<b>60,517.48</b>
<b>Financial liabilities:</b>				
Trade payables	69.41	-	-	69.41
Debt securities	12,238.38	-	-	12,238.38
Borrowings (Other than debt securities)	18,973.80	-	-	18,973.80
Other financial liabilities	397.99	-	-	397.99
<b>Total</b>	<b>31,679.58</b>	<b>-</b>	<b>-</b>	<b>31,679.58</b>

The carrying value of financial instruments by categories as of March 31, 2022 were as follows:

Particulars	Carrying amount			Total carrying value
	Amortised cost	Fair value through profit or loss	Other Comprehensive Income	
<b>Financial assets:</b>				
Cash and cash equivalents	6,131.63	-	-	6,131.63
Bank balances other than cash and cash equivalents	2,667.75	-	-	2,667.75
Loans	51,024.11	-	-	51,024.11
Investments	2,481.84	-	-	2,481.84
Other financial assets	179.79	-	-	179.79
<b>Total</b>	<b>62,485.12</b>	<b>-</b>	<b>-</b>	<b>62,485.12</b>
<b>Financial liabilities:</b>				
Derivative financial instruments	-	-	13.89	13.89
Trade payables	130.04	-	-	130.04
Debt securities	10,085.34	-	-	10,085.34
Borrowings (Other than debt securities)	15,502.97	-	-	15,502.97
Other financial liabilities	414.68	-	-	414.68
<b>Total</b>	<b>26,133.03</b>	<b>-</b>	<b>13.89</b>	<b>26,146.92</b>

The carrying value of financial instruments by categories as of March 31, 2021 were as follows:

Particulars	Carrying amount			Total carrying value
	Amortised cost	Fair value through profit or loss	Other Comprehensive Income	
<b>Financial assets:</b>				
Cash and cash equivalents	12,671.83	-	-	12,671.83
Bank balances other than cash and cash equivalents	885.40	-	-	885.40
Loans	43,587.49	-	-	43,587.49
Other financial assets	47.43	-	-	47.43
<b>Total</b>	<b>57,192.15</b>	<b>-</b>	<b>-</b>	<b>57,192.15</b>
<b>Financial liabilities:</b>				
Trade payables	86.72	-	-	86.72
Debt securities	13,037.86	-	-	13,037.86
Borrowings (Other than debt securities)	21,214.11	-	-	21,214.11
Other financial liabilities	171.69	-	-	171.69
<b>Total</b>	<b>34,510.38</b>	<b>-</b>	<b>-</b>	<b>34,510.38</b>

The carrying value of financial instruments by categories as of March 31, 2020 were as follows:

Particulars	Carrying amount			Total carrying value
	Amortised cost	Fair value through profit or loss	Other Comprehensive Income	
<b>Financial assets:</b>				
Cash and cash equivalents	2,897.79	-	-	2,897.79
Bank balances other than cash and cash equivalents	1,613.49	-	-	1,613.49
Loans	38,308.04	-	-	38,308.04
Other financial assets	52.47	-	-	52.47
<b>Total</b>	<b>42,871.79</b>	<b>-</b>	<b>-</b>	<b>42,871.79</b>
<b>Financial liabilities:</b>				
Trade payables	66.24	-	-	66.24
Debt securities	10,788.64	-	-	10,788.64
Borrowings (Other than debt securities)	12,848.29	-	-	12,848.29
Other financial liabilities	156.81	-	-	156.81
<b>Total</b>	<b>23,859.98</b>	<b>-</b>	<b>-</b>	<b>23,859.98</b>

**47 Maturity Analysis of assets and liabilities**

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

Particulars	As at June 30, 2022			As at June 30, 2021			As at March 31, 2022			As at March 31, 2021			As at March 31, 2020		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
<b>ASSETS</b>															
<b>Financial assets</b>															
Cash and cash equivalents	4095.66	-	4095.66	9,837.38	-	9,837.38	6,131.63	-	6,131.63	12,671.83	-	12,671.83	2,897.79	-	2,897.79
Bank balances other than cash and cash equivalents	2295.78	740.66	3036.44	3,368.77	920.96	4,289.73	1,817.36	850.39	2,667.75	0.40	885.00	885.40	1,365.87	247.62	1,613.49
Loans	11904.59	42638.94	54543.53	7,593.91	37,240.81	44,834.72	8,826.35	42,197.76	51,024.11	6,721.67	36,865.82	43,587.49	4,109.29	34,198.75	38,308.04
Investments	486.44	1405.16	1891.60	1,500.00	-	1,500.00	1,079.81	1,402.03	2,481.84	-	-	-	-	-	-
Derivative financial instruments	-	4.08	4.08	-	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	154.71	32.31	187.02	26.30	29.35	55.65	152.60	27.19	179.79	18.57	28.86	47.43	20.15	32.32	52.47
	<b>18,937.18</b>	<b>44,821.14</b>	<b>63,758.33</b>	<b>22,326.36</b>	<b>38,191.12</b>	<b>60,517.48</b>	<b>18,007.75</b>	<b>44,477.37</b>	<b>62,485.12</b>	<b>19,412.47</b>	<b>37,779.68</b>	<b>57,192.15</b>	<b>8,393.10</b>	<b>34,478.69</b>	<b>42,871.79</b>
<b>Non-financial assets</b>															
Current tax assets (net)	-	31.64	31.64	-	55.79	55.79	-	22.01	22.01	79.58	-	79.58	43.55	-	43.55
Deferred tax assets (net)	-	471.29	471.29	-	419.49	419.49	-	466.67	466.67	-	369.89	369.89	-	282.30	282.30
Investment property	-	0.36	0.36	-	0.36	0.36	-	0.36	0.36	-	0.36	0.36	-	0.36	0.36
Property, plant and equipment	-	129.92	129.92	-	80.43	80.43	-	121.45	121.45	-	84.56	84.56	-	110.61	110.61
Right of use asset	-	207.96	207.96	-	165.31	165.31	-	197.81	197.81	-	145.26	145.26	-	148.80	148.80
Other intangible assets	-	9.95	9.95	-	17.74	17.74	-	8.87	8.87	-	19.03	19.03	-	19.28	19.28
Other non-financial assets	105.55	0.48	106.03	34.31	0.12	34.43	126.58	1.79	128.37	40.85	4.43	45.28	47.57	7.28	54.85
	<b>105.55</b>	<b>851.60</b>	<b>957.15</b>	<b>34.31</b>	<b>739.24</b>	<b>773.55</b>	<b>126.58</b>	<b>818.96</b>	<b>945.54</b>	<b>120.43</b>	<b>623.53</b>	<b>743.96</b>	<b>91.12</b>	<b>568.63</b>	<b>659.75</b>
<b>Total assets</b>	<b>19,042.74</b>	<b>45,672.74</b>	<b>64,715.48</b>	<b>22,360.67</b>	<b>38,930.36</b>	<b>61,291.03</b>	<b>18,134.33</b>	<b>45,296.33</b>	<b>63,430.66</b>	<b>19,532.90</b>	<b>38,403.21</b>	<b>57,936.11</b>	<b>8,484.22</b>	<b>35,047.32</b>	<b>43,531.54</b>
<b>LIABILITIES AND EQUITY</b>															
<b>Financial liabilities</b>															
Derivative financial instruments	-	-	-	-	-	-	-	13.89	13.89	-	-	-	-	-	-
Payables															
Trade payables															
total outstanding dues of micro and small enterprises	109.30	-	109.30	69.41	-	69.41	130.04	0.00	130.04	74.69	12.03	86.72	66.24	-	66.24
total outstanding dues of creditors other than micro and small enterprises	8364.00	1110.05	9474.05	3,211.41	9,026.97	12,238.38	5,579.89	4,505.44	10,085.34	3,354.90	9,682.96	13,037.86	2,424.57	8,364.07	10,788.64
Debt securities	6569.96	9159.18	15729.14	6,719.71	12,254.09	18,973.80	6,501.39	9,001.57	15,502.97	7,103.16	14,110.95	21,214.11	3,897.04	8,951.25	12,848.29
Borrowings (other than debt securities)	298.37	237.07	535.44	212.43	185.56	397.99	270.08	144.68	414.68	67.93	103.76	171.69	52.01	104.80	156.81
Other financial liabilities	<b>15,341.63</b>	<b>10,506.30</b>	<b>25,847.93</b>	<b>10,212.95</b>	<b>21,466.62</b>	<b>31,679.58</b>	<b>12,481.40</b>	<b>13,665.51</b>	<b>26,146.92</b>	<b>10,600.68</b>	<b>23,909.70</b>	<b>34,510.38</b>	<b>6,439.86</b>	<b>17,420.12</b>	<b>23,859.98</b>
<b>Non-financial liabilities</b>															
Current tax liabilities (net)	109.44	-	109.44	29.54	-	29.54	-	-	-	-	-	-	7.48	-	7.48
Provisions	43.85	91.07	134.92	27.46	83.66	111.12	36.48	53.52	90.00	15.03	56.95	71.98	11.42	46.34	57.76
Other non-financial liabilities	53.44	0.00	53.44	26.66	-	26.66	90.23	-	90.23	172.03	-	172.03	160.52	-	160.52
	<b>206.73</b>	<b>91.07</b>	<b>297.80</b>	<b>83.66</b>	<b>83.66</b>	<b>167.32</b>	<b>126.71</b>	<b>53.52</b>	<b>180.23</b>	<b>187.06</b>	<b>56.95</b>	<b>244.01</b>	<b>179.42</b>	<b>46.34</b>	<b>225.76</b>
<b>Total liabilities</b>	<b>15,548.36</b>	<b>10,597.37</b>	<b>26,145.73</b>	<b>10,296.61</b>	<b>21,550.28</b>	<b>31,846.90</b>	<b>12,608.11</b>	<b>13,719.03</b>	<b>26,327.15</b>	<b>10,787.74</b>	<b>23,966.65</b>	<b>34,754.39</b>	<b>6,619.28</b>	<b>17,466.46</b>	<b>24,085.74</b>
<b>Net Assets/(Liabilities)</b>			38,569.75			29,444.13			37,103.51			23,181.72			19,445.80

#### 48 Financial risk management objectives and policies

The Company's principal financial liabilities majorly comprise of borrowings from banks, debentures and trade payables. The main purpose of these financial liabilities is to finance the Company's operations and to support its operations. The Company's financial assets include loan and advances, investments, inter-corporate deposits, cash and cash equivalents that derive directly from its operations.

The Company's activities expose it to a variety of financial risks, as listed below apart from various operating and business risks.

Market risk;  
Credit risk; and  
Liquidity risk

This note explains the sources of risks arising from financial instruments which the entity is exposed to and how the Company manages the risk.

##### Risk management framework

The Company's board of directors and risk management committee has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors and risk management committee along with the top management are responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's risk management committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

##### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

##### (i) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices which will affect the Companies income or the value of holdings of financial instruments. The company does not have exposure to currency risk and security price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

##### Interest rate risk

Interest rate risk primarily arises from borrowings with variable rates. The company's borrowings are carried at amortised cost. The borrowings with fixed rates are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The interest rate profile of the Company's interest bearing financial instruments is as follows:

	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
<b>Fixed rate instruments</b>					
Financial assets	63,278.64	61,780.47	61,780.47	53,956.25	41,507.91
Financial liabilities	15,289.10	22,637.94	16,775.86	25,238.26	16,858.66
	<u>78,567.74</u>	<u>84,418.41</u>	<u>78,556.33</u>	<u>79,194.51</u>	<u>58,366.57</u>
<b>Variable rate instruments</b>					
Financial assets	-	-	-	-	-
Financial liabilities	9,914.09	8,574.24	8,812.46	9,013.71	6,778.27
	<u>9,914.09</u>	<u>8,574.24</u>	<u>8,812.46</u>	<u>9,013.71</u>	<u>6,778.27</u>

##### Cash flow sensitivity analysis for variable-rate instruments:

	Profit / loss		Equity, net of tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>June 30, 2022</b>				
Variable-rate instruments				
Cash flow sensitivity (net)	(22.66)	22.66	(16.96)	16.96
	<u>(22.66)</u>	<u>22.66</u>	<u>(16.96)</u>	<u>16.96</u>
<b>June 30, 2021</b>				
Variable-rate instruments				
Cash flow sensitivity (net)	(22.60)	22.60	(16.91)	16.91
	<u>(22.60)</u>	<u>22.60</u>	<u>(16.91)</u>	<u>16.91</u>
<b>March 31, 2022</b>				
Variable-rate instruments	(110.48)	110.48	(82.67)	82.67
Cash flow sensitivity (net)	<u>(110.48)</u>	<u>110.48</u>	<u>(82.67)</u>	<u>82.67</u>
<b>March 31, 2021</b>				
Variable-rate instruments	(73.23)	73.23	(54.80)	54.80
Cash flow sensitivity (net)	<u>(73.23)</u>	<u>73.23</u>	<u>(54.80)</u>	<u>54.80</u>
<b>March 31, 2020</b>				
Variable-rate instruments	(42.72)	42.72	(31.97)	31.97
Cash flow sensitivity (net)	<u>(42.72)</u>	<u>42.72</u>	<u>(31.97)</u>	<u>31.97</u>

The sensitivity analysis above has been determined for borrowings where interest rates are variable. A 100 basis points increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.



**(ii) Credit risk****Loans and advances**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans advances and other financial assets. The carrying amount of financial assets represents the maximum credit exposure. The company has Credit policy approved by the Board of Directors, which is subject to annual review. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical concentrations, and by monitoring exposures in relation to such limits.

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including periodical collateral revisions, as defined in the Credit policy. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

The disclosure of maximum exposure to credit risk without taking into account any collateral held or other credit enhancements has not been provided for financial assets, as their carrying amount best represent the maximum exposure to credit risk. All the loans provided are secured against mortgage of land and/or building. The fair value of the collateral is determined on the guidelines prescribed in the collateral management policy as approved by the Board of Directors. The Company is also exposed to credit risk from inter-corporate deposits. The credit worthiness of such counter-parties are evaluated by the management on an ongoing basis and is considered to be good with low credit risk.

**48 Financial risk management objectives and policies****Impairment assessment - Expected credit loss ("ECL"):**

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the loan receivables are categorised into groups based on days past due. Each group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - financial instruments. The Company's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

ECL on financial assets is an unbiased probability weighted amount based out of possible outcomes after considering risk of credit loss even if probability is low. ECL is calculated based on the following components:

- a. Probability of default ("PD")
- b. Loss given default ("LGD")
- c. Exposure at default ("EAD")
- d. Discount factor ("D")

**Probability of default:**

PD is defined as the probability of whether borrowers will default on their obligations in the future. Historical PD is derived from the internal data which is calibrated with forward looking macroeconomic factors.

For computation of probability of default ("PD"), Vasicek Model was used to forecast the PD term structure over lifetime of loans. As per given long term PD and current macroeconomic conditions, conditional PD corresponding to current macroeconomic condition is estimated. The Company has worked out on PD based on the last six years historical data.

The PDs derived from the model, are the cumulative PDs, stating that the borrower can default in any of the given years, however to compute the loss for any given year, these cumulative PDs have to be converted to marginal PDs. Marginal PDs is probability that the obligor will default in a given year, conditional on it having survived till the end of the previous year.

As per Ind AS 109, expected loss has to be calculated as an unbiased and probability-weighted amount for multiple scenarios.

The probability of default was calculated for 3 scenarios: best, worst and base. This weightage has been decided on best practices and expert judgement. Marginal conditional probability was calculated for all 3 possible scenarios and one conditional PD was arrived as conditional weighted probability.

**Staging of loans:****Definition of default and cure**

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the loan has remained overdue for a period greater than 90 days.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the loan becomes less than or equal to 90 days past due on its contractual obligations. Such cured loans are classified as Stage 1 or 2 depending upon the days past due after such cure has taken place.

As per Ind AS 109, Company assesses whether there is a significant increase in credit risk at the reporting date from the initial recognition. The Company considers the credit risk to be directly proportional to the delinquency status i.e. days past due of the loan under consideration. No further adjustments are made in the PD.

Days past dues status	Stage	Provisions
Current	Stage 1	12 Months Provision
1-30 Days	Stage 1	12 Months Provision
31-90 Days	Stage 2	Lifetime Provision
90+ Days	Stage 3	Lifetime Provision

**Exposure at default**

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account.

The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The Ind AS 109 PDs are then assigned to each economic scenario based on the outcome of models.

**Loss given default**

The credit risk assessment is based on a standardised loss given default (LGD) assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Company segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows.

Further recent data and forward-looking economic scenarios are used in order to determine the Ind AS 109 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios

Under Ind AS 109, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI) Ind AS 109 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

**Discounting:**

As per Ind AS 109, ECL is computed by estimating the timing of the expected credit shortfalls associated with the defaults and discounting them using effective interest rate.

**Five-Star Business Finance Limited****Summary of significant accounting policies and other explanatory information**

(All amounts are in Indian Rupees in millions, unless otherwise stated)

**Significant increase in credit risk**

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or Life-time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers the credit risk to be directly proportional to the delinquency status i.e. days past due of the loan under consideration. No further adjustments are made in the PD.

When estimating ECLs on a collective basis for a group of similar assets the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition. (Refer Note-6.1 for analysis of changes in the gross carrying amount and the corresponding ECL allowances)

**48 Financial risk management objectives and policies****Grouping financial assets measured on a collective basis**

The Company calculates ECL on a collective basis for all asset classes.

The Company combines these exposure into smaller homogeneous portfolios, based on the characteristics of the loans, as described below:

Geographic location  
Loan Type (Till March 31, 2021)  
Ticket size

**ECL computation:**

Conditional ECL at DPD pool level was computed with the following method:

Conditional ECL for year (yt) = EAD (yt) \* conditional PD (yt) \* LGD (yt) \* discount factor (yt)

The Company measures ECL as the product of PD, LGD and EAD estimates for its Ind AS 109 specified financial assets.

The calculation is based on provision matrix which considers actual historical data adjusted appropriately for the future expectations and probabilities. Proportion of expected credit loss provided for across the stage is summarised below:

	Provisions	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
Stage 1	12 month provision	0.32%	0.43%	0.34%	0.33%	0.48%
Stage 2	Life time provision	7.82%	5.53%	8.77%	13.04%	8.70%
Stage 3	Life time provision	39.22%	37.15%	34.89%	17.97%	17.70%

The loss rates are based on actual credit loss experience over past years. These loss rates are then adjusted appropriately to reflect differences between current and historical economic conditions and the Company's view of economic conditions over the expected lives of the loan receivables.

**Analysis of credit concentration risks**

The Company's concentrations of risk are managed by counterparty and geography. The maximum credit exposure to any individual client or counterparty as of June 30, 2022 was INR. 7.77 million (June 30, 2021 was 8.55 millions, March 31, 2022, INR 7.98 millions (March 31, 2021 : INR 6.33 million, March 31, 2020: INR 7.18 million).

The following table shows the risk concentration of loan portfolio by geography.

Geography	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
Tamil Nadu	20,172.11	18,750.80	19,398.17	18,229.05	16,458.55
Karnataka	3,793.47	3,350.90	3,680.78	3,219.25	2,594.63
Andhra Pradesh	15,770.01	13,016.50	14,843.29	12,509.64	10,790.35
Telangana	10,325.80	8,478.80	9,734.44	8,167.83	7,441.49
Others	2,903.96	2,178.11	3,014.10	2,328.04	1,637.26
	<b>52,965.35</b>	<b>45,775.11</b>	<b>50,670.78</b>	<b>44,453.81</b>	<b>38,922.28</b>

Note: The above risk concentration of loan portfolio excludes Inter-Corporate Deposits amounting to Rs.2,557.11 million (June 30, 2021- Nil, March 31, 2022-Rs. 1,382.19 million, March 31, 2021- Nil, March 31, 2020- Nil).

**Cash and bank balances**

The Company held cash and cash equivalents with credit worthy banks and financial institutions as at the reporting dates which has been measured on the 12-month expected loss basis. The credit worthiness of such banks and financial institutions are evaluated by the management on an ongoing basis and is considered to be good with low credit risk.

**Investments**

Investments comprises of mutual funds and government securities in accordance with the investment policy. Government securities have sovereign rating and mutual fund investments are made with counterparties with low credit risk. The credit worthiness of these counterparties are evaluated on an ongoing basis.

**Other financial assets**

Other financial assets is primarily constituted by security deposits and other receivables. The Company does not expect any losses from non-performance by these counter-parties.

**(iii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is bound to comply with the Asset Liability Management guidelines issued by Reserve Bank of India. The company has Asset Liability Management policy approved by the board and has constituted Asset Liability Committee to oversee the liquidity risk management function of the company. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's principal sources of liquidity are borrowings, cash and cash equivalents and the cash flow that is generated from operations.

The Company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived

**48 Financial risk management objectives and policies**

**Exposure to liquidity risk**

The table below provides details regarding the contractual maturities of financial liabilities and assets including interest as at June 30, 2022:

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Financial Liabilities</b>					
Derivative Financial Instruments	-	-	-	-	-
Debt Securities	9,474.05	8,970.91	1,115.91	87.52	-
Borrowings (Other than Debt Securities)	15,729.14	7,842.84	5,204.49	4,855.23	-
Trade payables	109.30	109.30	-	-	-
Other financial liabilities	535.44	298.38	14.62	-	222.44
<b>Total (B)</b>	<b>25,847.93</b>	<b>17,221.43</b>	<b>6,335.02</b>	<b>4,942.75</b>	<b>222.44</b>
<b>Financial Assets</b>					
Cash and cash equivalents	4,095.66	4,095.66	-	-	-
Bank Balances other than cash and cash equivalents	3,036.44	4,987.56	24.51	817.20	-
Loans	54,543.53	23,237.46	18,952.09	43,020.36	8,196.45
Investments	1,891.60	510.20	854.48	664.70	-
Derivative Financial Instruments	4.08	-	-	-	4.08
Other Financial assets	187.02	154.71	5.10	21.62	5.59
<b>Total (A)</b>	<b>63,758.33</b>	<b>32,985.59</b>	<b>19,836.19</b>	<b>44,523.87</b>	<b>8,206.12</b>

The table below provides details regarding the contractual maturities of financial liabilities and assets including interest as at June 30, 2021:

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Financial Liabilities</b>					
Derivative Financial Instruments	-	-	-	-	-
Debt Securities	12,238.38	3,956.88	8,970.91	1,203.44	-
Borrowings (Other than Debt Securities)	18,973.80	9,815.13	6,405.20	5,594.80	-
Trade payables	69.41	69.41	-	-	-
Other financial liabilities	397.99	223.41	69.57	85.91	19.10
<b>Total (B)</b>	<b>31,679.58</b>	<b>14,064.83</b>	<b>15,445.68</b>	<b>6,884.14</b>	<b>19.10</b>
<b>Financial Assets</b>					
Cash and cash equivalents	9,837.38	6,131.63	-	-	-
Bank Balances other than cash and cash equivalents	4,289.73	3,408.65	229.03	841.71	-
Loans	44,834.72	17,377.70	15,914.68	38,240.02	8,144.99
Investments	1,500.00	1,500.00	-	-	-
Derivative Financial Instruments	-	-	-	-	-
Other Financial assets	55.65	152.60	5.20	18.81	3.19
<b>Total (A)</b>	<b>60,517.48</b>	<b>28,570.57</b>	<b>16,148.91</b>	<b>39,100.54</b>	<b>8,148.18</b>

The table below provides details regarding the contractual maturities of financial liabilities and assets including interest as at March 31, 2022:

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Financial Liabilities</b>					
Derivative Financial Instruments	13.89	-	-	13.89	-
Debt Securities	10,085.34	6,157.39	4,506.58	390.84	-
Borrowings (Other than Debt Securities)	15,502.97	7,629.23	5,456.40	4,637.54	-
Trade payables	130.04	130.04	-	-	-
Other financial liabilities	414.68	283.90	69.57	85.91	19.10
<b>Total (B)</b>	<b>26,146.92</b>	<b>14,200.56</b>	<b>10,032.55</b>	<b>5,128.18</b>	<b>19.10</b>
<b>Financial Assets</b>					
Cash and cash equivalents	6,131.63	6,131.63	-	-	-
Bank Balances other than cash and cash equivalents	2,667.75	1,843.43	116.88	841.71	-
Loans	51,024.11	20,365.96	17,990.58	40,945.27	7,754.45
Investments	2,481.84	1,116.92	434.48	1,093.89	-
Other Financial assets	179.79	152.60	5.20	18.81	3.19
<b>Total (A)</b>	<b>62,485.12</b>	<b>29,610.54</b>	<b>18,547.14</b>	<b>42,899.68</b>	<b>7,757.64</b>

**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
(All amounts are in Indian Rupees in millions, unless otherwise stated)

The table below provides details regarding the contractual maturities of financial liabilities and assets including interest as at March 31, 2021:

	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
<b>Financial Liabilities</b>					
Debt Securities	13,037.86	3,354.90	5,297.31	4,348.15	37.50
Borrowings (Other than Debt Securities)	21,214.11	7,103.16	6,206.49	7,904.46	-
Trade payables	86.72	74.69	5.01	7.02	-
Other financial liabilities	171.69	67.93	38.01	55.40	10.35
<b>Total (B)</b>	<b>34,510.38</b>	<b>10,600.68</b>	<b>11,546.82</b>	<b>12,315.03</b>	<b>47.85</b>
<b>Financial Assets</b>					
Cash and cash equivalents	12,671.83	12,671.83	-	-	-
Bank Balances other than cash and cash equivalents	885.40	0.40	78.75	583.87	222.38
Loans	43,587.49	6,721.67	6,695.85	22,871.00	7,298.97
Other Financial assets	47.43	18.57	9.84	15.73	3.29
<b>Total (A)</b>	<b>57,192.15</b>	<b>19,412.47</b>	<b>6,784.44</b>	<b>23,470.60</b>	<b>7,524.64</b>

The table below provides details regarding the contractual maturities of financial liabilities and assets including interest as at March 31, 2020:

	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
<b>Financial Liabilities</b>					
Debt Securities	10,788.64	2,424.57	6,602.73	1,761.34	-
Borrowings (Other than Debt Securities)	12,848.29	3,897.04	3,664.11	5,087.44	199.70
Trade payables	66.24	66.24	-	-	-
Other financial liabilities	156.81	52.01	40.91	50.99	12.90
<b>Total (B)</b>	<b>23,859.98</b>	<b>6,439.86</b>	<b>10,307.75</b>	<b>6,899.77</b>	<b>212.60</b>
<b>Financial Assets</b>					
Cash and cash equivalents	2,897.79	2,897.79	-	-	-
Bank Balances other than cash and cash equivalents	1,613.49	1,365.87	-	171.95	75.67
Loans	38,308.04	4,109.29	5,662.13	20,094.69	8,441.93
Other Financial assets	52.47	20.15	8.29	20.39	3.64
<b>Total (A)</b>	<b>42,871.79</b>	<b>8,393.10</b>	<b>5,670.42</b>	<b>20,287.03</b>	<b>8,521.24</b>

**48 (iv) Foreign Currency Risk**

Foreign Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk for the Company arise primarily on account of foreign currency borrowings. The Company manages this foreign currency risk by entering in to cross currency swaps . When a derivative is entered in to for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match with the terms of the hedged exposure. The Company's policy is to fully hedge its foreign currency borrowings at the time of drawdown. The Company holds a derivative financial instrument of Cross currency swap to mitigate risk of changes in exchange rate in foreign currency. The Counterparty for the contract is a bank. Derivatives are fair valued using inputs that are directly or indirectly observable in market place.

**Disclosure of Effects of Hedge Accounting**

**Cash Flow Hedge**

Impact of hedging instrument on balance sheet is, as follows:

**As on 30th June 2022**

Foreign Exchange Risk on Cash Flow Hedge	No of Contracts		Nominal Value of Hedging Instrument (In millions)	Carrying Value (In millions)	Maturity Date	Changes in Fair Value of Hedging Instrument (in millions)	Changes in Value of Hedged Item used as a Basis for recognising hedge effectiveness (in millions)	Line Item in Balance Sheet
	Asset	Liability	Asset	Asset				
Cross Currency Interest Rate Swap	1	0	759.10	4.08	March 30, 2022 to December 27, 2026	26.22	31.80	Borrowings

Cash Flow Hedge	Change in the Value of hedging Instrument recognized in Other Comprehensive Income	Ineffectiveness recognised in Profit and Loss (in millions)	Amount reclassified from Cash Flow hedge reserve to Profit or Loss	Line item affected in statement of Profit and Loss because of the reclassification
Foreign Exchange risk and exchange rate risk	(5.58)	-	-	NA

**As on 30th June 2021**

Foreign Exchange Risk on Cash Flow Hedge	No of Contracts		Nominal Value of Hedging Instrument (In millions)	Carrying Value (In millions)	Maturity Date	Changes in Fair Value of Hedging Instrument (in millions)	Changes in Value of Hedged Item used as a Basis for recognising hedge effectiveness (in millions)	Line Item in Balance Sheet
	Asset	Liability	Liability	Liability				
Cross Currency Interest Rate Swap	-	-	-	-	NA	-	-	Borrowings

Cash Flow Hedge	Change in the Value of hedging Instrument recognized in Other Comprehensive Income	Ineffectiveness recognised in Profit and Loss (in millions)	Amount reclassified from Cash Flow hedge reserve to Profit or Loss	Line item affected in statement of Profit and Loss because of the reclassification
Foreign Exchange risk and exchange rate risk	-	-	-	NA

**As on 31st March 2022**

Foreign Exchange Risk on Cash Flow Hedge	No of Contracts		Nominal Value of Hedging Instrument (In millions)	Carrying Value (In millions)	Maturity Date	Changes in Fair Value of Hedging Instrument (in millions)	Changes in Value of Hedged Item used as a Basis for recognising hedge effectiveness (in millions)	Line Item in Balance Sheet
	Asset	Liability	Liability	Liability				
Cross Currency Interest Rate Swap	-	1	759.10	13.89	March 30, 2022 to December 27, 2026	13.89	1.20	Borrowings

Cash Flow Hedge	Change in the Value of hedging Instrument recognized in Other Comprehensive Income	Ineffectiveness recognised in Profit and Loss (in millions)	Amount reclassified from Cash Flow hedge reserve to Profit or Loss	Line item affected in statement of Profit and Loss because of the reclassification
Foreign Exchange risk and exchange rate risk	(12.69)	-	-	NA

**As on 31st March 2021**

Foreign Exchange Risk on Cash Flow Hedge	No of Contracts		Nominal Value of Hedging Instrument (In millions)	Carrying Value (In millions)	Maturity Date	Changes in Fair Value of Hedging Instrument (in millions)	Changes in Value of Hedged Item used as a Basis for recognising hedge effectiveness (in millions)	Line Item in Balance Sheet
	Asset	Liability	Liability	Liability				
Cross Currency Interest Rate Swap	-	-	-	-	-	-	-	NA

**Five-Star Business Finance Limited**  
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 (All amounts are in Indian Rupees in millions, unless otherwise stated)

Cash Flow Hedge	Change in the Value of hedging Instrument recognized in Other Comprehensive Income	Ineffectiveness recognised in Profit and Loss (in millions)	Amount reclassified from Cash Flow hedge reserve to Profit or Loss	Line item affected in statement of Profit and Loss because of the reclassification
Foreign Exchange risk and exchange rate risk	-	-	-	NA

As on 31st March 2020

Foreign Exchange Risk on Cash Flow Hedge	No of Contracts		Nominal Value of Hedging Instrument (In millions)	Carrying Value (In millions)	Maturity Date	Changes in Fair Value of Hedging Instrument (in millions)	Changes in Value of Hedged Item used as a Basis for recognising hedge effectiveness (in millions)	Line Item in Balance Sheet
	Asset	Liability	Liability	Liability				
Cross Currency Interest Rate Swap	-	-	-	-	-	-	-	NA

Cash Flow Hedge	Change in the Value of hedging Instrument recognized in Other Comprehensive Income	Ineffectiveness recognised in Profit and Loss (in millions)	Amount reclassified from Cash Flow hedge reserve to Profit or Loss	Line item affected in statement of Profit and Loss because of the reclassification
Foreign Exchange risk and exchange rate risk	-	-	-	NA

**49 Analytical ratios**

**a) Liquidity Coverage Ratio (LCR)**

As per the Guidelines on Liquidity Risk Management Framework for NBFCs issued by RBI vide notification no. RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20, all non-deposit taking NBFCs with asset size more than INR 5,000 crores are required to maintain Liquidity Coverage Ratio (LCR) from December 1, 2020, with the minimum LCR to be 30%, progressively increasing, till it reaches the required level of 100%, by December 1, 2024.

Particulars	High Quality Liquid Assets ("HQLA")	Net cash outflows	Current period	Previous reporting period	Variance	Reasons for variance (if above 25%)
Quarter ended June 30, 2022	2,935.57	952.99	308%	302%	2%	
Quarter ended March 31, 2022	3,076.41	1,019.88	302%	162%	86%	Increase on account of equity infusion during the year and deployment in HQLA assets
Quarter ended June 30, 2021	787.67	955.11	82%	130%	-37%	Increase on account of equity infusion during the year and deployment in HQLA assets
Quarter ended March 31, 2021	1,518.58	937.86	162%	130%	25%	
Quarter ended March 31, 2020	1,093.75	843.59	130%	75%	72%	Increase on account of equity infusion during the year.

**Notes:**

- The average weighted and unweighted amounts considered for computation of net cash outflows are calculated taking simple average based on monthly observation for the respective quarter. The weightage factor applied to compute weighted average value is constant for all the quarters.
- Prior to introduction of LCR framework, the Company used to maintain a substantial share of its liquidity in form of fixed deposits with banks and investment in mutual funds. Post the introduction of LCR framework, the Company has consciously worked towards increasing its investment in High Quality Liquid Assets (HQLA) as per the RBI guidelines.
- Weighted values have been calculated after the application of respective haircuts (for HQLA) and stress factors on inflow and outflow.
- The above details is based on the data available with the Company, which has been relied upon by the auditors.
- RBI has mandated minimum liquidity coverage ratio (LCR) of 60% to be maintained by December 2021, which is to be gradually increased to 100% by December 2024. The Company has LCR of 302% as of March 31, 2022 as against the LCR of 60% mandated by RBI.

**Qualitative information:**

- The Company has implemented the guidelines on Liquidity Risk Management Framework prescribed by the Reserve Bank of India requiring maintenance of Liquidity Coverage Ratio (LCR), which aim to ensure that an NBFC maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario.
- LCR = Stock of High-Quality Liquid Assets (HQLAs)/Total Net Cash Outflows over the next 30 calendar days
- HQLAs comprise of cash on hand, investment in government securities and demand deposits with Scheduled Commercial Banks and unencumbered government securities
- Total net cash outflows are arrived after taking into consideration total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. As prescribed by RBI, total net cash outflows over the next 30 days = Stressed Outflows - [Min (stressed inflows; 75% of stressed outflows)]. Total expected cash outflows (stressed outflows) are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by 115% (15% being the rate at which they are expected to run off further or be drawn down). Total expected cash inflows (stressed inflows) are calculated by multiplying the outstanding balances of various categories of contractual receivables by 75% (25% being the rate at which they are expected to under-flow).
- "Other cash inflows" include mutual funds and callable fixed deposits maturing within 30 days.
- The Liquidity Risk Management framework of the Company is governed by its Liquidity Risk Management Policy and Procedures approved by the Board. The Asset Liability Management Committee (ALCO) oversees the implementation of liquidity risk management strategy of the Company and ensure adherence to the risk tolerance/limits set by the Board.
- The Company maintains a robust funding profile with no undue concentration of funding sources. In order to ensure a diversified borrowing mix, concentration of borrowing through various sources is monitored. Further, the Company has prudential limits on investments in different instruments to maintain a healthy investment profile. There is no currency mismatch in the LCR. The above is periodically monitored by ALCO.

**b) Capital adequacy ratios**

Particulars	Tier I Capital/ Tier II Capital/ Total Capital	Risk-weighted assets	Current period	Previous reporting period	Variance	Reasons for variance (if above 25%)
<b>As at June 30, 2022</b>						
CRAR	34,795.92	49,755.72	69.93%	75.20%	-7%	-
CRAR - Tier I Capital	34,795.92	49,755.72	69.93%	75.20%		
CRAR - Tier II Capital	-	-	-	-		
<b>As at June 30, 2021</b>						
CRAR	25,580.24	37,546.32	68.13%	52.94%	29%	Increase on account of equity infusion during the intervening period
CRAR - Tier I Capital	25,580.24	37,546.32	68.13%	52.94%		
CRAR - Tier II Capital	-	-	-	-		
<b>As at March 31, 2022</b>						
CRAR	33,581.47	44,658.62	75.20%	58.86%	28%	Increase on account of equity infusion during the intervening period
CRAR - Tier I Capital	33,581.47	44,658.62	75.20%	58.86%		
CRAR - Tier II Capital	-	-	-	-		
<b>As at March 31, 2021</b>						
CRAR	19,669.00	33,416.35	58.86%	52.94%	11%	-
CRAR - Tier I Capital	19,669.00	33,416.35	58.86%	52.94%		
CRAR - Tier II Capital	-	-	-	-		
<b>As at March 31, 2020</b>						
CRAR	18,477.74	34,901.50	52.94%	64.09%	-17%	-
CRAR - Tier I Capital	18,477.74	34,901.50	52.94%	63.49%		
CRAR - Tier II Capital	-	-	-	0.60%		

Tier I capital consists of shareholders' equity and retained earnings. Tier II Capital consists of general provision and loss reserve against stage I assets. Credit enhancement relating to securitisation has been adjusted against Tier I and Tier II capital in accordance with RBI circular DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020. Tier I and Tier II capital has been reported on the basis of Ind AS financial information.

Risk weighted assets represents the weighted sum of company's credit exposures based on their risk calculated as per relevant RBI guidelines.

**50.A Reconciliation of total equity as per audited financial statements with total equity as per restated financial information:**

**Material Restatement Adjustments**

The accounting policies applied as at and for the three month period ended June 30, 2021 and as at and for each of the years ended March 31, 2022, March 31, 2021 and March 31, 2020 are consistent with those adopted in the preparation of financial statements for the three month period ended June 30, 2022.

These Restated Financial Information has been compiled from the Historical audited financial statements and

- (a) there were no changes in accounting policies during the years/periods of these financial statements
- (b) there were no material amounts which have been adjusted for in arriving at profit/ loss of the respective years/periods; and
- (c) there were no material adjustments for reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the groupings as per the Audited Financial Statements of the Company and the requirements of the SEBI Regulations.

**Material Regroupings**

Division III - Schedule III to the Companies Act, 2013 has been further amended vide the Government Notification dated March 24, 2021 to include certain additional presentation and disclosures requirements and changes to some of the existing requirements. In the month of January 2022, Guidance note on Division III - Schedule III to the Companies Act, 2013 was issued by the ICAI to give effect to these amendments, which was applicable to the Company for preparation and presentation of its financial statements from financial year ended March 31, 2022. It may be noted that in preparing and presenting the audited financial statements for the year ended March 31, 2022 and for the three month period ended June 30, 2022, the Company had reclassified the comparative figures in accordance with the requirements of the Guidance note. Accordingly this restated financial information has been prepared based on the above requirement. The adoption of the said amendment does not impact recognition and measurement principles followed for preparation of the financial statements.

**50.B Reconciliation of total equity as per audited financial statements with total equity as per restated financial information:**

Summarised below are the restatement adjustments made to the total equity as per the audited financial statements of the Company for the three month periods ended June 30, 2022 and June 30, 2021 and for each of the years ended March 30, 2022, March 30, 2021, and March 31, 2020 and their consequential impact on the equity of the Company.

Particulars	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
Total equity (as per audited financial statements)	38,569.75	29,444.13	37,103.51	23,181.72	19,445.80
Material restatement adjustments:	-	-	-	-	-
<b>Total equity (as per restated financial information)</b>	<b>38,569.75</b>	<b>29,444.13</b>	<b>37,103.51</b>	<b>23,181.72</b>	<b>19,445.80</b>

**50.C Reconciliation of total comprehensive income as per audited financial statements with total comprehensive income as per restated financial information**

Summarised below are the restatement adjustments made to total comprehensive income as per the audited financial statements of the Company for the three month periods ended June 30, 2022 and June 30, 2021 and for each of the years ended March 31, 2022, March 31, 2021 and March 31, 2020.

Particulars	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
<b>A. Total comprehensive income as per audited financial statements</b>	<b>1,386.94</b>	<b>1,002.43</b>	<b>4,513.10</b>	<b>3,582.06</b>	<b>2,608.37</b>
<b>B. Adjustments:</b>	-	-	-	-	-
<b>(i) Audit qualifications</b>					
Total	<b>1,386.94</b>	<b>1,002.43</b>	<b>4,513.10</b>	<b>3,582.06</b>	<b>2,608.37</b>
<b>(ii) Adjustments due to prior period items / other adjustments</b>					
Total	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>C. Total comprehensive income as per Restated Financial Information (A+B)</b>	<b>1,386.94</b>	<b>1,002.43</b>	<b>4,513.10</b>	<b>3,582.06</b>	<b>2,608.37</b>



50.D Other non adjusting items

I. Emphasis of matter in the Auditors' report and other remarks / comments in the Companies (Auditor's Report) Order 2016 ('CARO') on the financial statements, which do not require any corrective adjustments in the restated financial information, are reproduced below:

As at and for the year ended March 31, 2020

**Emphasis of matter paragraph in the Auditors' report**

As described in Note 51 to the financial statements, the extent to which the COVID - 19 pandemic will impact the Company's financial performance is dependent on future developments, which are highly uncertain. Our opinion is not modified in respect of this matter

**Clause vii (b) CARO:**

According to the information and explanations given to us, there are no dues of income-tax and goods and services tax which have not been deposited with the appropriate authorities on account of any dispute except the following:

Name of the statute	Nature of dues	Amount - INR in millions	Period to which amount relates	Forum where the dispute is pending
Income-Tax Act, 1961	Income-Tax	0.67	2006-2007	Commissioner of Income-tax (Appeals)

**Emphasis Of matter paragraph in the Auditors' report on the internal financial controls with reference to the financial statements**

As described in Emphasis of Matter paragraph of our report to the financial statements, the extent to which the COVID-19 pandemic will have impact on the Company's internal financial controls with reference to the financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matter

As at and for the year ended March 31, 2021

**Emphasis of matter paragraph in the Auditors' report**

As described in Emphasis of Matter paragraph of our report to the financial statements, the extent to which the COVID-19 pandemic will have impact on the Company's internal financial controls with reference to the financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

**Clause vii (b) CARO:**

According to the information and explanations given to us, there are no dues of income-tax and goods and services tax which have not been deposited with the appropriate authorities on account of any dispute except the following:

Name of the statute	Nature of dues	Amount - INR in millions	Period to which amount relates	Forum where the dispute is pending
Income-Tax Act, 1961	Income-Tax	0.67	2006-2007	Commissioner of Income-tax (Appeals)
Income-Tax Act, 1961	Income-Tax	3.37	2018-2019	Commissioner of Income-tax (Appeals)

**Emphasis Of matter paragraph in the Auditors' report on the internal financial controls with reference to the financial statements**

The auditors' report has drawn attention to extent to which the COVID-19 pandemic will have impact on the Company's internal financial controls with reference to the financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matter.

As at and for the year ended March 31, 2022

**Clause vii (b) CARO:**

According to the information and explanations given to us, there are no dues of income-tax and goods and services tax which have not been deposited with the appropriate authorities on account of any dispute except

Name of the statute	Nature of dues	Amount - INR in millions	Period to which amount relates	Forum where the dispute is pending
Income-Tax Act, 1961	Income-Tax	0.67	2006-2007	Commissioner of Income-tax
Income-Tax Act, 1961	Income-Tax	3.37	2018-2019	Commissioner of Income-tax

## **51 Impact of Covid-19 on the Company**

### **As at and for the three month period ended June 30, 2022:**

The COVID-19 pandemic resulted in significant volatility in financial markets and a decrease in global and India's economic activities in FY 2021 and early FY 2022. Consequent lockdowns and varying restrictions imposed by the central and various state governments had led to disruptions and dislocations of individuals and businesses. However, with the gradual lifting of the lockdown restrictions during the year, the operations of the Company have returned to normal levels of activity. The Company has been lending actively to its customers and has also implemented its restructuring package based on the Reserve Bank of India's restructuring package announced in this regard. The overall financial metrics of the Company have improved from the prior year and the Company has made adequate expected credit loss provisions on its loan in accordance with accounting principles in India and accordingly in the opinion of the Company the impact of COVID 19 on its financial metrics are no longer significantly uncertain. The Company has evaluated the impact of COVID-19 on the business and operations of the Company as at June 30, 2022 and is of the view that it does not have any material impact on the Interim financial statements of the Company on the basis of the facts and events upto the date of approval of these Interim financial statements.

However, in view of the dynamic nature of the pandemic, the Company will continue to monitor future events / developments that may result in an adverse effect on the business and operations of the Company.

### **As at and for the three month period ended June 30, 2021:**

The COVID-19 pandemic resulted in significant volatility in financial markets and a decrease in global and India's economic activities in FY 2021 and early FY 2022. Consequent lockdowns and varying restrictions imposed by the central and various state governments had led to disruptions and dislocations of individuals and businesses. However, with the gradual lifting of the lockdown restrictions during the year, the operations of the Company have returned to normal levels of activity. The Company has been lending actively to its customers and has also implemented its restructuring package based on the Reserve Bank of India's restructuring package announced in this regard. The overall financial metrics of the Company have improved from the prior year and the Company has made adequate expected credit loss provisions on its loan in accordance with accounting principles in India and accordingly in the opinion of the Company the impact of COVID 19 on its financial metrics are no longer significantly uncertain. The Company has evaluated the impact of COVID-19 on the business and operations of the Company as at June 30, 2021 and after considering events upto the date of approval of these Interim Financial Statements, and is of the view that it does not have any material impact on the Interim financial statements of the Company on the basis of the facts and events upto the date of approval of these financial statements.

However, in view of the dynamic nature of the pandemic, the Company will continue to monitor future events / developments that may result in an adverse effect on the business and operations of the Company.

### **As at and for the year ended March 31, 2022:**

The COVID-19 pandemic resulted in significant volatility in financial markets and a decrease in global and India's economic activities in FY 2021 and early FY 2022. Consequent lockdowns and varying restrictions imposed by the central and various state governments had led to disruptions and dislocations of individuals and businesses. However, with the gradual lifting of the lockdown restrictions during the year, the operations of the Company have returned to normal levels of activity. The Company has been lending actively to its customers and has also implemented its restructuring package based on the Reserve Bank of India's restructuring package announced in this regard. The overall financial metrics of the Company have improved from the prior year and the Company has made adequate expected credit loss provisions on its loan in accordance with accounting principles in India and accordingly in the opinion of the Company the impact of COVID 19 on its financial metrics are no longer significantly uncertain. The Company has evaluated the impact of COVID-19 on the business and operations of the Company as at March 31, 2022 and is of the view that it does not have any material impact on the financial statements of the Company on the basis of the facts and events upto the date of approval of these financial statements.

However, in view of the dynamic nature of the pandemic, the Company will continue to monitor future events / developments that may result in an adverse effect on the business and operations of the Company.

**Five-Star Business Finance Limited**  
**Summary of significant accounting policies and other explanatory information**  
**(All amounts are in Indian Rupees in millions, except share data and stated otherwise)**

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**As at and for the year ended March 31, 2021:**

The outbreak of COVID-19 pandemic and consequent regional lockdowns has severely impacted various activities across the country. The extent of impact of second wave of COVID-19 on the economy would also be dependent upon on future developments including measures taken by the Government, Regulator, responses of businesses and consumers to the pandemic. Therefore, the impact on the Company's business, cash flows and financial statements, is dependent on such future developments, which are highly uncertain.

In accordance with the Reserve bank of India (RBI) guidelines related to "Covid-19 regulatory package" dated March 27, 2020 and subsequent guidelines on EMI moratorium dated April 17, 2020 and May 23, 2020 the Company has offered moratorium to its customers based the eligibility for EMIs falling due between March 1, 2020 to August 31, 2020. Further, the Company offered resolution plans to its customers pursuant to RBI's guideline 'Resolution framework for Covid-19 related stress' dated August 6, 2020.

In accordance with the Board approved moratorium policy read with the Reserve Bank of India (RBI) guidelines dated March 27, 2020, April 17, 2020, May 23, 2020 and August 6, 2020 relating to 'COVID-19 – Regulatory Package' and guidelines issued thereto, the Company has granted moratorium up-to five months on the payment of instalments falling due between April 1, 2020 and August 31, 2020 to all eligible borrowers on a suo-moto basis based on the Company's policy approved by its Board. Based on an assessment by the Company, this relaxation has not been deemed to be automatically triggering significant increase in credit risk and in the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria. Accordingly, in respect of accounts where moratorium benefit have been granted, the staging of those accounts as at March 31, 2021 is based on the days past due status considering the benefit of moratorium period in accordance with the Reserve Bank of India Covid-19 Regulatory Package.

Estimates and associated judgments / assumptions applied in preparation of these financial statements including determining the impairment loss allowance and expected future cash inflows / outflows are based on a combination of historical experience and emerging / forward looking indicators resulting from the pandemic. In addition to these early indicators, the Company has separately incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic in the measurement of impairment loss allowance for the year ended March 31, 2021. In addition to the indicators available, the Company has also used potential stress on probability of default and exposure at default on the expected credit losses on loans and accordingly recognized an expected credit loss on loans of INR 866.31 millions as at March 31, 2021 (As at March 31, 2020 - INR 614 millions) including an additional impairment provision amounting to INR 352 millions (including write offs of INR 100 millions) during the current year (Year ended March 31, 2020 - INR 493 millions (including write offs of INR 47 millions)). The Company believes that it has considered all the possible impact of the currently known events arising out of COVID-19 pandemic in the preparation of financial statements. However, the impact assessment of COVID-19 is a continuing process given its uncertainty in nature and duration, this may have corresponding impact in the financial position. The Company will continue to monitor any material changes to the future economic conditions.

**As at and for the year ended March 31, 2020:**

The outbreak of COVID-19 pandemic and consequent lockdown has severely impacted various activities across the country. The impact of COVID-19 on the economy is uncertain and would also be dependent upon future developments including various measures taken by the Government, Regulator, responses of businesses, consumers etc. Hence, the extent to which COVID-19 pandemic will impact the company's business, cash flows and financial statements, is dependent on such future developments, which are highly uncertain.

In accordance with the Board approved moratorium policy read with the Reserve Bank of India (RBI) guidelines dated March 27, 2020 and April 17, 2020 relating to 'COVID-19 - Regulatory Package', the Company has granted moratorium up-to two months on the payment of installments falling due between April 1, 2020 and May 31, 2020 to all eligible borrowers on a suo-moto basis. Having regard to the guidance provided by the RBI and the Institute of Chartered Accountants of India, in the assessment of the Company, extension of such moratorium benefit to borrowers as per the COVID-19 Regulatory Package of the RBI by itself is not considered to result in significant increase in credit risk as per Ind AS 109. The Company continues to recognise interest income during the moratorium period and in the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria

Estimates and associated judgments / assumptions applied in preparation of these financial statements including determining the impairment loss allowance are based on a combination of historical experience and emerging / forward looking indicators resulting from the pandemic. In addition to the early indicators available during the moratorium period, the Company has also used potential stress on probability of default and exposure at default on the expected credit losses on loans and accordingly recognized an expected credit loss on loans of INR 493 millions including an additional impairment provision amounting to INR 270 millions during the year. Further, the disclosure in these financial statements are made after considering the moratorium benefits and estimated cash inflows and outflows which are based on the current understanding / arrangement with its customers / lenders. The Company believes that it has considered all the possible impact of the currently known events arising out of COVID-19 pandemic in the preparation of financial statements including financial resources, profitability, liquidity position and internal financial controls. However, since the impact assessment of COVID-19 is a continuing process given its uncertainty in nature and duration, this may have corresponding impact in the financial position in future. The Company will continue to monitor any material changes to the future economic conditions.

## Five-Star Business Finance Limited

### Summary of significant accounting policies and other explanatory information

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

#### 52 Amalgamation with Five-Star Housing Finance Private Limited - wholly owned subsidiary

During the year ended March 31, 2020, the Company vide its board meeting dated August 29, 2019 had approved the Scheme of Amalgamation ("the Scheme") of its wholly owned subsidiary - Five-Star Housing Finance Private Limited, which was in the business of providing long term housing finance, with the Company and their respective shareholders under sections 233 of the Act and other applicable provisions of the Act. The appointed date under the aforesaid Scheme is April 1, 2019. This scheme has been approved by the regulatory authorities. As required by the IND AS 103 - Business Combinations, pooling of interest method has been considered for common control business combination and accordingly, the assets and liabilities are reflected in the books of the Company at their respective carrying amounts. Further, in accordance with Ind AS 103 - Business Combinations, financial statements had been restated from April 1, 2018. Hence, the effect of the scheme has been accounted in the books of accounts of the Company in accordance with the scheme and the accounting standards.

#### 53 Other statutory information

- (i) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Group for holding any Benami
- (ii) The Company does not have any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956.
- (iii) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period,
- (iv) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.
- (v) The Company borrows funds from various Banks and financial institutions for the purpose of onward lending to end customers as per the terms of such borrowings. These transactions are part of the Company's normal; ending activities, which is conducted after exercising proper due diligence including adherence to the terms of credit policies and other relevant guidelines.

Other than the nature of transactions described above.

- i. No funds have been advanced or loans or invested by the Company to or in any other person(s) or entity(ies) ("intermediaries") with the understanding that the intermediary shall lend or invest in party identified by or on behalf of the Company ("Ultimate beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- ii. The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company ("Ultimate beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(vi) The Company does not have any such transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961

(vii) The Company is not declared as wilful defaulter by any bank or financial institution or any other lender.

54 The Government of India, Ministry of Finance, vide its notification dated October 23, 2020, had announced COVID-19 Relief Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts ("the Scheme"), as per the eligibility criteria and other aspects specified therein and irrespective of whether RBI moratorium was availed or not. The Company had implemented the Scheme in accordance with the requirements of the notification and credited to the accounts of or remitted amounts to the eligible borrowers as per the Scheme.

#### 55 Events after the reporting period

##### As at and for the period ended June 30, 2021:

The Board of Directors at their meeting held on September 8, 2021 and shareholders in the Extraordinary General Meeting held on October 8, 2021 approved the sub-division of shares from Rs. 10 per share to Rs. 1 per share each fully paid up. The number of shares used for the calculation of earnings per share, and the earnings per share in Note XX (including that in the comparative periods), have been adjusted for pursuant to Paragraph 64 of Ind AS 33 - "Earnings Per Share", prescribed under Section 133 of the Companies Act, 2013. No other adjustments are made in the Restated Financial Information on account of the share split.

##### As at and for the period ended March 31, 2021:

a) In accordance with instructions in RBI circular dated April 7, 2021, all lending institutions shall put in place a Board approved policy and refund / adjust the 'interest on interest charged to borrowers during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the Company has put in place a Board approved policy on "Refund/Adjustment of Interest on Interest charged during the Moratorium Period" and accordingly estimated the said amount based on guidance provided by Indian Banks Association (IBA) on April 19, 2021 and reversed the income to the extent of INR 85 million during the current financial year.

b) During the month of April 2021, the Company made preferential allotment of 14,71,771 fully paid-up equity shares at a price of INR 10 each at a premium of INR 3,508.71 per share pursuant to approval by the Board of Directors at its meeting held on March 22, 2021 which was followed by the approval of shareholders in the Extraordinary General Meeting held on April 22, 2021

#### 56 Social Security Code

The date on which the Code of Social Security, 2020 (The Code) relating to employee benefits during employment and post-employment benefits will come into effect is yet to be notified and the related rules are yet to be finalised. The Company will evaluate the code and its rules, assess the impact, if any and account for the same once they become effective.

As per our report of even date  
for **S.R. Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of  
**Five-Star Business Finance Limited**  
CIN : U65991TN1984PLC010844

**per Bharath N S**  
**Partner**  
Membership No: 210934

**D Lakshmi pathy**  
Chairman and Managing Director  
DIN: 01723269

**R Anand**  
Independent Director  
DIN: 00243485

**G Srikanth**  
Chief Financial Officer

**K Rangarajan**  
Chief Executive Officer

**B Shalini**  
Company Secretary  
ACS: A51334

Place : Chennai  
Date : October 06, 2022

Place : Chennai  
Date : October 06, 2022

## OTHER FINANCIAL INFORMATION

The information required under Clause 11 of Part A of Schedule VI of the SEBI ICDR Regulations are given below:

Particulars	As at and for the three months ended June 30, 2022	As at and for the three months ended June 30, 2021	As at and for the year ended March 31, 2022	As at and for the year ended March 31, 2021	As at and for the year ended March 31, 2020
Basic earnings per equity share (in ₹)	4.79	3.80	16.09	14.01	10.32
Diluted earnings per equity share (in ₹)	4.74	3.66	15.92	13.61	10.07
Return on average net worth (%)	3.69%*	3.67%*	13.86%	16.85%	15.35%
Net asset value per share (in ₹)	132.38	102.73	127.35	85.26	71.68
EBITDA (in ₹ million)	2,545.78	2,243.75	9,170.54	8,130.16	5,763.04

\*Not annualised

**Notes::**

- (i) *Basic and diluted earnings/ (loss) per share: Basic and diluted earnings per equity share are computed in accordance with Indian Accounting Standard 33 notified under the Companies (Indian Accounting Standards) Rules of 2015 (as amended). This is not annualised for the three months ended June 30, 2022 and June 30, 2021.*
- (ii) *Return on average net worth %: Profit after tax for the period/year from restated audited financial statement divided by the simple average of monthly total Net Worth of the Company as of the last day of the month starting from the last month of the previous Financial Year and ending with the last month of the current Financial Year.*
- (iii) *Net worth is equivalent to Total Equity, and is the sum of Equity share capital and Other equity as contained in our Restated Financial Information.*
- (iv) *Net assets value per share (in ₹): Net asset value per share is calculated by dividing net worth by number of equity shares outstanding at the end of the relevant period. This is computed after giving effect to the subdivision of each equity share of face value of INR 10, each fully paid up into 10 equity shares of face value INR 1, each fully paid up.*
- (v) *EBITDA = EBITDA stands for Aggregate of profit after tax from continuing operations from restated audited financial statement before tax expense, finance cost and depreciation and amortisation for the year/period.*

The reconciliation of profit for the period/year to EBITDA and EBITDA Margin are as follows:

(₹ in millions except percentages)

Particulars	As at and for the three months ended June 30, 2022	As at and for the three months ended June 30, 2021	As at and for the year ended March 31, 2022	As at and for the year ended March 31, 2021	As at and for the year ended March 31, 2020
Profit for the period / year (A)	1,394.33	1,015.71	4,535.45	3,589.94	2,619.51
Add: Tax expense (B)	467.28	337.82	1,506.64	1,174.46	873.50
Add: Depreciation and amortisation expense (C)	36.19	26.08	122.45	113.85	100.68
Add: Finance costs (D)	647.98	864.14	3,006.00	3,251.91	2,169.35
<b>EBITDA (E = A+ B + C+D)</b>	<b>2,545.78</b>	<b>2,243.75</b>	<b>9,170.54</b>	<b>8,130.16</b>	<b>5,763.04</b>
Total Revenue from operations (F)	3,379.71	3,005.15	12,540.64	10,497.42	7,867.15
<b>EBITDA Margin (G = E/F)</b>	<b>75.33%</b>	<b>74.66%</b>	<b>73.13%</b>	<b>77.45%</b>	<b>73.25%</b>

In accordance with the SEBI ICDR Regulations, the audited financial statements of our Company for the financial years ended March 31, 2022, March 31, 2021 and March 31, 2020 (collectively, the “**Audited Financial Statements**”) are available on our website at <https://fivestargroup.in/investors/>.

Our Company is providing a link to this website solely to comply with the requirements specified in the SEBI ICDR Regulations. The Audited Financial Statements and the reports thereon do not constitute, (i) a part of the Red Herring Prospectus; or (ii) this prospectus, a statement in lieu of a prospectus, an offering circular, an offering memorandum, an advertisement, an offer or a solicitation of any offer or an offer document or recommendation or solicitation to purchase or sell any securities under the Companies Act, the SEBI ICDR Regulations, or any other applicable law in India or elsewhere. The

Audited Financial Statements and the reports thereon should not be considered as part of information that any investor should consider subscribing for or purchase any securities of our Company and should not be relied upon or used as a basis for any investment decision.

None of our Company or any of its advisors, nor BRLMs or the Selling Shareholders, nor any of their respective employees, directors, affiliates, agents or representatives accept any liability whatsoever for any loss, direct or indirect, arising from any information presented or contained in the Audited Financial Statements, or the opinions expressed therein.

#### **RELATED PARTY TRANSACTIONS**

For details of the related party transactions, as per the requirements under applicable Accounting Standards i.e. Ind AS 24 'Related Party Disclosures' for the three months ended June 30, 2022 and June 30, 2021 and financial years ended March 31, 2022, March 31, 2021 and March 31, 2020, and as reported in the Restated Financial Information, see "*Financial Statements – Financial Statements – Note 44: - Notes to Restated Financial Information – Related Party Disclosures*" on page 325.

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

*You should read the following discussion in conjunction with our Restated Financial Information. Ind AS differs in certain material respects with IFRS and U.S. GAAP. See "Risk Factors – Significant differences exist between Indian Accounting Standards and other accounting principles, such as Indian Generally Accepted Accounting Principles, United States Generally Accepted Accounting Principles and International Financial Reporting Standards, which may be material to investors' assessments of our financial condition, results of operations and cash flows" on page 48.*

*Our financial year ends on March 31 of each year. Accordingly, all references to a particular financial year are to the 12-month period ended March 31 of that year. Financial information for the three months ended June 30, 2022 and June 30, 2021 are not indicative of full-year results, and are not comparable with the annual financial statements presented in this Prospectus.*

*This discussion contains forward-looking statements that involve risks and uncertainties and reflects our current view with respect to future events and financial performance. Actual results may differ from those anticipated in these forward-looking statements as a result of factors such as those set forth under "Forward-looking Statements" and "Risk Factors" on pages 21 and 22, respectively.*

*Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Prospectus. Such non-GAAP financial measures should be read together with the nearest GAAP measure. See "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Financial Data – Non-GAAP financial measures and certain other statistical information" on page 18, and "Risk Factors – We have included certain non-GAAP financial measures and other selected statistical information related to our operations in this Prospectus. Such non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry and may not be comparable with financial or statistical information of similar nomenclature computed and presented by other companies" on page 43.*

*Unless otherwise indicated, industry and market data used in this section has been derived from the CRISIL Report, which has been exclusively commissioned and paid for by the Company only for the purposes of confirming our understanding of the industry in connection with the Offer. We appointed CRISIL Limited to prepare the CRISIL Report on July 30, 2021. For further details and risks in relation to commissioned reports, see "Risk Factors – We have referred to the data derived from industry reports commissioned and paid for by our Company from CRISIL Limited, exclusively for the purpose of the Offer" beginning on page 42.*

### Overview

We are an NBFC-ND-SI providing secured business loans to micro-entrepreneurs and self-employed individuals, each of whom are largely excluded by traditional financing institutions. We are headquartered in Chennai, Tamil Nadu with a strong presence in south India and all of our loans are secured by our borrowers' property, predominantly being SORP. According to the CRISIL Report, among our compared peers (being NBFCs in India):

- within a subset of large peers (with more than ₹30,000 million in Gross Term Loans), we have the fastest Gross Term Loans growth, with a compound annual growth rate ("CAGR") of 65.0% (Financial Year 2017 to 2021) (see "— Competition" on page 202);
- within a subset of large peers (with more than ₹30,000 million in Gross Term Loans), we had the highest average return on Gross Term Loans of 7.5% as at the end of fiscal year 2022 and across the period covering Financial Years 2022, 2021 and 2020; and
- we are among the three best for gross non-performing assets (being Stage 3 Gross Term Loans which are 90+ Days-Past-Due ("DPD")) as a percentage of Gross Term Loans (we had Stage 3 Gross Term Loans as a percentage of Gross Term Loans of 1.05%) as of March 31, 2022, while we have the best asset quality among lenders identified by CRISIL as engaged in extending MSME business loans, with other lenders reporting 90+ DPD more than 2% (see "— Competition" on page 202).

As of June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021 and March 31, 2020, our Gross Term Loans were 52,965.35 million, 45,775.11 million, 50,670.78 million, 44,453.81 million, 38,922.28 million, respectively, of which over 95% comprises loans from between ₹0.1 million to ₹1.0 million in principal amount, with an average ticket size ("ATS" and calculated as the average disbursed sum per customer during the period/year) of ₹0.29 million, ₹0.27 million, ₹0.28 million, ₹0.26 million and ₹0.31 million in the three months ended June 30, 2022 and June 30, 2021, and the Financial Years 2022, 2021 and 2020, respectively. During the three months ended June 30, 2022 and June 30, 2021, and the Financial Years 2022, 2021 and 2020, we have provided loans to more than 205,000 customers in total. We had an active loan base of 230,175 and 217,745 as of June 30, 2022 and March 31, 2022, respectively. Our Gross Term Loans has grown to ₹52,965.35 million as of June 30, 2022 (₹50,670.78 million as of March 31, 2022), from ₹10,082.58 million as of March 31, 2018, at a CAGR of 49.73%

between March 31, 2018 and March 31, 2022. Our profit for the period/year for the three months ended June 30, 2022 and June 30, 2021, and for the Financial Years 2022, 2021 and 2020 was ₹1,394.33 million, ₹1,015.71 million, ₹4,535.45 million, ₹3,589.94 million and ₹2,619.51 million, respectively, and our Total Equity as of the end of the same period/years was ₹38,569.75 million, ₹29,444.13 million, ₹37,103.51 million, ₹23,181.72 million and ₹19,445.80 million, respectively.

We have developed a business model that is predicated on arriving at an appropriate risk framework, with the optimal instalment to income ratio to ensure that our customers have the necessary means to repay the loan after meeting their regular obligations and other event-based capital requirements. We primarily offer our customers small loans for business purposes which accounted for ₹32,903.06 million (62.12% of our Gross Term Loans), ₹28,769.34 million (62.85% of our Gross Term Loans), ₹31,634.74 million (62.43% of our Gross Term Loans), ₹27,934.54 million (62.84% of our Gross Term Loans) and ₹24,477.65 million (62.89% of our Gross Term Loans), as of June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021 and March 31, 2020; as well as loans for asset creation such as home renovation or improvement, or for meeting expenses for significant economic events such as marriage, healthcare and education, which accounted for ₹20,062.29 million (37.88% of our Gross Term Loans), ₹17,005.77 million (37.15% of our Gross Term Loans), ₹19,035.94 million (37.57% of our Gross Term Loans), ₹16,519.27 million (37.16% of our Gross Term Loans) and ₹14,444.64 million (37.11% of our Gross Term Loans), as of the same dates. Our growth is primarily volume led through increasing our customer base while keeping the ATS stable, and we expect this to continue. The interest rates on our loans depend on the underlying tenor (which ranges from two to seven years), with approximately 95% of the loans sanctioned being between the interest rate range of 24% to 26% and between the tenure range of five to seven years. 100% of our leads for customers are sourced in-house without any use of direct selling agents to source leads for us; further, all of our loans are fully secured with more than 95% of the collateral being SORP at the time the loan application is approved.

We target customers:

- in urban and semi-urban locations, as well as in the rural markets of India, where CRISIL expects faster growth in bank credit activity as financial awareness increases;
- who typically derive income from “everyday” cash and carry businesses with a focus on services;
- with household net cash-flows of approximately ₹25,000 to ₹40,000 per month;
- who can provide collateral (typically land and building of approximately ₹1.0 million in value; and
- whose family will act as co-applicants on the loan.

These customers have unencumbered title to the collateral, are reasonably resistant to business cycles and macro events, and are typically more motivated to service the loan without defaults primarily as a result of high customer equity in the collateral property.

We had an extensive network of 311 branches, as of June 30, 2022, spread across approximately 126 districts, eight states and one union territory, with Tamil Nadu, Andhra Pradesh, Telangana and Karnataka being our key states. Such key states collectively accounted for approximately 85% of our branch network by number, as of June 30, 2022. We started our operations in Chennai, Tamil Nadu and have increased the scale of our operations through growth in number of branches by adopting a calibrated strategy of contiguous expansion across geographies where there is substantial demand for our offering. Such contiguous expansion is underpinned by utilizing neighboring branches to evaluate local credit environments combined with our focus on hiring local staff with an understanding of the catchment area, strong local personal and professional networks and the market. As of June 30, 2022, approximately 95% of our branches were located in cities and towns with populations up to one million.

We also have a two layered underwriting architecture comprising a field credit team that is “on the ground” and closer to the customer (the “**Field Credit Team**”); and a file credit team that remotely reviews loan applications and undertakes credit decisioning (the “**File Credit Team**”). We have implemented a comprehensive and robust credit assessment, risk management and collections framework to identify, monitor and manage risks inherent in our line of business. To assist us with these functions, we have created a four layered process for customer credit evaluation – two layers within the business and collections team (one by the Business Officer who sourced the proposal and another with the Branch Manager for verifications) and two layers within the credit team (the Field Credit Team and File Credit Team verifications). We also conduct an in-depth analysis of the potential customer by considering “the three Cs”, being their Character, their existing Cash-flow to assess their repayment abilities, and their Collateral to ensure that there is adequate ability and a high motivation on the part of the customer to repay us. Such organizational structure, credit assessment and risk management and collections framework has allowed us to maintain our robust asset quality during macro downcycles.

We have leveraged established processes and technology in many of our business processes and reduced the turnaround time from login to loan sanction from an average of 20 days for loans sanctioned in Financial Year 2018 to 17 days, and 15 days in Financial Years 2019, and 2020 respectively. There has been an increase in the turnaround time during the Financial Years



2021 and 2022 due to onset of COVID-19 and the related periodic disruptions such as the lockdowns. However, during the three months ended June 30, 2022, we have reduced the turnaround time on the loans disbursed to 18 days. Given that many of our customers have previously borrowed from moneylenders or other such unorganized lenders, we have observed that minor delays in the servicing of regular monthly instalments are typically part of the repayment culture. This behaviour does lead to a portion of our loan portfolio being categorised as overdue, between 1 – 90 DPD. However, although loans categorised as being between 1 – 90 DPD are overdue, such categorisation does not necessarily translate into the overdue loans falling into default or resulting in a loss of revenue for us. For loans that are overdue between 1 – 90 DPD but which are settled by the customer, we potentially do not lose an IRR of more than 1% in almost all such loans. That is, on overdue loans which were settled between April 1, 2018 and June 30, 2022, approximately 95% of overdue accounts between 1 and 90 DPD, were settled between -1% and 1% delta between realized and contracted IRR on settlement, while 3% accounts settled at higher than 1% delta between realized and contracted IRR. Accordingly, we are able to recover a significant portion of our revenue even on overdue (1 – 90 DPD) loans. One of the key reasons for us being able to recover IRR on overdue accounts is our sole charge on the collateral property whose value generally appreciates over time and our conservative LTVs at the time of sanction further reducing over the term of the loan. Such collateralized property usually represents the single biggest component of net worth for our customers and therefore our customers prefer to work with us to resolve the delay rather than having us enforce the possession of the collateral to recover our dues.

As of June 30, 2022 and 2021 and March 31, 2022, 2021 and 2020, our Total Borrowings were ₹25,203.19 million, ₹31,212.18 million, ₹25,588.31 million, ₹34,251.97 million and ₹23,636.93 million, respectively, and our Finance costs for the three months ended June 30, 2022 and June 30, 2021 and the Financial Years 2022, 2021 and 2020 were ₹647.98 million, ₹864.14 million, ₹3,006.00 million, ₹3,251.91 million and ₹2,169.35 million respectively. Our Average Cost of Borrowings was 12.07% as of March 31, 2020, 11.48% as of March 31, 2021, 10.51% as of March 31, 2022, 10.68% as of June 30, 2021 and 10.53% as of June 30, 2022. We secure financing from diversified sources of capital, including term loans; proceeds from loans securitized; proceeds from the issuance of NCDs; issuances of principal protected market linked debentures; and proceeds from loans assigned from banks, financial institutions, mutual funds, and other domestic and international development financial institutions, as applicable to meet our capital requirements. As of June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021 and March 31, 2020, the weighted average residual tenure of our outstanding borrowings, was 29.78 months, 30.16 months, 29.15 months, 34.23 months and 37.44 months, respectively. Further, our long-term ratings from ICRA and CARE is A+ (a significant improvement from our rating of BBB-, from CARE in Financial Year 2015), our short-term borrowings are rated A1+ by CARE.

As of June 30, 2022, we had a total of 6,077 employees. We have a strong, experienced and dedicated management team, including KMP. Further, our board of directors is comprised of a balanced team of qualified and experienced independent directors, who have extensive knowledge and understanding of the financial services and banking industries. We are backed by marquee institutional investors such as TPG Capital, Sequoia Capital, Matrix Partners, Norwest Venture Partners, KKR and TVS Capital Funds Limited.

### **Significant Factors Affecting our Results of Operations**

Our results of operations and financial condition are affected by a number of important factors including:

#### ***Availability of Cost Effective Sources of Capital***

The availability of cost-effective sources of capital affects our results of operations. We have historically secured financing through the use of term loans and working capital facilities, securitization transactions; proceeds from the issuance of NCDs; and issuance of principal protected market linked debentures; from banks, financial institutions, mutual funds and other domestic and foreign financial and development finance institutions. See “*Selected Statistical Information — Sources of Capital*” on page 260. As of June 30, 2022 and 2021 and March 31, 2022, 2021 and 2020, our Total Borrowings were ₹25,203.19 million, ₹31,212.18 million, ₹25,588.31 million, ₹34,251.97 million and ₹23,636.93 million, respectively, and our Finance costs for the three months ended June 30, 2022 and June 30, 2021 and the Financial Years 2022, 2021 and 2020 were ₹647.98 million, ₹864.14 million, ₹3,006.00 million, ₹3,251.91 million and 2,169.35 million respectively. Our Average Cost of Borrowings was 10.53%, 10.68%, 10.51%, 11.48% and 12.07%, respectively. For our financial requirements, we avail financing in the form of term loans, working capital, debt instruments, securitization transactions, among others. As of June 30, 2022, we had undrawn borrowing facilities in the form of term loans, working capital and cash credit facilities amounting to ₹4,788.25 million (inclusive of undrawn amounts from the sanctioned cash credit facilities amounting to ₹479.10 million). For our securitization transactions, during the three months ended June 30, 2022 and June 30, 2021 and the Financial Years 2022, 2021 and 2020, we securitized assets worth nil, nil, nil, ₹7,857.90 million and ₹3,988.63 million, respectively. Further, the amounts outstanding to the investors in such securitization transactions, as of June 30, 2022, June 30, 2021, March 31, 2022, March 31, 2021 and March 31, 2020, were ₹3,910.87 million, ₹7,461.13 million, ₹4,840.10 million, ₹8,181.56 million and ₹3,339.60 million, respectively. Our ability to continue to meet customer demand for new loans will depend primarily on our ability to borrow from various external sources on suitable terms and in a timely manner. Our sources of capital are varied, as

we believe that a diversified debt profile ensures that we are not overly dependent on any one type or source for financing. The availability for financing as well as the overall cost of funds depends on many external factors, including developments in the Indian economy and its credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. Internal factors that affect our cost of funds include our credit ratings and available credit limits. See “– *Credit Ratings*” on page 379 as well as “*Risk Factors – We require substantial capital for our business and any disruption in our sources of capital could have an adverse effect on our business, results of operations and financial condition.*” on page 22.

### ***Our Borrowing Rates, Lending Rates and Volume***

#### ***Borrowing Rates and Lending Rates***

Our results of operations depend primarily on our net interest income, which is the difference between our interest income and our finance costs. Any change in interest rates on our borrowings would affect our finance costs on our floating interest-bearing liabilities as well as our NII and NIM. Our finance costs represented 42.38%, 52.24%, 46.11%, 56.57% and 49.52% of our total expenses for the three months ended June 30, 2022 and June 30, 2021 and the Financial Years 2022, 2021 and 2020, respectively. Similarly, any change in interest rates that we charge our customers would affect our interest income as well as our NII and NIM. Our interest income constitutes the largest component of our revenue from operations. For the three months ended June 30, 2022 and June 30, 2021 and the Financial Years 2022, 2021 and 2020, interest income represented 98.87%, 96.50%, 95.83%, 96.54% and 94.85% of our Total income, respectively. Our NII, which represents interest income less adjusted finance costs (represented by the aggregate of finance costs and fee expenses derived from our Restated Financial Information reduced by interest on lease liabilities and interest on current tax liability) for the relevant period/year, was ₹2,473.04 million, ₹1,886.02 million, ₹8,289.64 million, ₹6,390.95 million and ₹4,791.70 million for the three months ended June 30, 2022 and June 30, 2021 and the Financial Years 2022, 2021 and 2020, respectively; while our NIM, which represents our NII for a period to the average total assets for the period, represented as a percentage, was 19.17%, 16.63%, 17.68%, 16.00% and 16.69% for the three months ended June 30, 2022 and June 30, 2021 and the Financial Years 2022, 2021 and 2020, respectively.

Interest rates that we charge our customers can depend upon a number of factors that are, in part, within our control, which can include our overall business strategy, our expenses related to a particular loan type, the volume of loans (where the greater the number of expected loans may result in us setting a smaller interest rate, and vice versa), as well as promotions that we may be running at any given time.

Further, interest rates that we charge customers as well as interest on our borrowings, are sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India and domestic and international economic conditions. Moreover, interest rates in India are typically correlated with the inflation rate, as the inflation rate increases, the RBI has historically sought to raise interest rates. In a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our interest-earning assets, it could lead to a decline in our NII and NIM. Some of our customers may also prepay their loans to take advantage of a declining interest rate environment. Similarly, an increase in interest rates could result in our floating rate borrowing costs going up, without a corresponding increase in interest income since the company’s lending is completely on fixed-rate basis, and this would have an impact on our NII and NIM. A sudden or sharp rise in rates could also cause a decline in the market value of our investments. Accordingly, our results of operations are thus affected by changes in interest rates and our ability to re-price our interest-earning assets accordingly. See “*Risk Factors – We are affected by volatility in interest rates for both our lending and treasury operations, which could cause our net interest income (“NII”) and net interest margin (“NIM”) to vary and consequently affect our profitability, result of operations and cash flows.*” and “– *Quantitative and Qualitative Disclosures about Market Risks – Interest Rate Risks*” on pages 31 and 379, respectively.

#### ***Loan Volume***

Due to us charging interest rates on per loan basis, the volume of loans that we approve and disburse is a primary driver of our revenue. Our disbursements were ₹5,684.33 million (19,793 disbursements), ₹3,331.60 million (12,236 disbursements), ₹12,450.54 million (48,111 disbursements) and ₹24,086.69 million (76,634 disbursements) for the three months ended June 30, 2022 and the Financial Years 2022, 2021 and 2020, respectively. The volume of loans we approve and disburse depend upon a number of factors that are, in part, within our control, which can include the number of and availability of branches, field officers and credit officers, our decisions regarding target customer market and ticket size limits, our marketing efforts and customer care initiatives, and the extent to which our customer touch points represent our brand in a positive manner.

The volume of loans we approve and disburse also depend upon a number of external factors, which can include general macro-economic conditions, government initiatives regarding financial inclusion, changes in general lending activity and competition.

### ***Credit Quality and Provisioning***

Our ability to manage the credit quality of our loans, which we measure in part through Stage 3 Gross Term Loans, is a key

driver of our results of operations. Our total loan portfolio has grown in the last few years, and we anticipate that the size of our loan portfolio will continue to grow in the future as we pursue our expansion strategy. We classify Stage 3 Gross Term Loans primarily based on their DPD and in accordance with Ind AS. Accordingly, defaults by our customers for a period of more than 90 days would result in such loans being classified as “Stage 3 Gross Term Loans” (in accordance with Ind-AS). Expected Credit Loss on our loan portfolio is made in accordance with Ind AS 109, read with the regulations issued by the RBI. We rely on our comprehensive credit assessment, robust risk management and collections framework to maintain a high-quality loan portfolio and the provisions made in accordance with the ECL model are typically higher than the provisions made in accordance with RBI Master Directions, if those were applicable to us. We consider a financial instrument as defaulted and consider it as Stage 3 (credit-impaired) for ECL calculations in all cases, primarily when the asset becomes 90+ DPD on its contractual payments. For further details, see “— *Statement of Certain Significant Accounting Policies — Financial Instruments — Impairment of financial assets*” below.

In addition, on account of our recent growth, a significant portion of our loan portfolio is relatively new and was disbursed during the last 36 months. We also lend for tenures of up to seven years, and believe that the risk of delinquency in such longer tenure loans typically emerges 18 to 24 months from disbursement. As the number of our loans that fall into Stage 3 increases, the credit quality of our loan portfolio decreases.

The following table illustrates our Stage 3 Gross Term Loans for the periods/years indicated:

Metric	As of				
	June 30,		March 31,		
	2022	2021	2022	2021	2020
Stage 3 Gross Term Loans <sup>(1)</sup> (₹ in millions)	591.37	748.55	530.50	451.93	532.26
Stage 3 Gross Term Loans / Gross Term Loans (%)	1.12%	1.64%	1.05%	1.02%	1.37%
Stage 3 Gross Term Loans (Net) <sup>(2)</sup> (₹ in millions)	359.43	470.43	345.40	370.74	438.05
Stage 3 Gross Term Loans (Net) / Net Gross Term Loans (%)	0.68%	1.03%	0.68%	0.84%	1.13%

Notes:

(1) Stage 3 Gross Term Loans represent the gross carrying amount of Stage 3 Gross Term Loans.

(2) Stage 3 Gross Term Loans (net) represents Stage 3 Gross Term Loans reduced by Impairment Loss Allowance against these loans as of the last day of relevant reporting period/year.

Further, since we provide secured loans where the primary collateral is typically land and building, our loan portfolio is exposed to events affecting the real estate sector. A decline in real estate prices, and in turn in the value of the collateral could affect our ability to recover amounts owed to us upon foreclosure. See “*Risk Factors – Our inability to recover the full value of collateral, or amounts outstanding under defaulted loans in a timely manner, or at all, could adversely affect our business, results of operations and financial condition*” on page 33.

### **Competition in Our Industry**

The small business finance industry in India is highly competitive. The factors on which we compete include loan approval rates, interest rates charged for loans, turnaround times and customer relationships. Competitive pressures can impact the performance of all aspects of our business and financial performance.

We face competition from other NBFCs as well as scheduled commercial banks. In addition to NBFCs and banks, we face competition from unorganized small market participants who are prevalent in semi-urban, urban and rural geographies, local money lenders in urban areas, and small finance banks which are also focused on lending to low and middle income segments and micro, small and medium enterprises and unorganized money-lenders. We may also see the entrance of new competitors. In addition, if we are unable to access funds at an effective cost that is comparable to, or lower than our competitors, or expand our reach and build our brand, we may lose existing as well as potential customers to competition, resulting in a decline in our market share.

Our competitors may have more resources, a wider branch and distribution network, access to cheaper capital, superior technology and may develop a better understanding of and relationships with customers in these markets. This may make it easier for competitors to expand and to achieve economies of scale to a greater extent. In addition, our competitors may be able to rely on the reach of affiliated group companies or other banks. Competition is also increasing as a result of interest rate deregulation and other liberalization measures. We expect competition to intensify in the future. See “*Our Business – Description of our Business – Competition*” on page 202.

### **General Economic Conditions in India**

Our results of operations are affected by the general economic conditions prevalent in India. Overall economic growth and an increase in GDP are likely to result in an increase in incomes and spending of small business owners and self-employed

individuals in India, which may lead to an increase in demand for loans. Conversely, a slowdown in the Indian economy could adversely affect our business and our borrowers, especially if such a slowdown were to be continued and prolonged. Several factors beyond our control, such as developments in the Indian economy including the regulatory landscape and domestic employment levels, conditions in the world economy, pandemics such as COVID-19, fluctuations in interest rates, movements in global commodity markets and exchange rates could have either a positive or an adverse impact on the quality of our loan portfolio. Any trends or events, which have a significant impact on the economic situation in India could have an adverse impact on our business.

### **COVID-19 Pandemic**

In response to the global impact of the COVID-19 pandemic, public health officials and governmental authorities took measures, including in India where our operations are based, such as prohibiting people from assembling in large numbers, instituting quarantines, restricting travel, issuing “stay-at-home” and curfew orders and restricting the types of businesses that could continue to operate, among other measures.

The COVID-19 pandemic has affected and may continue to affect our business, results of operations and financial condition in a number of ways such as:

- the closure of all our offices and branches for April 2020 and part of May 2020 and transition to work-from-home models. We resumed operations at our offices and branches in a staggered manner by September 2020 in compliance with the lockdown restrictions and central and state government guidelines, and have since returned to full-scale operations;
- the RBI, pursuant to its circulars dated March 27, 2020, April 17, 2020 and May 23, 2020 announced certain regulatory measures, including, among others, to mitigate the burden of debt servicing brought about by disruptions on account of the COVID-19 pandemic and to ensure the continuity of viable businesses; in furtherance of these circulars and in line with our Board approved policy, we granted a five-month moratorium to all customers who were less than or equal to 90 days-past-due (“DPD”) as of March 31, 2020 (i.e., to those customers who were not 90+ DPD, which is deemed a Stage 3 Asset, in respect of instalments falling due between April 1, 2020 and August 31, 2020; the RBI also clarified that for all standard accounts as on February 29, 2020, moratorium period will be excluded from DPD calculation for the purpose of asset classification under the IRAC norms; the moratorium was granted by us to 141,251 loans with a principal outstanding as of March 31, 2020 of ₹ 38,387.5 million (or 98.63% of the total principal outstanding as of March 31, 2020). During the period of moratorium, there was a DPD standstill and the moratorium period was excluded from DPD calculation for the purpose of asset classification. Post the end of the moratorium period on August 31, 2020, the DPD movement re-commenced and the borrowers moved buckets depending on their payment behaviour;
- a decline in general economic and business activity during the Financial Year 2021, which resulted in a reduction in our disbursements from ₹24,086.69 million for the Financial Year 2020 to ₹12,450.54 million for the Financial Year 2021. In addition, during the months of March, April and May of 2020, our collection efficiency was 84.86%, 50.95% and 73.19%, respectively (collection efficiency for April and May 2020 computed assuming monthly instalment dues for all borrowers despite the grant of moratorium by us to all our customers who were standard as at March 31, 2020);
- to support micro, small and medium enterprises (“MSMEs”), the Government of India announced an Emergency Credit Line Guarantee Scheme (“ECLGS”) under which banks and NBFCs were allowed to extend incremental credit of up to 20% of the loans outstanding of MSMEs as on February 29, 2020, subject to these accounts not being delinquent as on February 29, 2020. Such incremental credit was fully guaranteed by the government. This scheme was amended to enhance the limits under the scheme and to include additional sectors under the ambit of the scheme. Our borrowers preferred moratorium on instalment dues over incremental credit to endure their temporary cash flow issues and as such, we chose to grant moratorium benefit to all our customers who were “standard” as of March 31, 2020. We have not provided any incremental credit under ECLGS to any of our borrowers;
- the RBI, pursuant to its circular dated August 6, 2020, had also allowed a one-time restructuring of loans impacted by COVID-19 to help lenders and customers reschedule repayment of instalments based on customers’ present income and restoration of income in subsequent months; the restructuring will limit the potential increase in Stage 3 Gross Term Loans out of restructured loan accounts till a revised repayment schedule is agreed with such customers; these restructured accounts might become Stage 3 Gross Term Loans if customers fail to make payments as per the restructured schedule; we have not granted any restructuring of loans to any of our customers as part of this restructuring plan;

- the Government of India, Ministry of Finance, through its notification dated October 23, 2020, announced COVID-19 Relief Scheme for grant of ex-gratia payment of difference between the compound interest and simple interest for six months to borrowers in specified loan accounts (the “**Scheme**”), as per the eligibility criteria and other aspects specified therein and irrespective of whether RBI moratorium was availed or not. We implemented the Scheme in accordance with the requirements of the notification and credited to the accounts of or remitted amounts to the eligible borrowers as per the Scheme. Accordingly, we credited an amount of ₹93.53 million to the borrower accounts and claimed the same amount from the Government of India;
- by way of a circular dated April 7, 2021 on ‘Asset Classification and Income Recognition following the Expiry of COVID-19 regulatory Package’, the RBI advised that all lending institutions were required to put in place a board-approved policy to refund / adjust the ‘interest on interest’ charged to the borrowers during the moratorium period, i.e., March 1, 2020 to August 31, 2020; the above reliefs were applicable to all borrowers, including those who availed working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Further, lending institutions were to disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ending March 31, 2021; pursuant to these guidelines, we formulated a Board-approved policy for the refund of ‘interest on interest’, in line with which an amount of ₹114.43 million was credited to borrower accounts, which was disclosed in our financial statements;
- by way of circulars dated May 5, 2021 on ‘Resolution Framework 2.0 – Resolution of COVID-19 Related Stress of Individuals and Small Businesses’ (the “**May 5 Circular**”), RBI advised that banks and NBFCs could restructure loans up to ₹250 million under the resolution framework 2.0. Individuals and small businesses with a ‘standard asset’ classification as of March 31, 2021, could approach the lenders to help ease the parameters of repayment provided, *inter alia*, that the borrower’s account had not been restructured in terms of the circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020; DOR. No.BP.BC. 34/21.04.048/ 2019-20 dated February 11, 2020; or DBR.No.BP.BC. 18/21.04.048/ 2018-19 dated January 1, 2019 (collectively, the “**Restructuring Circulars**”). Upon implementation of the restructuring plan, lenders were required to maintain a provision of 10% of the residual debt of the borrower. The last day for the invocation of the resolution process was September 30, 2021. Thereafter, the resolution plan was implemented within 90 days. Further, through a circular dated June 4, 2021, the RBI enhanced the above limit of ₹250 million to ₹500 million, provided that the borrower’s account had not been restructured in terms of the May 5 Circular or the Restructuring Circulars. No resolution plan was granted to any of our borrowers for the Financial Year 2021. However, as of June 30, 2021, the resolution plan was implemented on 1.87% of our loan portfolio, computed as the value of restructured loans as of March 31, 2021 as a percentage of the total Gross Term Loans, as of March 31, 2021 (or in absolute amount, the value of restructured loans was ₹830.52 million as of March 31, 2021), as compared to 1.34% or ₹711.29 million and 1.46% or ₹738.02 million as of June 30, 2022 and March 31, 2022, respectively;
- with the onset of the “second wave” of COVID-19 during the first quarter of Financial Year 2022, we experienced an adverse impact on our business and collections operations, with our disbursements during the first quarter of Financial Year 2022 reducing to ₹3,331.60 million compared to ₹6,618.81 million during the fourth quarter of Financial Year 2021. Furthermore, due to impact of the “second wave” on borrower cashflows leading to a temporary inability on their part to make payment of their EMI dues, during the first half of Financial Year 2022, in line with our Board approved policy, we restructured 1.87% of our loan portfolio, computed as the Gross Term Loans of restructured loans as of March 31, 2021 as a percentage of the total Gross Term Loans, as of March 31, 2021 (2,655 borrowers in the first quarter of Financial Year 2022; and 45 borrowers in the second quarter of Financial Year 2022). We restructured such loans based on borrowers requesting assistance and also based on us contacting certain borrowers that showed early signs of overdues. Restructuring was provided in the form of moratorium for all dues falling between April 1, 2021 and September 30, 2021. For the first quarter of Financial Year 2022, our average monthly collection efficiency dropped to 89.33% (calculated using instalment dues for non-restructured loans only) and our Stage 3 Gross Term Loans and Stage 3 Gross Term Loans (net) increased during the same period from 1.02% and 0.83%, respectively as of March 31, 2021, to 1.64% and 1.03%, respectively, as of June 30, 2021. However, with the easing of the impact of “second wave” and a consequent improvement in borrower cashflows, our collections efficiency has improved, and we recorded collections efficiency of 102.04\*%, 98.22\*%, 101.45\*% and 99.17\*% for the quarters ended September 30, 2021, December 31, 2021, March 31, 2022 and June 30, 2022, respectively (\*As certified by R P S V & Co., Independent Chartered Accountant, pursuant to their certificate dated November 15, 2022);
- our customers, who are individuals primarily belonging to low and middle-income groups, typically lack traditional evidence of income, may have less financial wherewithal than other borrowers and may default on their repayment obligations;

- the effects of the COVID-19 pandemic on our future results of operations, cash flows and financial condition could adversely impact our ability to service our debt obligations and comply with the covenants in our credit facilities and other financing agreements and could result in events of default and the acceleration of indebtedness, which could adversely affect our results of operations and financial condition and our ability to make additional borrowings; and
- our Previous Statutory Auditor included an emphasis of matter in their auditor's report on the financial statements for the Financial Years 2021 and 2020 in this regard.

Our inability to access debt and equity capital on acceptable terms, or at all, may affect our access to capital and other sources of capital necessary to fund our operations or address maturing liabilities on a timely basis. For instance, COVID-19 had an impact on our ability to procure capital from banks and financial institutions putting all of our borrowing proposals on hold and resulting in a reduction in our liquidity position.

Since the initial impact of the COVID-19 pandemic on our business, our operational and financial metrics have generally improved. We have evaluated the impact of COVID-19 on our business and operations, and are of the view that it does not have any material impact on our operational and financial results at present. However, in light of the dynamic nature of the COVID-19 pandemic, there remains uncertainty regarding the full extent of the COVID-19 pandemic in the future and possible future waves and variants, which makes it impossible for us to predict with certainty the impact that such future waves or variants of COVID-19 may have on our business and operations. We will continue to monitor future events and developments that may result in an adverse effect on our business. The impact of the COVID-19 pandemic, including the "third wave" and new variants, on our operations and financial metrics will depend on the future developments, which are highly uncertain and cannot be predicted, including (i) any new information as to the scope, severity, and duration of the pandemic or the efficacy of vaccines; (ii) any actions taken by governments, the RBI and other authorities, businesses and individuals in response to the pandemic; and (iii) the effect on customer demand, and their ability to repay the principal amount or interest, for our products; and therefore, our prior financial results are not necessarily indicative of results to be expected for future periods. Any intensification of the COVID-19 pandemic or any future outbreak of another highly infectious or contagious disease may adversely affect our business, results of operations and financial condition. Further, as COVID-19 adversely affects our business and results of operations, it may also have the effect of exacerbating many of the other risks described in the "*Risk Factors*" section.

#### *Auditor Observations and Management Assessment*

Our Previous Statutory Auditors included emphases of matters in their report on our financial statements for the Financial Years 2021 and 2020, which described uncertainties relating to the effects of COVID-19 pandemic on our operations at the prevailing time. As required under SA 706, our Previous Statutory Auditor was, and our Statutory Auditor is, required to draw attention to a matter which has been presented and/or disclosed in the financial statements if the matter is of such importance that it is fundamental to an understanding of the financial statements.

The impact of COVID-19 on the economy is uncertain and would also be dependent upon on future developments including various measures taken by the Government, regulators, responses of businesses, and consumers, amongst others. Therefore, the extent to which the COVID-19 pandemic will impact our business, cash flows and financial statements, is dependent on such future developments, which are highly uncertain. The impact assessment of COVID-19 is a continuing process given its uncertainty in nature and duration, which may have a corresponding impact in our financial position. We will continue to monitor any material changes to the future economic conditions.

#### *Government Policy and Regulations*

Our results of operations and continued growth depend on government policies and regulations. We are affected by a number of regulations promulgated by the RBI that regulate, among other things, limits on borrowings, investments and interest rates, asset classification and provisioning for standard and non-standard assets, norms for creation of special reserves as well as minimum capital adequacy requirements. For example, Further, under Ind AS, we compute impairment allowance based on the expected credit loss model. For further details, see "*— Statement of Certain Significant Accounting Policies — Financial Instruments — Impairment of financial assets*" below.

The regulations applicable to us also address issues such as our conduct with customers and recovery practices, market conduct and foreign investment. Any change in the regulatory framework affecting NBFCs, and in particular those requiring us to maintain certain financial ratios, placement restrictions on accessing funds, among others, would affect our results of operations and growth.

See "*Risk Factors – The Indian small business finance industry is extensively regulated by the RBI and any changes in laws and regulations applicable to NBFCs such as us could have an adverse effect on our business.*" on page 34.

## **Statement of Certain Significant Accounting Policies**

### **Revenue Recognition**

We recognize revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue from contracts with customers'. We identify contract(s) with a customer and our performance obligations under the contract, determine the transaction price and the allocation to the performance obligations in the contract and recognize revenue only on satisfactory completion of performance obligations. Revenue is measured at the fair value of the consideration received or receivable

### **A Effective Interest Rate ('EIR') Method**

Under Ind AS 109, interest income is recorded using the effective interest rate method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any fees and costs that are an integral part of the EIR. We recognize interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial instrument.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through interest income in the statement of profit and loss.

We calculate interest income by applying EIR to the gross carrying amount of financial assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'stage 3', We continue to calculate interest income on the amortized cost of the financial asset.

### **B. Dividend income**

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

### **C. Other interest income**

Other interest income is recognised on a time proportionate basis.

### **D. Fee income**

Fees income such as legal inspection charges, cheque bounce charges are recognised on an accrual basis in accordance with term of contract with the customer. Cheque Bounce charges are recognised as income upon certainty of receipt

### **E. Net gain on fair value changes:**

We designate certain financial assets for subsequent measurement at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). We recognize gains on fair value change of financial assets measured at FVTPL and realise gains on derecognition of financial asset measured at FVTPL and FVOCI on net basis in profit or loss

### **F. Others**

Delayed interest and other operating income are recognized as income upon certainty of receipt.

We recognize income on recoveries of financial assets written off on realisation or when the right to receive the same without any uncertainties of recovery is established

All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection.

## **Financial instrument - initial recognition**

### **A. Date of recognition**

Debt securities issued are initially recognised when they are originated. Loans are recognised when funds are transferred to the customers account. All other financial assets and financial liabilities are initially recognised when we become a party to the contractual provisions of the instrument.

### **B. Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit and loss (FVTPL), transaction costs are added to, or subtracted from this amount.

### **C. Measurement categories of financial assets and liabilities**

We classify all of our financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- i) Amortised cost
- ii) FVOCI
- iii) FVTPL

## **Financial assets and liabilities**

### **A. Financial assets**

#### **Business model assessment**

We determine the business model at the level that best reflects how it manages groups of financial assets to achieve our business objective.

Our business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- a) How the performance of the business model and the financial assets held within that business model are evaluated and reported to our key management personnel.
- b) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- c) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- d) The expected frequency, value and timing of sales are also important aspects of our assessment.



The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from our original expectations, we do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

### **SPPI test**

As a second step of our classification process, we assess the contractual terms of financial assets to identify whether they meet SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, we apply judgement and consider relevant factors such as the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Accordingly, financial assets are measured as follows based on the existing business model:

#### **i) Financial assets carried at amortised cost (AC)**

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Bank balances, Loans, Trade receivables and other financial investments that meet the above conditions are measured at amortised cost.

#### **ii) Financial assets at fair value through Other Comprehensive Income (FVOCI)**

Financial assets are measured at FVOCI when the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset meets the SPPI test."

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

A financial asset which is not classified as measured at amortised cost/ FVOCI are measured at FVTPL.

### **Financial liabilities**

#### **i) Initial recognition and measurement**

All financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liability, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition.

#### **ii) Subsequent measurement**

Financial liabilities are carried at amortized cost using the effective interest method.

#### **iii) Debt Securities and other borrowed funds**

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the instrument.

We issue certain non-convertible debentures, the return of which is linked to performance of specified indices market indicators over the period of the debenture. Such debentures have a component of an embedded derivative which is fair valued at a reporting date. The resultant 'net unrealised loss or gain' on the fair valuation of these embedded derivatives is recognised in the statement of profit and loss. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

#### **iv) Embedded derivatives**

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index or prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument

Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

### **Derecognition of financial assets and liabilities**

#### **A. Derecognition of financial assets due to substantial modification of terms and conditions**

We derecognize a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be Purchased or originated credit impaired (POCI)

When assessing whether or not to derecognise a loan to a customer, amongst others, we consider the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion."

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, we record a modification gain or loss, to the extent that an impairment loss has not already been recorded.

#### **i) Financial Assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which we neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of profit and loss.

When we have neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the our continuing involvement, in which case, we also recognize an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that we have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration we could be required to pay.

## **ii) Financial Liability**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of profit and loss.

### **Impairment of financial assets**

#### **A. Overview of ECL principles**

In accordance with Ind AS 109, we use ECL model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL). The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

When estimating LTECLs for undrawn loan commitments, we estimate the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down.

Expected credit losses are measured through a loss allowance at an amount equal to:

- i) The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- ii) Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

Both LTECLs and 12 months ECLs are calculated on collective basis.

### **Impairment of financial assets**

Based on the above, we categorize our loans into Stage 1, Stage 2 and Stage 3, as described below:

#### **Stage 1:**

When loans are first recognised, we recognize an allowance based on 12 months ECL. Stage 1 loans includes those loans where there is no significant credit risk observed and also includes facilities where the credit risk has been improved and the loan has been reclassified from stage 2 or stage 3.

#### **Stage 2:**

When a loan has shown a significant increase in credit risk since origination, we record an allowance for the life time ECL. Stage 2 loans also includes facilities where the credit risk has improved and the loan has been reclassified from stage 3.

### **Stage 3:**

Loans considered credit impaired are the loans which are past due for more than 90 days. We records an allowance for life time ECL.

For financial assets for which we have 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.

### **Calculation of ECLs**

The mechanics of ECL calculations are outlined below and the key elements are, as follows:

#### **Probability of Default (PD):**

Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

#### **Exposure at Default (EAD):**

Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

#### **Loss Given Default (LGD):**

Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. We have calculated PD, EAD and LGD to determine impairment loss on the portfolio of loans and discounted at an approximation to the EIR. At every reporting date, the above calculated PDs, EAD and LGDs are reviewed and changes in the forward looking estimates are analysed.

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 mechanics of the ECL method are summarised below:

#### **Stage 1:**

The 12 months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. We calculate the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-months default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

#### **Stage 2:**

When a loan has shown a significant increase in credit risk since origination, we record an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

#### *Significant increase in credit risk*

we monitor all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk we will measure the loss

allowance based on lifetimeLTECLs rather than 12mECLs.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, we compare the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, we consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on our historical experience and expert credit assessment including forward looking information.

### **Stage 3:**

For loans considered credit-impaired, we recognize the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

#### *Credit-impaired financial assets*

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract such as a default or past due event;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses."

•the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower

a concession that the lender would not otherwise consider:

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. We assess whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a back- stop if amounts are overdue for 90 days or more.

#### Loan Commitments

When estimating LTECLs for undrawn loan commitments, We estimate the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

### **Forward looking information**

In our ECL models, we rely on a broad range of forward looking macro parameters and estimated the impact on the default at a given point of time (Also refer note no. 48).

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the

financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

### **Write-offs**

Financial assets are written off when there is a significant doubt on recoverability in the medium term. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of profit and loss.

### **Determination of fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, we have taken into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**Level 1 financial instruments:** Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that we have access to at the measurement date. We consider markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date;

**Level 2 financial instruments:** Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, we will classify the instruments as Level 3;

**Level 3 financial instruments** – Those that include one or more unobservable input that is significant to the measurement as whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. We evaluate the levelling in the hierarchy at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period.

### **Foreign currency transactions**

Transactions in foreign currencies are translated into our functional currency, at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognized in profit or loss."

### **Investment Property**

Investment property represents property held to earn rentals or for capital appreciation or both.

Depreciation on building classified as investment property has been provided on the straight-line method over a period of 60 years based on our estimate of their useful lives taking into consideration technical factors, which is the same as the period prescribed in Sch II to the Companies Act 2013.

Though we measure investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an external independent valuer applying valuation models.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit and loss in the period of derecognition.

## **Property, plant and equipment**

### **i. Recognition and measurement**

"Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss."

### **ii. Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to us.

### **iii. Depreciation**

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the written down value method, and is generally recognised in the statement of profit and loss.

We follow estimated useful lives which are given under Part C of the Schedule II of the Companies Act, 2013. The estimated useful lives of items of property, plant and equipment are as follows:

Asset category	Estimated Useful life
Vehicles	8 years
Furniture and fittings	10 years
Office equipment	5 years
Computers and accessories	3 years

Servers	6 years
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Leasehold improvements are depreciated over the remaining period of lease or estimated useful life of the assets, whichever is lower. Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

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

### **Intangible assets**

#### **i. Recognition and measurement**

Intangible assets including those acquired by us are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

#### **ii. Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### **iii. Amortisation**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight line method, and is included in depreciation and amortisation in Statement of Profit and Loss.

Asset category	Estimated useful life
Computer softwares	5 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

### **Employee benefits**

#### **i. Post-employment benefits**

##### **Defined contribution plan**

Our contribution to provident fund is considered as defined contribution plan and is charged as an expense as they fall due based on the amount of contribution required to be made and when the services are rendered by the employees.

##### **Defined benefit plans**

#### **Gratuity**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Our net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods.



The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for us, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'), if any. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. We determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that we recognize related restructuring costs

We recognize gains and losses on the settlement of a defined benefit plan when the settlement occurs.

## **ii. Other long-term employee benefits**

### **Compensated absences**

The employees can carry forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. We record an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

### **iii. Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

## **iv. Stock based compensation**

The grant date fair value of equity settled share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

## **Provisions, contingent liabilities and contingent assets**

## **Provisions**

Provisions are recognised when we have a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, we determine the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

## **Contingent liability**

A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within our control or; present obligation that arises from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability are disclosed as contingent liability and not provided for.

## **Contingent asset**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the our control . Contingent assets are neither recognised not disclosed in the Restated Financial Information.

## **Leases**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

At the commencement date of the lease, we recognize lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

We recognize right-of-use assets at the commencement date of the lease (i.e.the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless we are reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

We determine the lease term as the initial period agreed in the lease agreement , together with both periods covered by an option to extend the lease if we are reasonably certain to exercise that option; and periods covered by an option to terminate the lease if we are reasonably certain not to exercise that option. In assessing whether we are reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, we consider all relevant facts and circumstances that create an economic incentive for us to exercise the option to extend the lease, or not to exercise the option to terminate the lease. We revise the lease term if there is a change in the initial period agreed in the lease agreement.

## **Taxes**

### **i. Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

## **ii. Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction; temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that we are able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, we recognize a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which we expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

## **Indirect taxes**

Goods and services tax /value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the goods and services tax/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

## **Borrowing cost**

Borrowing costs are interest and other costs incurred in connection with the borrowings of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of the asset. Other borrowings costs are recognized as an expense in the statement of profit and loss account on an accrual basis using the effective interest method.

## **Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances

(with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### **Segment reporting- Identification of segments:**

An operating segment is our component that engages in business activities from which we may earn revenues and incur expenses, whose operating results are regularly reviewed by our Chief Operating Decision Maker (CODM) to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108 Operating Segments, the CODM evaluates our performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

### **Earnings per share**

We report basic and diluted earnings per equity share in accordance with Ind AS 33, Earnings Per Share. Basic earnings per equity share is computed by dividing net profit / loss after tax attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed and disclosed by dividing the net profit/ loss after tax attributable to the equity share holders for the year after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period.

### **Cash flow statement**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. Our cash flows from regular revenue generating, financing and investing activities are segregated. Cash flows in foreign currencies are accounted at the actual rates of exchange prevailing at the dates of the transactions.

### **Impairment of non-financial assets**

We determine periodically whether there is any indication of impairment of the carrying amount of non-financial assets. The recoverable amount (higher of net selling price and value in use) is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The recoverable amounts of such asset are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken in to account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, are recognised in the statement of profit and loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, we estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such

reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

### **Derivative financial instruments**

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date

we enter into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps and cross currency interest rate swaps.

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in the statement of profit and loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the statement of profit and loss depends on the nature of the hedge relationship. We designate certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

### **Hedge accounting policy**

We make use of derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, We apply hedge accounting for transactions that meet specific criteria. At the inception of a hedge relationship, we formally designates and documents the hedge relationship to which we wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes our risk management objective and strategy for undertaking hedge, the hedging / economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how we would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

### **Cash Flow Hedges**

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit and loss. For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in Finance Cost in the statement of profit and loss. When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss. When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the statement of profit and loss.

Our hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind-AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationships exists between the hedged item and hedging instrument. We enter into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed..

### **Our Results of Operations**

The following table sets forth select financial data derived from our restated statement of profit and loss for the three months

ended June 30, 2022 and June 30, 2021, the components of which are also expressed as a percentage of total income for such periods:

	For three months ended June 30,			
	2022		2021	
	(₹ in millions)	% of Total Income	(₹ in millions)	% of Total Income
<b>Revenue from operations:</b>				
Interest income	3,352.20	98.87%	2,902.29	96.50%
Fee income	12.33	0.36%	42.81	1.42%
Net gain on fair value changes	15.18	0.45%	60.05	2.00%
<b>Total revenue from operations</b>	<b>3,379.71</b>	<b>99.68%</b>	<b>3,005.15</b>	<b>99.92%</b>
Other Income	10.88	0.32%	2.40	0.08%
<b>Total Income</b>	<b>3,390.59</b>	<b>100.00%</b>	<b>3,007.55</b>	<b>100.00%</b>
<b>Expenses:</b>				
Finance costs	647.98	19.11%	864.14	28.73%
Employee benefits expense	718.90	21.20%	520.19	17.30%
Depreciation and amortisation expense	36.19	1.07%	26.08	0.87%
Impairment on financial instruments	(4.11)	(0.12)%	165.38	5.50%
Other expenses	130.02	3.83%	78.23	2.60%
<b>Total Expenses</b>	<b>1,528.98</b>	<b>45.09%</b>	<b>1,654.02</b>	<b>55.00%</b>
<b>Profit before tax</b>	<b>1,861.61</b>	<b>54.91%</b>	<b>1,353.53</b>	<b>45.00%</b>
<b>Tax Expense:</b>				
Current tax	469.42	13.84%	382.95	12.73%
Deferred tax (net)	(2.14)	(0.06)%	(45.13)	(1.50)%
Tax expense	467.28	13.78%	337.82	11.23%
<b>Profit for the period</b>	<b>1,394.33</b>	<b>41.12%</b>	<b>1,015.71</b>	<b>33.77%</b>

The following table sets forth select financial data derived from our restated statement of profit and loss for the Financial Years 2022, 2021 and 2020, the components of which are also expressed as a percentage of total income for such years:

	For the Financial Year					
	2022		2021		2020	
	(₹ in millions)	% of Total Income	(₹ in millions)	% of Total Income	(₹ in millions)	% of Total Income
<b>Revenue from operations:</b>						
Interest income	12,037.66	95.83%	10,148.76	96.54%	7,468.25	94.86%
Fee income	293.96	2.34%	216.76	2.06%	297.08	3.77%
Net gain on fair value changes	209.02	1.66%	131.90	1.26%	101.82	1.29%
<b>Total revenue from operations</b>	<b>12,540.64</b>	<b>99.83%</b>	<b>10,497.42</b>	<b>99.86%</b>	<b>7,867.15</b>	<b>99.92%</b>
Other Income	21.05	0.17%	15.13	0.14%	6.32	0.08%
<b>Total Income</b>	<b>12,561.69</b>	<b>100.00%</b>	<b>10,512.55</b>	<b>100.00%</b>	<b>7,873.47</b>	<b>100.00%</b>
<b>Expenses:</b>						
Finance costs	3,006.00	23.93%	3,251.91	30.93%	2,169.35	27.55%
Fees expenses	-	-	26.68	0.25%	4.25	0.05%
Employee benefits expense	2,361.15	18.80%	1,637.18	15.58%	1,271.07	16.15%
Depreciation and amortisation expense	122.45	0.97%	113.85	1.08%	100.68	1.28%
Impairment on financial instruments	455.18	3.62%	351.76	3.35%	493.42	6.27%
Other expenses	574.82	4.58%	366.77	3.49%	341.69	4.34%
<b>Total Expenses</b>	<b>6,519.60</b>	<b>51.90%</b>	<b>5,748.15</b>	<b>54.68%</b>	<b>4,380.46</b>	<b>55.64%</b>
<b>Profit before tax</b>	<b>6,042.09</b>	<b>48.10%</b>	<b>4,764.40</b>	<b>45.32%</b>	<b>3,493.01</b>	<b>44.36%</b>
<b>Tax Expense:</b>						
Current tax	1,595.91	12.70%	1,259.41	11.98%	1,005.61	12.77%
Deferred tax (net)	(89.27)	(0.71)%	(84.95)	(0.81)%	(132.11)	(1.68)%
Tax expense	1,506.64	11.99%	1,174.46	11.17%	873.50	11.09%
<b>Profit for the year</b>	<b>4,535.45</b>	<b>36.11%</b>	<b>3,589.94</b>	<b>34.15%</b>	<b>2,619.51</b>	<b>33.27%</b>

*Three months ended June 30, 2022 compared to three months ended June 30, 2021*

Our results of operations for the three months ended June 30, 2022 were particularly driven by a post-COVID increase in economic activity, resulting in increases in our disbursements and Gross Term Loans.

### **Total Income**

Our total income increased by 12.74% to ₹3,390.59 million for the three months ended June 30, 2022 from ₹3,007.55 million for the three months ended June 30, 2021, primarily due to an increase in revenue from operations.

*Total revenue from operations.* Our total revenue from operations increased by 12.46% to ₹3,379.71 million for the three months ended June 30, 2022 from ₹3,005.15 million for the three months ended June 30, 2021. This was primarily due to an increase in interest income to ₹3,352.20 million for the three months ended June 30, 2022 from ₹2,902.29 million for the three months ended June 30, 2021, which in turn was due to growth of our Gross Term Loans, which increased by 15.71% to ₹52,965.35 million as of June 30, 2022 from ₹45,775.11 million as of June 30, 2021.

*Other income.* Our other income increased to ₹10.88 million for the three months ended June 30, 2022 from ₹2.40 million for the three months ended June 30, 2021 primarily on account of an increase in recovery of assets written off amounting to ₹9.31 million for the three months ended June 30, 2022 from ₹1.93 million for the three months ended June 30, 2021.

### **Expenses**

Our total expenses decreased by 7.56% to ₹1,528.98 million for the three months ended June 30, 2022 from ₹1,654.02 million for the three months ended June 30, 2021, primarily due to a decrease in impairment on financial instruments to ₹(4.11) million for the three months ended June 30, 2022 from ₹165.38 million for the three months ended June 30, 2021.

*Finance costs.* Our finance costs decreased by 25.01% to ₹647.98 million for the three months ended June 30, 2022 from ₹864.14 million for the three months ended June 30, 2021, primarily due to a decrease in our Total Borrowings to ₹25,203.19 million as of June 30, 2022 from ₹31,212.18 million as of June 30, 2021.

*Impairment on financial instruments.* Impairment on financial instruments decreased to ₹(4.11) million for the three months ended June 30, 2022 from ₹165.38 million for the three months ended June 30, 2021, due to the reversal of impairment of financial instrument primarily on account of an increase in asset quality.

*Employee benefits expense.* Employee benefits expense increased by 38.20% to ₹718.90 million for the three months ended June 30, 2022 from ₹520.19 million for the three months ended June 30, 2021, primarily due to an increase in salaries, wages and bonus to ₹558.83 million for the three months ended June 30, 2022 from ₹361.89 million for the three months ended June 30, 2021, primarily on account of an increase in the number of our employees to 6,077 as of June 30, 2022 from 3,986 as of June 30, 2021. This was partially offset by a decrease in employee stock option expenses to ₹76.73 million for the three months ended June 30, 2022 from ₹98.23 million for the three months ended June 30, 2021 due to reduction in options granted to employees.

*Depreciation and amortisation.* Our depreciation and amortisation expense increased by 38.77% to ₹36.19 million for the three months ended June 30, 2022 from ₹26.08 million for the three months ended June 30, 2021, on account of fixed assets additions between July 1, 2021 and June 30, 2022 primarily due to increases in Furniture and fittings, computers and right-of-use assets.

*Other expenses.* Our other expenses increased by 66.21% to ₹130.02 million for the three months ended June 30, 2022 from ₹78.23 million for the three months ended June 30, 2021, primarily due to an increase in information technology expenses for the three months ended June 30, 2022 to ₹45.77 million from ₹17.38 million for the three months ended June 30, 2021, primarily on account of increased cloud charges due to migration and additional software taken on subscription basis, and an increase in travel expenses to ₹17.98 million for the three months ended June 30, 2022 from ₹0.73 million for the three months ended June 30, 2021, primarily on account of increase in field travel and meeting due to absence of travel restrictions during three months ended June 30, 2022 as compared to three months ended June 30, 2021.

*Tax expense.* Our tax expense increased by 38.32% to ₹467.28 million for the three months ended June 30, 2022 from ₹337.82 million for the three months ended June 30, 2021. For the three months ended June 30, 2022, we had a current tax of ₹469.42 million and a deferred tax reversal of ₹2.14 million. For the three months ended June 30, 2021, we had a current tax of ₹382.95 million and a deferred tax reversal of ₹45.13 million. Our effective tax rate (which represents the ratio of tax expense to profit before tax during the relevant period, expressed as a percentage) was 25.10% and 24.96% for the three months ended June 30, 2022 and 2021, respectively.

*Profit for the period / year.* Our profit for the period increased by 37.28% to ₹1,394.33 million for the three months ended June 30, 2022 from ₹1,015.71 million for the three months ended June 30, 2021.

### **Financial Year 2022 compared to Financial Year 2021**

Our results of operations for the Financial Year 2022 were particularly driven by the following factors:

- the “second wave” of the COVID-19 pandemic and associated lockdowns imposed to various extents in India during the three months ended June 30, 2021, which adversely affected our disbursements during that period;
- an increase in our Gross Term Loans, primarily on account of improved disbursements during the six months ended March 31, 2022, primarily due to the easing of COVID-19 pandemic and associated restrictions; and
- decrease in our finance costs primarily due to lower costs of incremental debt due to improvement in our credit ratings, as well as our prepayment of higher-cost borrowings.

### **Total Income**

Our total income increased by 19.49% to ₹12,561.69 million for the Financial Year 2022 from ₹10,512.55 million for the Financial Year 2021, primarily due to an increase in total revenue from operations.

*Total revenue from operations.* Our total revenue from operations increased by 19.46% to ₹12,540.64 million for the Financial Year 2022 from ₹10,497.42 million for the Financial Year 2021, primarily due to an increase in interest income to ₹12,037.66 million for the Financial Year 2022 from ₹10,148.76 million for the Financial Year 2021. The increase in interest income was primarily due to an increase in interest on term loans to ₹11,705.17 million for the Financial Year 2022 from ₹9,955.01 million for the Financial Year 2021, which in turn was due to growth of our Gross Term Loans, which increased by 13.99% to ₹50,670.78 million as of March 31, 2022 from ₹44,453.81 million as of March 31, 2021.

*Other income.* Our other income increased by 39.13% to ₹21.05 million for the Financial Year 2022 from ₹15.13 million for the Financial Year 2021, primarily on account of an increase in recovery of assets written off to ₹18.58 million for the Financial Year 2022 from ₹8.69 million for the Financial Year 2021, partially offset by a decrease in other non-operating income to ₹2.47 million for the Financial Year 2022 from ₹6.44 million for the Financial Year 2021.

### **Expenses**

Our total expenses increased by 13.42% to ₹6,519.60 million for the Financial Year 2022 from ₹5,748.15 million for the Financial Year 2021, primarily due to increases in employee benefits expense, other expenses and impairment on financial instruments.

*Finance costs.* Our finance costs decreased by 7.56% to ₹3,006.00 million for the Financial Year 2022 from ₹3,251.91 million for the Financial Year 2021, primarily due to a decrease in interest on debt securities to ₹1,273.59 million for the Financial Year 2022 from ₹1,550.18 million for the Financial Year 2021, primarily on account of a decrease in debt securities to ₹10,085.34 million as of March 31, 2022 from ₹13,037.86 million as of March 31, 2021. This was partially offset by an increase in interest on borrowings (term loans from others) to ₹918.08 million for the Financial Year 2022 from ₹796.92 million for the Financial Year 2021, on account of an increase in borrowings under securitisation..

*Fees expenses.* Fees expenses were Nil for the Financial Year 2022 as compared to ₹26.68 million for the Financial Year 2021, primarily due to decrease in debt securities and borrowings other than debt securities in the financial year..

*Impairment on financial instruments.* Impairment on financial instruments increased by 29.40% to ₹455.18 million for the Financial Year 2022 from ₹351.76 million for the Financial Year 2021, due to an increase in impairment loss allowance on loans, primarily on account of increased write offs of distressed assets relating to customers whose cashflows had been affected by the COVID-19 pandemic and associate restrictions.

*Employee benefits expense.* Employee benefits expense increased by 44.22% to ₹2,361.15 million for the Financial Year 2022 from ₹1,637.18 million for the Financial Year 2021, primarily due to an increase in salaries, wages and bonus to ₹1,785.40 million for the Financial Year 2022 from ₹1,337.61 million for the Financial Year 2021, which was partially offset by an increase in employee stock option expenses to ₹354.42 million for the Financial Year 2022 from ₹150.94 million for the Financial Year 2021. The increase in salaries, wages and bonus was primarily due to an increase in the number of our employees to 5,675 as of March 31, 2022 from 3,938 as of March 31, 2021.

*Depreciation and amortisation.* Our depreciation and amortisation expense increased by 7.56% to ₹122.45 million for the Financial Year 2022 from ₹113.85 million for the Financial Year 2021, primarily due to increases in the depreciation on property, plant and equipment, and increases in the depreciation on right-of-use assets.

*Other expenses.* Our other expenses increased by 56.73% to ₹574.82 million for the Financial Year 2022 from ₹366.77 million for the Financial Year 2021, primarily due to an increase in information technology expenses to ₹110.09 million for the



Financial Year 2022 from ₹56.84 million for the Financial Year 2021 and an increase in legal and professional charges to ₹152.87 million for the Financial Year 2022 from ₹118.31 million for the Financial Year 2021.

*Tax expense.* Our tax expense increased by 28.28% to ₹1,506.64 million for the Financial Year 2022 from ₹1,174.46 million for the Financial Year 2021. For the Financial Year 2022, we had a current tax of ₹1,595.91 million and a deferred tax reversal of ₹89.27 million. For the Financial Year 2021, we had a current tax of ₹1,259.41 million and a deferred tax income of ₹84.95 million. Our effective tax rate (which represents the ratio of tax expense to profit before tax during the relevant period, expressed as a percentage) was 24.94% and 24.65% for the Financial Years 2022 and 2021, respectively.

*Profit for the year.* Our profit for the year increased to ₹4,535.45 million for the Financial Year 2022 from ₹3,589.94 million for the Financial Year 2021.

### ***Financial Year 2021 compared to Financial Year 2020***

Our results of operations for the Financial Year 2021 were particularly driven by the following factors:

- the COVID-19 pandemic and subsequent lockdown enforced in the country by government authorities, which significantly impacted our disbursements during the Financial Year 2021;
- an increase in our Gross Term Loans which was due to improved disbursements during the second half of the Financial Year 2021; and
- increases in finance costs as a result of an increase in our Total Borrowings associated with the increase in Gross Term Loans.

### ***Total Income***

Our total income increased by 33.52% to ₹10,512.55 million for the Financial Year 2021 from ₹7,873.47 million for the Financial Year 2020, primarily due to an increase in total revenue from operations.

*Total revenue from operations.* Our total revenue from operations increased by 33.43% to ₹10,497.42 million for the Financial Year 2021 from ₹7,867.15 million for the Financial Year 2020, primarily due to an increase in interest income to ₹10,148.76 million for the Financial Year 2021 from ₹7,468.25 million for the Financial Year 2020. The increase in interest income was primarily due to an increase in interest on term loans to ₹9,955.01 million for the Financial Year 2021 from ₹7,179.58 million for the Financial Year 2020, which in turn was due to growth in Gross Term Loans which increased by 14.21% to ₹44,453.81 million as of March 31, 2021 from ₹38,922.28 million as of March 31, 2020.

*Other income.* Our other income increased to ₹15.13 million for the Financial Year 2021 from ₹6.32 million for the Financial Year 2020 primarily on account of an increase in recovery of bad debts to ₹8.69 million for the Financial Year 2021 from ₹5.30 million for the Financial Year 2020 and an increase in other non-operating income to ₹6.44 million for the Financial Year 2021 from ₹1.02 million for the Financial Year 2020.

### ***Expenses***

Our total expenses increased by 31.22% to ₹5,748.15 million for the Financial Year 2021 from ₹4,380.46 million for the Financial Year 2020, primarily due to an increase in finance costs and employee benefits expense.

*Finance costs.* Our finance costs increased by 49.90% to ₹3,251.91 million for the Financial Year 2021 from ₹2,169.35 million for the Financial Year 2020, primarily due to an increase in interest on borrowings (term loans from banks) to ₹885.93 million for the Financial Year 2021 from ₹554.61 million for the Financial Year 2020, an increase in interest on borrowings (term loans from others) to ₹796.92 million for the Financial Year 2021 from ₹315.89 million for the Financial Year 2020, and an increase in interest on debt securities to ₹1,550.18 million for the Financial Year 2021 from ₹1,273.36 million for the Financial Year 2020, each of which increased as a result of an increase in the Average Total Borrowings in principal amount outstanding due to the growth of our Gross Term Loans (net of ECLs) necessitating the requirement for capital.

*Fees expenses.* Fees expense increased to ₹26.68 million for the Financial Year 2021 from ₹4.25 million for the Financial Year 2020, due to an increase in borrowings and consequently an increase in amortisation of ancillary costs relating to such borrowings.

*Impairment on financial instruments.* Impairment on financial instruments decreased to ₹351.76 million for the Financial Year 2021 from ₹493.42 million for the Financial Year 2020, due to a decrease in impairment loss allowance on loans, as we recognised a higher provision for ECLs in the Financial Year 2020, during the onset of the COVID-19 pandemic and the potential impact it could have had on our loan portfolio.

*Employee benefits expense.* Employee benefits expense increased by 28.80% to ₹1,637.18 million for the Financial Year 2021 from ₹1,271.07 million for the Financial Year 2020, primarily due to an increase in salaries, wages and bonus to ₹1,337.61 million for the Financial Year 2021 from ₹1,127.23 million for the Financial Year 2020, partially offset by an increase in employee stock option expenses to ₹150.94 million for the Financial Year 2021 from ₹16.80 million for the Financial Year 2020. The increase in salaries, wages and bonus was primarily due to the annual salary increase given during the period/year along with an increase in employees to 3,938 as of March 31, 2021 from 3,734 employees as of March 31, 2020

*Depreciation and amortisation.* Our depreciation and amortisation expense increased by 13.08% to ₹113.85 million for the Financial Year 2021 from ₹100.68 million for the Financial Year 2020, primarily due to increases in the depreciation on property, plant and equipment, and increases in the depreciation on right of use asset.

*Other expenses.* Our other expenses increased by 7.34% to ₹366.77 million for the Financial Year 2021 from ₹341.69 million for the Financial Year 2020, primarily due to an increase in corporate social responsibility expenses to ₹42.86 million for the Financial Year 2021 from ₹0.74 million for the Financial Year 2020, and information technology expenses to ₹56.84 million for the Financial Year 2021 from ₹39.42 million for the Financial Year 2020.

*Tax expense.* Our tax expense increased to ₹1,174.46 million for the Financial Year 2021 from ₹873.50 million for the Financial Year 2020. For the Financial Year 2021, we had a current tax of ₹1,259.41 million and a deferred tax income of ₹84.95 million. For the Financial Year 2020, we had a current tax of ₹1,005.61 million and a deferred tax income of ₹132.11 million. Our effective tax rate (which represents the ratio of tax expense to profit before tax during the relevant period, expressed as a percentage) was 24.65% and 25.01% for the Financial Years 2021 and 2020, respectively.

*Profit for the year.* Our profit for the year increased to ₹3,589.94 million for the Financial Year 2021 from ₹2,619.51 million for the Financial Year 2020.

## Financial Position

### Assets

The following table sets forth the principal components of our assets as of June 30, 2022 and March 31, 2022, 2021 and 2020:

	As of June 30,		As of March 31,		
	2022	2021	2022	2021	2020
	(₹ in millions)				
<b>Financial Assets:</b>					
Cash and cash equivalents	4,095.66	9,837.38	6,131.63	12,671.83	2,897.79
Bank balances other than cash and cash equivalents	3,036.44	4,289.73	2,667.75	885.40	1,613.49
Loans	54,543.53	44,834.72	51,024.11	43,587.49	38,308.04
Investments	1,891.60	1,500.00	2,481.84	-	-
Other financial assets	187.02	55.65	179.79	47.43	52.47
Derivative financial instruments	4.08		-	-	-
<b>Total financial assets</b>	<b>63,758.33</b>	<b>60,517.48</b>	<b>62,485.12</b>	<b>57,192.15</b>	<b>42,871.79</b>
<b>Non-financial assets:</b>					
Current tax assets (net)	31.64	55.79	22.01	79.58	43.55
Deferred tax assets (net)	471.29	419.49	466.67	369.89	282.30
Investment property	0.36	0.36	0.36	0.36	0.36
Property, plant and equipment	129.92	80.43	121.45	84.56	110.61
Right of use asset	207.96	165.31	197.81	145.26	148.80
Other intangible assets	9.95	17.74	8.87	19.03	19.28
Other non-financial assets	106.03	34.43	128.37	45.28	54.85
<b>Total non-financial assets</b>	<b>957.15</b>	<b>773.55</b>	<b>945.54</b>	<b>743.96</b>	<b>659.75</b>
<b>Total Assets</b>	<b>64,715.48</b>	<b>61,291.03</b>	<b>63,430.66</b>	<b>57,936.11</b>	<b>43,531.54</b>

As of June 30, 2022, we had total assets of ₹64,715.48 million, compared to ₹63,430.66 million as of March 31, 2022, ₹57,936.11 million as of March 31, 2021 and ₹43,531.54 million as of March 31, 2020. The increase in our total assets was primarily on account of:

- a growth of our disbursements and loan portfolio which increased on account of branch and employee increases; and
- an increase in cash and cash equivalents, and bank balances other than cash and cash equivalents, due to equity infusion and an increase in borrowings.

## **Financial Assets**

### ***Cash and Cash Equivalents***

As of June 30, 2022, we had cash and cash equivalents of ₹4,095.66 million, ₹6,131.63 million as of March 31, 2022, ₹12,671.83 million as of March 31, 2021 and ₹2,897.79 million as of March 31, 2020. Our cash and cash equivalents decreased between March 31, 2022 to June 30, 2022 primarily due to an increase in disbursements to customers, decreased between March 31, 2022 to March 31, 2021 primarily due to increases in bank balances other than cash and cash equivalents and loan disbursements; and increased between March 31, 2020 and March 31, 2021 primarily due to increased borrowings.

### ***Bank Balances other than Cash and Cash Equivalents***

As of June 30, 2022, we had bank balances other than cash and cash equivalents of ₹3,036.44 million, compared to ₹4289.73 million, as at June 30, 2021, ₹2,667.75 million as of March 31, 2022, ₹885.40 million as of March 31, 2021 and ₹1,613.49 million as of March 31, 2020. The increase between March 31, 2022 and June 30, 2022 was primarily due to an increase in bank balances other than cash and cash equivalents. The increase between March 31, 2022 and March 31, 2021 was primarily due to an increase in bank balances other than cash and cash equivalents. The increase between March 31, 2021 and June 30, 2021 was primarily due to an increase in bank balances other than cash and cash equivalents. The decrease between March 31, 2020 and March 31, 2021 was primarily due to a decrease in bank balances other than cash and cash equivalents.

### ***Loans***

As of June 30, 2022, we had loans of ₹54,543.53 million, compared to ₹51,024.11 million as of March 31, 2022, ₹43,587.49 million as of March 31, 2021 and ₹38,308.04 million as of March 31, 2020. Our loans increased between March 31, 2022 and June 30, 2022 primarily on account of the growth of our loan portfolio. Our loans increased between March 31, 2021 and March 31, 2022 primarily on account of growth of our loan portfolio. Our loans increased between March 31, 2020 and March 31, 2021 as well primarily on account of the growth of our loan portfolio, which increased on account of growth of our business resulting from branch and employee increases.

### ***Investments***

As of June 30, 2022, we had investments of ₹1,891.60 million, compared to ₹2,481.84 million as of March 31, 2022 and nil as of March 31, 2021 and 2020. Our investments as of June 30, 2022 consisted entirely of investments in government securities.

### ***Other Financial Assets***

As of June 30, 2022, we had other financial assets of ₹187.02 million, compared to ₹179.79 million as of March 31, 2022, ₹47.43 million as of March 31, 2021 and ₹52.47 million as of March 31, 2020. The increase between March 31, 2022 and June 30, 2022 was primarily on account of an increase in security deposits to ₹49.77 million as of June 30, 2022 from ₹45.70 million as of March 31, 2022. The increase between March 31, 2021 and March 31, 2022 was primarily on account of amount incurred towards various expenses in connection with initial public offer of equity shares recoverable from the Selling Shareholders. The decrease between March 31, 2020 and March 31, 2021 was primarily on account of a decrease in other receivables (comprising amounts recoverable from banks towards cancelled demand drafts).

### ***Deferred Tax Assets (net)***

As of June 30, 2022, we had deferred tax assets of ₹471.29 million, compared to ₹466.67 million as of March 31, 2022, ₹369.89 million as of March 31, 2021 and ₹282.30 million as of March 31, 2020. The increase as of June 30, 2022 from March 31, 2022 was primarily on provisions towards employee benefits (gratuity/leave encashment/bonus). The increase as of March 31, 2022 from March 31, 2021 was primarily on account of provisions towards on employee benefits (gratuity/leave encashment/bonus) and increased impairment allowance. The increase as of March 31, 2021 from March 31, 2020 was primarily due to increased impairment allowance and provisions towards employee benefits (gratuity/leave encashment/bonus), which carry differential treatment from a tax perspective.

### ***Property, Plant and Equipment***

As of June 30, 2022, we had property, plant and equipment of ₹129.92 million, compared to ₹121.45 million as of March 31, 2022, ₹84.56 million as of March 31, 2021 and ₹110.61 million as of March 31, 2020. The increase as of June 30, 2022 from March 31, 2022 was primarily due to additions of property, plant and equipment on account of new branches opened. The increase as of March 31, 2022 from March 31, 2021 was primarily due to additions of property, plant and equipment on account of new branches opened. The decrease as of March 31, 2021 from March 31, 2020 was primarily due to reduced branch openings and consequently-reduced additions of property, plant and equipment.

### Right of Use Asset

As of June 30, 2022, we had right of use asset of ₹207.96 million, compared to ₹197.81 million as of March 31, 2022, ₹145.26 million as of March 31, 2021 and ₹148.80 million as of March 31, 2020. The increase as of June 30, 2022 from March 31, 2022 was primarily due to additions of right-of-use assets due to new branches opened. The increase as of March 31, 2022 from March 31, 2021 was primarily due to additions to right-of-use assets due to new branches opened. The decrease as of March 31, 2021 from March 31, 2020 was primarily due to reduced branch openings on account of COVID-19.

### Liabilities

The following table sets forth the principal components of our liabilities as of June 30, 2022 and 2021 and March 31, 2022, 2021 and 2020:

	As of June 30,		As of March 31,		
	2022	2021	2022	2021	2020
	(₹ in millions)				
<b>Financial liabilities</b>					
<b>Derivative financial instruments</b>	-	-	13.89	-	-
Trade payables					
total outstanding dues of micro and small enterprises	-	-	-	-	-
total outstanding dues of creditors other than micro and small enterprises	109.30	69.41	130.04	86.72	66.24
Debt securities	9,474.05	12,238.38	10,085.34	13,037.86	10,788.64
Borrowings (Other than debt securities)	15,729.14	18,973.80	15,502.97	21,214.11	12,848.29
Other financial liabilities	535.44	397.99	414.68	171.69	156.81
<b>Total financial liabilities</b>	<b>25,847.93</b>	<b>31,679.58</b>	<b>26,142.92</b>	<b>34,510.38</b>	<b>23,859.98</b>
<b>Non-financial liabilities</b>					
Current tax liabilities (Net)	109.44	29.54	—	—	7.48
Provisions	134.92	111.12	90.00	71.98	57.76
Other non-financial liabilities	53.44	26.66	90.23	172.03	160.52
<b>Total non-financial liabilities</b>	<b>297.80</b>	<b>167.32</b>	<b>180.23</b>	<b>244.01</b>	<b>225.76</b>
<b>Total Liabilities</b>	<b>26,145.73</b>	<b>31,846.90</b>	<b>26,327.15</b>	<b>34,754.39</b>	<b>24,085.74</b>

Our total liabilities decreased by 0.69% to ₹26,145.73 million as of June 30, 2022 from ₹26,327.15 million as of March 31, 2022, primarily due to decrease in debt securities and borrowings (other than debt securities), which was partially offset by an increase in financial and non-financial liabilities. Our total liabilities decreased by 24.25% to ₹26,327.15 million as of March 31, 2022 from ₹34,754.39 million as of March 31, 2021, primarily due to a decrease in borrowings (other than debt securities) and debt securities. Our total liabilities increased by 44.3% to ₹34,754.39 million as of March 31, 2021 from ₹24,085.74 million as of March 31, 2020, primarily due to an increase in borrowings (other than debt securities) and debt securities.

### Debt Securities

As of June 30, 2022, we had debt securities of ₹9,474.05 million as compared to ₹10,085.34 million as of March 31, 2022, ₹13,037.86 million as of March 31, 2021 and ₹10,788.64 million as of March 31, 2020. The decrease as of June 30, 2022 from March 31, 2022 was on account of repayment of debt securities in line with the prevailing repayment schedules. The decrease as of March 31, 2022 from March 31, 2021 was primarily on account of the prepayment of our debt securities. The increase as of March 31, 2021 from March 31, 2020 was on account of us participating in Governmental schemes such as the Targeted Long Term Repo Operations and Partial Credit Guarantee Schemes where the underlying borrowing was through issuance of debt securities.

### Borrowings (Other than Debt Securities)

As of June 30, 2022, we had borrowings (other than debt securities) of ₹15,729.14 million, compared to ₹15,502.97 million as of March 31, 2022, ₹21,214.11 million as of March 31, 2021 and ₹12,848.29 million as of March 31, 2020. The increase as of June 30, 2022 from March 31, 2022 was on account of fresh term loans availed between April 1, 2022 and June 30, 2022. The decrease as of March 31, 2022 from March 31, 2021 was primarily on account of contracted repayments and prepayment of borrowings aggregating to ₹648.68 million. The decrease as of March 31, 2021 from March 31, 2020 was primarily on account of increases in our borrowings through term loans and issuance of Pass through Certificates / sale of loans through assignment transactions that formed part of the Partial Credit Guarantee Scheme.

### Total Liabilities

As of June 30, 2022, we had total liabilities of ₹26,145.73 million, compared to ₹26,327.15 million as of March 31, 2022, ₹34,754.39 million as of March 31, 2021 and ₹24,085.74 million as of March 31, 2020. The decrease as of June 30, 2022 from March 31, 2022 was primarily on account of a decrease in our Total Borrowings. The decrease as of March 31, 2022 from March 31, 2021 was primarily on account of a decrease in our Total Borrowings. This increase across all other periods was primarily on account of an increase in our borrowings (other than debt securities) as well as debt securities consistent with the growth of our business, and specifically in connection with increased borrowing to support growth of our Gross Term Loans.

### Shareholders' Funds

As of June 30, 2022, our Total Equity was ₹38,569.75 million, representing 59.60% of our total assets. As of March 31, 2022, our Total Equity was ₹37,103.51 million, representing 58.49% of our total assets. As of March 31, 2021, our Total Equity was ₹23,181.72 million, representing 40.01% of our total assets. As of March 31, 2020, our Total Equity was ₹19,445.80 million, representing 44.67% of our total assets. The increase in our Total Equity between March 31, 2020 and June 30, 2022 was primarily due to a combination of equity infusions between April and August 2021 and an increase in our retained earnings.

### Liquidity and Capital Resources

We obtain long-term financing from a variety of sources including from term loans securitized and assigned, issuance of NCDs and principal protected market linked debentures from banks, mutual funds and other domestic and foreign financial and development finance institutions and loans from banks and other financial institutions to meet our capital requirements. For the three months ended June 30, 2022 and the Financial Years 2022, 2021 and 2020, we had fresh borrowings during the period/year of ₹2,150.00 million, ₹3,154.10 million, ₹23,617.90 million and ₹17,816.63 million, respectively. As of June 30, 2022, our Total Borrowings were ₹25,203.19 million.

We actively manage our liquidity and capital position by raising funds periodically. We regularly monitor our funding levels to ensure that we are able to satisfy the requirements for loan disbursements and maturity of our liabilities. All our loan agreements contain a number of covenants including financial covenants. For details, see “*Financial Indebtedness*” and “*Risk Factors – Our inability to meet our obligations, including financial and other covenants under our debt financing arrangements could adversely affect our business, results of operations and financial condition*” on pages 383 and 24, respectively.

### Cash Flows

The following table sets forth our cash flows for the periods/years indicated:

	For the three months ended		For the Financial Year		
	June 30,		2022	2021	2020
	2022	2021			
	(₹ in millions)				
Net cash from / (used in) operating activities	(1,745.69)	58.86	(2,771.59)	(1,572.67)	(15,232.80)
Net cash from / (used in) investing activities	306.31	(4,775.50)	(3,838.85)	1,021.41	(1,319.34)
Net cash from / (used in) financing activities	(596.59)	1,882.19	70.24	10,325.30	17,253.36
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,035.97)</b>	<b>(2,834.45)</b>	<b>(6,540.20)</b>	<b>9,774.04</b>	<b>701.22</b>

### Operating Activities

Net cash used in operating activities was ₹1,745.69 million for the three months ended June 30, 2022. While our profit before tax was ₹1,861.61 million for the three months ended June 30, 2022, we had an operating cash outflow before working capital changes of ₹750.23 million, primarily due to interest on loans of ₹3,256.69 million and interest income on deposits with banks/others of ₹95.51 million, which was partially offset by finance costs of ₹647.98 million. Our changes in working capital for the three months ended June 30, 2022 primarily consisted of loans of ₹3,508.52 million on account of loans disbursed to customers.

Net cash from operating activities was ₹58.86 million for the three months ended June 30, 2021. While our profit before tax was ₹1,353.53 million for the three months ended June 30, 2021, we had an operating cash outflow before working capital changes of ₹455.29 million, primarily due to interest on loans of ₹2,827.95 million and interest on deposits with banks of ₹74.33 million, which was partially offset by finance costs of ₹864.14 million. Our changes in working capital for the three months ended June 30, 2021 primarily consisted of loans of ₹1,101.40 million on account of loans disbursed to customers.

Net cash used in operating activities was ₹2,771.59 million for the Financial Year 2022. While our profit before tax was ₹6,042.09 million for the Financial Year 2022, we had an operating cash outflow before working capital changes of ₹2,268.57 million, primarily due to interest on loans of ₹11,767.32 million, which was partially offset by finance costs of

₹3,006.00 million. Our changes in working capital for the Financial Year 2022 primarily consisted of increase in loans of ₹7,722.71 million on account of increased loan disbursements.

Net cash used in operating activities was ₹1,572.67 million for the Financial Year 2021. While our profit before tax was ₹4,764.40 million for the Financial Year 2021, we had an operating cash outflow before working capital changes of ₹1,651.80 million, primarily due to interest on loans of ₹9,955.01 million, which was partially offset by finance costs of ₹3,251.91 million. Our changes in working capital for the Financial Year 2021 primarily consisted of an increase in term loans of ₹5,597.21 million on account of increased loan disbursements.

Net cash used in operating activities was ₹15,232.80 million for the Financial Year 2020. While our profit before tax was ₹3,493.01 million for the Financial Year 2020, we had an operating cash outflow before working capital changes of ₹1,297.39 million, primarily due to interest on loans of ₹7,179.58 million, which was partially offset by finance costs of ₹2,169.35 million. Our changes in working capital for the Financial Year 2020 primarily consisted of an increase in term loans of ₹17,688.98 million on account of increased loan disbursements.

### ***Investing Activities***

Net cash from investing activities was ₹306.31 million for the three months ended June 30, 2022, primarily comprising redemption of investments (net of purchases) of ₹590.23 million, which was partially offset by movement in bank balances other than cash and cash equivalents of ₹368.69 million.

Net cash used in investing activities was ₹4,775.50 million for the three months ended June 30, 2021, primarily comprising redemption of mutual fund (net of purchases) of ₹(1,439.95) million and movement in bank balances other than cash and cash equivalents of ₹3,381.89 million.

Net cash used in investing activities was ₹3,838.85 million for Financial Year 2022, primarily comprising purchase of investments (net of redemptions) of ₹2,481.84 million and movement in bank balances other than cash and cash equivalents of ₹1,695.36 million.

Net cash generated from investing activities was ₹1,021.41 million for the Financial Year 2021, primarily comprising movement in bank balances other than cash and cash equivalents of ₹743.97 million.

Net cash used in investing activities was ₹1,319.34 million for the Financial Year 2020, primarily comprising movement in bank balances other than cash and cash equivalents of ₹1,590.43 million.

### ***Financing Activities***

Net cash used in financing activities was ₹596.59 million for the three months ended June 30, 2022, primarily comprising repayment of borrowings ₹2,731.55 million, which was partially offset by fresh borrowings of ₹2,150 million incurred during the period.

Net cash from financing activities was ₹1,882.19 million for the three months ended June 30, 2021, primarily comprising proceeds from securities premium (net of utilization) of ₹5,147.03 million, which was partially offset by repayment of borrowings of ₹3,265.96 million.

Net cash from financing activities was ₹70.24 million for the Financial Year 2022, primarily comprising proceeds from securities premium (net of utilization) of ₹9,019.38 million and fresh borrowings during the year of ₹3,154.10 million, which was partially offset by repayment of borrowings of ₹12,083.04 million.

Net cash from financing activities was ₹10,325.30 million for the Financial Year 2021, primarily comprising fresh borrowings during the year of ₹23,617.90 million, which was partially offset by repayment of borrowings (including processing fee) of ₹13,245.25 million.

Net cash from financing activities was ₹17,253.36 million for the Financial Year 2020, primarily comprising fresh borrowings during the year of ₹17,816.63 million and proceeds from securities premium (net of utilization) arising from issuance of equity shares of ₹3,152.53 million, which was partially offset by repayment of borrowings (including processing fee) of ₹3,695.02 million.

### **Financial Indebtedness**

As of June 30, 2022, our Total Borrowings were ₹25,203.19 million. For details, see “*Financial Indebtedness*” on page 383. The following table sets forth certain information relating to outstanding indebtedness as of June 30, 2022, and our repayment obligations in the periods indicated:

	As of June 30, 2022				
	Payment due by period				
	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Gross Borrowings (including debt securities) with original maturities of more than one year</b>					
Secured	24,495.46	14,986.99	5,577.42	3,722.71	208.33
Unsecured	798.54	8.84	—	789.70	—
<b>Total Gross Borrowings (including debt securities) with original maturities of more than one year</b>	<b>25,294.00</b>	<b>14,995.83</b>	<b>5,577.42</b>	<b>4,512.41</b>	<b>208.33</b>
<b>Gross Borrowings (including debt securities) with original maturities within one year</b>					
Secured	15.92	15.92	—	—	—
Unsecured	—	—	—	—	—
<b>Total Gross Borrowings (including debt securities) with original maturities within one year</b>	<b>15.92</b>	<b>15.92</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Gross Borrowings (including debt securities)</b>	<b>25,309.92</b>	<b>15,011.75</b>	<b>5,577.42</b>	<b>4,512.41</b>	<b>208.33</b>
Less: Unamortized processing fee	106.73	77.79	19.33	9.60	—
<b>Total Borrowings</b>	<b>25,203.19</b>	<b>14,933.96</b>	<b>5,558.09</b>	<b>4,502.81</b>	<b>208.33</b>

### Capital Commitments

As of June 30, 2022, we had commitments – estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for of ₹2.56 million.

### Contingent Liabilities

As of June 30, 2022, our contingent liabilities as per Ind AS – 37 were as follow:

Particulars	As at June 30, 2022 (in ₹ million)	As at March 31, 2022 (in ₹ million)
<b>Claims against the Company not acknowledged as debt</b>		
Income Tax Related Matters (excluding Penalties and Interest)	0.67	0.67
Provident Fund (Refer below)	.*	.*

*\*In light of judgment of Honorable Supreme Court dated February 28, 2019 on the definition of “Basic Wages” under the Employees Provident Funds & Misc. Provisions Act, 1952 and based on the legal advice received, we have aligned the manner of computation of liability for Provident Fund effective the date of the order. There are significant uncertainties in determining the liability including, period of assessment, application for present and past employees and assessment of interest and penalties. The amount of the obligation therefore cannot be measured with sufficient reliability for past periods and hence disclosed as a contingent liability.*

### Off-Balance Sheet Commitments and Arrangements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with affiliates or other unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements.

### Capital Expenditure

For the three months ended June 30, 2022, we added tangible assets of property, plant and equipment of ₹23.78 million, primarily for furniture and fittings, office equipment, computers and accessories and other intangible assets of ₹2.17 million towards software. For the Financial Year 2022, we added tangible assets of property, plant and equipment of ₹84.76 million, primarily for furniture and fittings, office equipment, computer and accessories and other intangible assets of ₹1.53 million for software. For the Financial Year 2021, we added tangible assets of property, plant and equipment of ₹27.41 million, primarily for furniture and fittings, office equipment, computer and accessories and other intangible assets of ₹5.03 million for software. For the Financial Year 2020, we added tangible assets of property, plant and equipment of ₹86.30 million, primarily for furniture and fittings, office equipment, computer and accessories and other intangible assets of ₹5.98 million for software.

### Capital to Risk-Weighted Assets Ratios (“CRAR”)

The following table sets forth certain details of our CRAR based on our restated Ind AS financial information, as of the dates indicated:

	As of				
	June 30,		March 31,		
	2022	2021	2022	2021	2020
CRAR (%)	69.93	68.13	75.20	58.86	52.94
CRAR - Tier I capital (%)	69.93	68.13	75.20	58.86	52.94
CRAR - Tier II capital (%)	-	-	-	-	-

## Credit Ratings

The following table sets forth our credit ratings as of the date of this Prospectus:

Rating Agency	Instrument	Credit Ratings
CARE Ratings	Bank loan rating	A+
	Non-Convertible debentures	A+
	Commercial Paper	A1+
ICRA Limited	Bank loan rating	A+
	Non-Convertible debentures	A+

## Related Party Transactions

We have engaged in the past, and may engage in the future, in transactions with related parties. For details of our related party transactions, see “*Other Financial Information — Related Party Transactions*” on page 345.

## Quantitative and Qualitative Disclosures about Market Risk

Our risk management policies have been established to identify and analyze the risks faced by us, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and our activities. Through our training and management standards and procedures, we aim to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

Our risk management committee oversees how management monitors compliance with our risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by us.

In the course of our business, we are exposed to certain financial risks such as credit risk, liquidity risk, interest risk and price risk.

### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect our income or the value of our holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

### Interest Rate Risk

Interest rate risk primarily arises from borrowings with variable rates. Our borrowings are carried at amortized cost. The borrowings with fixed rates are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

As of June 30, 2022, we had ₹15,289.10 million, or 60.66% of our borrowings which were fixed interest bearing financial liabilities, while ₹9,914.09 million, or 39.34% of our borrowings were at variable interest bearing financial liabilities.

The following table sets forth the effect that a change of 100 basis points would have on our profit before tax:

	As of June 30, 2022	As of June 30, 2021	As of March 31,		
			2022	2021	2020
	(₹ in millions)				
<b>Cash flow sensitivity (net) pertaining to Variable-rate instruments</b>					
Increase by 100 basis points	(22.66)	(22.60)	(110.48)	(73.23)	(42.72)
Decrease by 100 basis points	22.66	22.60	110.48	73.23	42.72

For further details, see “*Risk Factors — We are affected by volatility in interest rates for both our lending and treasury operations, which could cause our net interest income (“NII”) and net interest margin (“NIM”) to vary and consequently affect*



our profitability, result of operations and cash flows.” on page 31.

## **Credit Risk**

### *Loans and advances*

Credit risk is the risk of financial loss we incur if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from our loans advances and other financial assets. The carrying amount of financial assets represents the maximum credit exposure. We have credit policy approved by the Board, which is subject to annual review. We manage and control credit risk by setting limits on the amount of risk we are willing to accept for individual counterparties and for geographical concentrations, and by monitoring exposures in relation to such limits.

We have established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including periodical collateral revisions, as defined in the Credit policy. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. The credit quality review process aims to allow us to assess the potential loss as a result of the risks to which we are exposed and take corrective actions.

The disclosure of maximum exposure to credit risk without taking into account any collateral held or other credit enhancements has not been provided for financial assets, as their carrying amount best represent the maximum exposure to credit risk. All the loans provided are secured against mortgage of land and/ or building. The fair value of the collateral is determined on the guidelines prescribed in the collateral management policy as approved by the Board of Directors.

For further details, see “*Risk Factors – The risk of non-payment or default by our borrowers may adversely affect our business, results of operations and financial condition*” on page 23.

### *Impairment assessment — ECL*

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the loan receivables are categorized into groups based on days past due. Each group is then assessed for impairment using the ECL model as per the provisions of Ind AS 109 ‘Financial Instruments’. For further details on our impairment assessment and measurement approach, see “— *Statement of Certain Significant Accounting Policies — Financial Instruments — Impairment of financial assets*” above.

## **Liquidity Risk**

Liquidity risk is the risk that we will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. We are bound by the Asset Liability Management guidelines issued by RBI. We have Asset Liability Management policy approved by the Board and we have constituted Asset Liability Committee to oversee our liquidity risk management function. We manage liquidity risk by maintaining sufficient liquidity to meet our liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation.

Our principal sources of liquidity are borrowings, cash and cash equivalents and the cash flow that is generated from our operations. The following table summarizes the maturity profile of the undiscounted cash flows of our financial liabilities as of June 30, 2022:

	Within 1 year	1 – 2 years	2 – 5 years	More than 5 year	Carrying amount
	<i>(₹ in millions)</i>				
Debt securities	8,970.91	1,115.91	87.52	-	9,474.05
Borrowings (other than debt securities)	7,842.84	5,204.49	4,855.23	-	15,729.14
Trade Payables	109.30	-	-	-	109.30
Other financial liabilities	298.38	14.62	-	222.44	535.44
<b>Total</b>	<b>17,221.43</b>	<b>6,335.02</b>	<b>4,942.75</b>	<b>222.44</b>	<b>25,847.93</b>

For further details, see “*Risk Factors – We may face asset-liability mismatches, which could affect our liquidity and consequently may adversely affect our operations and profitability*” on page 32.

## **Unusual or Infrequent Events or Transactions**

Except as described in this Prospectus, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

### **Known Trends or Uncertainties**

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in “*Significant Factors Affecting our Results of Operations*” above and the uncertainties described in “*Risk Factors*” on page 22. To our knowledge, except as disclosed in this Prospectus, there are no known factors which we expect to have a material adverse effect on our income.

### **Future Relationship between Cost and Revenue**

Other than as described in “*Risk Factors*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 22, 173 and 346, respectively, to our knowledge there are no known factors that may adversely affect our business prospects, results of operations and financial condition.

### **New Products or Business Segments**

Other than as disclosed in this section and in “*Our Business*” on page 173, there are no new products or business segments that have or are expected to have a material impact on our business prospects, results of operations or financial condition.

### **Dependence on a Few Customers**

Given the nature of our business operations, we do not believe our business is dependent on any single or a few customers.

### **Seasonality of Business**

Our business is not seasonal in nature.

### **Competitive Conditions**

We operate in a competitive environment. Please refer to “*Our Business*”, “*Industry Overview*” and “*Risk Factors*” on pages 173, 115 and 22, respectively, for further information on our industry and competition.

### **Recent Accounting Pronouncements**

As of the date of this Prospectus, there are no recent accounting pronouncements, which would have a material effect on our financial condition or results of operations.

### **Significant developments subsequent to June 30, 2022**

Except as disclosed above, and in this Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements disclosed in this Prospectus, which materially and adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

## CAPITALISATION STATEMENT

The following table sets forth our capitalisation as at June 30, 2022, derived from our Restated Financial Information, and as adjusted for the Offer. This table should be read in conjunction with “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, “*Financial Statements*” and “*Risk Factors*” on pages 346, 272, and 22, respectively.

(₹ in million)

Particulars	Pre-Offer (as at June 30, 2022)	Post Offer <sup>(2)</sup>
<b>Total borrowings<sup>(1)</sup> (A)</b>	25,203.19	25,203.19
<b>Total Equity</b>		
Equity share capital	291.37	291.37
Other equity	38,278.38	38,278.38
<b>Total Equity (B)</b>	38,569.75	38,569.75
<b>Total borrowings to Total equity ratio (A)/(B)</b>	0.65	0.65

*Note: The amounts disclosed above are sourced from or derived from information contained within our Restated Financial Information.*

- (1) *Total Borrowings represents the aggregate of debt securities and borrowings (other than debt securities) outstanding as of the last day of the relevant period.*
- (2) *Since proposed Offer has no fresh issue, figures appearing in “Post Offer” remains unchanged.*

## FINANCIAL INDEBTEDNESS

As of June 30, 2022, we had outstanding indebtedness, i.e. Total Borrowings, aggregating to ₹25,203.19 million. Set forth below is a brief summary of such indebtedness:

(₹ in million)

Category of borrowing	Sanctioned amount	Outstanding amount as on June 30, 2022
Debt Securities		
NCDs	9,350.00	9,474.05
Borrowings (other than Debt Securities)		
Fund based facilities		
Term Loans from Banks	16,305.00	9,371.61
Term Loans from NBFCs	3,142.00	1,404.89
Overdraft Facilities		
Cash Credit	515.08	15.37
Securitization	11,293.45	4,149.36
Others (ECB)	1,518.20	787.91
Non-fund based facilities		
Total indebtedness i.e Total Borrowings	42,123.72	25,203.19

\* As certified by R P S V & Co., Independent Chartered Accountant, pursuant to their certificate dated November 15, 2022

### Key terms of our borrowings:

The details provided below are indicative and there may be additional terms, conditions and requirements under the various borrowing arrangements entered into by us in relation to our indebtedness.

- Purpose:** The facilities were availed for onward lending and ongoing business requirements of the Company including refinance of existing debt.
- Interest:** The interest rate for the borrowings availed from banks typically ranges from 7.95% to 10.90% per annum for term loans, 7.25% to 11% per annum for cash credit, and 7.25% to 9.25% per annum for overdraft facilities. Some term loans from banks carry floating interest rates which are over and above, *inter alia*, the current external benchmark lending rate of the bank, 12 month average of one year T-Bill, and six months or one year marginal cost of fund based lending rate plus spread. The interest rate for term loans availed from NBFCs typically ranges from 9.50% to 11.75% per annum. Some term loans from NBFCs carry floating interest rates which are over and above, *inter alia*, long term reference rate of the lender, and marginal cost of fund based lending rate plus spread. The interest rate for NCDs typically ranges from 8.65% to 12.75% per annum, and the interest rate for securitization facilities typically ranges from 8.70% to 11% per annum.
- Penalty:** Penal interest rates ranging from 2% to 24% per annum have been stipulated on the occurrence of certain events such as payment related delay, default, drawings over limit, etc.
- Tenor:** The tenor of facilities availed by us ranges from 12 months to nine years.
- Security:** In terms of our borrowings where security needs to be created, we are typically required to create security primarily by way of hypothecation, on our Company's receivables, both present and future. Further, personal guarantee of one of our Individual Promoters, Lakshmi pathy Deenadayalan has been provided for some of our borrowings. In terms of the NCDs, in addition to hypothecation of Company's receivables, we have also provided collateral security in form of cash collateral and *pari passu* charge on an immovable property of the Company. There may be additional requirements for creation of security under the various borrowing arrangements entered into by us.
- Prepayment:** We have the option to prepay the lenders, subject to payment of prepayment charges at such rate as may be stipulated by the lenders which typically ranges from 2% to 5% or, in some cases, linked to a percentage per annum on the residual tenor of the facility. Further, some loans may be prepaid without any prepayment charges subject to the fulfilment of conditions, including by providing prior notice to the lender. In relation to the NCDs, the Company may be required to redeem the NCDs prior to the expiry of redemption period in accordance with the terms contained in the DTDs and other transaction documents.
- Re-payment:** We are required to repay the amounts in such instalments as per the repayment schedule stipulated in the relevant loan documentation. However, some facilities do require us to pay in lump sum. The repayment for most term loans availed from the banks and NBFCs typically ranges from 12 months to 74 months. Further, the redemption period for the NCDs is typically between 24 to 108 months.

8. **Events of Default:** Borrowing arrangements entered into by our Company prescribe events of default, including among others:
- a) Failure or inability to pay amount on due dates;
  - b) Failure to pay accrued interest;
  - c) Any notice in relation to actual or threatened liquidation, dissolution, bankruptcy or insolvency of our Company;
  - d) Change of general nature of the business, without prior permission of the lender;
  - e) Cessation of business;
  - f) Cancellation of NBFC license by the RBI;
  - g) Non-compliance with the ownership and management control covenants;
  - h) Incorrect or false information;
  - i) Utilisation of proceeds for purposes other than the sanctioned purpose;
  - j) Failure to create and perfect security within stipulated time;
  - k) Cross defaults across other borrowings of our Company;
  - l) Breach of any terms and conditions, including financial covenants in the loan documents; and
  - m) Any other event or circumstance that has a material adverse effect on the lender.

This is an indicative list and there may be additional terms that may amount to an event of default under the various borrowing arrangements entered into by our Company.

9. **Consequences of occurrence of events of default:** In terms of the loan documents, the following, among others, are the consequences of occurrence of events of default, whereby the lenders may:
- a) Declare any or all amounts under the facility, either whole or in part, as immediately due and payable to the lender;
  - b) Recover entire dues payable;
  - c) Enforcement of security interest without any notice;
  - d) Cancel the undrawn commitment of the facility;
  - e) Convert outstanding obligations under the facility into equity capital or other securities of our Company; and
  - f) Appoint a nominee director/observer on the Board of Directors of our Company.
10. **Negative Covenants:** The loans availed by us contain restrictive covenants which require prior written consent of the lender, or prior intimation to be made to the lender, for certain specified events or corporate actions, including:
- a) Change in capital structure of our Company;
  - b) Transfer of shares by the promoter(s) of the Company, such that their shareholding falls below a certain threshold on a fully diluted basis;
  - c) Change in the ownership, management or control of our Company;
  - d) Change in the general nature of the business of our Company or implement any scheme of expansion;
  - e) Enter into any scheme of merger, de-merger, amalgamation, or do a buyback;
  - f) Winding up, liquidation or taking any steps for voluntary liquidation or dissolution;

- g) Creation of security interest on the assets of our Company, except as permitted by the lender;
- h) Opening of accounts with other banks (apart from the relevant lender);
- i) Change in the constitutional documents of our Company; and
- j) Disposal of assets other than those permitted by the lender.

This is an indicative list and there may be such other additional terms under the various borrowing arrangements entered into by our Company.

For the purpose of the Offer, our Company has obtained the necessary consent, from the lenders of our Company as required under the relevant loan documents for undertaking activities relating to the Offer including consequent actions, such as change in the capital structure, change in management control, change in the composition of the Board, amendments to the constructive documents, of our Company.

Set out below are the details of non-convertible bonds issued by our Company which are listed on the debt segment of the BSE:

ISIN	Scrip Code	Status	Number of Debenture Holders	Name of Debenture Trustee	Outstanding Amount as on June 30, 2022 (in ₹ million)	Maturity
INE128S07317	957795	Listed	5	Catalyst Limited Trusteeship	37.50	March 28, 2023
INE128S07325	957917	Listed	4	Catalyst Limited Trusteeship	487.50	March 28, 2023
INE128S07333	957958	Listed	29	Catalyst Limited Trusteeship	487.50	March 28, 2023
INE128S07341	958034	Listed	24	Catalyst Limited Trusteeship	487.50	March 28, 2023
INE128S07366	958754	Listed	54	Catalyst Limited Trusteeship	300.00	April 11, 2024
INE128S07416	958957	Listed	1	Catalyst Limited Trusteeship	1,250.00	August 28, 2025*
INE128S07424	959493	Listed	1	Catalyst Limited Trusteeship	150.00	May 13, 2026
INE128S07432	959536	Listed	1	Catalyst Limited Trusteeship	150.00	May 28, 2023
INE128S07440	959602	Listed	1	Catalyst Limited Trusteeship	250.00	June 12, 2023
INE128S07457	959695	Listed	3	Catalyst Limited Trusteeship	1,150.00	April 21, 2023
INE128S07499	960002	Listed	21	Catalyst Limited Trusteeship	250.00	February 22, 2023
INE128S07507	960080	Listed	1	Catalyst Limited Trusteeship	700.00	September 30, 2029
INE128S07523	960329	Listed	1	Catalyst Limited Trusteeship	200.00	June 15, 2023
INE128S07549	960340	Listed	152	Catalyst Limited Trusteeship	750.00	December 16, 2022
INE128S07556	960342	Listed	106	Catalyst Limited Trusteeship	500.00	December 16, 2027
INE128S07564	960446	Listed	156	Catalyst Limited Trusteeship	1,500.00	April 30, 2023

\*As on date the date of this Prospectus, these have matured/redeemed

For further details of financial and other covenants required to be complied with in relation to our borrowings, see “Risk Factors – Our inability to meet our obligations, including financial and other covenants under our debt financing arrangements could adversely affect our business, results of operations and financial condition” on page 24 and “Risk Factors – We require certain statutory and regulatory approvals for conducting our business and our inability to obtain, retain or renew them in a timely manner, or at all, may adversely affect our operations” on page 38.

## SECTION VI: LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

*Except as disclosed in this section, there is no outstanding (i) criminal proceeding; (ii) action taken by regulatory or statutory authorities; (iii) claim related to direct and indirect taxes (in a consolidated manner); and (iv) pending litigation as determined to be material as per the materiality policy adopted pursuant to the Board resolution dated November 8, 2021, in each case involving our Company, its Promoters and Directors (collectively, the “**Relevant Parties**”). Further, except as disclosed in this section, there are no disciplinary actions including penalties imposed by SEBI or the Stock Exchanges against our Promoters in the last five financial years including any outstanding action.*

*For the purpose of identification of material litigation in (iv) above, our Board has considered and adopted the following policy on materiality with regard to outstanding litigation involving the Relevant Parties to be disclosed by our Company in this Prospectus pursuant to the Board resolution dated November 8, 2021.*

*All outstanding litigation, including any litigation involving the Relevant Parties, other than criminal proceedings, actions by regulatory authorities and statutory authorities, disciplinary actions including any penalty imposed by SEBI or stock exchanges against the Promoters in the last five financial years including any outstanding actions and tax matters (direct or indirect), would be considered ‘material’ if: (i) the monetary amount of claim by or against the entity or person in any such pending proceeding is in excess of 1% of profit after tax of our Company as per the latest audited annual Restated Financial Statements; or (ii) where monetary liability is not quantifiable or any other outstanding litigations, the outcome of any such pending proceedings may have a material bearing on the business, operations, performance, prospects or reputation of our Company.*

*It is clarified that for the above purposes, pre-litigation notices received by Relevant Parties from third parties (excluding such notices issued by any statutory/ regulatory/ governmental/ taxation authorities) shall, unless otherwise decided by the Board not be considered as material until such time that the Relevant Parties are not impleaded as a defendant in the litigation proceedings before any judicial forum.*

*Except as stated in this section, there are no material outstanding dues to creditors of our Company. For this purpose, our Board has pursuant to the Board resolution dated October 6, 2022, considered and adopted a policy of materiality for identification of material outstanding dues to creditors. In terms of this materiality policy, outstanding dues to any creditor of our Company having a monetary value which exceeds 5 % of the trade payables of our Company as of June 30, 2022 shall be considered as ‘material’. Accordingly, as on June 30, 2022, any outstanding dues exceeding ₹ 5.47 million have been considered as material outstanding dues for the purposes of disclosure in this section.*

*For outstanding dues to any micro, small or medium enterprise, the disclosure shall be based on information available with our Company regarding the status of the creditor as defined under the Micro, Small and Medium Enterprises Development Act, 2006 as amended, read with the rules and notification thereunder.*

#### **Litigation involving our Company**

##### ***Litigation against our Company***

##### ***Material Civil Litigation***

Nil

##### ***Criminal Litigation***

1. An FIR bearing number 50/2022 dated February 27, 2022 (“**FIR**”) has been registered by Karaikudi North police station Saivagangai, Tamil Nadu against certain employees of our Company (collectively the “**Accused**”) pursuant to a complaint filed by Pradhipkumar (“**Complainant**”). It is alleged that the Accused have violated Sections 147, 148, 294 (b), 323, 324 and 506 (2) of Indian Penal Code, 1860 (“**IPC**”) and have allegedly abused and beaten up the Complainant and his relatives, causing injuries to all of them. Further, a charge sheet dated April 23, 2022 was filed before the court of Judicial Magistrate, Karaikudi in this regard. The matter is currently pending.
2. An FIR bearing number 120/2022 dated May 19, 2022 (“**FIR**”) has been registered by Jalakandapuram police station Salem, Tamil Nadu against certain employees of our Company (collectively the “**Accused**”) pursuant to complaint filed by Malar (“**Complainant**”). It is alleged that the Accused have violated Sections 147, 294 (b), 323, 341 and 354 of Indian Penal Code, 1860 (“**IPC**”) and have allegedly abused and beaten up the Complainant and her relatives and trespassed on their house, due to alleged non-payment of instalments. The matter is currently pending.

3. An FIR bearing number 174/2022 dated September 5, 2022 (“**FIR**”) has been registered by Lakkavaram police station Eluru, Tamil Nadu against certain employees of our Company (collectively the “**Accused**”), pursuant to complaint filed by Chabathula Sudharani (“**Complainant**”). It is alleged that the Accused have violated Sections 447, 354 D, 506, 509 read with 34 of Indian Penal Code, 1860 (“**IPC**”) and trespassed into Complainant’s house and intimidated them and threatened them with dire consequences. The matter is currently pending.
4. An FIR bearing number 176/2021, dated July 21, 2021 (“**FIR**”) has been registered by Kammapuram police station Cuddalore, Tamil Nadu against certain employees of our Company (collectively the “**Accused**”) pursuant to a complaint filed by Arul (“**Complainant**”). It is alleged that the Accused broke the lock of the Complainant's house and dragged his son out and have violated Sections 341, 352 and 448 of Indian Penal Code, 1860 (“**IPC**”) and Section 4 of Tamil Nadu Prohibition of Harassment of Women Act, 1998 and trespassed on grounds of trespassing into the Complainant's house, wrongfully restraining and assaulting the Complainant's wife without grave provocation. The matter is currently pending.
5. An FIR bearing number 1301/2021, dated August 9, 2021 (“**FIR**”) has been registered by Karur Town police station Karur, Tamil Nadu against our Company (“**Accused**”) pursuant to a complaint filed by Yeasammal (“**Complainant**”). It is alleged that the Accused has charged exorbitant interest on the loan advanced and has violated Section 4 of the Tamil Nadu Prohibition of Charging Exorbitant Interest Act, 2003. The matter is currently pending.
6. An FIR bearing number 105/2022, dated June 27, 2022 (“**FIR**”) has been registered by the PIO & Nayab Tahsildar, Inavole Mandal Police Station, against certain employees (“**Accused**”) of our Company pursuant to a complaint filed by Agapati Sadanandam (“**Complainant**”) under section 174 of the Code of Criminal Procedure, 1973. The Accused approached various judicial forums for an anticipatory bail and one of the Accused was granted anticipatory bail by the High Court of Telangana vide order dated November 3, 2022. The matter is currently pending.

*Actions Taken by Regulatory and Statutory Authorities.*

Nil

***Litigation by our Company***

*Material Civil Litigation*

Nil

*Criminal Litigation*

1. Our Company has filed 43 cases before various judicial forums for alleged violation of section 138 of Negotiable Instruments Act, 1881, as amended for recovery of amounts due to our Company for which cheques have been issued in favour of our Company by our debtors have been dishonoured. The aggregate monetary value involved in all these matters is ₹39.25 million, along with any interest that may be applicable.
2. An FIR bearing number 51/2022 dated February 27, 2022 (“**FIR**”) has been registered by Karraikudi North police station Sivagangai, Tamil Nadu against certain customers of our Company (collectively the “**Accused**”) pursuant to complaint filed by our Company (“**Complainant**”). It is alleged that the Accused violated Sections 109, 147, 447, 427, 323 and 294(b) of the Indian Penal Code, 1860 and Section 4 of the Tamil Nadu Prohibition of Harassment of Woman Act, 1998, on grounds that they forcefully entered the branch office of our Company and beat up the Complainant. This matter is currently pending.
3. An FIR bearing number 147/2022 dated May 26, 2022 (“**FIR**”) has been registered by Narsapur police station against certain customers of our Company (collectively the “**Accused**”), pursuant to complaint filed by our Company. It is alleged that the Accused abused the collection officer of our Company when the collection officer went to collect the amount due, therefore being punishable under Sections 323, 294(b) and 34 of the Indian Penal Code, 1860. This matter is currently pending.



4. A complaint bearing number EUF22104363 dated June 15, 2022 has been filed by our Company against an ex-employee of the Company (the “**Accused**”) on grounds of cheating/embezzlement. It is alleged that the accused misappropriated ₹ 73,880 from our Company. This matter is currently pending.
5. An FIR bearing number 24/2022 dated September 6, 2022 (“**FIR**”) has been registered by Coimbatore police station, Tamil Nadu against an ex-employee of our Company (collectively the “**Accused**”) pursuant to complaint filed by our Company (“**Complainant**”). It is alleged that the Accused violated Sections 409 and 420 of the Indian Penal Code, 1860 and misappropriated ₹ 3.11 million from our Company and our customers by forging receipts and diverting amounts paid to our Company by our customers, for his personal gain. This matter is currently pending.
6. An FIR bearing number 0411/2022 dated October 20, 2022 (“**FIR**”) has been registered against an ex-employee of the Company (the “**Accused**”) pursuant to complaint filed by our Company (“**Complainant**”) for misappropriation of certain amount from our Company. This matter is currently pending.

### **Litigation involving our Promoters**

#### *Litigation against our Promoters*

Nil

#### *Litigation by our Promoters*

Nil

### **Litigation involving our Directors**

#### *Litigation against our Directors*

Please refer to the criminal matter involving our Director, Ravishankar Ganapathyagraharam Venkataraman –Litigation involving our Directors– Litigation by our Directors– Criminal Litigation.

#### *Litigation by our Directors*

##### *Criminal Litigation*

Dr. Vishal Upadhyay (“**Complainant**”), a shareholder in Glocal Healthcare Systems Pvt. Ltd. (“**Glocal**”), filed an application under Section 156(3) of the Code of Criminal Procedure, 1973 (“**CrPC**”) against Glocal and its various whole-time directors, nominee directors and employees (“**Accused Persons**”), including our Director Ravishankar Ganapathyagraharam Venkataraman for alleged criminal offences relating to certain investments and commercial agreements before the Additional Chief Judicial Magistrate, Gautam Budh Nagar (“**ACJM**”). Pursuant to order dated February 11, 2022, the ACJM directed the Station House Officer, Police Station Sector – 49, Noida (“**Police Station Noida**”) to register a first information report leading to FIR No. 0098 of 2022 (“**FIR**”) being registered at Police Station Noida on March 5, 2022 under Sections 420, 406, 467, 468 and 506 of the Indian Penal Code, 1860. Aggrieved by the FIR, Ravishankar Ganapathyagraharam Venkataraman filed a Criminal Misc. Writ Petition No. 3650 of 2022, *inter alia*, on the grounds that there are no specific allegations against him and that the dispute was of a civil commercial nature. The Hon’ble High Court of Allahabad pursuant to its order dated July 12, 2022 was pleased to grant interim relief till the next date of hearing *inter alia*, to Mr. Ravi Shankar from any coercive action being taken by the investigating agency pertaining to the FIR. Subsequently, Noida Police has filed a final report (“**Final Report**”) under Section 173 of the CrPC pertaining to the FIR before the ACJM, which states that upon investigation it has been established that no further action is required as the dispute between the Complainant and the Accused Persons appears to be of a civil/commercial nature. The ACJM, *vide* order dated September 19, 2022, has taken on record the Final Report and has issued summons to the Complainant. The matter is currently pending.

### **Litigation involving our Group Companies**

Nil

### **Tax Proceedings**

Except as disclosed below, there are no claims related to direct and indirect taxes involving our Company, Directors and Promoters.

Nature of case	Number of cases	Amount involved (in ₹ million)
<b>Proceedings involving the Company</b>		
Direct Tax	2	4.04
Indirect Tax	Nil	Nil
<b>Proceedings involving the Director</b>		
Direct Tax	Nil	Nil
Indirect Tax	Nil	Nil
<b>Proceedings involving the Promoters</b>		
Direct Tax	1	Not ascertainable
Indirect Tax	Nil	Nil

### Outstanding dues to Creditors

As of June 30, 2022, our Company had 21 creditors, and the aggregate outstanding dues to these creditors by our Company are ₹6.48 million. Further, our Company owes no amount to micro, small and medium enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006, as amended.

In accordance with the policy of materiality for identification of material outstanding dues to creditors considered and adopted by our Board pursuant to the Board resolution dated October 6, 2022, a creditor of the Company shall be considered to be material for the purpose of disclosure in the Offer documents if the amounts due to such creditor exceed 5% of the total trade payables of the Company as of June 30, 2022, which is ₹5.47 million i.e., creditors of our Company to whom our Company owes an amount exceeding ₹5.47 million have been considered material. As of June 30, 2022, there is no material creditor.

Details of outstanding dues owed to material creditors, MSMEs and other creditors as of June 30, 2022, are set out below:

Types of Creditors	Number of Creditors	Amount involved (in ₹ million)
Micro, Small and Medium Enterprises	-	0.00
Material Creditors	-	0.00
Other Creditors	21	6.48
<b>Total</b>	<b>21</b>	<b>6.48</b>

The details pertaining to outstanding dues towards our material creditors are available on the website of our Company at <https://fivestargroup.in/investors/>.

It is clarified that such details available on our website do not form a part of this Prospectus and should not be deemed to be incorporated by reference. Anyone placing reliance on any other source of information, including our Company's website, [www.fivestargroup.in](http://www.fivestargroup.in), would be doing so at their own risk.

### Material Developments

Other than as stated in the section titled “*Management’s Discussion and Analysis Of Financial Condition And Results Of Operations*” on page 346, there have not arisen, since the date of the last financial statements disclosed in this Prospectus, any circumstances which materially and adversely affect, or are likely to affect, our operations, our trading, our profitability or the value of our assets or our ability to pay our liabilities within the next 12 months.

## GOVERNMENT AND OTHER APPROVALS

*Our business requires various approvals, licenses, registrations, and permits issued by relevant governmental and regulatory authorities under various rules and regulations. Set out below is an indicative list of all material approvals, licenses, registrations, and permits obtained by our Company, which are necessary for undertaking our business. In view of such material approvals, our Company can undertake the Offer and its current business activities as disclosed in this Prospectus. In addition, certain of our key approvals, licenses, registrations, and permits may expire periodically in the ordinary course and applications for renewal of such expired approvals are submitted in accordance with applicable requirements and procedures, as necessary.*

*For further details in connection with the applicable regulatory and legal framework within which we operate, see “Key Regulations and Policies” beginning on page 205.*

### **I. Material approvals in relation to the Offer**

For details regarding the approvals and authorisations obtained by our Company in relation to the Offer, see “*Other Regulatory and Statutory Disclosures – Authority for the Offer*” beginning on page 393.

### **II. Material approvals in relation to our Company**

#### **(a). Material approvals obtained by our Company**

We require various approvals to carry on our business in India. We have received the following material Government and other approvals pertaining to our business:

##### *A. Material approvals in relation to our incorporation*

1. Certificate of incorporation dated May 7, 1984 issued to our Company, under the name ‘Five-Star Business Credits Private Limited’ by the RoC.
2. Certificate of incorporation dated October 3, 1988 issued by the RoC, consequent upon change from ‘Five-Star Business Credits Private Limited’ to ‘Five-Star Business Credits Limited’, pursuant to conversion to a public limited company.
3. Fresh certificate of incorporation dated May 13, 2016 issued by the RoC, consequent upon change from ‘Five-Star Business Credits Limited’ to ‘Five-Star Business Finance Limited’.
4. Our Company has been allotted a corporate identity number U65991TN1984PLC010844.

For further details in relation to incorporation of our Company, see “*History and Certain Corporate Matters*” beginning on page 219.

##### *B. Material approvals in relation to our business*

The material approvals in relation to the establishments and business operations of our Company issued by authorities of the respective jurisdictions in which our establishments and business operations are located are set forth below:

1. Certificate of registration dated May 29, 1998 granted by the RBI bearing registration number 07.00286, to our Company under the former name ‘Five-Star Business Credits Limited’, pursuant to which our Company is allowed to carry on the business of a non-banking financial institution, subject to the conditions mentioned therein.
2. Certificate of registration dated December 3, 2002 granted by the RBI bearing registration number B-07.00286 to our Company under the former name ‘Five-Star Business Credits Limited’, pursuant to which our Company is allowed to carry on the business of non-banking financial institution without accepting public deposits, subject to the conditions mentioned therein.
3. Fresh certificate of registration dated June 9, 2016 granted by the RBI bearing registration number B-07.00286, pursuant to a change of name of our Company from ‘Five-Star Business Credits Limited’ to ‘Five-Star Business Finance Limited’ under which our Company is allowed to carry on the business of non-banking financial institution without accepting public deposits, subject to the conditions mentioned therein.

4. Legal Entity Identifier registration number 335800SDB5FANSP25Z85 from Legal Entity Identifier India Limited.
5. Registration for information utility services from National e-Governance Services Limited dated January 14, 2020, bearing registration number AAACF0419M.
6. Registration with the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (“**CERSAI**”) for registration of security interest dated June 16, 2016.
7. Registration with the CERSAI Central KYC Registration dated February 1, 2019 bearing registration number IN3102.

*C. Tax related approvals of our Company*

1. Our PAN is AAACF0419M.
2. Our tax deduction account number is CHEF00079C.
3. GST registration numbers of our Company, as per the state where our business operations are spread, are as follows:

State	Registration Number
Andhra Pradesh	37AAACF0419M2ZN
Chhattisgarh	22AAACF0419M1ZZ
Karnataka	29AAACF0419M1ZL
Maharashtra	27AAACF0419M1ZP
Madhya Pradesh	23AAACF0419M1ZX
Puducherry	34AAACF0419M1ZU
Tamil Nadu	33AAACF0419M1ZW
Telangana	36AAACF0419M1ZQ
Uttar Pradesh	09AAACF0419M1ZN

4. Our Company has branches in Andhra Pradesh, Chhattisgarh, Karnataka, Maharashtra, Madhya Pradesh, Puducherry, Tamil Nadu, Telangana, and Uttar Pradesh falling under the respective professional tax legislations. Accordingly, our Company has obtained the necessary licenses and approvals from the appropriate regulatory and governing authorities in relation to such tax laws or is proposing to file an application for obtaining necessary approvals.
5. Our Company has obtained registration under the Chennai City Municipal Corporation Act, 1919, for payment of company tax.


*D. Labour and commercial approvals*

1. We are required to obtain a certificate of establishment issued by the labour departments of the respective state governments where the Registered and Corporate Office and branches of our Company are located under the provisions of the relevant state specific legislations on shops and establishments. We have obtained the relevant shops and establishment registrations under the applicable provisions of the shops and establishments legislations of the relevant state for our Registered Office and branches in India. Certain approvals may have lapsed in their normal course and we have either made applications to the appropriate authorities for renewal of such licenses/approvals or are in the process of making such applications.
2. Registration no. TNMAS0026805000 issued by the Employees’ Provident Fund Organisation, India under the Employees Provident Fund and Miscellaneous Provisions Act, 1952.
3. Registrations issued by the Employees’ State Insurance Corporation, India under the Employees State Insurance Act, 1948, for the states where our business operations are spread.

*E. Intellectual Property Registrations*

**Trademarks**

As on the date of this Prospectus, our Company has registered a trademark in India as disclosed below.

Sr. No.	Description	Class	Trademark Number	Date of Registration
1.	 <p>The logo for Five Star Business Finance Limited features the words "FIVE STAR" in white capital letters on a dark blue rectangular background. To the right of this rectangle is a red square containing a white geometric design of a star or a stylized 'X' shape. Below the blue rectangle, the words "Business Finance Limited" are written in a smaller, dark blue font.</p>	36	3374659	September 28, 2016

**(b). Material approvals to be obtained by our Company**

*Material approvals or renewals applied for but not received*

Nil

*Material approvals expired and not applied for renewal*

Nil

*Material approvals required but not applied for or obtained*

Nil

For risks associated with our intellectual property please see, “*Risk Factors - We may be unable to protect our brand names and other intellectual property rights which are critical to our business*” on page 41. Further, for risks associated with statutory and regulatory approvals please see, “*Risk Factors - We require certain statutory and regulatory approvals for conducting our business and our inability to obtain, retain or renew them in a timely manner, or at all, may adversely affect our operations*” on page 38.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Offer

The Offer has been authorised by our Board of Directors pursuant to the resolution passed at their meeting dated September 8, 2021 and November 8, 2021 and by our Shareholders pursuant to the special resolution passed at their extraordinary general meeting dated October 8, 2021. Further, our Board has taken on record the Offer for Sale by the Selling Shareholders pursuant to its resolution dated November 8, 2021. The Draft Red Herring Prospectus was approved pursuant to a resolution passed by the Board on November 8, 2021 and by the IPO Committee on November 9, 2021. The Red Herring Prospectus was approved pursuant to a resolution passed by the Board on November 1, 2022. This Prospectus has been approved pursuant to a resolution passed by the Board on November 15, 2022.

Each of the Selling Shareholders have, severally and not jointly, confirmed and approved its participation in the Offer for Sale in relation to its portion of Offered Shares. For details, see “*The Offer*” on page 52.

The Equity Shares being offered by the Selling Shareholders in the Offer for Sale have been held by them for a period of at least one year prior to the filing of the Draft Red Herring Prospectus with SEBI, calculated in the manner as set out under Regulation 8 of the SEBI ICDR Regulations and are eligible for being offered in the Offer for Sale.

Our Company has received in-principle approvals from BSE and NSE for the listing of the Equity Shares pursuant to their letters dated December 2, 2021 and December 3, 2021, respectively.

### Prohibition by SEBI or other Governmental Authorities

Our Company, Promoters, members of our Promoter Group, Directors, persons in control of our Company and the persons in control of the Corporate Promoters are not prohibited from accessing the capital market or debarred from buying, selling or dealing in securities under any order or direction passed by SEBI or any securities market regulator in any other jurisdiction or any other authority/court.

None of the companies with which our Promoters and Directors are associated with as promoters, directors or persons in control have been debarred from accessing capital markets under any order or direction passed by SEBI or any other authorities.

Our Company, Promoters, Selling Shareholders or Directors have not been declared as Wilful Defaulters by any bank or financial institution or consortium thereof in accordance with the guidelines on wilful defaulters issued by the RBI.

Our Promoters or Directors have not been declared as fugitive economic offenders under Section 12 of the Fugitive Economic Offenders Act, 2018.

Each Selling Shareholder, severally and not jointly, confirms that they have not been prohibited from accessing the capital market or debarred from buying, selling or dealing in securities under any order or direction passed by SEBI, any other governmental authority or any securities market regulator in any other jurisdiction or any other authority/court.

None of our Company, our Promoters or our Directors have been declared as Fraudulent Borrowers by RBI in terms of the RBI circular dated July 1, 2016.

### Directors associated with the Securities Market

None of our Directors are associated with securities market related business, in any manner and there have been no actions initiated by SEBI against our Directors in the five years preceding the date of this Prospectus.

### Confirmation under Companies (Significant Beneficial Owners) Rules, 2018

Our Company, Promoters, members of our Promoter Group and the Selling Shareholders severally and not jointly, confirm that it is in compliance with the Companies (Significant Beneficial Owners) Rules, 2018, to the extent applicable, as on the date of this Prospectus.

### Eligibility for the Offer

Our Company is eligible for the Offer in accordance with the Regulation 6(1) of the SEBI ICDR Regulations, and is in compliance with the conditions specified therein in the following manner:

- Our Company has had net tangible assets of at least ₹30.00 million, calculated on a restated and consolidated basis, in each of the preceding three full years (of 12 months each).

- Our Company has an average operating profit of at least ₹150.00 million, calculated on a restated and consolidated basis, during the preceding three years (of 12 months each), with operating profit in each of these preceding three years;
- Our Company has a net worth of at least ₹10.00 million in each of the preceding three full years (of 12 months each), calculated on a restated and consolidated basis; and
- Our Company has not changed its name in the last one year.

Our Company's average operating profit, net worth and net tangible assets derived from the Restated Financial Information included in this Prospectus as at, and for the last three Financial Years are set forth below:

*As derived from the Restated Financial Information*

(₹ in million)

Particulars	As of and for the Financial Year ended		
	March 31, 2022	March 31, 2021	March 31, 2020
Net Tangible Assets <sup>(1)</sup> , as restated	36,896.83	23,017.43	19,277.72
Operating Profit <sup>(2)</sup> , as restated	6,021.04	4,749.27	3,486.69
Net Worth <sup>(3)</sup> , as restated	37,103.51	23,181.72	19,445.80

**Notes:**

- (1) *Net Tangible Assets, as restated, mean the sum of all net assets of the Issuer and excluding intangible assets, each on restated basis and as defined in Indian Accounting Standard 38 and Right of use assets as per Indian Accounting Standard 116 – Leases.*
- (2) *Restated Operating Profit has been calculated as restated net profit before tax (net of other income) each on a restated basis.*
- (3) *As per section 2(1)(hh) of the Securities and Exchange board of India (Issue of Capital and disclosure requirement) Regulations, 2018, "Net Worth" means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.*

Our Company shall not make an Allotment if the number or prospective allottees is less than 1,000 in accordance with Regulation 49(1) of the SEBI ICDR Regulations.

The status of compliance of our Company with the conditions as specified under Regulations 5 and 7(1) of the SEBI ICDR Regulations are as follows:

- Our Company, our Promoters, members of our Promoter Group, the Selling Shareholders and our Directors are not debarred from accessing the capital markets by SEBI;
- The companies with which our Promoters or our Directors are associated as a promoter or director are not debarred from accessing the capital markets by SEBI;
- Neither our Company, nor our Promoters, or Directors is a wilful defaulter (as defined in the SEBI ICDR Regulations);
- None of our Promoters or Directors has been declared as a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018;
- Except employee stock options granted pursuant to the ASOP, there are no outstanding convertible securities of our Company or any other right which would entitle any person with any option to receive Equity Shares of our Company as on the date of filing of this Prospectus;
- Our Company along with Registrar to the Offer has entered into tripartite agreements each dated October 1, 2021 with NSDL and CDSL, respectively, for dematerialisation of the Equity Shares;
- The Equity Shares of our Company held by our Promoters are in the dematerialised form;
- Our Company has received in-principle approvals from BSE and NSE for the listing of the Equity Shares pursuant to their letters dated December 2, 2021 and December 3, 2021, respectively;
- All the Equity Shares are fully paid-up and there are no partly paid-up Equity Shares as on the date of filing of this Prospectus; and
- There is no requirement for us to make firm arrangements of finance under Regulation 7(1)(e) of the SEBI ICDR Regulations through verifiable means towards 75% of the stated means of finance.

## **DISCLAIMER CLAUSE OF SEBI**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SECURITIES AND EXCHANGE BOARD OF INDIA (“SEBI”) SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED, EDELWEISS FINANCIAL SERVICES LIMITED, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND NOMURA FINANCIAL ADVISORY AND SECURITIES (INDIA) PRIVATE LIMITED, (TOGETHER, THE “BRLMs”), HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI ICDR REGULATIONS. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS AND THE SELLING SHAREHOLDERS ARE, SEVERALLY AND NOT JOINTLY, RESPONSIBLE ONLY FOR THE STATEMENTS SPECIFICALLY CONFIRMED OR UNDERTAKEN BY THEM IN THE DRAFT RED HERRING PROSPECTUS IN RELATION TO THEMSELVES FOR THE RESPECTIVE PORTION OF THE EQUITY SHARES BEING OFFERED BY THEM IN THE OFFER FOR SALE, THE BRLMs ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITIES ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BRLMs HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED NOVEMBER 9, 2021 IN THE FORMAT PRESCRIBED UNDER SCHEDULE V (FORM A) OF THE SEBI ICDR REGULATIONS.**

**THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER THE COMPANIES ACT, 2013, OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BRLMs, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.**

All legal requirements pertaining to the Offer will be complied with at the time of filing of this Prospectus with the Registrar of Companies in terms of sections 26, 32, 33(1) and 33(2) of the Companies Act, 2013.

### **Disclaimer from our Company, our Directors and BRLMs**

Our Company, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our Company’s website [www.fivestargroup.in](http://www.fivestargroup.in), or the respective websites of any affiliate of our Company would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Offer Agreement, and as will be provided for in the Underwriting Agreement.

All information shall be made available by our Company to the Bidders and the public at large and no selective or additional information would be made available for a section of the investors in any manner whatsoever, including at road show presentations, in research or sales reports, at the Bidding Centres or elsewhere.

Bidders will be required to confirm and will be deemed to have represented to our Company, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and will not issue, sell, pledge, or transfer the Equity Shares to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Company, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares.

The BRLMs and their respective associates and affiliates in their capacity as principals or agents may engage in transactions with, and perform services for, our Company, the Selling Shareholders, their respective affiliates or associates or third parties in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment



banking transactions with our Company, the Selling Shareholders, their respective affiliates or associates or third parties, for which they have received, and may in the future receive, compensation.

### **Disclaimer from the Selling Shareholders**

The Selling Shareholders accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at our Company's instance and anyone placing reliance on any other source of information, including our Company's website [www.fivestargroup.in](http://www.fivestargroup.in), or the respective websites of any affiliate of our Company would be doing so at his or her own risk.

Each of the Selling Shareholders, its respective directors, affiliates, associates, and officers accept no responsibility for any statements made in this Prospectus other than those specifically made or confirmed by such Selling Shareholder in relation to itself as a Selling Shareholder and its proportion of the Offered Shares.

Bidders will be required to confirm and will be deemed to have represented to each of the Selling Shareholders and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and will not sell, pledge, or transfer the Equity Shares to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. The Selling Shareholders and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares.

### **Disclaimer in respect of Jurisdiction**

The Offer is being made in India to persons resident in India (who are competent to contract under the Indian Contract Act, 1872, including Indian nationals resident in India, HUFs, companies, other corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, domestic Mutual Funds, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in equity shares, state industrial development corporations, insurance companies registered with IRDAI, provident funds (subject to applicable law) and pension funds, National Investment Fund, insurance funds set up and managed by army, navy or air force of Union of India, insurance funds set up and managed by the Department of Posts, GoI, systemically important NBFCs registered with the RBI) and permitted Non-Residents including FPIs and Eligible NRIs and AIFs that they are eligible under all applicable laws and regulations to purchase the Equity Shares. The Red Herring Prospectus and this Prospectus do not constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby, in any jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession the Red Herring Prospectus and this Prospectus comes is required to inform him or herself about, and to observe, any such restrictions. Any dispute arising out of the Offer will be subject to the jurisdiction of appropriate court(s) in Mumbai only. The Draft Red Herring Prospectus did not constitute an invitation to subscribe to or purchase the Equity Shares in the Offer in any jurisdiction, including India. Invitations to subscribe to or purchase the Equity Shares in the Offer were made only pursuant to the Red Herring Prospectus if the recipient is in India or the preliminary offering memorandum for the Offer, which comprises the Red Herring Prospectus and the preliminary international wrap for the Offer, if the recipient is outside India.

No action has been, or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus was filed with SEBI for its observations. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and the Red Herring Prospectus and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus, nor any offer or sale hereunder, shall, under any circumstances, create any implication that there has been no change in our affairs or in the affairs of the Selling Shareholders from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**No person outside India is eligible to Bid for Equity Shares in the Offer unless that person has received the preliminary offering memorandum for the Offer, which contains the selling restrictions for the Offer outside India.**

### **Eligibility and Transfer Restrictions**

**The Equity Shares offered in the Offer have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold (i) within the United States only to persons believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act), pursuant to Section 4(a) of the U.S. Securities Act, and (ii) outside the United States in "offshore**

transactions” in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales are made.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

We intend to rely on an exception from the definition of investment company under the U.S. Investment Company Act of 1940, as amended, in connection with this Offer.

Our Company may have been a Passive Foreign Investment Company ("PFIC") for United States federal income tax purposes for the previous fiscal years, may be a PFIC for its current fiscal year and may continue to be a PFIC in future fiscal years.

#### **Disclaimer Clause of RBI**

The Company is having a valid certificate of registration dated June 9, 2016 issued by the Reserve Bank of India under Section 45 IA of the Reserve Bank of India Act, 1934. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Company or for the correctness of any of the statements or representations made or opinion expressed by the Company and for the repayment of deposits/discharge of liabilities by the Company.

#### **Disclaimer Clause of BSE**

As required, a copy of the Draft Red Herring Prospectus was submitted to the BSE. The disclaimer clause as intimated by BSE to our Company, is as set forth below:

“BSE Limited (“the Exchange”) has given *vide* its letter dated December 2, 2021 permission to this Company to use the Exchange’s name in this offer document as one of the stock exchanges on which this company’s securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner: -

- a) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- b) warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or
- c) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.”

#### **Disclaimer Clause of NSE**

As required, a copy of the Draft Red Herring Prospectus was submitted to the NSE. The disclaimer clause as intimated by NSE to our Company, is as set forth below:

“As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given *vide* its letter Ref.: NSE/LIST/1365 dated December 03, 2021 permission to the Issuer to use the Exchange’s name in this Offer Document as one of the Stock Exchanges on which this Issuer’s securities are proposed to be listed. The Exchange has scrutinized the draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer’s securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.”

## **Listing**

The Equity Shares allotted through the Red Herring Prospectus and this Prospectus are proposed to be listed on BSE and NSE. Applications will be made to the Stock Exchanges for obtaining permission for listing and trading of the Equity Shares. NSE is the Designated Stock Exchange with which the Basis of Allotment will be finalised.

## **Consents**

Consents in writing of each of the Selling Shareholders, our Directors, our Company Secretary and Compliance Officer, legal counsels to the Company and the Selling Shareholders as to Indian Law, legal counsel to the BRLMs as to Indian Law, International legal counsel to the BRLMs, Bankers to our Company, the BRLMs, Registrar to the Offer, CRISIL Limited, and consents in writing of the Syndicate Members, Escrow Collection Bank(s)/Refund Bank(s)/ Public Offer Account/ Sponsor Banks to act in their respective capacities, were obtained and were filed along with a copy of the Red Herring Prospectus with the RoC as required under the Companies Act, 2013 and such consents have not been withdrawn at the time of delivery of this Prospectus for filing with the RoC.

## **Expert to the Offer**

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

Our Company has received written consent dated November 15, 2022 from S.R. Batliboi & Associates LLP, Chartered Accountants, to include their name as required under Section 26(1) of the Companies Act, 2013 read with SEBI ICDR Regulations, in this Prospectus and as an “expert” as defined under Section 2(38) of the Companies Act, 2013 to the extent and in their capacity as our Statutory Auditors, and in respect of their (i) examination report, dated October 6, 2022 on our Restated Financial Information; and (ii) their report dated October 6, 2022 on the statement of special tax benefits in this Prospectus and such consent has not been withdrawn as on the date of this Prospectus. However, the term “expert” shall not be construed to mean an “expert” as defined under the U.S. Securities Act.

Our Company has received written consent dated November 9, 2021 from R P S V & Co., Chartered Accountants, independent chartered accountants, to include their name as an “expert” as defined under section 2(38) of the Companies Act and such consent has not been withdrawn as on the date of this Prospectus.

## **Particulars regarding capital issues by our Company and listed group company or associate entities during the last three years**

Other than as disclosed in “*Capital Structure*” on page 66, our Company has not made any capital issues during the three years preceding the date of this Prospectus.

Our Company does not have any listed group company.

As of the date of this Prospectus, our Company does not have any subsidiaries or associate entity.

## **Commission and Brokerage paid on previous issues of the Equity Shares in the last five years**

Since this is the initial public offering of the Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Company’s incorporation.

## **Performance vis-à-vis objects – Public/ rights issue of our Company**

Our Company has not undertaken any public or rights issue in the five years preceding the date of this Prospectus.

## **Performance vis-à-vis objects – Public/ rights issue of the listed subsidiaries/listed Promoter of our Company**

Our Company does not have any subsidiaries and our Corporate Promoters are not listed.

**Price information of past issues handled by the BRLMs**

**1) ICICI Securities Limited**

1. Price information of past issues handled by ICICI Securities Limited

Sr. No.	Issue Name	Issue Size (Rs. Mn.)	Issue Price (Rs.)	Listing Date	Opening Price on Listing Date	+/- % change in closing price, [+/- % change in closing benchmark]- 30 <sup>th</sup> calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90 <sup>th</sup> calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180 <sup>th</sup> calendar days from listing
1	Metro Brands Limited <sup>^</sup>	13,675.05	500.00	22-DEC-21	436.00	+21.77%, [+4.45%]	+14.57%, [+0.64%]	+7.93%, [-9.78%]
2	Supriya Lifescience Limited <sup>^</sup>	7,000.00	274.00	28-DEC-21	425.00	+78.61%, [-0.07%]	+72.12%, [-0.92%]	+20.36%, [-8.93%]
3	AGS Transact Technologies Limited <sup>^</sup>	6,800.00	175.00	31-JAN-22	176.00	-42.97%, [-3.05%]	-28.63%, [-1.64%]	-52.69%, [-0.77%]
4	Adani Wilmar Limited <sup>^^</sup>	36,000.00	230.00 <sup>(1)</sup>	08-FEB-22	227.00	+48.00%, [-5.34%]	+180.96%, [-4.95%]	+193.26%, [+0.76%]
5	Vedant Fashions Limited <sup>^^</sup>	31,491.95	866.00	16-FEB-22	935.00	+3.99%, [-0.20%]	+14.53%, [-8.54%]	+37.67%, [+2.17%]
6	Life Insurance Corporation of India <sup>^</sup>	2,05,572.31	949.00 <sup>(2)</sup>	17-MAY-22	867.20	-27.24%, [-3.27%]	-28.12%, [+9.47%]	-33.82%, [+13.76%]
7	Prudent Corporate Advisory Services Limited <sup>^</sup>	4,282.84	630.00 <sup>(3)</sup>	20-MAY-22	660.00	-20.71%, [-5.46%]	-2.10%, [+10.92%]	NA*
8	Paradeep Phosphates Limited <sup>^</sup>	15,017.31	42.00	27-MAY-22	43.55	-10.24%, [-3.93%]	+27.50%, [+7.65%]	NA*
9	Syrma SGS Technology Limited <sup>^</sup>	8,401.26	220.00	26-AUG-22	262.00	+31.11%[-1.25%]	NA*	NA*
10	Fusion Micro Finance Limited <sup>^^</sup>	11,039.93	368	15-Nov-22	359.50	NA*	NA*	NA*

\*Data not available.

<sup>^</sup>BSE as designated stock exchange

<sup>^^</sup>NSE as designated stock exchange

(1) Discount of Rs. 21 per equity share offered to eligible employees. All calculations are based on Issue Price of Rs. 230.00 per equity share.

(2) Discount of Rs. 45 per equity share offered to eligible employees and Retail Individual Bidders. Discount of Rs. 60 per equity share offered to eligible policyholders. All calculations are based on Issue Price of Rs. 949.00 per equity share

(3) Discount of Rs. 59 per equity share offered to eligible employees. All calculations are based on Issue Price of Rs. 630.00 per equity share.

## 2. Summary statement of price information of past issues handled by ICICI Securities Limited

Financial Year	Total no. of IPOs	Total amount of funds raised (Rs. Mn.)	No. of IPOs trading at discount - 30 <sup>th</sup> calendar days from listing			No. of IPOs trading at premium - 30 <sup>th</sup> calendar days from listing			No. of IPOs trading at discount - 180 <sup>th</sup> calendar days from listing			No. of IPOs trading at premium - 180 <sup>th</sup> calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2022-23*	5	2,44,313.65	-	1	2	-	1	-	-	1	-	-	-	-
2021-22	26	7,43,520.19	-	3	6	6	4	7	3	4	5	5	4	5
2020-21	14	1,74,546.09	-	-	5	5	2	2	-	1	3	5	3	2

\*This data covers issues up to YTD

### Notes:

1. Data is sourced either from [www.nseindia.com](http://www.nseindia.com) or [www.bseindia.com](http://www.bseindia.com), as per the designated stock exchange disclosed by the respective Issuer Company.
2. Similarly, benchmark index considered is "NIFTY 50" where NSE is the designated stock exchange and "S&P BSE SENSEX" where BSE is the designated stock exchange, as disclosed by the respective Issuer Company.
3. 30<sup>th</sup>, 90<sup>th</sup>, 180<sup>th</sup> calendar day from listed day have been taken as listing day plus 29, 89 and 179 calendar days, except wherever 30<sup>th</sup>, 90<sup>th</sup>, 180<sup>th</sup> calendar day is a holiday, in which case we have considered the closing data of the previous trading day

## 2) Edelweiss Financial Services Limited

### 1. Price information of past issues handled by Edelweiss Financial Services Limited

S. No.	Issue Name	Issue Size (₹ million) #	Issue price (₹)	Listing Date	Opening Price on Listing Date (in ₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30 <sup>th</sup> calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90 <sup>th</sup> calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180 <sup>th</sup> calendar days from listing
1.	DCX Systems Limited	5000.00	207.00	November 11, 2022	286.25	NA	NA	NA
2.	Vedant Fashions Limited	31,491.95	866.00	February 16, 2022	935.00	3.99% [-0.20%]	14.53% [-8.54%]	37.67% [2.17%]
3.	MedPlus Health Services Limited	13,982.95	796.00 <sup>@</sup>	December 23, 2021	1,015.00	53.22% [3.00%]	23.06% [1.18%]	-6.55% [-9.98%]

S. No.	Issue Name	Issue Size (₹ million) #	Issue price (₹)	Listing Date	Opening Price on Listing Date (in ₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30 <sup>th</sup> calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90 <sup>th</sup> calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180 <sup>th</sup> calendar days from listing
1.	DCX Systems Limited	5000.00	207.00	November 11, 2022	286.25	NA	NA	NA
2.	Vedant Fashions Limited	31,491.95	866.00	February 16, 2022	935.00	3.99% [-0.20%]	14.53% [-8.54%]	37.67% [2.17%]
4.	Tarsons Products Limited	10,234.74	662.00 <sup>\$</sup>	November 26, 2021	700.00	-4.16% [0.03%]	-4.46% [0.22%]	0.20% [-5.35%]
5.	S. J. S. Enterprises Limited	8,000.00	542.00	November 15, 2021	542.00	-24.99% [-4.33%]	-29.33% [-4.06%]	-30.67% [-12.85%]
6.	Vijaya Diagnostic Centre Limited	18,942.56	531.00 <sup>*</sup>	September 14, 2021	540.00	5.41% [4.50%]	8.08% [0.76%]	-20.59% [-4.31%]
7.	Aptus Value Housing Finance India Limited	27,800.52	353.00	August 24, 2021	333.00	-2.82% [5.55%]	-0.82% [6.86%]	0.64% [3.92%]
8.	Devyani International Limited	18,380.00	90.00	August 16, 2021	140.90	32.83% [4.93%]	78.39% [9.30%]	97.17% [4.90%]
9.	Powergrid Infrastructure Investment Trust	77,349.91	100.00	May 14, 2021	104.00	14.00% [7.64%]	22.04% [10.93%]	21.83% [22.94%]
10.	Macrotech Developers Limited	25,000.00	486.00	April 19, 2021	439.00	30.19% [-4.68%]	75.62% [10.85%]	146.92% [27.86%]

Source: [www.nseindia.com](http://www.nseindia.com) and [www.bseindia.com](http://www.bseindia.com)

\*Vijaya Diagnostic Centre Limited - A discount of ₹ 52 per equity share was offered to eligible employees bidding in the employee reservation portion. All calculations are based on the offer price of ₹531 per equity share

\$Tarsons Products Limited - A discount of ₹ 61 per equity share was offered to eligible employees bidding in the employee reservation portion. All calculations are based on the offer price of ₹662 per equity share.

@MedPlus Health Services Limited - A discount of ₹ 78 per equity share was offered to eligible employees bidding in the employee reservation portion. All calculations are based on the offer price of ₹796 per equity share.

#As per Prospectus

#### Notes

1. Based on date of listing.
2. % of change in closing price on 30<sup>th</sup> / 90<sup>th</sup> / 180<sup>th</sup> calendar day from listing day is calculated vs issue price. % change in closing benchmark index is calculated based on closing index on listing day vs closing index on 30<sup>th</sup> / 90<sup>th</sup> / 180<sup>th</sup> calendar day from listing day.
3. Wherever 30<sup>th</sup> / 90<sup>th</sup> / 180<sup>th</sup> calendar day from listing day is a holiday, the closing data of the previous trading day has been considered.
4. Designated Stock Exchange as disclosed by the respective Issuer at the time of the issue has been considered for disclosing the price information and benchmark index.
5. Not Applicable. – Period not completed
6. Disclosure in Table-1 restricted to 10 issues.

1. Summary statement of Disclosure:

Fiscal Year	Total no. of IPOs	Total amount of funds raised (₹ Mn.)#	No. of IPOs trading at discount - 30 <sup>th</sup> calendar days from listing			No. of IPOs trading at premium - 30 <sup>th</sup> calendar days from listing			No. of IPOs trading at discount - 180 <sup>th</sup> calendar days from listing			No. of IPOs trading at premium - 180 <sup>th</sup> calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2022-23	1	5000.00	-	-	-	-	-	-	-	-	-	-	-	-
2021-22	9	2,31,182.63	-	-	3	1	2	3	-	1	2	2	1	3
2020-21	7	45,530.35	-	-	1	3	1	2	-	-	1	5	1	-

The information is as on the date of the document

1. Based on date of listing.
2. Wherever 30<sup>th</sup> and 180<sup>th</sup> calendar day from listing day is a holiday, the closing data of the previous trading day has been considered.
3. Designated Stock Exchange as disclosed by the respective Issuer at the time of the issue has been considered for disclosing the price information and benchmark index.

#As per Prospectus

**3) Kotak Mahindra Capital Company Limited**

1. Price information of past issues handled by Kotak Mahindra Capital Company Limited

S. No.	Issue name	Issue size (₹ million)	Issue price (₹)	Listing date	Opening price on listing date (in ₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30 <sup>th</sup> calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90 <sup>th</sup> calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180 <sup>th</sup> calendar days from listing
1.	Aether Industries Limited	8,080.44	642	June 03, 2022	706.15	+21.00%[-5.13%]	+34.54%[+6.76%]	-
2.	Delhivery Limited	52,350.00	493 <sup>1</sup>	May 24, 2022	493.00	3.49%[-4.41%]	+17.00%[+10.13%]	-
3.	Life Insurance Corporation Of India	205,572.31	949 <sup>2</sup>	May 17, 2022	867.20	-27.24%[-3.27%]	-28.12%[+9.47%]	-33.82%[+13.76%]
4.	Rainbow Children's Medicare Limited	1,580.85	542 <sup>3</sup>	May 10, 2022	510.00	-13.84%, [+0.72%]	-12.80%[+7.13%]	+49.20%, [+11.56%]
5.	Campus Activewear Limited	1399.60	292 <sup>4</sup>	May 9, 2022	360.00	+11.92%, [+0.70%]	+41.71%[+6.72%]	+91.04%, [+ 11.14%]
6.	Vedant Fashions Limited	31,491.95	866	February 16, 2022	935.00	+3.99%, [-0.20%]	+14.53%[-8.54%]	+37.67%[+ 2.17%]
7.	Adani Wilmar Limited	36,000.00	230 <sup>5</sup>	February 8, 2022	227.00	+48.00%[-5.34%]	+180.96%[-4.95%]	+193.26%[+0.76%]
8.	C.E. Info Systems Limited	10,396.06	1,033	December 21, 2021	1,581.00	+70.21%, [+6.71%]	+48.48%, [-67.85%]	21.40% [-8.80%]
9.	Rategain Travel Technologies Limited	13,357.43	425 <sup>6</sup>	December 17, 2021	360.00	+11.99%, [+7.48%]	- 31.08%, [-0.06%]	-35.24%[-7.38%]
10.	Star Health And Allied Insurance Company Limited	64,004.39	900 <sup>7</sup>	December 10, 2021	845.00	-14.78%, [+1.72%]	- 29.79%, [-6.66%]	-22.21%, [-6.25%]

Source: www.nseindia.com; www.bseindia.com

Notes:

- In Delhivery Limited, the issue price to eligible employees was ₹ 468 after a discount of ₹ 25 per equity share
- In Life Insurance Corporation of India, the issue price to retail investors and eligible employees was ₹ 904 after a discount of ₹ 45 per equity share and the issue price to eligible policyholders was ₹ 889 after a discount of ₹ 60 per equity share
- In Rainbow Children's Medicare Limited, the issue price to eligible employees was ₹ 522 after a discount of ₹ 20 per equity share
- In Campus Activewear Limited, the issue price to eligible employees was ₹ 265 after a discount of ₹ 27 per equity share
- In Adani Wilmar Limited, the issue price to eligible employees was ₹ 209 after a discount of ₹ 21 per equity share
- In Rategain Travel Technologies Limited, the issue price to eligible employees was ₹ 385 after a discount of ₹ 40 per equity share
- In Star Health And Allied Insurance Company Limited, the issue price to eligible employees was ₹ 820 after a discount of ₹ 80 per equity share
- In the event any day falls on a holiday, the price/index of the immediately preceding trading day has been considered.
- The 30<sup>th</sup>, 90<sup>th</sup>, 180<sup>th</sup> calendar days from listed day have been taken as listing day plus 29, 89 and 179 calendar days.
- Designated Stock Exchange as disclosed by the respective Issuer at the time of the issue has been considered for disclosing the price information.
- Restricted to last 10 equity initial public issues.

- Summary statement of price information of past issues (during the current Financial Year and two Financial Years preceding the current Financial Year) handled by Kotak Mahindra Capital Company Limited

Financial Year	Total no. of IPOs	Total amount of funds raised	No. of IPOs trading at discount - 30 <sup>th</sup> calendar days from listing			No. of IPOs trading at premium - 30 <sup>th</sup> calendar days from listing			No. of IPOs trading at discount - 180 <sup>th</sup> calendar days from listing			No. of IPOs trading at premium - 180 <sup>th</sup> calendar days from listing		
			Over	Between	Less than	Over	Between	Less than	Over	Between	Less than	Over	Between 25-	Less than



		(₹ million)	50%	25-50%	25%	50%	25-50%	25%	50%	25-50%	25%	50%	50%	25%
2022-23	5	295,807.24	-	1	1	-	-	3	-	1	-	1	1	-
2021-22	19	624,047.99	-	-	5	5	5	4	1	4	2	8	2	2
2020-21	6	140,143.77	-	-	1	2	1	2	-	-	-	4	1	1

Notes:

1. The information is as on the date of this Prospectus.

The information for each of the financial years is based on issues listed during such financial year.

#### 4) Nomura Financial Advisory and Securities (India) Private Limited

##### 1. Price information of past issues handled by Nomura Financial Advisory and Securities (India) Private Limited

Sr. No.	Issue name	Issue size (₹ millions)	Issue price(₹)	Listing date	Opening price on listing date (in ₹)	+/- % change in closing price, [+/- % change in closing benchmark]-30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]-90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]-180th calendar days from listing
1	Life Insurance Corporation of India	205,572.31	949 <sup>1</sup>	May 17, 2022	867.20	-27.24% [-3.27%]	-28.12% [+9.47%]	-33.82% [+13.76%]
2	MedPlus Health Services Limited	13,982.95	796 <sup>2</sup>	December 23, 2021	1,015.00	+53.22% [+3.00%]	23.06% [+1.18%]	-6.55% [-9.98%]
3	Shriram Properties Limited	6,000.00	118 <sup>3</sup>	December 20, 2021	90.00	-12.42% [+9.02%]	-33.39% [+4.05%]	-46.69% [-7.95%]
4	RateGain Travel Technologies Limited	13,357.35	425 <sup>4</sup>	December 17, 2021	360.00	+11.99% [+7.48%]	-31.08% [-0.06%]	-35.24% [-7.38%]
5	Fino Payments Bank	12,002.93	577	November 12, 2021	548.00	-30.55% [-3.13%]	-34.56% [-3.66%]	-52.33% [-10.42%]
6	Sansera Engineering	12,829.78	744	September 24, 2021	811.35	+0.30% [+1.29%]	+1.57% [-5.19%]	-21.26% [-3.43%]

7	CarTrade Tech Limited	29,985.13	1,618	August 20, 2021	1,599.80	-10.31% [+6.90%]	-32.68% [+8.80%]	-61.17% [+5.48%]
8	Sona BLW Precision Forgings Limited	55,500.00	291	June 24, 2021	302.40	+45.17% [+0.53%]	+93.40% [+11.97%]	+140.26% [+5.93%]
9	Nazara Technologies Limited	5,826.91	1,101 <sup>5</sup>	March 30, 2021	1,990.00	+62.57% [+0.13%]	+38.22% [+6.84%]	+96.19% [+20.26%]
10	Gland Pharma Limited	64,795.45	1,500	November 20, 2020	1,701.00	+48.41% [+7.02%]	+57.20% [+17.82%]	+104.26% [+14.38%]

Source: [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com)

- Discount of INR 60.00 per Equity Share was offered to eligible policyholders bidding in the Policyholder Reservation Portion, discount of INR 45.00 per Equity Share was offered to eligible employees and retail individual bidders bidding in the Employee Reservation Portion and the Retail Portion respectively
- Discount of INR 78.00 per Equity Share was offered to eligible employees bidding in the Employee Reservation Portion
- Discount of INR 11.00 per Equity Share was offered to eligible employees bidding in the Employee Reservation Portion
- Discount of INR 40.00 per Equity Share was offered to eligible employees bidding in the Employee Reservation Portion
- Discount of INR 110.00 per Equity Share was offered to eligible employees bidding in the Employee Reservation Portion

Notes:

- For each issue, depending on its Designated Stock Exchange, BSE or NSE; Sensex or Nifty50 is considered as the benchmark for each issue.
- For each issue, depending on its Designated Stock Exchange, price on BSE or NSE is considered for above calculations.
- In case 30th/90th/180th day is not a trading day, closing price on BSE or NSE of the previous trading day has been considered.
- Not applicable – Period not completed.

- Summary statement of price information of past issues(during current financial year and two financial years preceding the current financial year) handled by Nomura Financial Advisory & Securities (India) Private Limited

Financial Year	Total no. of IPOs	Total funds raised ( in millions)	Nos. of IPOs trading at discount on as on 30th calendar days from listing date			Nos. of IPOs trading at premium on as on 30th calendar days from listing date			Nos. of IPOs trading at discount as on 180th calendar days from listing date			Nos. of IPOs trading at premium as on 180th calendar days from listing date		
			Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2022-2023	1	205,572.31	-	1	-	-	-	-	-	1	-	-	-	-
2021-2022	7	143,658.14	-	1	2	1	1	2	2	2	2	1	-	-
2020-2021	4	100,063.57	-	-	-	2	1	1	-	-	-	3	1	-

**Source:** [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com)

**Notes:**

- a) *The information is as on the date of this document.*
- b) *The information for each of the financial years is based on issues listed during such financial year.*

## Track record of the Book Running Lead Managers

Further, helpline details of the BRLMs pursuant to the SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 are set forth in the table below:

S. No.	Name of BRLM	Website
1.	ICICI Securities Limited	<a href="http://www.icicisecurities.com">www.icicisecurities.com</a>
2.	Edelweiss Financial Services Limited	<a href="http://www.edelweissfin.com">www.edelweissfin.com</a>
3.	Kotak Mahindra Capital Company Limited	<a href="https://investmentbank.kotak.com/">https://investmentbank.kotak.com/</a>
4.	Nomura Financial Advisory and Securities (India) Private Limited	<a href="http://www.nomuraholdings.com/company/group/asia/india/index.html">www.nomuraholdings.com/company/group/asia/india/index.html</a>

For further details in relation to helpline details of the BRLMs, see “*General Information – Book Running Lead Managers*” on page 58.

## Stock Market Data of Equity Shares

This being an initial public offer of Equity Shares of our Company, the Equity Shares are not listed on any stock exchange and accordingly, no stock market data is available for the Equity Shares.

## Mechanism for Redressal of Investor Grievances

The Registrar Agreement provides for the retention of records with the Registrar to the Offer for a period of at least eight years from the date of listing and commencement of trading of the Equity Shares on the Stock Exchanges, to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances in relation to the Bidding process may be addressed to the Registrar to the Offer with a copy to the relevant Designated Intermediary to whom the Bid cum Application Form was submitted. The Bidder should give full details such as name of the sole or first Bidder, Bid cum Application Form number, Bidder DP ID, Client ID, UPI ID, PAN, date of the submission of Bid cum Application Form, address of the Bidder, number of the Equity Shares applied for and the name and address of the Designated Intermediary where the Bid cum Application Form was submitted by the Bidder.

In terms of SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2018/22 dated February 15, 2018, SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, as amended pursuant to SEBI circular SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 and SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and subject to applicable law, any ASBA Bidder whose Bid has not been considered for Allotment, due to failure on the part of any SCSB, shall have the option to seek redressal of the same by the concerned SCSB within three months of the date of listing of the Equity Shares. SCSBs are required to resolve these complaints within 15 days, failing which the concerned SCSB would have to pay interest at the rate of 15% per annum for any delay beyond this period of 15 days. Further, the investors shall be compensated by the SCSBs in accordance with SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 in the events of delayed unblock for cancelled/withdrawn/deleted applications, blocking of multiple amounts for the same UPI application, blocking of more amount than the application amount, delayed unblocking of amounts for non-allotted/partially-allotted applications, for the stipulated period. In an event there is a delay in redressal of the investor grievance in relation to unblocking of amounts, the BRLMs shall compensate the investors at the rate higher of ₹ 100 or 15% per annum of the application amount for the period of such delay. Further, in terms of SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022, the payment of processing fees to the SCSBs shall be undertaken pursuant to an application made by the SCSBs to the BRLMs, and such application shall be made only after (i) unblocking of application amounts for each application received by the SCSB has been fully completed, and (ii) applicable compensation relating to investor complaints has been paid by the SCSB.

The Registrar to the Offer shall obtain the required information from the SCSBs and Sponsor Banks for addressing any clarifications or grievances of ASBA Bidders. Our Company, the BRLMs and the Registrar to the Offer accept no responsibility for errors, omissions, commission or any acts of SCSBs including any defaults in complying with its obligations under applicable SEBI ICDR Regulations. Investors can contact our Company Secretary and Compliance Officer or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of Allotment, non-credit of allotted Equity Shares in the respective beneficiary account, non-receipt of refund intimations and non-receipt of funds by electronic mode.

Anchor Investors are required to direct all grievances in relation to the Offer to the BRLMs.

Further, the Bidder shall also enclose a copy of the Acknowledgment Slip duly received from the concerned Designated Intermediary in addition to the information mentioned herein.

Our Company has not received investor complaints in relation to the Equity Shares for the three years prior to the filing of the Red Herring Prospectus and this Prospectus, hence no investor complaint in relation to our Company is pending as on the date of filing of this Prospectus.

#### **Disposal of Investor Grievances by our Company**

Our Company has obtained authentication on the SCORES and has complied with the SEBI circular (CIR/OIAE/1/2014) dated December 18, 2014 in relation to redressal of investor grievances through SCORES.

Our Company estimates that the average time required by our Company or the Registrar to the Offer or the SCSB in case of ASBA Bidders, for the redressal of routine investor grievances shall be five Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Company, the Selling Shareholders, the Book Running Lead Managers and the Registrar to the Offer accept no responsibility for errors, omissions, commission of any acts of the Designated Intermediaries, including any defaults in complying with its obligations under the SEBI ICDR Regulations.

Investors can contact the Company Secretary and Compliance Officer, the BRLMs or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of Allotment, non-credit of Allotted Equity Shares in the respective beneficiary account, non-receipt of refund orders or non-receipt of funds by electronic mode, etc.

Our Company has also appointed Shalini Baskaran, Company Secretary of our Company, as the Compliance Officer for the Offer. For details, see “*General Information*” on page 57.

Our Company has constituted a Stakeholders’ Relationship Committee comprising of Ramkumar Ramamoorthy, Lakshmiipathy Deenadayalan and Thirulokchand Vasan as members which is responsible for review and redressal of grievances of the security holders of our Company. For details, see “*Our Management - Stakeholders’ Relationship Committee*” on page 238.

#### **Exemption from complying with any provisions of SEBI ICDR Regulations**

SEBI has granted an exemption vide letter dated January 7, 2022 in response to our exemption application dated November 9, 2021 under Regulation 300(1)(c) of the SEBI ICDR Regulations seeking an exemption from identifying a body corporate, Inasra Technologies Private Limited, in which one of our Corporate Promoters, i.e. Matrix Holdings, holds 20% or more of the equity share capital, as a member of the promoter group in terms of Regulation 2(1)(pp)(iii)(B) of the SEBI ICDR Regulations in the Offer Documents, and from including any confirmations or disclosures required from a member of the promoter group under the SEBI ICDR Regulations, in respect of such body corporate in the Offer Documents and in connection with the Offer.

## SECTION VII: OFFER INFORMATION

### TERMS OF THE OFFER

The Equity Shares being issued, offered and Allotted pursuant to the Offer shall be subject to the provisions of the Companies Act, SEBI ICDR Regulations, SCRA, SCRR, the MoA, the AoA, the Listing Regulations, the terms of the Red Herring Prospectus, this Prospectus, the abridged prospectus, Bid cum Application Form, the Revision Form, the CAN/Allotment Advice and other terms and conditions as may be incorporated in other documents/certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to laws as applicable, guidelines, rules, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Offer and to the extent applicable or such other conditions as may be prescribed by the SEBI, the Government of India, the Stock Exchanges, the RoC and/or any other authorities while granting approval for the Offer.

#### Ranking of the Equity Shares

The Allottees upon Allotment of Equity Shares under the Offer will be entitled to receive dividend and other corporate benefits, if any, declared by our Company after the date of Allotment. The Equity Shares issued in the Offer shall be *pari passu* with the existing Equity Shares in all respects including dividends. For further details, see “*Description of Equity Shares and Terms of Articles of Association*” on page 436.

#### Mode of Payment of Dividend

Our Company shall pay dividends, if declared, to the Shareholders in accordance with the provisions of the Companies Act, the MoA and AoA and provisions of the Listing Regulations and any other guidelines or directions which may be issued by the Government of India in this regard. Dividends, if any, declared by our Company after the date of Allotment (pursuant to the transfer of Equity Shares from the Offer for Sale), will be payable to the Bidders who have been Allotted Equity Shares in the Offer, for the entire year, in accordance with applicable laws. For further details, in relation to dividends, see “*Dividend Policy*” and “*Description of Equity Shares and Terms of Articles of Association*” on pages 253 and 436, respectively.

#### Face Value, Offer Price, Floor Price and Price Band

The face value of each Equity Share is ₹1 and the Offer Price at the lower end of the Price Band is ₹450 per Equity Share and at the higher end of the Price Band is ₹474 per Equity Share. The Anchor Investor Offer Price is ₹474 per Equity Share.

The Offer Price, Price Band, and the minimum Bid Lot size for the Offer has been decided by our Company and the Selling Shareholders, in consultation with the BRLMs, and was advertised in all editions of Financial Express, an English national daily newspaper and all editions of Jansatta, a Hindi national daily newspaper and Chennai edition of Makkal Kural, a Tamil daily newspaper (Tamil being the regional language of Tamil Nadu, where our Registered and Corporate Office is located), each with wide circulation, at least two Working Days prior to the Bid/Offer Opening Date and were made available to the Stock Exchanges for the purpose of uploading the same on their websites. The Price Band, along with the relevant financial ratios calculated at the Floor Price and at the Cap Price, were pre-filled in the Bid cum Application Forms available on the respective websites of the Stock Exchanges.

At any given point of time, there shall be only one denomination for the Equity Shares.

#### The Offer

The Offer comprises an Offer for Sale by the Selling Shareholders.

Expenses for the Offer shall be shared amongst our Company and the Selling Shareholders in the manner specified in “*Objects of the Offer - Offer Expenses*” on page 105.

#### Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, our Shareholders shall have the following rights:

- Right to receive dividends, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy, in accordance with the provisions of the Companies Act;

- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation, subject to any statutory and preferential claim being satisfied;
- Right of free transferability, subject to applicable laws including any RBI rules and regulations; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the Listing Regulations and the AoA.

For a detailed description of the main provisions of the AoA relating to voting rights, dividend, forfeiture and lien, transfer, transmission and/or consolidation/splitting, see “*Description of Equity Shares and Terms of Articles of Association*” on page 436.

#### **Allotment only in dematerialised form**

Pursuant to Section 29 of the Companies Act, 2013 the Equity Shares shall be Allotted only in dematerialised form. As per the SEBI ICDR Regulations, the trading of the Equity Shares shall only be in dematerialised form on the Stock Exchanges. In this context, our Company has entered into the following agreements with the respective Depositories and Registrar to the Offer:

- Tripartite agreement dated October 1, 2021 amongst our Company, NSDL and Registrar to the Offer; and
- Tripartite agreement dated October 1, 2021 amongst our Company, CDSL and Registrar to the Offer.

#### **Market Lot and Trading Lot**

Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in the Offer will be in multiples of one Equity Share subject to a minimum Allotment of 31 Equity Shares. For the method of basis of allotment, see “*Offer Procedure*” on page 416.

#### **Joint Holders**

Subject to the provisions of the AoA, where two or more persons are registered as the holders of the Equity Shares, they will be deemed to hold such Equity Shares as joint tenants with benefits of survivorship.

#### **Jurisdiction**

Exclusive jurisdiction for the purpose of the Offer is with the competent courts/authorities in Mumbai, Maharashtra, India.

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

#### **Nomination facility to investors**

In accordance with Section 72 of the Companies Act, read with the Companies (Share Capital and Debentures) Rules, 2014, the sole Bidder, or the first Bidder along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered Office or to the registrar and transfer agents of our Company.

Any person who becomes a nominee by virtue of the provisions of Section 72 of the Companies Act, 2013 shall upon the production of such evidence as may be required by the Board, elect either:

- a) to register himself or herself as the holder of the Equity Shares; or
- b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Offer will be made only in dematerialised mode, there is no need to make a separate nomination with our Company. Nominations registered with respective Depository Participant of the Bidder would prevail. If the Bidder wants to change the nomination, they are requested to inform their respective Depository Participant.

#### Compliance with disclosure and accounting norms

Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

#### Bid/Offer Programme

<b>BID/OFFER OPENED ON</b>	November 9, 2022 <sup>(1)</sup>
<b>BID/OFFER CLOSED ON</b>	November 11, 2022 <sup>(2)</sup>

<sup>(1)</sup> The Anchor Investor Bid/Offer Period was one Working Day prior to the Bid/Offer Opening Date in accordance with the SEBI ICDR Regulations

<sup>(2)</sup> UPI mandate end time and date was at 5:00 p.m. on November 11, 2022

An indicative timetable in respect of the Offer is set out below:

Event	Indicative Date
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about November 16, 2022
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account*	On or about November 17, 2022
Credit of Equity Shares to demat accounts of Allottees	On or about November 18, 2022
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about November 21, 2022

\* In case of (i) any delay in unblocking of amounts in the ASBA Accounts (including amounts blocked through the UPI Mechanism) for cancelled/ withdrawn/ deleted ASBA Forms, the Bidder shall be compensated at a uniform rate of ₹100 per day or 15% per annum of the Bid Amount, whichever is higher from the date on which the request for cancellation/ withdrawal/ deletion is placed in the Stock Exchanges bidding platform until the date on which the amounts are unblocked (ii) any blocking of multiple amounts for the same ASBA Form (for amounts blocked through the UPI Mechanism), the Bidder shall be compensated at a uniform rate ₹100 per day or 15% per annum of the total cumulative blocked amount except the original application amount, whichever is higher from the date on which such multiple amounts were blocked till the date of actual unblock; (iii) any blocking of amounts more than the Bid Amount, the Bidder shall be compensated at a uniform rate of ₹100 per day or 15% per annum of the difference in amount, whichever is higher from the date on which such excess amounts were blocked till the date of actual unblock; (iv) any delay in unblocking of non-allotted/ partially allotted Bids, exceeding four Working Days from the Bid/Offer Closing Date, the Bidder shall be compensated at a uniform rate of ₹100 per day or 15% per annum of the Bid Amount, whichever is higher for the entire duration of delay exceeding four Working Days from the Bid/ Offer Closing Date by the SCSB responsible for causing such delay in unblocking. The post Offer BRLMs shall be liable for compensating the Bidder at a uniform rate of ₹100 per day or 15% per annum of the Bid Amount, whichever is higher from the date of receipt of the investor grievance until the date on which the blocked amounts are unblocked. Further, Bidders shall be entitled to compensation in the manner specified in the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 read with SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and any other applicable law in case of delays in resolving investor grievances in relation to blocking/unblocking of funds. Further, in terms of SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022, the payment of processing fees to the SCSBs shall be undertaken pursuant to an application made by the SCSBs to the BRLMs, and such application shall be made only after (i) unblocking of application amounts for each application received by the SCSB has been fully completed, and (ii) applicable compensation relating to investor complaints has been paid by the SCSB.

The above timetable, other than the Bid/Offer Closing Date, is indicative and does not constitute any obligation or liability on our Company, our Selling Shareholders or the BRLMs.

Whilst our Company shall ensure that all steps for the completion of the necessary formalities for the listing and the commencement of trading of the Equity Shares on the Stock Exchanges are taken within six Working Days of the Bid/Offer Closing Date, the timetable may be extended due to various factors, such as any delay in receiving the final listing and trading approval from the Stock Exchanges. In terms of the SEBI circular SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021, our Company shall within four days from the closure of the Offer, refund the subscription amount received in case of non receipt of minimum subscription or in case our Company fails to obtain listing or trading permission from the Stock Exchanges for the Equity Shares. The commencement of trading of the Equity Shares will be entirely at the discretion of the Stock Exchanges and in accordance with the applicable laws. Each Selling Shareholder confirms that it shall extend such reasonable support and co-operation required by our Company and the BRLMs for completion of the necessary formalities for listing and commencement of trading of the Equity Shares at the Stock Exchanges within six Working Days from the Bid/Offer Closing Date or such other period as may be prescribed by SEBI.

The Registrar to the Offer shall submit the details of cancelled/withdrawn/deleted applications to the SCSB's on daily basis within 60 minutes of the Bid closure time from the Bid/ Offer Opening Date till the Bid/Offer Closing Date by obtaining the same from the Stock Exchanges. The SCSBs shall unblock such applications by the closing hours of the Working Day.



In terms of the UPI Circulars, in relation to the Offer, the BRLMs will be required to submit reports of compliance with timelines and activities prescribed by SEBI in connection with the allotment and listing procedure within six Working Days from the Bid/ Offer Closing Date, identifying non-adherence to timelines and processes and an analysis of entities responsible for the delay and the reasons associated with it.

**Submission of Bids (other than Bids from Anchor Investors):**

<b>Bid/Offer Period (except the Bid/Offer Closing Date)</b>	
Submission and Revision in Bids	Only between 10.00 a.m. and 5.00 p.m. IST
<b>Bid/Offer Closing Date</b>	
Submission and Revision in Bids	Only between 10.00 a.m. and 3.00 p.m. IST

\* UPI mandate end time and date was 5:00 p.m. on November 11, 2022.

**On the Bid/ Offer Closing Date, the Bids shall be uploaded until:**

- (i) 4.00 p.m. IST in case of Bids by QIBs and Non-Institutional Bidders, and
- (ii) until 5.00 p.m. IST or such extended time as permitted by the Stock Exchanges, in case of Bids by UPI Bidders.

**It is clarified that Bids shall be processed only after the application monies are blocked in the ASBA Account and Bids not uploaded on the electronic bidding system or in respect of which the full Bid Amount is not blocked by SCSBs or not blocked under the UPI Mechanism in the relevant ASBA Account, as the case may be, would be rejected.**

Due to limitation of time available for uploading the Bids on the Bid/Offer Closing Date, Bidders were advised to submit their Bids one day prior to the Bid/Offer Closing Date. Any time mentioned in this Prospectus is IST. Bidders were cautioned that, in the event a large number of Bids were received on the Bid/Offer Closing Date, some Bids would not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded have not been considered for allocation under the Offer. Bids were accepted only during Working Days.

In case of discrepancy in data entered in the electronic book vis-vis data contained in the Bid cum Application Form for a particular Bidder, the details as per the Bid file received from the Stock Exchanges shall be taken as the final data for the purpose of Allotment.

**Minimum Subscription**

As this is an offer for sale by the Selling Shareholders, the requirement of minimum subscription is not applicable to the Offer in accordance with the SEBI ICDR Regulations. However, if our Company does not receive the minimum subscription in the Offer as specified under terms of the Rule 19(2)(b) of the SCRR, as applicable, on the date of closure of the Offer or withdrawal of applications; or after technical rejections; or if the listing or trading permission are not obtained from the Stock Exchanges for the Equity Shares so offered, the Selling Shareholders, to the extent applicable, and our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond the prescribed time, the Selling Shareholders, to the extent applicable, and our Company shall pay interest at the rate as prescribed under the applicable law.

Further, the Selling Shareholders and our Company will ensure that the number of prospective Allottees to whom the Equity Shares will be Allotted shall not be less than 1,000 in compliance with Regulation 49(1) of the SEBI ICDR Regulations, failing which the entire application money shall be unblocked in the respective ASBA Accounts of the Bidders. In case of delay, if any, in unblocking the ASBA Accounts within such timeline as prescribed under applicable laws, the Selling Shareholders and our Company shall be liable to pay interest on the application money in accordance with applicable laws.

The Selling Shareholders shall reimburse, in proportion to their respective Offered Shares, any expenses and interest incurred by our Company on behalf of the Selling Shareholders for any delays in making refunds as required under the Companies Act and any other applicable law, provided that the Selling Shareholders shall not be responsible or liable for payment of such expenses or interest, unless such delay is solely and directly attributable to an act or omission of the respective Selling Shareholder.

**Arrangements for Disposal of Odd Lots**

There are no arrangements for disposal of odd lots since our Equity Shares will be traded in dematerialised form only and market lot for our Equity Shares will be one Equity Share.

**Restrictions, if any on Transfer and Transmission of Equity Shares**

Except for lock-in of the pre-Offer capital of our Company, lock-in of our Promoters' contribution under the SEBI ICDR Regulations and the Anchor Investor lock-in as provided in "*Capital Structure*" on page 66 and except as provided under the Articles of Association, there are no restrictions on transfer of the Equity Shares. Further, there are no restrictions on transmission of any shares of our Company and on their consolidation or splitting, except as provided in the Articles of Association. For details, see "*Description of Equity Shares and Terms of Articles of Association*" on page 436.

#### **New financial instruments**

Our Company is not issuing any new financial instruments through this Offer.

#### **Withdrawal of the Offer**

Our Company, the Selling Shareholders in consultation with the BRLMs, reserve the right not to proceed with the Offer, after the Bid/ Offer Opening Date but before the Allotment. In such an event, our Company would issue a public notice in the newspapers in which the pre-Offer advertisements were published, within two days of the Bid/ Offer Closing Date or such other time as may be prescribed by SEBI, providing reasons for not proceeding with the Offer and inform the Stock Exchanges simultaneously. The BRLMs, through the Registrar to the Offer, shall notify the SCSBs and the Sponsor Banks, to unblock the bank accounts of the ASBA Bidders within one Working Day from the date of receipt of such notification and also inform the Bankers to the Offer to process refunds to the Anchor Investors, as the case may be. Our Company shall also inform the same to the Stock Exchanges on which Equity Shares are proposed to be listed. The notice of withdrawal will be issued in the same newspapers where the pre-Offer advertisements have appeared and the Stock Exchanges will also be informed promptly.

If our Company and the Selling Shareholders, in consultation with the BRLMs withdraws the Offer after the Bid/ Offer Closing Date and thereafter determines that it will proceed with an issue of the Equity Shares, our Company shall file a fresh draft red herring prospectus with SEBI. Notwithstanding the foregoing, the Offer is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment; and (ii) the filing of this Prospectus with the RoC.

## OFFER STRUCTURE

Offer of 33,617,061\* Equity Shares aggregating to ₹15,934.49 million\*, comprising of an offer for sale of 2,859,873\* Equity Shares aggregating to ₹1,355.58 million\* by SCI Investments V, 12,339,051\* Equity Shares aggregating to ₹5,848.71million\* by Matrix Partners India Investment Holdings II, LLC, 207,321\* Equity Shares aggregating to ₹98.27 million\* by Matrix Partners India Investments II Extension, LLC, 6,199,367\* Equity Shares aggregating to ₹2,938.50 million\* by Norwest Venture Partners X – Mauritius and 12,011,449\* Equity Shares aggregating to ₹5,693.43 million\* by TPG Asia VII SF Pte. Ltd.

\* Subject to finalization of the Basis of Allotment and it excludes multiple Bids and Bids not banked.

The Offer shall constitute 11.54% of the post-Offer paid-up Equity Share capital of our Company.

The Offer is being made through the Book Building Process.

Particulars	QIBs <sup>(1)</sup>	Non Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for Allotment/allocation <sup>(2)</sup>	Not more than 16,808,529* Equity Shares	Not less than 5,042,560* Equity Shares available for allocation or Offer less allocation to QIB Bidders and RIBs	Not less than 11,765,972* Equity Shares available for allocation or Offer less allocation to QIB Bidders and Non Institutional Bidders
Percentage of Offer Size available for Allotment/allocation	Not more than 50% of the Offer shall be available for allocation to QIBs. However, 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion will also be eligible for allocation in the remaining balance QIB Portion (excluding the Anchor Investor Portion). The unsubscribed portion in the Mutual Fund Portion will be available for allocation to other QIBs	Not less than 15% of the Offer less allocation to QIB Bidders and RIBs shall be available for allocation out of which (a) one third of such portion shall be reserved for applicants with application size of more than ₹200,000 and up to ₹1,000,000; and (b) two third of such portion shall be reserved for applicants with application size of more than ₹1,000,000, provided that the unsubscribed portion in either of such sub-categories may be allocated to applicants in the other sub-category of Non-Institutional Bidders	Not less than 35% of the Offer or the Offer less allocation to QIB Bidders and Non-Institutional Bidders shall be available for allocation
Basis of Allotment/allocation if respective category is oversubscribed	Proportionate as follows (excluding the Anchor Investor Portion):  1. Up to 220,172* Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only; and  2. Up to 4,183,263* Equity Shares shall be available for allocation on a proportionate basis to all other QIBs, including Mutual Funds receiving allocation as per (a) above  Not more than 12,405,094* Equity Shares may be allocated on a discretionary basis to Anchor Investors	The allotment of specified securities to each Non-Institutional Investor shall not be less than the minimum application size, subject to availability in the Non-Institutional Portion, and the remainder, if any, shall be allotted on a proportionate basis in accordance with the conditions specified in the SEBI ICDR Regulations	Proportionate, subject to minimum Bid Lot. For details, see “Offer Procedure” on page 416.
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds ₹200,000 and in multiples of 31 Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds ₹200,000 and in multiples of 31 Equity Shares thereafter	31 Equity Shares and in multiples of 31 Equity Shares thereafter

Particulars	QIBs <sup>(1)</sup>	Non Institutional Bidders	Retail Individual Bidders
Maximum Bid	Such number of Equity Shares and in multiple of 31 Equity Shares not exceeding the size of the Offer, subject to applicable limits	Such number of Equity Shares and in multiples of 31 Equity Shares not exceeding the size of the Offer (excluding QIB portion), subject to applicable limits	Such number of Equity Shares and in multiples of 31 Equity Shares so that the Bid Amount does not exceed ₹200,000
Mode of Bidding <sup>^</sup>	Through ASBA process only (except Anchor Investors)		
Bid Lot	31 Equity Shares and in multiples of 31 Equity Shares thereafter		
Mode of Allotment	Compulsorily in dematerialised form		
Allotment Lot	A minimum of 31 Equity Shares and in multiples of one Equity Share thereafter		
Trading Lot	One Equity Share		
Who can apply <sup>(4)</sup>	Public financial institutions as specified in Section 2(72) of the Companies Act, scheduled commercial banks, Mutual Funds, FPIs (other than individuals, corporate bodies and family offices), VCFs, AIFs, FVCIs registered with SEBI, multilateral and bilateral development financial institutions, state industrial development corporation, insurance companies registered with IRDAI, provident funds (subject to applicable law) with minimum corpus of ₹250 million, pension funds with minimum corpus of ₹250 million, National Investment Fund set up by the Government of India through resolution F. No.2/3/2005-DD-II dated November 23, 2005, the insurance funds set up and managed by army, navy or air force of the Union of India, insurance funds set up and managed by the Department of Posts, India and Systemically Important NBFCs.	Resident Indian individuals, Eligible NRIs, HUFs (in the name of the <i>karta</i> ), companies, corporate bodies, scientific institutions societies and trusts, and FPIs who are individuals, corporate bodies and family offices and registered with SEBI	Resident Indian individuals, Eligible NRIs and HUFs (in the name of <i>karta</i> )
Terms of Payment	<p><b>In case of Anchor Investors:</b> Full Bid Amount shall be payable by the Anchor Investors at the time of submission of their Bids<sup>(3)</sup></p> <p><b>In case of all other Bidders:</b> Full Bid Amount shall be blocked by the SCSBs in the bank account of the ASBA Bidder or by the Sponsor Banks through the UPI Mechanism (other than Anchor Investors) that is specified in the ASBA Form at the time of submission of the ASBA Form</p>		

\*Subject to finalization of Basis of Allotment.

<sup>^</sup> SEBI vide its circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022, has mandated that ASBA applications in Public Issues shall be processed only after the application monies are blocked in the bank accounts of the investors. Accordingly, Stock Exchanges shall, for all categories of investors viz. QIBs, NIBs and RIBs and also for all modes through which the applications are processed, accept the ASBA applications in their electronic book building platform only with a mandatory confirmation on the application monies blocked.

- (1) Our Company and the Selling Shareholders, in consultation with the BRLMs may allocate up to 60% of the QIB Portion as per the RHP to Anchor Investors on a discretionary basis, in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being made to other Anchor Investors. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the balance Equity Shares in the Anchor Investor Portion shall be added to the Net QIB Portion. For details, see "Offer Procedure" on page 416.
- (2) Subject to valid Bids being received at or above the Offer Price. This Offer is made in accordance with the Rule 19(2)(b) of the SCRR and is being made through the Book Building Process, in compliance with Regulation 6(1) of the SEBI ICDR Regulations.
- (3) Full Bid Amount shall be payable by the Anchor Investors at the time of submission of the Anchor Investor Application Forms, provided that any difference between the price at which Equity Shares are allocated to the Anchor Investors and the Anchor Investor Offer Price, shall be payable by the Anchor Investor Pay-in Date as mentioned in the CAN. Bidders will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholder, the Underwriters, their respective directors, officers, agents, affiliates and representatives that they are eligible under applicable law, rules, regulations, guidelines and approvals to acquire the Equity Shares. For details of terms of payment of applicable to Anchor Investors, see General Information Document available on the website of the Stock Exchanges and the BRLMs.
- (4) In case of joint Bids, the Bid cum Application Form should contain only the name of the First Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. The signature of only such First Bidder is required in the Bid cum Application Form and such First Bidder would be deemed to have signed on behalf of the joint holders. Bidders will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholders, the Underwriters, their respective directors, officers, agents, affiliates and representatives that they are eligible under applicable law, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids, except as otherwise permitted, in any or all categories.

In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical Bid cum Application Form for a particular Bidder, the details as per the Bid file received from the Stock Exchanges may be taken as the final data for the purpose of Allotment.

## OFFER PROCEDURE

All Bidders should read the General Information Document for Investing in Public Issues prepared and issued in accordance with the circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/37 dated March 17, 2020 and the UPI Circulars (the “**General Information Document**”) which highlights the key rules, processes and procedures applicable to public issues in general in accordance with the provisions of the Companies Act, the SCRA, the SCRR and the SEBI ICDR Regulations which is part of the abridged prospectus accompanying the Bid cum Application Form. The General Information Document is available on the websites of the Stock Exchanges and the BRLMs. Please refer to the relevant provisions of the General Information Document which are applicable to the Offer, especially in relation to the process for Bids by UPI Bidders Bidding through the UPI Mechanism. The investors should note that the details and process provided in the General Information Document should be read along with this section.

Additionally, all Bidders may refer to the General Information Document for information in relation to (i) category of investors eligible to participate in the Offer; (ii) maximum and minimum Bid size; (iii) price discovery and allocation; (iv) payment instructions for ASBA Bidders/Applicants; (v) issuance of CAN and allotment in the Offer; (vi) general instructions (limited to instructions for completing the Bid cum Application Form,); (vii) submission of Bid cum Application Form; (viii) other instructions (limited to joint bids in cases of individual, multiple bids and instances when an application would be rejected on technical grounds); (ix) applicable provisions of the Companies Act relating to punishment for fictitious applications; (x) mode of making refunds; (xi) Designated Date, (xii) interest in case of delay in allotment or refund; and (xiii) disposal of application.

SEBI vide the UPI Circulars, has introduced an alternate payment mechanism using Unified Payments Interface (“**UPI**”) and consequent reduction in timelines for listing in a phased manner. From January 1, 2019, the UPI Mechanism for RIBs applying through Designated Intermediaries was made effective along with the existing process and existing timeline of T+6 days. (“**UPI Phase I**”). The UPI Phase I was effective till June 30, 2019.

With effect from July 1, 2019, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, read with circular bearing number SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 with respect to Bids by RIBs through Designated Intermediaries (other than SCSBs), issued by SEBI, the existing process of physical movement of forms from such Designated Intermediaries to SCSBs for blocking of funds has been discontinued and only the UPI Mechanism for such Bids with existing timeline of T+6 days will continue for a period of three months or launch of five main board public issues, whichever is later (“**UPI Phase II**”). Subsequently however, SEBI vide its circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019 extended the timeline for implementation of UPI Phase II till March 31, 2020. However, given the prevailing uncertainty due to the COVID-19 pandemic, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020, has decided to continue with the UPI Phase II till further notice. The final reduced timeline of T+3 days for the UPI Mechanism for applications by RIBs (“**UPI Phase III**”) and modalities of the implementation of UPI Phase III maybe notified and made effective subsequently, as may be prescribed by SEBI. The Offer has been undertaken pursuant to the processes and procedures under UPI Phase II, subject to any circulars, clarification or notification issued by the SEBI from time to time. Further, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 as amended pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, has introduced certain additional measures for streamlining the process of initial public offers and redressing investor grievances. This circular shall come into force for initial public offers opening on/or after May 1, 2021, except as amended pursuant to SEBI circular SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022, and the provisions of this circular, are deemed to form part of this Prospectus. Furthermore, pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/P/2022/45 dated April 5, 2022, all individual bidders in initial public offerings (opening on or after May 1, 2022) whose application size are up to ₹500,000 shall use the UPI Mechanism. Subsequently, pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022, applications made using the ASBA facility in initial public offerings (opening on or after September 1, 2022) shall be processed only after application monies are blocked in the bank accounts of investors (all categories).

In case of any delay in unblocking of amounts in the ASBA Accounts (including amounts blocked through the UPI Mechanism) exceeding four Working Days from the Bid/Offer Closing Date, the Bidder shall be compensated at a uniform rate of ₹100 per day for the entire duration of delay exceeding four Working Days from the Bid/Offer Closing Date by the intermediary responsible for causing such delay in unblocking. The BRLMs shall, in their sole discretion, identify and fix the liability on such intermediary or entity responsible for such delay in unblocking. Further, SEBI vide its circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021, has reduced the timelines for refund of Application money to four days.

Our Company, the BRLMs, the Selling Shareholders and the members of the Syndicate do not accept any responsibility for the completeness and accuracy of the information stated in this section and the General Information Document and are not liable for any amendment, modification or change in the applicable law which may occur after the date of the Red Herring Prospectus and this Prospectus. Bidders were advised to make their independent investigations and ensure that their Bids were submitted

*in accordance with applicable laws and did not exceed the investment limits or maximum number of the Equity Shares that could be held by them under applicable law or as specified in the Red Herring Prospectus and this Prospectus.*

## **Book Building Procedure**

The Offer was made in terms of Rule 19(2)(b) of the SCRR, through the Book Building Process in accordance with Regulation 6(1) of the SEBI ICDR Regulations wherein not more than 50% of the Offer was allocated on a proportionate basis to QIBs, provided that our Company and the Selling Shareholders, in consultation with the BRLMs, allocate up to 60% of the QIB Portion as per the RHP to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations, of which one-third was reserved for domestic Mutual Funds, subject to valid Bids having been received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription, or non-allotment in the Anchor Investor Portion, the balance Equity Shares were added to the Net QIB Portion. Further, 5% of the Net QIB Portion was made available for allocation on a proportionate basis only to Mutual Funds, and spill-over from the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids having been received at or above the Offer Price. Further, not less than 15% of the Offer was made available for allocation to Non-Institutional Bidders out of which (a) one third of such portion was reserved for applicants with application size of more than ₹200,000 and up to ₹1,000,000; and (b) two third of such portion was reserved for applicants with application size of more than ₹1,000,000, provided that the unsubscribed portion in either of such sub-categories was allocated to applicants in the other sub-category of Non-Institutional Bidders and not less than 10% of the Offer was made available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids having been received at or above the Offer Price.

Investors must ensure that their PAN is linked with Aadhaar and are in compliance with CBDT notification dated February 13, 2020 read with press release dated June 25, 2021 and September 17, 2021.

The Equity Shares, on Allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

**Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository account, including DP ID, Client ID, PAN and UPI ID (for UPI Bidders Bidding through the UPI Mechanism), as applicable, shall be treated as incomplete and will be rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. However, they may get the Equity Shares rematerialised subsequent to Allotment of the Equity Shares in the Offer, subject to applicable laws.**

## **Phased implementation of UPI Mechanism**

SEBI has issued the UPI Circulars in relation to streamlining the process of public issue of, *inter alia*, equity shares. Pursuant to the UPI Circulars, the UPI Mechanism has been introduced in a phased manner as a payment mechanism (in addition to mechanism of blocking funds in the account maintained with SCSBs under ASBA) for applications by RIBs through Designated Intermediaries with the objective to reduce the time duration from public issue closure to listing from six Working Days to up to three Working Days. Considering the time required for making necessary changes to the systems and to ensure complete and smooth transition to the UPI payment mechanism, the UPI Circulars have introduced the UPI Mechanism in three phases in the following manner:

**Phase I:** This phase was applicable from January 1, 2019 until March 31, 2019 or floating of five main board public issues, whichever was later. Subsequently, the timeline for implementation of Phase I was extended till June 30, 2019. Under this phase, an RIB had the option to submit the ASBA Form with any of the Designated Intermediary and use his/ her UPI ID for the purpose of blocking of funds. The time duration from public issue closure to listing continued to be six Working Days.

**Phase II:** This phase has become applicable from July 1, 2019. Under this phase, submission of the ASBA Form without UPI by RIBs to Designated Intermediaries (other than SCSBs) for blocking of funds will be discontinued. However, the time duration from public issue closure to listing would continue to be six Working Days during this phase. SEBI vide its circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019 extended the timeline for implementation of UPI Phase II till March 31, 2020. Further, pursuant to SEBI circular dated March 30, 2020, this phase has been extended till further notice.

**Phase III:** The commencement period of Phase III is yet to be notified. In this phase, the time duration from public issue closure to listing would be reduced to three Working Days.

The processing fees for applications made by UPI Bidders using the UPI Mechanism may be released to the SCSBs only after such banks provide a written confirmation on compliance with SEBI circular SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June

02, 2021 read with SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 and such payment of processing fees to the SCSBs shall be made in compliance with SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022.

The Offer was made under UPI Phase II of the UPI Circular.

Individual investors bidding under the Non-Institutional Portion bidding for more than ₹ 200,000 and up to ₹ 500,000, using the UPI Mechanism, were required to provide their UPI ID in the Bid-cum-Application Form for Bidding through Syndicate, sub-syndicate members, Registered Brokers, RTAs or CDPs, or online using the facility of linked online trading, demat and bank account (3 in 1 type accounts), provided by certain brokers.

All SCSBs offering facility of making application in public issues were required to provide facility to make application using UPI. Our Company has appointed one of the SCSBs as a sponsor bank to act as a conduit between the Stock Exchanges and NPCI in order to facilitate collection of requests and / or payment instructions of the Retail Individual Bidders using the UPI.

Pursuant to the UPI Circulars, SEBI has set out specific requirements for redressal of investor grievances for applications that have been made through the UPI Mechanism. The requirements of the UPI Circular include, appointment of a nodal officer by the SCSB and submission of their details to SEBI, the requirement for SCSBs to send SMS alerts for the blocking and unblocking of UPI mandates, the requirement for the Registrar to submit details of cancelled, withdrawn or deleted applications, and the requirement for the bank accounts of unsuccessful Bidders to be unblocked no later than one Working Day from the date on which the Basis of Allotment is finalised. Failure to unblock the accounts within the timeline would result in the SCSBs being penalised under the relevant securities law.

Further, in terms of the UPI Circulars, the payment of processing fees to the SCSBs shall be undertaken pursuant to an application made by the SCSBs to the BRLMs, and such application shall be made only after (i) unblocking of application amounts for each application received by the SCSB has been fully completed, and (ii) applicable compensation relating to investor complaints has been paid by the SCSB.

For further details, refer to the General Information Document available on the websites of the Stock Exchanges and the BRLMs.

### **Bid cum Application Form**

Copies of the Bid cum Application Form (other than for Anchor Investors) and the abridged prospectus were made available with the Designated Intermediaries at the Bidding Centres, and our Registered Office. An electronic copy of the Bid cum Application Form was also be available for download on the websites of the Stock Exchanges ([www.nseindia.com](http://www.nseindia.com) and [www.bseindia.com](http://www.bseindia.com)) at least one day prior to the Bid/ Offer Opening Date.

Copies of the Anchor Investor Application Form were made available at the offices of the BRLMs.

All Bidders (other than Anchor Investors) were required to mandatorily participate in the Offer only through the ASBA process. UPI Bidders were mandatorily required to use the UPI Mechanism for submitting their bids to Designated Intermediaries and are allowed to use ASBA Process by way of ASBA Forms to submit their bids directly to SCSBs. Anchor Investors are not permitted to participate in the Offer through the ASBA process.

UPI Bidders using the UPI Mechanism were required to provide the UPI ID in the relevant space provided in the Bid cum Application Form and the Bid cum Application Form that did not contain the UPI ID are liable to be rejected.

ASBA Bidders (including UPI Bidders using UPI Mechanism, as applicable) were required to provide bank account details and authorisation to block funds in their respective ASBA Accounts in the relevant space provided in the ASBA Form and the ASBA Forms that do not contain such details were liable to be rejected, as applicable, in the relevant space provided in the ASBA Form. Applications made using third party bank account or using third party linked bank account UPI ID were liable for rejection. UPI Bidders using the UPI Mechanism could also apply through the mobile applications using the UPI handles as provided on the website of the SEBI.

ASBA Bidders were required to ensure that the Bids were made on ASBA Forms bearing the stamp of the Designated Intermediary, submitted at the Bidding Centres only (except in case of electronic ASBA Forms) and the ASBA Forms not bearing such specified stamp were liable to be rejected. UPI Bidders using UPI Mechanism, could submit their ASBA Forms, including details of their UPI IDs, with the Syndicate, Sub-Syndicate members, Registered Brokers, RTAs or CDPs. RIBs authorising an SCSB to block the Bid Amount in the ASBA Account may submit their ASBA Forms with the SCSBs. ASBA Bidders were also required to ensure that the ASBA Account has sufficient credit balance such that an amount equivalent to the



full Bid Amount can be blocked by the SCSB or the Sponsor Banks, as applicable, at the time of submitting the Bid pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022.

The prescribed colour of the Bid cum Application Form for the various categories was as follows:

Category	Colour of Bid cum Application Form*
Resident Indians, including resident QIBs, Non-Institutional Investors, Retail Individual Bidders and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs, FVCIs, FPIs and registered bilateral and multilateral development financial institutions applying on a repatriation basis	Blue
Anchor Investors	White

\* Excluding electronic Bid cum Application Forms

Notes:

- (1) Electronic Bid cum Application forms and the abridged prospectus was also made available for download on the websites of the Stock Exchanges ([www.nseindia.com](http://www.nseindia.com) and [www.bseindia.com](http://www.bseindia.com)).
- (2) Bid cum Application Forms for Anchor Investors was made available at the offices of the BRLMs.

In case of ASBA Forms, the relevant Designated Intermediaries were required to upload the relevant bid details (including UPI ID in case of ASBA Forms under the UPI Mechanism) in the electronic bidding system of the Stock Exchanges. For UPI Bidders using UPI Mechanism, the Stock Exchanges were required to share the Bid details (including UPI ID) with the Sponsor Banks on a continuous basis to enable the Sponsor Banks to initiate UPI Mandate Request to UPI Bidders for blocking of funds. For ASBA Forms (other than UPI Bidders) Designated Intermediaries (other than SCSBs) were required to submit/ deliver the ASBA Forms to the respective SCSB where the Bidder has an ASBA bank account and were required not to submit it to any non-SCSB bank or any Escrow Collection Bank. Stock Exchanges were required to validate the electronic bids with the records of the CDP for DP ID / Client ID and PAN, on a real time basis and bring inconsistencies to the notice of the relevant Designated Intermediaries, for rectification and re-submission within the time specified by Stock Exchanges. Stock Exchanges were required to allow modification of either DP ID / Client ID or PAN ID, bank code and location code in the Bid details already uploaded.

For UPI Bidders using UPI Mechanism, the Stock Exchanges were required to share the Bid details (including UPI ID) with the Sponsor Banks on a continuous basis through API integration to enable the Sponsor Banks to initiate UPI Mandate Request to UPI Bidders for blocking of funds. The Sponsor Banks were required to initiate request for blocking of funds through NPCI to UPI Bidders, who were required to accept the UPI mandate request for blocking of funds on their respective mobile applications associated with UPI ID linked bank account. In accordance with BSE Circular No: 20220803-40 and NSE Circular No: 25/2022, each dated August 3, 2022, for all pending UPI Mandate Requests, the Sponsor Bank was required to initiate requests for blocking of funds in the ASBA Accounts of relevant Bidders with a confirmation cut-off time of 5:00 pm on the Bid/Offer Closing Date (“**Cut-Off Time**”). Accordingly, UPI Bidders bidding using through the UPI Mechanism were made to accept UPI mandate requests for blocking of funds prior to the Cut-Off Time and all pending UPI mandate requests at the Cut-Off Time shall lapse. For ensuring timely information to investors, SCSBs shall send SMS alerts as specified in SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, as amended pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021. The NPCI was required to maintain an audit trail for every bid entered in the Stock Exchanges bidding platform, and the liability to compensate UPI Bidders (using the UPI Mechanism) in case of failed transactions was with the concerned entity (i.e. the Sponsor Banks, NPCI or the bankers to an issue) at whose end the lifecycle of the transaction had come to a halt. The NPCI was required to share the audit trail of all disputed transactions/ investor complaints to the Sponsor Banks and the bankers to an issue.

The processing fees for applications made by UPI Bidders using the UPI Mechanism may be released to the remitter banks (SCSBs) only after such banks provide a written confirmation on compliance with SEBI Circular No: SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 02, 2021 read with SEBI Circular No: SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 as amended pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022.

The processing fees for applications made by UPI Bidders using the UPI Mechanism may be released to the SCSBs only after such banks provide a written confirmation on compliance with SEBI circular SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 02, 2021 read with SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 and such payment of processing fees to the SCSBs shall be made in compliance with SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022.

Pursuant to NSE circular dated August 3, 2022, the following is applicable to all initial public offers opening on or after September 1, 2022:

- a. Cut-off time for acceptance of UPI Mandate shall be up to 5:00 pm on the initial public offer closure date and existing process of UPI bid entry by syndicate members, registrars to the offer and depository participants shall continue till further notice.
- b. There shall be no T+1 mismatch modification session for PAN-DP mismatch and bank/ location code on T+1 day for already uploaded bids. The dedicated window provided for mismatch modification on T+1 day shall be discontinued.
- c. Bid entry and modification/ cancellation (if any) shall be allowed in parallel to the regular bidding period up to 5:00 pm on the initial public offer closure day.
- d. Exchanges shall display bid details of only successful ASBA blocked applications i.e. Application with latest status as RC 100 – Block Request Accepted by Investor/ Client.

### **Electronic registration of Bids**

- a) The Designated Intermediary may register the Bids using the on-line facilities of the Stock Exchanges. The Designated Intermediaries can also set up facilities for off-line electronic registration of Bids, subject to the condition that they may subsequently upload the off-line data file into the on-line facilities for Book Building on a regular basis before the closure of the Offer.
- b) On the Bid/Offer Closing Date, the Designated Intermediaries were required to upload the Bids till such time as was permitted by the Stock Exchanges and as disclosed in the Red Herring Prospectus.
- c) Only Bids that are uploaded on the Stock Exchanges Platform are considered for allocation/Allotment. The Designated Intermediaries shall modify select fields uploaded in the Stock Exchange Platform during the Bid/Offer Period till 5.00 pm on the Bid/Offer Closing Date after which the Stock Exchange(s) send the bid information to the Registrar to the Offer for further processing.

### **Participation by Promoter and Promoter Group of the Company, the BRLMs and the Syndicate Members**

The BRLMs and the Syndicate Members were not allowed to purchase Equity Shares in this Offer in any manner, except towards fulfilling their underwriting obligations. However, the associates and affiliates of the BRLMs and the Syndicate Members could Bid for Equity Shares in the Offer, either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such Bidders, where the allocation and subscription could be on their own account or on behalf of their clients. All categories of investors, including associates or affiliates of the BRLMs and Syndicate Members, were required to be treated equally for the purpose of allocation to be made on a proportionate basis.

Neither (i) the BRLMs or any associates of the BRLMs (except Mutual Funds sponsored by entities which are associates of the BRLMs or insurance companies promoted by entities which are associate of BRLMs or AIFs sponsored by the entities which are associate of the BRLMs or FPIs other than individuals, corporate bodies and family offices sponsored by the entities which are associates of the BRLMs) nor; (ii) any “person related to the Promoter/ Promoter Group” could apply in the Offer under the Anchor Investor Portion.

For the purposes of this section, a QIB who has any of the following rights shall be deemed to be a “person related to the Promoter or Promoter Group”: (a) rights under a shareholders’ agreement or voting agreement entered into with the Promoter or Promoter Group; (b) veto rights; or (c) right to appoint any nominee director on our Board.

Further, an Anchor Investor was deemed to be an associate of the BRLMs, if: (a) either of them controls, directly or indirectly through its subsidiary or holding company, not less than 15% of the voting rights in the other; or (b) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or (c) there is a common director, excluding a nominee director, amongst the Anchor Investor and the BRLMs.

No persons forming part of our Promoter Group could participate in the Offer.

### **Bids by Mutual Funds**

With respect to Bids by Mutual Funds, a certified copy of their SEBI registration certificate was required to be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholders, reserve the right to reject any Bid without assigning any reason thereof.

Bids made by asset management companies or custodians of Mutual Funds were required to specifically state names of the concerned schemes for which such Bids were made.

In case of a Mutual Fund, a separate Bid could be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund were not treated as multiple Bids provided that the Bids clearly indicated the scheme concerned for which the Bid had been made.

No Mutual Fund scheme could invest more than 10% of its net asset value in equity shares or equity related instruments of any single company provided that the limit of 10% was not applicable for investments in case of index funds or sector or industry specific schemes. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

### **Bids by Eligible NRIs**

Eligible NRIs could obtain copies of Bid cum Application Form from the Designated Intermediaries. Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange were considered for Allotment. Eligible NRI Bidders bidding on a repatriation basis by using the Non-Resident Forms were required to authorize their respective SCSB or confirm or accept the UPI Mandate Request to block their Non-Resident External (“NRE”) accounts (including UPI ID, if activated), or FCNR Accounts, and eligible NRI Bidders bidding on a non-repatriation basis by using Resident Forms should authorize their respective SCSB confirm or accept the UPI Mandate Request to block their Non-Resident Ordinary (“NRO”) accounts for the full Bid Amount, at the time of the submission of the Bid cum Application Form. NRIs applying in the Offer through the UPI Mechanism were advised to enquire with the relevant bank, whether their account is UPI linked, prior to submitting a Bid cum Application Form.

Eligible NRIs Bidding on non-repatriation basis were advised to use the Bid cum Application Form for residents (white in colour). By way of Press Note 1 (2021 Series) dated March 19, 2021, issued by the DPIIT, it has been clarified that an investment made by an Indian entity which is owned and controlled by NRIs on a non-repatriation basis, shall not be considered for calculation of indirect foreign investment.

Eligible NRIs Bidding on a repatriation basis were advised to use the Bid cum Application Form meant for Non-Residents (blue in colour).

Participation by Eligible NRIs in the Offer was subject to the FEMA Non-Debt Instruments Rules. Only Bids accompanied by payment in Indian rupees or fully converted foreign exchange will be considered for Allotment.

In accordance with the FEMA Non-Debt Instruments Rules, the total holding by any individual NRI, on a repatriation basis, could not exceed 5% of the total paid-up equity capital on a fully diluted basis or could not exceed 5% of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together could not exceed 10% of the total paid-up equity capital on a fully diluted basis or could not exceed 10% of the paid-up value of each series of debentures or preference shares or share warrant. Provided that the aggregate ceiling of 10% may be raised to 24% if a special resolution to that effect is passed by the general body of the Indian company.

For further details, see “*Restrictions on Foreign Ownership of Indian Securities*” on page 434.

### **Bids by HUFs**

Bids by HUFs Hindu Undivided Families or HUFs, were required to be made in the individual name of the *karta*. The Bidder/Applicant was required to specify that the Bid is being made in the name of the HUF in the Bid cum Application Form/Application Form as follows: “Name of sole or first Bidder/Applicant: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *karta*”. Bids/Applications by HUFs were considered at par with Bids/Applications from individuals.

### **Bids by FPIs**

In terms of the SEBI FPI Regulations, the investment in Equity Shares by a single FPI or an investor group (which means multiple entities registered as FPIs and directly or indirectly having common ownership of more than 50% or common control) must be below 10% of our post-Offer Equity Share capital. Further, in terms of the FEMA Non-Debt Instruments Rules, the total holding by each FPI or an investor group shall be below 10% of the total paid-up Equity Share capital of our Company and the total holdings of all FPIs put together with effect from April 1, 2020, can be up to the sectoral cap applicable to the sector in which our Company operates (i.e., up to 100%). In terms of the FEMA Non-Debt Instruments Rules, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

Bids by following FPIs, submitted with the same PAN but with different beneficiary account numbers, Client IDs and DP IDs shall not be treated as multiple Bids:

- FPIs which utilise the multi investment manager structure;
- Offshore derivative instruments which have obtained separate FPI registration for ODI and proprietary derivative investments;
- Sub funds or separate class of investors with segregated portfolio who obtain separate FPI registration;
- FPI registrations granted at investment strategy level/sub fund level where a collective investment scheme or fund has multiple investment strategies/sub-funds with identifiable differences and managed by a single investment manager;
- Multiple branches in different jurisdictions of foreign bank registered as FPIs;
- Government and Government related investors registered as Category 1 FPIs; and
- Entities registered as collective investment scheme having multiple share classes.

The Bids belonging to any of the above mentioned seven structures and having same PAN may be collated and identified as a single Bid in the Bidding process. The Equity Shares allotted in the Bid may be proportionately distributed to the applicant FPIs (with same PAN).

FPIs are permitted to participate in the Offer subject to compliance with conditions and restrictions which may be specified by the Government from time to time. In terms of the FEMA Non-debt Instruments Rules, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the SEBI FPI Regulations, an FPI, may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only by persons registered as Category I FPIs; (ii) such offshore derivative instruments are issued only to persons eligible for registration as Category I FPIs; (iii) such offshore derivative instruments are issued after compliance with ‘know your client’ norms; and (iv) such other conditions as may be specified by SEBI from time to time.

An FPI issuing offshore derivative instruments is also required to ensure that any transfer of offshore derivative instruments issued by, or on behalf of it subject to, *inter alia*, the following conditions:

- such offshore derivative instruments are transferred to persons subject to fulfilment of SEBI FPI Regulations; and
- prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred are pre-approved by the FPI.

The FPIs who wished to participate in the Offer were advised to use the Bid cum Application Form for non-residents.

Bids received from FPIs bearing the same PAN shall be treated as multiple Bids and are liable to be rejected, except for Bids from FPIs that utilize the multiple investment manager structure in accordance with the operational guidelines for FPIs and designated Depository Participants issued to facilitate implementation of SEBI FPI Regulations (such structure referred to as “**MIM Structure**”), provided such Bids have been made with different beneficiary account numbers, Client IDs and DP IDs. Accordingly, it should be noted that multiple Bids received from FPIs, who do not utilize the MIM Structure, and bear the same PAN, are liable to be rejected. In order to ensure valid Bids, FPIs making multiple Bids using the same PAN, and with different beneficiary account numbers, Client IDs and DP IDs, are required to provide a confirmation in the Bid cum Application Forms that the relevant FPIs making multiple Bids utilize the MIM Structure. In the absence of such confirmation from the relevant FPIs, such multiple Bids shall be rejected.

Please note that in terms of the General Information Document, the maximum Bid by any Bidder including QIB Bidder should not exceed the investment limits prescribed for them under applicable laws. Further, MIM Bids by an FPI Bidder utilising the MIM Structure shall be aggregated for determining the permissible maximum Bid. Further, please note that as disclosed in the Draft Red Herring Prospectus read with the General Information Document, Bid Cum Application Forms are liable to be rejected in the event that the Bid in the Bid cum Application Form “*exceeds the Offer size and/or investment limit or maximum number of the Equity Shares that can be held under applicable laws or regulations or maximum amount permissible under applicable laws or regulations, or under the terms of the Red Herring Prospectus and this Prospectus.*”

For example, an FPI must ensure that any Bid by a single FPI and/ or an investor group (which means the same multiple entities having common ownership directly or indirectly of more than 50% or common control) (collective, the “**FPI Group**”) shall be

below 10% of the total paid-up Equity Share capital of our Company on a fully diluted basis. Any Bids by FPIs and/ or the FPI Group (including but not limited to (a) FPIs Bidding through the MIM Structure; or (b) FPIs with separate registrations for offshore derivative instruments and proprietary derivative instruments) for 10% or more of our total paid-up post Offer Equity Share capital shall be liable to be rejected.

For details of investment by FPIs, see “*Restrictions on Foreign Ownership of Indian Securities*” on page 434. Participation of FPIs shall be subject to the FEMA Non-debt Instruments Rules.

#### **Bids by SEBI registered VCFs, AIFs and FVCIs**

The SEBI AIF Regulations prescribe, amongst others, the investment restrictions on AIFs. Post the repeal of the SEBI VCF Regulations venture capital funds which have not re-registered as AIFs under the SEBI AIF Regulations shall continue to be regulated by the SEBI VCF Regulations until the existing fund or scheme managed by the fund is wound up and such fund shall not launch any new scheme after the notification of the SEBI AIF Regulations. The SEBI FVCI Regulations prescribe the investment restrictions on FVCIs.

Accordingly, the holding in any company by any individual VCF or FVCIs registered with SEBI should not exceed 25% of the corpus of the VCF or FVCI. Further, VCFs and FVCIs can invest (under Schedule I of the FEMA Non-Debt Instruments Rules) only up to 33.33% of the investible funds in various prescribed instruments, including in public offering.

Category I and II AIFs cannot invest more than 25% of the investible funds in one investee company. A Category III AIF cannot invest more than 10% of the investible funds in one investee company. A VCF registered as a Category I AIF, as defined in the SEBI AIF Regulations, cannot invest more than one-third of its investible funds by way of subscription to an initial public offering of a venture capital undertaking whose shares are proposed to be listed. Additionally, the VCFs which have not re-registered as an AIF under the SEBI AIF Regulations shall continue to be regulated by the SEBI VCF Regulations until the existing fund or scheme managed by the fund is wound up and such funds shall not launch any new scheme after the notification of the SEBI AIF Regulations.

Participation of AIFs, VCFs and FVCIs shall be subject to the FEMA Rules

**All non-resident investors were required to note that refunds (in case of Anchor Investors), dividends and other distributions, if any, were payable in Indian Rupees only and net of bank charges and commission.**

Our Company, the Selling Shareholders or the BRLMs will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

#### **Bids by limited liability partnerships**

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, was required to be attached to the Bid cum Application Form. Failing this, our Company and the Selling Shareholders in consultation with the BRLMs reserves the right to reject any Bid without assigning any reason thereof.

#### **Bids by banking companies**

In case of Bids made by banking companies registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, and (ii) the approval of such banking company’s investment committee were required to be attached to the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof. The investment limit for banking companies in non-financial services companies as per the Banking Regulation Act, the Reserve Bank of India (Financial Services provided by Banks) Directions, 2016, as amended and Master Circular on Basel III Capital Regulations dated July 1, 2014, as amended, is 10% of the paid up share capital of the investee company, not being its subsidiary engaged in non-financial services, or 10% of the bank’s own paid-up share capital and reserves, whichever is lower.

However, a banking company would be permitted to invest in excess of 10% but not exceeding 30% of the paid up share capital of such investee company, subject to prior approval of the RBI if (i) the investee company is engaged in non-financial activities permitted for banking companies in terms of Section 6(1) of the Banking Regulation Act; or (ii) the additional acquisition is through restructuring of debt, or to protect the banking company’s interest on loans/investments made to a company. The bank is required to submit a time bound action plan to the RBI for the disposal of such shares within a specified period. The aggregate investment by a banking company along with its subsidiaries, associates or joint ventures or entities directly or indirectly controlled by the bank; and mutual funds managed by asset management companies controlled by the bank, more than 20% of the investee company’s paid up share capital engaged in non-financial services. However, this cap doesn’t apply to the cases

mentioned in (i) and (ii) above. The aggregate equity investments made by a banking company in all subsidiaries and other entities engaged in financial services and non-financial services, including overseas investments shall not exceed 20% of the bank's paid-up share capital and reserves.

### **Bids by Anchor Investors**

In accordance with the SEBI ICDR Regulations, in addition to details and conditions mentioned in this section the key terms for participation by Anchor Investors are provided below:

- (i) Anchor Investor Application Forms were made available for the Anchor Investor Portion at the offices of the BRLMs.
- (ii) The Bid was required to be for a minimum of such number of Equity Shares so that the Bid Amount exceeds ₹ 100 million. A Bid could not be submitted for over 60% of the QIB Portion. In case of a Mutual Fund, separate Bids by individual schemes of a Mutual Fund were aggregated to determine the minimum application size of ₹ 100 million.
- (iii) One-third of the Anchor Investor Portion was required to be reserved for allocation to domestic Mutual Funds.
- (iv) Bidding for Anchor Investors was opened one Working Day before the Bid / Offer Opening Date, i.e., the Anchor Investor Bidding Date, and was completed on the same day.
- (v) Our Company and the Selling Shareholders, in consultation with the BRLMs finalised the allocation to the Anchor Investors on a discretionary basis, provided that the minimum number of Allottees in the Anchor Investor Portion will not be less than:
  - (a) maximum of two Anchor Investors, where allocation under the Anchor Investor Portion was up to ₹ 100 million;
  - (b) minimum of two and maximum of 15 Anchor Investors, where the allocation under the Anchor Investor Portion was more than ₹ 100 million but up to ₹ 2,500 million, subject to a minimum Allotment of ₹ 50 million per Anchor Investor; and
  - (c) in case of allocation above ₹ 2,500 million under the Anchor Investor Portion, a minimum of five such investors and a maximum of 15 Anchor Investors for allocation up to ₹ 2,500 million, and an additional 10 Anchor Investors for every additional ₹2,500 million, subject to minimum Allotment of ₹ 50 million per Anchor Investor.
- (vi) Allocation to Anchor Investors was required to be completed on the Anchor Investor Bid/Offer Period. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made was made available in the public domain by the BRLMs before the Bid / Offer Opening Date, through intimation to the Stock Exchange.
- (vii) Anchor Investors could not withdraw or lower the size of their Bids at any stage after submission of the Bid.
- (viii) 50% of the Equity Shares Allotted to Anchor Investors in the Anchor Investor Portion shall be locked in for a period of 90 days from the date of Allotment, while the remaining 50% of the Equity Shares Allotted to Anchor Investors in the Anchor Investor Portion shall be locked in for a period of 30 days from the date of Allotment .
- (ix) Neither the BRLMs or any associate of the BRLMs (except Mutual Funds sponsored by entities which are associates of the BRLMs or insurance companies promoted by entities which are associate of BRLMs or AIFs sponsored by the entities which are associate of the BRLMs or FPIs, other than individuals, corporate bodies or family offices sponsored by the entities which are associate of the BRLMs) nor any "person related to the Promoters or Promoter Group" shall apply in the Offer under the Anchor Investor Portion.
- (x) Bids made by QIBs under both the Anchor Investor Portion and the QIB Portion will not be considered multiple Bids.

For more information, see the General Information Document.

The information set out above is given for the benefit of the Bidders. Our Company, the Selling Shareholders, and the Book Running Lead Managers are not liable for any amendments or modification or changes to applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any single Bid from them does not exceed the applicable investment limits or maximum number of the Equity Shares that can be held by them under applicable law or regulations, or as specified in the Red Herring Prospectus and this Prospectus.

### **Bids by SCSBs**

SCSBs participating in the Offer were required to comply with the terms of the SEBI circulars (Nos. CIR/CFD/DIL/12/2012 and CIR/CFD/DIL/1/2013) dated September 13, 2012 and January 2, 2013. Such SCSBs were required to ensure that for making applications on their own account using ASBA, they should have a separate account in their own name with any other SEBI registered SCSBs. Further, such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for such applications.

### **Bids by insurance companies**

In case of Bids made by insurance companies registered with the IRDAI, a certified copy of certificate of registration issued by IRDAI was required to be attached to the Bid cum Application Form. Failing this, our Company and the Selling Shareholders in consultation with the BRLMs reserve the right to reject any Bid without assigning any reason thereof.

The exposure norms for insurers, prescribed under the Insurance Regulatory and Development Authority (Investment) Regulations, 2016 as amended are broadly set forth below:

- (a) equity shares of a company: the lower of 10%\* of the outstanding equity shares (face value) or 10% of the respective fund in case of life insurer or 10% of investment assets in case of general insurer or reinsurer;
- (b) the entire group of the investee company: not more than 15% of the respective fund in case of a life insurer or 15% of investment assets in case of a general insurer or reinsurer or 15% of the investment assets in all companies belonging to the group, whichever is lower; and
- (c) the industry sector in which the investee company operates: not more than 15% of the fund of a life insurer or a general insurer or a reinsurer or 15% of the investment asset, whichever is lower.

The maximum exposure limit, in the case of an investment in equity shares, cannot exceed the lower of an amount of 10% of the investment assets of a life insurer or general insurer and the amount calculated under (a), (b) and (c) above, as the case may be.

\* *The above limit of 10% shall stand substituted as 15% of outstanding equity shares (face value) for insurance companies with investment assets of ₹2,500,000 million or more and 12% of outstanding equity shares (face value) for insurers with investment assets of ₹500,000 million or more but less than ₹2,500,000 million.*

Insurance companies participating in this Offer shall comply with all applicable regulations, guidelines and circulars issued by IRDAI from time to time.

### **Bids by provident funds/pension funds**

In case of Bids made by provident funds/pension funds, subject to applicable laws, with minimum corpus of ₹250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund was required to be attached to the Bid cum Application Form. Failing this, our Company and the Selling Shareholders in consultation with the BRLMs reserves the right to reject any Bid, without assigning any reason thereof.

### **Bids under power of attorney**

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, Eligible FPIs, Mutual Funds, insurance companies, NBFC-SI insurance funds set up by the army, navy or air force of India, insurance funds set up by the Department of Posts, India or the National Investment Fund and provident funds with a minimum corpus of ₹250 million and pension funds with a minimum corpus of ₹250 million, in each case, subject to applicable law and in accordance with their respective constitutional documents, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws was required to be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholders in consultation with the BRLMs reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Company and the Selling Shareholders in consultation with the BRLMs in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form subject to such terms and conditions that our Company and the Selling Shareholders in consultation with the BRLMs may deem fit.

### **Bids by Systemically Important Non-Banking Financial Companies**

In case of Bids made by Systemically Important NBFCs registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, (ii) certified copy of its last audited financial statements on a standalone basis and a net worth certificate from

its statutory auditor, and (iii) such other approval as may be required by the Systemically Important NBFCs, were required to be attached to the Bid cum Application Form. Failing this, our Company and the Selling Shareholders in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof. Systemically Important NBFCs participating in the Offer shall comply with all applicable regulations, guidelines and circulars issued by RBI from time to time.

The investment limit for Systemically Important NBFCs shall be as prescribed by RBI from time to time.

**The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholders and the members of the Syndicate are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus and this Prospectus. Bidders were advised to make their independent investigations and ensure that any single Bid from them did not exceed the applicable investment limits or maximum number of the Equity Shares that can be held by them under applicable law or regulation or as specified in the Red Herring Prospectus and this Prospectus.**

In accordance with existing regulations issued by the RBI, OCBs could not participate in this Offer.

### **Information for Bidders**

The relevant Designated Intermediary was required to enter a maximum of three Bids at different price levels opted in the Bid cum Application Form and such options were not considered as multiple Bids. It was the Bidder's responsibility to obtain the acknowledgment slip from the relevant Designated Intermediary. The registration of the Bid by the Designated Intermediary does not guarantee that the Equity Shares will be allocated/Allotted. Such Acknowledgement Slip is non-negotiable and by itself will not create any obligation of any kind. When a Bidder revised his or her Bid, he /she was required to surrender the earlier Acknowledgement Slip and request for a revised acknowledgment slip from the relevant Designated Intermediary as proof of his or her having revised the previous Bid.

In relation to electronic registration of Bids, the permission given by the Stock Exchanges to use their network and software of the electronic bidding system could not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLMs were cleared or approved by the Stock Exchanges; nor did it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements, nor did it take any responsibility for the financial or other soundness of our Company, the management or any scheme or project of our Company; nor did it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus and this Prospectus; nor did it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

### **General Instructions**

Please note that QIBs and Non-Institutional Investors were not permitted to withdraw their Bid(s) or lower the size of their Bid(s) (in terms of quantity of Equity Shares or the Bid Amount) at any stage. Retail Individual Investors could revise or withdraw their Bid(s) until the Bid/ Offer Closing Date. Anchor Investors were not allowed to withdraw or lower the size of their Bids after the Anchor Investor Bidding Date.

#### ***Do's:***

1. Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable law, rules, regulations, guidelines and approvals. All Bidders (other than Anchor Investors) should submit their Bids through the ASBA process only;
2. Ensure that you have Bid within the Price Band;
3. Read all the instructions carefully and complete the Bid cum Application Form, as the case may be, in the prescribed form;
4. Ensure that you (other than Anchor Investors) have mentioned the correct ASBA Account number and such ASBA account belongs to you and no one else if you are not an UPI Bidder bidding using the UPI Mechanism in the Bid cum Application Form (with maximum length of 45 characters) and if you are an UPI Bidder using the UPI Mechanism ensure that you have mentioned the correct UPI ID in the Bid cum Application Form;
5. Ensure that your Bid cum Application Form bearing the stamp of a Designated Intermediary is submitted to the Designated Intermediary at the Bidding Centre within the prescribed time. Bidders (other than Anchor Investors) shall submit the Bid cum Application Form in the manner set out in the General Information Document. UPI Bidders using UPI Mechanism, may submit their ASBA Forms with Syndicate Members, Registered Brokers, RTAs or CDPs and should ensure that the ASBA Form contains the stamp of such Designated Intermediary;



6. Ensure that you have funds equal to the Bid Amount in the ASBA Account maintained with the SCSB, before submitting the ASBA Form to any of the Designated Intermediaries;
7. In case of joint Bids, ensure that first Bidder is the ASBA Account holder (or the UPI-linked bank account holder, as the case may be) and the signature of the first Bidder is included in the Bid cum Application Form;
8. Ensure that you request for and receive a stamped acknowledgement counterfoil by specifying the application number for all your Bid options as proof of registration of the Bid cum Application Form for all your Bid options from the concerned Designated Intermediary;
9. If the first Bidder is not the ASBA Account holder (or the UPI-linked bank account holder, as the case may be), ensure that the Bid cum Application Form is signed by the ASBA Account holder (or the UPI-linked bank account holder, as the case may be);
10. Ensure that the name(s) given in the Bid cum Application Form is/are exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case of joint Bids, the Bid cum Application Form should contain only the name of the First Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. Ensure that the signature of the First Bidder is included in the Bid cum Application Forms. PAN of the First Bidder is required to be specified in case of joint Bids;
11. UPI Bidders bidding in the Offer to ensure that they shall use only their own ASBA Account or only their own bank account linked UPI ID which is UPI 2.0 certified by NPCI (only for UPI Bidders using the UPI Mechanism) to make an application in the Offer and not ASBA Account or bank account linked UPI ID of any third party;
12. Ensure that you submit the revised Bids to the same Designated Intermediary, through whom the original Bid was placed and obtain a revised acknowledgment;
13. UPI Bidders not using the UPI Mechanism, should submit their Bid cum Application Form directly with SCSBs and not with any other Designated Intermediary;
14. Ensure that you have correctly signed the authorisation/undertaking box in the Bid cum Application Form, or have otherwise provided an authorisation to the SCSB or Sponsor Banks, as applicable, via the electronic mode, for blocking funds in the ASBA Account equivalent to the Bid Amount mentioned in the Bid cum Application Form, as the case may be, at the time of submission of the Bid. In case of UPI Bidders submitting their Bids and participating in the Offer through the UPI Mechanism, ensure that you authorise the UPI Mandate Request raised by the Sponsor Banks for blocking of funds equivalent to Bid Amount and subsequent debit of funds in case of Allotment;
15. Except for Bids (i) on behalf of the Central or State Governments and the officials appointed by the courts, who, in terms of the SEBI circular dated June 30, 2008, may be exempt from specifying their PAN for transacting in the securities market, (ii) submitted by Bidders who are exempt from the requirement of obtaining/specifying their PAN for transacting in the securities market, and (iii) Bids by persons resident in the state of Sikkim, who, in terms of a SEBI circular dated July 20, 2006, may be exempted from specifying their PAN for transacting in the securities market, all Bidders should mention their PAN allotted under the IT Act. The exemption for the Central or the State Government and officials appointed by the courts and for investors residing in the State of Sikkim is subject to (a) the Demographic Details received from the respective depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in "active status"; and (b) in the case of residents of Sikkim, the address as per the Demographic Details evidencing the same. All other applications in which PAN was not mentioned were liable to be rejected;
16. Ensure that the Demographic Details are updated, true and correct in all respects;
17. Ensure that thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India are attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal;
18. Ensure that the category and the investor status is indicated in the Bid cum Application Form;
19. Ensure that in case of Bids under power of attorney or by limited companies, corporates, trust, etc., relevant documents are submitted;
20. Ensure that Bids submitted by any person resident outside India is in compliance with applicable foreign and Indian laws;

21. Since allotment will be in demat form only, ensure that the Bidder's depository account is active, the correct DP ID, Client ID, the PAN, UPI ID, if applicable, are mentioned in their Bid cum Application Form and that the name of the Bidder, the DP ID, Client ID, the PAN and UPI ID, if applicable, entered into the online IPO system of the Stock Exchanges by the relevant Designated Intermediary, as applicable, matches with the name, DP ID, Client ID, PAN and UPI ID, if applicable, available in the Depository database;
22. Ensure that when applying in the Offer using UPI, the name of your SCSB appears in the list of SCSBs displayed on the SEBI website which are live on UPI. Further, also ensure that the name of the mobile application and the UPI handle being used for making the application in the Offer is also appearing in the "list of mobile applications for using UPI in public issues" displayed on the SEBI website;
23. UPI Bidders who wish to revise their Bids using the UPI Mechanism, should submit the revised Bid with the Designated Intermediaries, pursuant to which UPI bidders should ensure acceptance of the UPI Mandate Request received from the Sponsor Banks to authorise blocking of funds equivalent to the revised Bid Amount in the RIB's ASBA Account;
24. Ensure that you have accepted the UPI Mandate Request received from the Sponsor Banks prior to 5:00 pm on the Bid/Offer Closing Date;
25. UPI Bidders were required to ensure that details of the Bid are reviewed and verified by opening the attachment in the UPI Mandate Request and then proceed to authorize the UPI Mandate Request using his/her UPI PIN. Upon the authorization of the mandate using his/her UPI PIN, an UPI Bidder were deemed to have verified the attachment containing the application details of the UPI Bidder in the UPI Mandate Request and have agreed to block the entire Bid Amount and authorized the Sponsor Banks to block the Bid Amount mentioned in the Bid Cum Application Form;
26. Ensure that Anchor Investors submit their Bid cum Application Forms only to the BRLMs;
27. Investors were required to ensure that their PAN is linked with Aadhaar and are in compliance with Central Board of Direct Taxes notification dated February 13, 2020 bearing notification number 11/2020 and press release dated June 25, 2021.
28. FPIs making MIM Bids using the same PAN, and different beneficiary account numbers, Client IDs and DP IDs, were required to submit a confirmation that their Bids are under the MIM structure and indicate the name of their investment managers in such confirmation which were submitted along with each of their Bid cum Application Forms. In the absence of such confirmation from the relevant FPIs, such MIM Bids are liable to be rejected; and
29. Ensure that while Bidding through a Designated Intermediary, the Bid cum Application Form (other than for Anchor Investors and UPI Bidders bidding using the UPI Mechanism) is submitted to a Designated Intermediary in a Bidding Centre and that the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has named at least one branch at that location for the Designated Intermediary to deposit ASBA Forms (a list of such branches is available on the website of SEBI at [www.sebi.gov.in](http://www.sebi.gov.in)).

The Bid cum Application Form was liable to be rejected if the above instructions, as applicable, were not complied with. Application made using incorrect UPI handle or using a bank account of an SCSB or SCSBs which is not mentioned in the Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 was liable to be rejected.

***Don'ts:***

1. Do not Bid for lower than the minimum Bid size;
2. Do not Bid for a Bid Amount exceeding ₹200,000 (for Bids by Retail Individual Bidders);
3. Do not pay the Bid Amount in cheques, demand drafts or by cash, money order, postal order or by stock invest;
4. Do not send Bid cum Application Forms by post; instead submit the same to the Designated Intermediary only;
5. Do not Bid at Cut-off Price (for Bids by QIBs and Non-Institutional Bidders);
6. Do not instruct your respective banks to release the funds blocked in the ASBA Account under the ASBA process;
7. Do not submit the Bid for an amount more than funds available in your ASBA account.

8. Do not submit Bids on plain paper or on incomplete or illegible Bid cum Application Forms or on Bid cum Application Forms in a colour prescribed for another category of a Bidder;
9. In case of ASBA Bidders, do not submit more than one ASBA Forms per ASBA Account;
10. If you are an UPI Bidder and are using UPI mechanism, do not submit more than one ASBA Form for each UPI ID;
11. Anchor Investors should not Bid through the ASBA process;
12. Do not submit the ASBA Forms to any Designated Intermediary that is not authorised to collect the relevant ASBA Forms or to our Company;
13. Do not Bid on a Bid cum Application Form that does not have the stamp of the relevant Designated Intermediary;
14. Do not submit the General Index Register (GIR) number instead of the PAN;
15. Do not submit incorrect details of the DP ID, Client ID, PAN and UPI ID, if applicable, or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Offer;
16. Do not submit a Bid in case you are not eligible to acquire Equity Shares under applicable law or your relevant constitutional documents or otherwise;
17. Do not Bid if you are not competent to contract under the Indian Contract Act, 1872 (other than minors having valid depository accounts as per Demographic Details provided by the depository);
18. Do not submit a Bid/revise a Bid Amount, with a price less than the Floor Price or higher than the Cap Price;
19. Do not submit a Bid using UPI ID, if you are not a UPI Bidder;
20. Do not submit your Bid after 3.00 pm on the Bid/Offer Closing Date;
21. If you are a QIB, do not submit your Bid after 3:00 pm on the QIB Bid/Offer Closing Date;
22. Do not Bid on another ASBA Form after you have submitted a Bid to any of the Designated Intermediaries;
23. Do not Bid on another ASBA Form or the Anchor Investor Application Form, as the case may be, after you have submitted a Bid to any of the Designated Intermediaries;
24. Do not Bid for Equity Shares in excess of what is specified for each category;
25. Do not fill up the Bid cum Application Form such that the Equity Shares Bid for, exceeds the Offer size and/or investment limit or maximum number of the Equity Shares that can be held under applicable laws or regulations or maximum amount permissible under applicable laws or regulations, or under the terms of the Red Herring Prospectus;
26. Do not submit the Bid without ensuring that funds equivalent to the entire Bid Amount are available for blocking in the relevant ASBA Account or in the case of UPI Bidders Bidding using the UPI Mechanism, in the UPI-linked bank account where funds for making the Bid are available;
27. Do not withdraw your Bid or lower the size of your Bid (in terms of quantity of the Equity Shares or the Bid Amount) at any stage, if you are a QIB or a Non-Institutional Bidder. Retail Individual Bidders can revise or withdraw their Bids on or before the Bid/ Offer Closing Date;
28. Do not submit Bids to a Designated Intermediary at a location other than the Bidding Centres;
29. If you are an UPI Bidder which is submitting the ASBA Form with any of the Designated Intermediaries and using your UPI ID for the purpose of blocking of funds, do not use any third party bank account or third party linked bank account UPI ID;
30. Do not Bid if you are an OCB;
31. Do not link the UPI ID with a bank account maintained with a bank that is not UPI 2.0 certified by the NPCI in case of Bids submitted by UPI Bidders using the UPI Mechanism;

32. Do not submit more than one Bid cum Application Form for each UPI ID in case of UPI Bidders Bidding using the UPI Mechanism;
33. Do not submit a Bid cum Application Form with a third party UPI ID or using a third party bank account (in case of Bids submitted by UPI Bidders using the UPI Mechanism); and
34. UPI Bidders Bidding through the UPI Mechanism using the incorrect UPI handle or using a bank account of an SCSB or a bank which is not mentioned in the list provided in the SEBI website is liable to be rejected; and

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with.

Further, in case of any pre-Offer or post Offer related issues regarding share certificates/demat credit/refund orders/unblocking etc., investors shall reach out to our Company Secretary and Compliance Officer. For details of Company Secretary and Compliance Officer, see “*General Information*” on page 57.

For details of grounds for technical rejections of a Bid cum Application Form, please see the General Information Document.

#### **Names of entities responsible for finalising the basis of allotment in a fair and proper manner**

The authorised employees of the Stock Exchanges, along with the BRLMs and the Registrar, shall ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the procedure specified in SEBI ICDR Regulations.

#### **Method of allotment as may be prescribed by SEBI from time to time**

Our Company will not make any allotment in excess of the Equity Shares through the Offer Document except in case of oversubscription for the purpose of rounding off to make allotment, in consultation with the Designated Stock Exchange. Further, upon oversubscription, an allotment of not more than 1% of the Offer may be made for the purpose of making allotment in minimum lots.

The allotment of Equity Shares to applicants other than to the Retail Individual Bidders, Non-Institutional Bidders and Anchor Investors shall be on a proportionate basis within the respective investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed.

The allotment of Equity Shares to each Retail Individual Bidders shall not be less than the minimum bid lot, subject to the availability of shares in Retail Individual Bidders Portion, and the remaining available shares, if any, shall be allotted on a proportionate basis.

The allotment to each Non-Institutional Bidder shall not be less than the minimum application size, subject to the availability of Equity Shares in the Non-Institutional Portion, and the remaining Equity Shares, if any, shall be allotted on a proportionate basis, in accordance with the conditions specified in the SEBI ICDR Regulations.

#### **Payment into Escrow Account(s) for Anchor Investors**

Our Company and the Selling Shareholders, in consultation with the BRLMs, in their absolute discretion, decided the list of Anchor Investors to whom the CAN was sent, pursuant to which the details of the Equity Shares allocated to them in their respective names were notified to such Anchor Investors. Anchor Investors are not permitted to Bid in the Offer through the ASBA process. Instead, Anchor Investors should transfer the Bid Amount (through direct credit, RTGS, NACH or NEFT) to the Escrow Accounts. For Anchor Investors, the payment instruments for payment into the Escrow Account(s) were required to be drawn in favour of:

- (a) In case of resident Anchor Investors: “Five-Star Business Finance Limited - IPO Anchor Investor - R Account”
- (b) In case of Non-Resident Anchor Investors: “Five-Star Business Finance Limited - IPO Anchor Investor - NR Account”

Anchor Investors should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Selling Shareholders, the Syndicate, the Escrow Collection Bank and the Registrar to the Offer to facilitate collections of Bid amounts from Anchor Investors.

#### **Pre-Offer Advertisement**

Our Company, after filing the Red Herring Prospectus with the RoC, published a pre-Offer advertisement, in the form prescribed by the SEBI ICDR Regulations, in: (i) all editions of Financial Express, a widely circulated English national daily newspaper;

(ii) all editions of Jansatta, a Hindi national daily newspaper; and (iii) Chennai edition of Makkal Kural, a widely circulated Tamil national daily newspaper, Tamil also being the regional language of Tamil Nadu, where our Registered and Corporate Office is located), each with wide circulation.

In the pre-Offer advertisement, we listed the Bid/ Offer Opening Date and the Bid/ Offer Closing Date and the QIB Bid/Offer Closing Date. This advertisement, subject to the provisions of Section 30 of the Companies Act, was in the format prescribed in Part A of Schedule X of the SEBI ICDR Regulations.

**The above information was given for the benefit of the Bidders/applicants. Our Company, the Selling Shareholders and the members of the Syndicate are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus and this Prospectus. Bidders/applicants were advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the prescribed limits under applicable laws or regulations and as specified in the Red Herring Prospectus and this Prospectus, when filed.**

#### **Signing of the Underwriting Agreement and the RoC Filing**

- (a) Our Company, the Selling Shareholders and the Syndicate have entered into an Underwriting Agreement prior to the filing of this Prospectus.
- (b) After signing the Underwriting Agreement, this Prospectus is being filed with the RoC in accordance with applicable law, which then would be termed as the 'Prospectus'. This Prospectus contains details of the Offer Price, the Anchor Investor Offer Price, Offer size, and underwriting arrangements and is complete in all material respects.

#### **Depository Arrangements**

The Allotment of the Equity Shares in the Offer shall be only in a dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). For more information, see "*Terms of the Offer*" on page 408.

#### **Undertakings by our Company**

Our Company undertakes the following:

- adequate arrangements were made to collect all Bid cum Application Forms submitted by Bidders.
- the complaints received in respect of the Offer were attended to by our Company expeditiously and satisfactorily;
- all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed shall be taken within six Working Days of the Bid/ Offer Closing Date or such other period as may be prescribed;
- if Allotment is not made within the prescribed time period under applicable law, the entire subscription amount received will be refunded/unblocked within the time prescribed under applicable law. If there is delay beyond the prescribed time, our Company shall pay interest prescribed under the Companies Act, the SEBI ICDR Regulations and applicable law for the delayed period;
- the funds required for making refunds (to the extent applicable) as per the mode(s) disclosed shall be made available to the Registrar to the Offer by our Company;
- where refunds (to the extent applicable) are made through electronic transfer of funds, a suitable communication shall be sent to the unsuccessful Bidder within six Working Days from the Bid/ Offer Closing Date or such other prescribed under applicable law, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- Promoters' contribution, if any, shall be brought in advance before the Bid/ Offer Opening Date and the balance, if any, shall be brought in on a pro rata basis before calls are made on the Allottees, in accordance with the applicable provisions of the SEBI ICDR Regulations;
- Except for the allotment of Equity Shares upon any exercise of options vested pursuant to the ASOP Schemes, no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are

listed or until the Bid monies are unblocked in ASBA Account/refunded on account of non-listing, under-subscription, etc.;

- compliance with all disclosure and accounting norms as may be specified by SEBI from time to time; and
- if our Company, in consultation with the BRLMs, withdraws the Offer after the Bid/ Offer Closing Date and thereafter determines that it will proceed with an issue of the Equity Shares, our Company shall file a fresh draft red herring prospectus with the SEBI.

### **Undertakings by the Selling Shareholders**

Each Selling Shareholder severally and not jointly undertakes that:

- the Equity Shares being sold by it pursuant to the Offer have been held by them for a period of at least one year prior to the date of filing the Draft Red Herring Prospectus with SEBI, are fully paid-up and are in dematerialised form;
- they shall provide all reasonable co-operation as requested by our Company in relation to the completion of allotment and dispatch of the Allotment Advice and CAN, if required, and refund orders to the extent of their respective portion of Offered Shares pursuant to the Offer;
- they are the legal and beneficial owner of the Equity Shares which are offered by them pursuant to the Offer for Sale and are free and clear of any pre-emptive rights, liens, charges, pledges, or transfer restrictions;
- that they shall provide such reasonable support and extend such reasonable cooperation as may be required by our Company and the BRLMs in redressal of such investor grievances that pertain to the extent of their respective portion of Offered Shares pursuant to the Offer;
- they shall deposit their respective portions of Offered Shares in an escrow demat in accordance with the share escrow agreement to be executed between the parties to such share escrow agreement;
- they are not debarred from accessing the capital markets or debarred from buying, selling or dealing in securities under any order or direction passed by the SEBI;
- they shall not have recourse to the proceeds of the Offer, which shall be held in escrow in its favour, until final approval for trading of the Equity Shares from the Stock Exchanges where listing is sought has been received; and
- the filing of this Prospectus does not absolve the Selling Shareholders from any liabilities to the extent of the statements specifically made or confirmed by themselves in respect of themselves and of their respective Offered Shares, under Section 34 or Section 36 of Companies Act, 2013.

The decisions with respect to the Price Band, the minimum Bid lot, Offer Price, were taken by our Company and the Selling Shareholders in consultation with the BRLMs.

### **Utilisation of Offer Proceeds**

Our Company and the Selling Shareholders, severally and not jointly, specifically confirm that all monies received out of the Offer shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act.

### **Impersonation**

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013 which is reproduced below:

*“Any person who –*

- (a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or*
- (b) makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or*

(c) *otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name, shall be liable for action under Section 447.”*

The liability prescribed under Section 447 of the Companies Act, 2013 for fraud involving an amount of at least ₹1 million or 1% of the turnover of the company, whichever is lower, includes imprisonment for a term which shall not be less than six months extending up to 10 years and fine of an amount not less than the amount involved in the fraud, extending up to three times such amount (provided that where the fraud involves public interest, such term shall not be less than three years.) Further, where the fraud involves an amount less than ₹1.00 million or one per cent of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to ₹5.00 million or with both.

## RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The RBI and the concerned ministries/departments are responsible for granting approval for foreign investment under the FDI Policy and FEMA.

The Government has from time to time made policy pronouncements on foreign direct investment (“**FDI**”) through press notes and press releases. The Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (*earlier known as Department of Industrial Policy and Promotion*) (“**DPIIT**”), issued the FDI Policy, which is effective from October 15, 2020 (the “**FDI Policy**”), which subsumes and supersedes all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect prior to October 15, 2020. The FDI Policy will be valid until the DPIIT issues an updated circular. FDI in companies engaged in sectors/ activities which are not listed in the FDI Policy is permitted up to 100% of the paid up share capital of such company under the automatic route, subject to compliance with certain prescribed conditions. In terms of the FDI Policy, if our Company becomes a foreign owned and controlled company, we will be subject to additional restrictions on foreign investments under the FDI Policy.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI policy and transfer does not attract the provisions of the Takeover Regulations; (ii) the non-resident shareholding is within the sectoral limits under the FDI policy; and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the Government of India, OCBs cannot participate in this Offer. For details, see “*Offer Procedure*” on page 416.

For details of the aggregate limit for investments by NRIs and FPIs in our Company, see “*Offer Procedure - Bids by Eligible NRIs*” and “*Offer Procedure - Bids by FPIs*” on pages 421 and 421.

### Foreign Exchange Laws

The foreign investment in our Company is governed by, *inter alia*, the FEMA, the FEMA Non-debt Instruments Rules, the FDI Policy issued and amended by way of press notes.

Foreign investment in NBFCs, carrying on activities approved for FDI, is subject to the conditions specified in Paragraph 3.8.3.1 of the FDI Policy. Pursuant to the FDI Policy, FDI of up to 100% is permitted under the automatic route in our Company.

Further, in terms of the FEMA Non-debt Instruments Rules, the aggregate FPI investment limit is the sectoral cap applicable to Indian company as prescribed in the FEMA Non-debt Instruments Rules with respect to its paid-up equity capital on a fully diluted basis. See “*Offer Procedure*” on page 416.

In terms of the FEMA Non-debt Instruments Rules and the FDI Policy, a person resident outside India may make investments into India, subject to certain terms and conditions, and further provided that an entity of a country, which shares land border with India or where the beneficial owner of an investment into India, who is situated in or is a citizen of any such country, shall invest only with the approval of the Government of India. Further, in the event of transfer of ownership of any existing or future foreign direct investment in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the above restriction/ purview, such subsequent change in the beneficial ownership will also require approval of the Government of India. Pursuant to the Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2020, a multilateral bank or fund, of which India is a member, shall not be treated as an entity of a particular country nor shall any country be treated as the beneficial owner of the investments of such bank or fund in India. Each Bidder should seek independent legal advice about its ability to participate in the Offer. In the event such prior approval of the Government is required, and such approval has been obtained, the Bidder were required to intimate our Company and the Registrar in writing about such approval along with a copy thereof within the Offer Period.

**The Equity Shares offered in the Offer have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold (i) within the United States only to persons believed to be “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act), pursuant to Section 4(a) of the U.S. Securities Act, and (ii) outside the United States in “offshore**



**transactions” in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales are made.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

**We intend to rely on an exception from the definition of investment company under the U.S. Investment Company Act of 1940, as amended, in connection with this Offer.**

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholders and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus and this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

## SECTION VIII: DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

*Capitalised terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company. Pursuant to Schedule I of the Companies Act and the SEBI ICDR Regulations, the main provisions of the Articles of Association of our Company are detailed below.*

*The Articles of Association of the Company comprise of two parts, Part I and Part II, which parts shall, unless the context otherwise requires, co-exist with each other until the commencement of the listing of equity shares of the Company pursuant to the initial public offering of the equity shares of the Company (the “Offer” of the “Equity Shares” of the Company). In case of inconsistency or contradiction, conflict or overlap between Part I and Part II, the provisions of Part II shall, subject to applicable law, prevail and be applicable. All articles of Part II shall automatically terminate, without any further corporate or other action by the Company or by its shareholders, and cease to have any force and effect from the date of listing of Equity Shares of the Company on a recognized stock exchange in India pursuant to the Offer and the provisions of Part I shall continue to be in effect and be in force, without any further corporate or other action, by the Company or by its shareholders.*

### PART I OF THE ARTICLES OF ASSOCIATION

#### Applicability of Table F

Subject to the provisions herein and in so far as the Articles do not modify or exclude them, the regulations contained in Table ‘F’ of Schedule I of the Companies Act, 2013 shall apply to the Company only so far as they are not inconsistent with any of the provisions contained in these Articles or modification thereof or are not expressly or by implication excluded from the Articles.

#### Share capital and variation of rights

Article 6 provides that “The authorised share capital of the Company shall be such amount, divided into such class(es), denomination(s) and number of shares in the Company as stated in Clause V of the Memorandum of Association, with power to increase or reduce such capital from time to time and power to divide the shares in the capital for the time being into other classes and to attach thereto respectively such preferential, convertible, deferred, qualified, or other special rights, privileges, conditions or restrictions and to vary, modify or abrogate the same in such manner as may be determined by or in accordance with the Articles of the Company, subject to the provisions of applicable law for the time being in force.”

Article 7 provides that “Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.”

Article 9 provides that “Subject to the provisions of the Act and these Articles, the shares in the capital of the Company shall be under the control of the Board of Directors who may issue, allot or otherwise dispose of all or any of such shares to such persons, in such proportion and on such terms and conditions and either at a premium or at par or at a discount (subject to compliance with the applicable provisions of the Act) and at such time as they may from time to time think fit and with the sanction of the Company in General Meeting give to any person the option or right to call for any shares either at par or at a premium during such time and for such consideration as the Board of Directors think fit.”

Article 11 provides that “Subject to the provisions of the Act, the Company in its General Meetings may, by an Ordinary Resolution, from time to time:

- (a) increase the share capital by such sum, to be divided into shares of such amount as it thinks expedient;
- (b) divide, sub-divide or consolidate its shares, or any of them, and the resolution whereby any share is sub-divided, may determine that as between the holders of the shares resulting from such sub-division one or more of such shares have some preference or special advantage in relation to dividend, capital or otherwise as compared with the others;
- (c) cancel shares which at the date of such General Meeting have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;
- (d) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; provided that any consolidation and division which results in changes in the voting percentage of Members shall require applicable approvals under the Act; and
- (e) convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination.”

Article 12 provides that “(1) Where at any time the Board or the Company, as the case may be, propose to increase the subscribed capital by the issue of further shares then such shares shall be offered, subject to the provisions of section 62 of the Act, and the rules made thereunder:

(A) (i) to the persons who at the date of the offer are holders of the Equity Shares of the Company, in proportion as nearly as circumstances admit, to the paid-up share capital on those shares by sending a letter of offer subject to the conditions mentioned in (ii) to (iv) below;

(ii) The offer aforesaid shall be made by notice specifying the number of shares offered and limiting a time not being less than seven days or such lesser number of days as may be prescribed under applicable Indian law and not exceeding thirty days from the date of the offer, within which the offer if not accepted, shall be deemed to have been declined.

Provided that the notice shall be dispatched through registered post or speed post or through electronic mode or courier or any other mode having proof of delivery to all the existing shareholders at least three days before the opening of the issue;

(iii) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (ii) shall contain a statement of this right;

(iv) After the expiry of time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that the person declines to accept the shares offered, the Board of Directors may dispose of them in such manner which is not disadvantageous to the Members and the Company;

(B) to employees under any scheme of employees’ stock option subject to Special Resolution passed by the Company and subject to the rules and such other conditions, as may be prescribed under applicable law; or

(C) to any person(s), if it is authorised by a Special Resolution, whether or not those persons include the persons referred to in clause (A) or clause (B) above either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to compliance with the applicable conditions of Chapter III of the Act and any other conditions as may be prescribed under the Act and the rules made thereunder;

(2) Nothing in sub-clause (ii) and (iii) of Clause (1)(A) shall be deemed:

(i) To extend the time within which the offer should be accepted; or

(ii) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares compromised in the renunciation.

(3) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option as a term attached to the debentures issued or loans raised by the Company to convert such debentures or loans into shares in the Company or to subscribe for shares of the Company (whether such option is conferred by these Articles or otherwise):

Provided that the terms of issue of such debentures or loans containing such an option have been approved before the issue of such debentures or the raising of such loans by a Special Resolution passed by the Company in a General Meeting.

(4) Notwithstanding anything contained in Article 11(3) hereof, where any debentures have been issued, or loan has been obtained from any government by the Company, and if that government considers it necessary in the public interest so to do, it may, by order, direct that such debentures or loans or any part thereof shall be converted into shares in the Company on such terms and conditions as appear to the Government to be reasonable in the circumstances of the case even if terms of the issue of such debentures or the raising of such loans do not include a term for providing for an option for such conversion:

Provided that where the terms and conditions of such conversion are not acceptable to the Company, it may, within sixty days from the date of communication of such order, appeal to National Company Law Tribunal which shall after hearing the Company and the Government pass such order as it deems fit.

A further issue of shares may be made in any manner whatsoever as the Board may determine including by way of preferential offer or private placement, subject to and in accordance with the Act and the rules made thereunder.”

Article 13 provides that “Any application signed by or on behalf of an applicant for shares in the Company followed by an allotment of any shares therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register of Members, shall, for the purpose of these Articles, be a Member.”

Article 18 provides that “(a) If at any time the share capital of the Company is divided into different classes of shares, the rights attached to the shares of any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to provisions of the Act and whether or not the Company is being wound up, be varied with the consent in writing of the holders of not less than three-fourth of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the issued shares of that class, as prescribed by the Act.

(b) Subject to the provisions of the Act, to every such separate meeting, the provisions of these Articles relating to meeting shall mutatis mutandis apply.”

## **Share Certificates**

Article 23 provides that “The Act shall be complied with in respect of the issue, reissue, renewal of share certificates and the format, sealing and signing of the certificates and records of the certificates issued shall be maintained in accordance with the Act.”

## **Underwriting and brokerage**

Article 25 provides that “(a) Subject to the provisions of the Act and other applicable laws, the Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) to any shares or debentures of the Company or underwriting or procuring or agreeing to procure subscriptions (whether absolute or conditional) for shares or debentures of the Company and provisions of the Act shall apply.

(b) The Company may also, in any issue, pay such brokerage as may be lawful.

(c) The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in the one way and partly in the other.”

## **Lien**

Article 26 provides that “The Company shall subject to applicable law have a first and paramount lien on every share / debenture (not being a fully paid share / debenture) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called, or payable at a fixed time, in respect of that share / debenture and no equitable interest in any share shall be created upon the footing and condition that this Article will have full effect and such lien shall extend to all dividend and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed, the registration of transfer of shares / debentures shall operate as a waiver of the Company’s lien, if any, on such shares / debentures.

Provided that the Board may at any time declare any share to be wholly or in part exempt from the provisions of this Article.

The fully paid up shares shall be free from all lien and in the case of partly paid up shares the Company’s lien shall be restricted to moneys called or payable at a fixed time in respect of such shares.

A Member shall not exercise any voting rights in respect of the Shares registered in his name on which any calls or other sums presently payable by him have not been paid, in regard to which the Company has exercised the right of lien.”

Article 27 provides that “The Company’s lien, if any, on a share shall extend to all dividends or interest, as the case may be, payable and bonuses declared from time to time in respect of such shares / debentures.”

Article 28 provides that “The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien:

Provided that no sale shall be made –

(a) unless a sum in respect of which the lien exists is presently payable; or

(b) until the expiration of fourteen (14) days’ after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or to the person entitled thereto by reason of his death or insolvency or otherwise.

No Member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid, or in regard to which the Company has exercised any right of lien.”

Article 31 provides that “The proceeds of any such sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.”

## **Calls on shares**

Article 34 provides that “The Board may subject to the provisions of the Act and any other applicable law, from time to time, make such call as it thinks fit upon the Members in respect of all moneys unpaid on the shares (whether on account of the nominal value of the shares or by premium) and not by the conditions of allotment thereof made payable at fixed times. Provided that no call shall exceed one-fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call. A call may be revoked or postponed at the discretion of the Board. The power to call on shares shall not be delegated to any other person except with the approval of the shareholders’ in a General Meeting.”

Article 37 provides that “The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.”

## **Forfeiture of shares**

Article 43 provides that “If a Member fails to pay any call, or installment of a call or any money due in respect of any share, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on him requiring payment of so much of the call or installment or other money as is unpaid, together with any interest which may have accrued and all expenses that may have been incurred by the Company by reason of non-payment.”

Article 44 provides that “The notice aforesaid shall:

- (a) name a further day (not being earlier than the expiry of fourteen days from the date of services of the notice) on or before which the payment required by the notice is to be made; and
- (b) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made shall be liable to be forfeited.

If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.”

Article 46 provides that “Any share forfeited in accordance with these Articles, shall be deemed to be the property of the Company and may be sold, re-allocated or otherwise disposed of either to the original holder thereof or to any other person upon such terms and in such manner as the Board thinks fit.”

Article 47 provides that “When any share shall have been so forfeited, notice of the forfeiture shall be given to the defaulting member and any entry of the forfeiture with the date thereof, shall forthwith be made in the Register of Members but no forfeiture shall be invalidated by any omission or neglect or any failure to give such notice or make such entry as aforesaid.”

Article 48 provides that “A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay, and shall pay, to the Company all monies which, at the date of forfeiture, were presently payable by him to the Company in respect of the shares. All such monies payable shall be paid together with interest thereon at such rate as the Board may determine, from the time of forfeiture until payment or realization. The Board may, if it thinks fit, but without being under any obligation to do so, enforce the payment of the whole or any portion of the monies due, without any allowance for the value of the shares at the time of forfeiture or waive payment in whole or in part. The liability of such person shall cease if and when the Company shall have received payment in full of all such monies in respect of the shares.”

Article 54 provides that “The Board may at any time before any share so forfeited shall have them sold, reallocated or otherwise disposed of, cancel the forfeiture thereof upon such conditions as it thinks fit.”

## **Transfer and transmission of shares**

Article 58 provides that “The Company shall keep a “Register of Transfers” and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any shares. The Company shall also use a common form of transfer.”

Article 59 provides that “In respect of any transfer of shares registered in accordance with the provisions of these Articles, the Board may, at its discretion, direct an endorsement of the transfer and the name of the transferee and other particulars on the existing share certificate and authorize any Director or Officer of the Company to authenticate such endorsement on behalf of the Company or direct the issue of a fresh share certificate, in lieu of and in cancellation of the existing certificate in the name of the transferee.”

Article 60 provides that “(a) The instrument of transfer of any share shall be in writing and all the provisions of the Act, and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof. The Company shall use the form of transfer, as prescribed under the Act, in all cases. In case of transfer of shares, where the Company has not issued any certificates and where the shares are held in dematerialized form, the provisions of the Depositories Act, 1996 shall apply.

(b) The Board may decline to recognize any instrument of transfer unless –

- (i) the instrument of transfer is in the form prescribed under the Act;
- (ii) the instrument of transfer is accompanied by the certificate of shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and
- (iii) the instrument of transfer is in respect of only one class of shares.

(c) No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.”

Article 61 provides that “Every such instrument of transfer shall be executed, both by or on behalf of both the transferor and the transferee and the transferor shall be deemed to remain holder of the shares until the name of the transferee is entered in the Register of Members in respect thereof.”

Article 63 provides that “Subject to the provisions of these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may, by giving reasons, decline or refuse, whether in pursuance of any power of the Company under these Articles or otherwise, to register or acknowledge any transfer of, or the transmission by operation of law of the right to, any securities or interest of a Member in the Company, whether fully paid or not after providing sufficient cause, within a period of thirty days from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the Company. Provided that the registration of transfer of any securities shall not be refused on the ground of the transferor being alone or jointly with any other person or persons, indebted to the Company on any account whatsoever except where the Company has a lien on shares. Transfer of shares/debentures in whatever lot shall not be refused.”

Article 64 provides that “Where in the case of partly paid shares, an application for registration is made by the transferor alone, the transfer shall not be registered, unless the Company gives the notice of the application to the transferee in accordance with the provisions of the Act and the transferee gives no objection to the transfer within the time period prescribed under the Act.”

Article 66 provides that “No share shall in any circumstances be transferred to any infant, insolvent or a person of unsound mind, except fully paid shares through a legal guardian.”

Article 67 provides that “Subject to the provisions of the Act and these Articles, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any Members, or by any lawful means other than by a transfer in accordance with these Articles, may with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence as the Board thinks sufficient, that he sustains the character in respect of which he proposes to act under this Article, or of his title, elect to either be registered himself as holder of the shares or elect to have some person nominated by him and approved by the Board, registered as such holder or to make such transfer of the share as the deceased or insolvent member could have made. If the person so becoming entitled shall elect to be registered as holder of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. Provided, nevertheless, if such person shall elect to have his nominee registered, he shall testify that election by executing in favour of his nominee an instrument of transfer in accordance with the provision herein contained and until he does so he shall not be freed from any liability in respect of the shares. Further, all limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfer of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the Member had not occurred and the notice or transfer were a transfer signed by that Member.”

Article 69 provides that “Before the registration of a transfer, the certificate or certificates of the share or shares to be transferred must be delivered to the Company along with (save as provided in the Act) properly stamped and executed instrument of transfer.”

Article 70 provides that “The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register) to the prejudice of persons having or claiming any equitable rights, title or interest in the said shares, notwithstanding that the Company may have had notice of such equitable rights referred thereto in any books of the Company and the Company shall not be bound by or required to regard or attend to or give effect to any notice which may be given to it of any equitable rights, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.”

### **Alteration of capital**

Article 72 provides that “The Company may issue share warrants subject to, and in accordance with provisions of the Act. The Board may, in its discretion, with respect to any share which is fully paid up on application in writing signed by the person registered as holder of the share, and authenticated by such evidence (if any) as the Board may from time to time require as to the identity of the person signing the application, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require having been paid, issue a warrant.”

Article 73 provides that “The Board may, from time to time, make rules as to the terms on which it shall think fit, a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.”

Article 74 provides that “Where shares are converted into stock:

(a) the holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same Articles under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit:

Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so, however, that such minimum shall not exceed the nominal amount of the shares from which the stock arose;

(b) the holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage;

(c) such of the Articles of the Company as are applicable to paid-up shares shall apply to stock and the words “share” and “shareholder”/“Member” shall include “stock” and “stock-holder” respectively.”

Article 75 provides that “The Company may, by a Special Resolution as prescribed by the Act, reduce in any manner and in accordance with the provisions of the Act—

(a) its share capital; and/or

(b) any capital redemption reserve account; and/or

(c) any share premium account

and in particular without prejudice to the generality of the foregoing power may be: (i) extinguishing or reducing the liability on any of its shares in respect of share capital not paid up; (ii) either with or without extinguishing or reducing liability on any of its shares, (a) cancel paid up share capital which is lost or is unrepresented by available assets; or (b) pay off any paid up share capital which is in excess of the wants of the Company; and may, if and so far as is necessary, alter its Memorandum, by reducing the amount of its share capital and of its shares accordingly.”

Article 76 provides that “(a) The Company shall recognise interest in dematerialised securities under the Depositories Act, 1996.

Subject to the provisions of the Act, either the Company or the investor may exercise an option to issue (in case of the Company only), deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialized, in which event, the rights and obligations of the parties concerned and matters connected therewith or incidental thereof shall be governed by the provisions of the Depositories Act, 1996 as amended from time to time or any statutory modification(s) thereto or re-enactment thereof, the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and other applicable law.

(b) Dematerialisation/Re-materialisation of securities

Notwithstanding anything to the contrary or inconsistent contained in these Articles, the Company shall be entitled to dematerialise its existing securities, re materialise its securities held in Depositories and/or offer its fresh securities in the dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.

(c) Option to receive security certificate or hold securities with the Depository

Every person subscribing to or holding securities of the Company shall have the option to receive the security certificate or hold securities with a Depository. Where a person opts to hold a security with the Depository, the Company shall intimate such Depository of the details of allotment of the security and on receipt of such information, the Depository shall enter in its Record, the name of the allottees as the beneficial owner of that Security.

(d) Securities in electronic form

All securities held by a Depository shall be dematerialized and held in electronic form. No certificate shall be issued for the securities held by the Depository. In the case of transfer of Shares or other marketable securities where the Company has not issued any certificates and where such Shares or securities are being held in an electronic and fungible form, the provisions of the Depositories Act, 1996 shall apply.

(e) Beneficial owner deemed as absolute owner

Except as ordered by a court of competent jurisdiction or by applicable law required and subject to the provisions of the Act, the Company shall be entitled to treat the person whose name appears on the applicable register as the holder of any security or whose name appears as the beneficial owner of any security in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami trust or equity, equitable contingent, future, partial interest, other claim to or interest in respect of such securities or (except only as by these Articles otherwise expressly provided) any right in respect of a security other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has expressed or implied notice thereof but the Board shall at their sole discretion register any security in the joint names of any two or more persons or the survivor or survivors of them.

(f) Register and index of beneficial owners

The Company shall cause to be kept a register and index of members with details of securities held in materialised and dematerialised forms in any media as may be permitted by law including any form of electronic media. The register and index

of beneficial owners maintained by a Depository under the Depositories Act, 1996 shall be deemed to be a register and index of members for the purposes of this Act. The Company shall have the power to keep in any state or country outside India, a Register of Members, resident in that state or country.”

Article 77 provides that “Notwithstanding anything contained in these Articles, but subject to the provisions of Sections 68 to 70 of the Act and any other applicable provisions of the Act or any other law for the time being in force, the Company may purchase its own shares or other specified securities.”

### **General meetings**

Articles 79 provides that “All General Meetings other than the Annual General Meeting shall be called “Extraordinary General Meeting”. Provided that, the Board may, whenever it thinks fit, call an Extraordinary General Meeting.”

Article 80 provides that “The Board shall, on the requisition of Members, convene an Extraordinary General Meeting of the Company in the circumstances and in the manner provided under the Act.”

Article 81 provides that “All General Meetings shall be convened by giving not less than clear twenty one (21) days’ notice, in such manner as is prescribed under the Act, specifying the place, date and hour of the meeting and a statement of the business proposed to be transacted at such a meeting, in the manner mentioned in the Act. Notice shall be given to all the Members and to such persons as are under the Act and/or these Articles entitled to receive such notice from the Company but any accidental omission to give notice to or non-receipt of the notice by any Member or other person to whom it should be given shall not invalidate the proceedings of any General Meetings. The Members may participate in General Meetings through such modes as permitted by applicable laws.”

Article 82 provides that “Upon compliance with the relevant provisions of the Act, an Annual General Meeting or any General Meeting may be convened by giving a shorter notice than twenty one (21) days.”

Article 85 provides that “Five (5) Members or such other number of Members as required under the Act or the applicable law for the time being in force prescribes, personally present shall be quorum for a General Meeting and no business shall be transacted at any General Meeting unless the requisite quorum is present at the commencement of the meeting.”

Article 87 provides that “The chairman, if any, of the Board of Directors shall preside as chairman at every General Meeting of the Company.”

Article 88 provides that “Subject to the provisions of the Act, if there is no such chairman or if at any meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman, the Directors present shall elect another Director as chairman and if no Director be present or if all the Directors decline to take the chair, then the Members present shall choose a Member to be the chairman.”

Article 89 provides that “Subject to the provisions of the Act, the chairman of a General Meeting may, with the consent given in the meeting at which a quorum is present (and shall if so directed by the meeting) adjourn that meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When the meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as nearly to the original meeting, as may be possible. Save as aforesaid and as provided in Section 103 of the Act, it shall not be necessary to give any notice of adjournment of the business to be transacted at an adjourned meeting.”

Article 90 provides that “At any General Meeting, a demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than that on which a poll has been demanded. The demand for a poll may be withdrawn at any time by the person or persons who made the demand. Further, no objection shall be raised to the qualification of any voter except at the General Meeting or adjourned General Meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairperson of the General Meeting, whose decision shall be final and conclusive.”

Article 91 provides that “If a poll is duly demanded in accordance with the provisions of the Act, it shall be taken in such manner as the chairman directs and the results of the poll shall be deemed to be the decision of the meeting on the resolution in respect of which the poll was demanded.”

Article 92 provides that “In case of equal votes, whether on a show of hands or on a poll, the chairman of the General Meeting at which the show of hands takes place or at which the poll is demanded and e-voting (if applicable), shall be entitled to a second or casting vote in addition to the vote or votes to which he may be entitled to as a Member.”



## **Vote of members**

Article 94 provides that “Subject to any rights or restrictions for the time being attached to any class or classes of shares:

- (a) On a show of hands every Member holding Equity Shares and present in person shall have one vote.
- (b) On a poll, every Member holding Equity Shares therein shall have voting rights in proportion to his share in the paid up equity share capital.
- (c) A Member may exercise his vote at a meeting by electronic means in accordance with the Act and shall vote only once.”

Article 93A provides that “In the event NVP (together with its affiliates, the “**NVP Group**”) holds 5% or more shares in the Company, NVP’s voting rights will get limited to 4.99999 % of any class of shares of the Company, on account of applicable regulatory restrictions under the US Bank Holding Company Act of 1956. Such voting restriction will not apply to the NVP Group and it shall be able to exercise voting rights commensurate to its shareholding in connection with any matter that (a) materially and adversely alters or changes the rights of the shares held by NVP Group; (b) increases the authorized number of shares or securities senior to the shares held by NVP Group; (c) results in the buyback or repurchase of the shares held by NVP Group; (d) results in any liquidation, dissolution or winding up of the Company, (e) amends or waives any provision of the charter documents in a manner that materially or adversely affects the rights of the shares held by NVP Group; or (f) involves the declaration of any dividend on the shares where dividends are accrued but unpaid in respect of the shares held by NVP Group.”

Article 95 provides that “In case of joint holders the vote of first named of such joint holders in the Register of Members who tender a vote whether in person or by proxy shall be accepted, to the exclusion of the votes of other joint holders.”

Article 97 provides that “No Member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him have been paid, or in regard to which the Company has lien and has exercised any right of lien.”

## **Director**

Article 102 provides that “Unless otherwise determined by General Meeting, the number of Directors shall not be less than three (3) and not more than fifteen (15), and at least one (1) Director shall be resident of India in the previous year. Provided that the Company may appoint more than fifteen (15) directors after passing a Special Resolution.”

Article 101A provides that “Subject to the receipt of the requisite regulatory authorization and corporate authorizations (including shareholder approval in the manner prescribed by SEBI) post-listing of the Company:

- (a) Matrix II shall have the right to nominate one director to the Board so long as: (i) Matrix II continues to be classified as a ‘promoter’ of the Company, within the meaning of the ICDR; and (ii) Matrix II has provided a portion of its shareholding in the Company towards the minimum promoter contribution requirements under the ICDR;
- (b) SCI V shall have the right to nominate one director to the Board so long as: (i) SCI V continues to be classified as a ‘promoter’ of the Company, within the meaning of the ICDR; and (ii) SCI V has provided a portion of its shareholding in the Company towards the minimum promoter contribution requirements under the ICDR;
- (c) The founder promoter family (i.e. Mr. D Lakshmipathy and family) shall have the right to nominate such number of nominee directors as would constitute a majority on the Board (excluding independent directors) till such time as Mr. Lakshmipathy continues to be classified as a ‘promoter’ of the Company, within the meaning of the ICDR; and
- (d) Mr. D Lakshmipathy shall be the chairman of the Board, till such time as Mr. Lakshmipathy continues to be classified as a ‘promoter’ of the Company, within the meaning of the ICDR.”

Article 103 provides that “Any person whether a Member of the Company or not may be appointed as Director and no qualification by way of holding shares shall be required of any Director.”

Article 104 provides that “Subject to the provisions of the Act, the Board shall have power at any time, and from time to time, to appoint a person as an additional director, provided the number of the directors and additional directors together shall not at any time exceed the maximum strength fixed for the Board by the Articles.”

Article 107 provides that “(a) A Director (other than a managing Director or whole-time Director) may receive a sitting fee not exceeding such sum as may be prescribed by the Act or the Central Government from time to time for each meeting of the Board of Directors or any committee thereof attended by him. The remuneration of Directors including managing Director and/or whole-time Director may be paid in accordance with the applicable provisions of the Act. The remuneration of the Directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day-to-day.

(b) The Board of Directors may allow and pay or reimburse any Director who is not a bona fide resident of the place where a meeting of the Board or of any committee is held and who shall come to such place for the purpose of attending such meeting or for attending its business at the request of the Company, such sum as the Board may consider fair compensation for travelling,

and out-of-pocket expenses and if any Director be called upon to go or reside out of the ordinary place of his residence on the Company's business he shall be entitled to be reimbursed any travelling or other expenses incurred in connection with the business of the Company.

(c) The managing Directors/ whole-time Directors shall be entitled to charge and be paid for all actual expenses, if any, which they may incur for or in connection with the business of the Company. They shall be entitled to appoint part time employees in connection with the management of the affairs of the Company and shall be entitled to be paid by the Company any remuneration that they may pay to such part time employees."

Article 108 provides that "If any Director, being willing, shall be called upon to perform extra services or to make any special exertions (which expression shall include work done by Director as a Member of any committee formed by the Directors) in going or residing away from the town in which the Office of the Company may be situated for any purposes of the Company or in giving any special attention to the business of the Company or as member of the Board, then subject to the provisions of the Act, the Board may remunerate the Director so doing either by a fixed sum, or by a percentage of profits or otherwise and such remuneration, may be either in addition to or in substitution for any other remuneration to which he may be entitled."

Article 109 provides that "The continuing Directors may act notwithstanding any vacancy in the Board, but if the number is reduced below three, the continuing Directors or Director may act for the purpose of increasing the number of Directors to three or for summoning a General Meeting of the Company, but for no other purpose."

### **Rotation and retirement of director**

Article 111 provides that "At the Annual General Meeting of the Company to be held every year, one third of such of the Directors as are liable to retire by rotation for time being, or, if their number is not three or a multiple of three then the number nearest to one third shall retire from office, and they will be eligible for re-election. Provided nevertheless that the managing director appointed or the Directors appointed as a debenture director under Articles hereto shall not retire by rotation under this Article nor shall they be included in calculating the total number of Directors of whom one third shall retire from office under this Article."

Article 113 provides that "The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lots."

Article 115 provides that "The Company in General Meeting may, when appointing a person as a Director declare that his continued presence on the Board of Directors is of advantage to the Company and that his office as Director shall not be liable to be determined by retirement by rotation for such period until the happening of any event of contingency set out in the said resolution."

Article 116 provides that "Directors of the Company may be or become a director of any company promoted by the Company or in which it may be interested as vendor, shareholder or otherwise and no such Director shall be accountable for any benefits received as a director or member of such company subject to compliance with applicable provisions of the Act."

### **Proceedings of the Board of Directors**

Article 117 (a) provides that "(a) The Board of Directors shall meet at least once in every three (3) months with a maximum gap of four (4) months between two (2) meetings of the Board for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit in accordance with the Act, provided that at least four (4) such meetings shall be held in every year. Place of meetings of the Board shall be at a location determined by the Board at its previous meeting, or if no such determination is made, then as determined by the chairman of the Board."

Article 118 provides that "Questions arising at any time at a meeting of the Board shall be decided by majority of votes and in case of equality of votes, the Chairman, in his absence the Vice Chairman or the Director presiding shall have a second or casting vote."

Article 119 provides that "Subject to the provisions of the Act and other applicable law, the quorum for a meeting of the Board shall be one third of its total strength (any fraction contained in that one-third being rounded off as one) or two Directors whichever is higher and the participation of the directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum.

At any time the number of interested Directors is equal to or exceeds two-thirds of total strength, the number of remaining Directors, that is to say the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time. The total strength of the Board shall mean the number of Directors actually holding office as

Directors on the date of the resolution or meeting, that is to say, the total strength of Board after deducting there from the number of Directors, if any, whose places are vacant at the time. The term ‘interested director’ means any Director whose presence cannot, by reason of applicable provisions of the Act be counted for the purpose of forming a quorum at meeting of the Board, at the time of the discussion or vote on the concerned matter or resolution.”

Article 120 provides that “Subject to the provisions of the Act, if within half an hour from the time appointed for a meeting of the Board, a quorum is not present, the meeting, shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Directors may determine.”

Article 121 provides that “(a) Subject to Clause 101A, the Board may elect a chairman of its meeting and determine the period for which he is to hold office.

(b) If no such chairman is elected or at any meeting the chairman is not present within five minutes after the time appointed for holding the meeting the Directors present may choose one among themselves to be the chairman of the meeting.”

Article 124 provides that “(a) A committee may elect a chairman of its meeting. If no such chairman is elected or if at any meeting the chairman is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their members to be the chairman of the committee meeting.

(b) The quorum of a committee may be fixed by the Board of Directors.”

Article 128 provides that “The Company may exercise the powers conferred on it by the Act with regard to the keeping of a foreign register; and the Board may (subject to the provisions of those Sections) make and vary such regulations as it may think fit respecting the keeping of any register.”

## **Dividend**

Article 138 provides that “The Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.”

Article 139 provides that “Subject to the provisions of the Act, the Board may from time to time pay to the members such interim dividends of such amount on such class of shares and at such times as it may think fit and as appear to it to be justified by the profits of the company.”

Article 140 provides that “(a) Where capital is paid in advance of calls, such capital, whilst carrying interest, shall not confer a right to dividend or to participate in the profits.

(b) Where the Company has declared a dividend but which has not been paid or claimed within thirty (30) days from the date of declaration, the Company shall within seven (7) days from the date of expiry of the said period of thirty (30) days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty (30) days, to a special account to be opened by the Company in that behalf in any scheduled bank to be called “Unpaid Dividend Account of Five-Star Business Finance Limited”.

(c) Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven (7) years from the date of such transfer, shall be transferred by the Company to the fund known as Investor Education and Protection Fund established under the Act.

(d) No unclaimed or unpaid dividend shall be forfeited by the Board before the claim becomes barred by law.

(e) All other provisions under the Act will be complied with in relation to the unpaid or unclaimed dividend.”

## **Capitalisation of profits**

Article 150 provides that “(a) The Company in General Meeting, may, on recommendation of the Board resolve:

(i) that it is desirable to capitalise any part of the amount for the time being standing to the credit of the Company’s reserve accounts or to the credit of the profit and loss account or otherwise available for distribution; and

(ii) that such sum be accordingly set free for distribution in the manner specified in the sub-clause (b) amongst the Members who would have been entitled thereto if distributed by way of dividend and in the same proportion.

(b) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in sub-clause (c) below, either in or towards:

(i) paying up any amounts for the time being unpaid on shares held by such Members respectively;

(ii) paying up in full, unissued share of the Company to be allotted and distributed, credited as fully paid up, to and amongst such Members in the proportions aforesaid; or

(iii) partly in the way specified in sub-clause (i) and partly that specified in sub-clause (ii).

(iv) A securities premium account and a capital redemption reserve account or any other permissible reserve account may be applied as permitted under the Act in the paying up of unissued shares to be issued to Members of the Company as fully paid bonus shares.

(v) The Board shall give effect to the resolution passed by the Company in pursuance of these Articles.”

### **Winding up**

Article 161 provides that “The Company may be wound up in accordance with the Act and the Insolvency and Bankruptcy Code, 2016, as amended (to the extent applicable).”

Article 162 provides that “Subject to the applicable provisions of the Act–

(a) If the Company shall be wound up, the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.

(b) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members.

(c) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

(d) Any person who is or has been a Director or manager, whose liability is unlimited under the Act, shall, in addition to his liability, if any, to contribute as an ordinary member, be liable to make a further contribution as if he were at the commencement of winding up, a member of an unlimited company, in accordance with the provisions of the Act.

## SECTION IX: OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following documents and contracts which have been entered into by our Company (not being contracts entered into in the ordinary course of business carried on by our Company or contracts entered into more than two years before the date of the Red Herring Prospectus and this Prospectus) which are or were deemed material were attached to the copy of the Red Herring Prospectus filed with the RoC. Copies of the contracts and also the documents for inspection referred to hereunder, were made available at the Registered Office between 10 a.m. and 5 p.m. on all Working Days and at <https://fivestargroup.in/investors/> from date of the Red Herring Prospectus until the Bid/ Offer Closing Date, except for such contracts and documents that will be executed subsequent to the completion of the Bid/Offer Closing Date.

#### A. Material Contracts for the Offer

- a) Offer Agreement dated November 9, 2021, read along with amendment agreement dated October 6, 2022, amongst our Company, the Selling Shareholders and the BRLMs.
- b) Registrar Agreement dated November 9, 2021 amongst our Company, the Selling Shareholders and the Registrar to the Offer.
- c) Cash Escrow and Sponsor Bank Agreement dated October 12, 2022 amongst our Company, the Selling Shareholders, the Registrar to the Offer, the BRLMs, the Escrow Collection Bank(s), Sponsor Banks, Public Offer Account Bank and the Refund Bank(s) and Syndicate Members.
- d) Share Escrow Agreement dated January 27, 2022, read along with amendment agreement dated October 6, 2022, amongst the Selling Shareholders, our Company and the Share Escrow Agent.
- e) Syndicate Agreement dated October 12, 2022 amongst our Company, the Selling Shareholders, the BRLMs, and Syndicate Members.
- f) Underwriting Agreement dated November 15, 2022 amongst our Company, the Selling Shareholders and the Underwriters.

#### B. Material Documents

- a) Certified copies of the Memorandum of Association, and Articles of Association of our Company, as amended from time to time.
- b) Certificate of incorporation dated May 7, 1984 issued to our Company, under the name 'Five-Star Business Credits Private Limited' by the RoC.
- c) Certificate of incorporation dated October 3, 1988 issued by the RoC, consequent upon change from 'Five-Star Business Credits Private Limited' to 'Five-Star Business Credits Limited', pursuant to conversion to a public limited company.
- d) Fresh certificate of incorporation dated May 13, 2016 issued by the RoC, consequent upon change from 'Five-Star Business Credits Limited' to 'Five-Star Business Finance Limited'.
- e) Resolutions of the Board of Directors dated September 8, 2021 and November 8, 2021, authorising the Offer and other related matters.
- f) Shareholders' resolution dated October 8, 2021, approving the Offer and other related matters.
- g) Resolution of the Board of Directors dated November 1, 2022 approving the Red Herring Prospectus.
- h) Resolution of the Board of Directors dated November 15, 2022 approving this Prospectus.
- i) Resolution of the Board of Directors dated November 8, 2021 and IPO Committee dated November 9, 2021, approving the Draft Red Herring Prospectus.
- j) Resolution of the Board of Directors dated November 8, 2021, October 6, 2022 and October 21, 2022, taking on record the approval for the Offer for Sale by the Selling Shareholders.

- k) Consent letters and authorisations from the Selling Shareholders, as applicable, authorising their participation in the Offer. For further details, see “*The Offer*” on page 52.
- l) Copies of the annual reports of our Company for the Fiscals 2022, 2021 and 2020.
- m) The examination report dated October 6, 2022 of the Statutory Auditors on our Restated Financial Information.
- n) Report on the statement of special tax benefits dated October 6, 2022 issued by the Statutory Auditors.
- o) Consent of the Directors, the Book Running Lead Managers, the Syndicate Members, legal counsel to the Company as to Indian Law, legal counsel to the Book Running Lead Managers as to Indian Law, International legal counsel to the BRLMs, legal counsel to Matrix, Matrix Partners, SCI Investments V, Norwest Venture Partners X - Mauritius and TPG Asia VII SF Pte. Ltd. as to Indian Law, Registrar to the Offer, Escrow Collection Bank(s), Public Offer Account Bank(s), Refund Bank(s), Sponsor Banks, Company Secretary and Compliance Officer as referred to in their specific capacities.
- p) Consent dated November 15, 2022 from S.R. Batliboi & Associates LLP, Chartered Accountants, to include their name as required under section 26 (1) of the Companies Act, 2013 read with SEBI ICDR Regulations, in this Prospectus and as an “expert” as defined under section 2(38) of the Companies Act, 2013 to the extent and in their capacity as our Statutory Auditors, and in respect of their (i) examination report, dated October 6, 2022 on our Restated Financial Information; and (ii) their report dated October 6, 2022 on the statement of tax benefits in this Prospectus and such consent has not been withdrawn as on the date of this Prospectus. However, the term “expert” shall not be construed to mean an “expert” as defined under the U.S. Securities Act.
- q) Consent letter dated November 9, 2021, from R P S V & Co., Chartered Accountants, independent chartered accountants, to include their name as an “expert” as defined under section 2(38) of the Companies Act and such consent has not been withdrawn as on the date of this Prospectus.
- r) Amended and Restated shareholders’ agreement dated March 25, 2021 entered into amongst the Company, Sirius II Pte. Limited, Matrix Partners India Investment Holdings II, LLC, Matrix Partners India Investments II Extension, LLC, SCI Investments V, SCI Growth Investments III, SCHF PV Mauritius Limited, EGCS Investment Holdings, Sequoia Capital Global Growth Fund III – Endurance Partners, L.P., Norwest Venture Partners X – Mauritius, TPG Asia VII SF Pte. Ltd., Lakshmipathy Deenadayalan and certain of his family members (as detailed under part A of Schedule 1 of the agreement).
- s) Waiver Cum Amendment Agreement dated October 8, 2021, read along with amendment agreement dated October 6, 2022, entered into amongst the Company, Sirius II Pte. Limited, Matrix Partners India Investment Holdings II, LLC, Matrix Partners India Investments II Extension, LLC, SCI Investments V, SCI Growth Investments III, SCHF PV Mauritius Limited, EGCS Investment Holdings, Sequoia Capital Global Growth Fund III – Endurance Partners, L.P., Norwest Venture Partners X – Mauritius, TPG Asia VII SF Pte. Ltd., Lakshmipathy Deenadayalan and certain of his family members (as detailed under part A of Schedule 1 of the SHA).
- t) Scheme of arrangement between Five-Star Housing Finance Private Limited and our Company and their respective shareholders, under Section 233 and certain other provisions of the Companies Act, 2013 approved by the Regional Director, Chennai on March 17, 2020.
- u) Five Star Business Finance Limited Associate Stock Option Plan, 2015, as amended.
- v) Five Star Business Finance Limited Associate Stock Option Scheme, 2018, as amended.
- w) Resolutions dated April 27, 2022 and September 2, 2022, each passed by the Board and Shareholders, respectively, approving the terms of appointment and remuneration of our Chairman and Managing Director.
- x) Report titled “*Industry Report on Small Business Loans in India*”, issued in November, 2021 as updated in September, 2022 by CRISIL Research, a division of CRISIL Limited.
- y) Consent letters from CRISIL Limited dated November 8, 2021 and September 30, 2022.
- z) Due diligence certificate dated November 9, 2021 addressed to SEBI from the BRLMs.

- aa) In-principle approvals dated December 2, 2021 and December 3, 2021, issued by BSE and NSE, respectively.
- bb) SEBI interim observation letter no. SEBI/HO/CFD/DIL-1/P/OW/2021/36735/1 dated December 10, 2021.
- cc) SEBI final observation letter no. SEBI/HO/CFD/DIL-1/P/OW/2021/1317/1 dated January 7, 2022.
- dd) Exemption letter no. SEBI/HO/CFD/DIL-1/P/OW/2021/1314/1 dated January 7, 2022.
- ee) Tripartite agreement dated October 1, 2021 amongst our Company, NSDL and Registrar to the Offer.
- ff) Tripartite agreement dated October 1, 2021 amongst our Company, CDSL and Registrar to the Offer.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without notice to the Shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India and the rules, guidelines/regulations issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements made in this Prospectus are true and correct.

**Signed by the Director of our Company**

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**Lakshmiathy Deenadayalan**  
*Managing Director and Chairman*

**Place:** Chennai

**Date:** November 15, 2022



## DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India and the rules, guidelines/regulations issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements made in this Prospectus are true and correct.

**Signed by the Director of our Company**

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**Anand Raghavan**  
*Independent Director*

**Place:** Bangalore

**Date:** November 15, 2022

## DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India and the rules, guidelines/regulations issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements made in this Prospectus are true and correct.

**Signed by the Director of our Company**

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**Thiruvallur Thattai Srinivasaraghavan**  
*Independent Director*

**Place:** Chennai

**Date:** November 15, 2022

## DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India and the rules, guidelines/regulations issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements made in this Prospectus are true and correct.

**Signed by the Director of our Company**

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**Bhama Krishnamurthy**  
*Independent Director*

**Place:** Mumbai

**Date:** November 15, 2022

## DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India and the rules, guidelines/regulations issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements made in this Prospectus are true and correct.

**Signed by the Director of our Company**

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**Ramkumar Ramamoorthy**

*Independent Director*

**Place:** Chennai

**Date:** November 15, 2022

## DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India and the rules, guidelines/regulations issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements made in this Prospectus are true and correct.

**Signed by the Director of our Company**

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**Ganapathy Agraharam Venkataraman Ravishankar**

*Non-Executive Director*

**Place:** Dubai

**Date:** November 15, 2022

## DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India and the rules, guidelines/regulations issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements made in this Prospectus are true and correct.

**Signed by the Director of our Company**

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**Vikram Vaidyanathan**

*Non-Executive Director*

**Place:** Bangalore

**Date:** November 15, 2022

## DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India and the rules, guidelines/regulations issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements made in this Prospectus are true and correct.

**Signed by the Director of our Company**

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**Thirulokchand Vasan**

*Non-Executive Director*

**Place:** Chennai

**Date:** November 15, 2022

## DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India and the rules, guidelines/regulations issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements made in this Prospectus are true and correct.

**Signed by the Chief Financial Officer of our Company**

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**Srikanth Gopalakrishnan**

*Chief Financial Officer*

**Place:** Chennai

**Date:** November 15, 2022



## DECLARATION BY SELLING SHAREHOLDER

We, TPG Asia VII SF Pte. Ltd., confirm and certify that all statements, disclosures and undertakings specifically made or confirmed by us in this Prospectus about or in relation to us, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. TPG Asia VII SF Pte. Ltd. assumes no responsibility as a Selling Shareholder, for any other statements, including, any of the statements made or confirmed by or relating to the Company or any other person(s) in this Prospectus.

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Signed for and on behalf of **TPG Asia VII SF Pte. Ltd.**

**Authorised signatory:** Nicholas Kay

**Place:** Singapore

**Date:** November 15, 2022

## DECLARATION BY SELLING SHAREHOLDER

We, SCI Investments V, confirm and certify that all statements, disclosures and undertakings specifically made or confirmed by us in this Prospectus about or in relation to us, as a Selling Shareholder and our portion of the Offered Shares, are true and correct. SCI Investments V assumes no responsibility as a Selling Shareholder, for any other statements, including, any of the statements made or confirmed by or relating to the Company or any other person(s) in this Prospectus.

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Signed for and on behalf of **SCI Investments V**

**Authorised signatory:** Dilshaad Rajabalee – Director of SCI Investments V

**Place:** Mauritius

**Date:** November 15, 2022

## DECLARATION BY SELLING SHAREHOLDER

We, Matrix Partners India Investment Holdings II, LLC, confirm and certify that all statements, disclosures and undertakings specifically made or confirmed by us in this Prospectus about or in relation to us, as a Selling Shareholder and our portion of the Offered Shares, are true and correct. Matrix Partners India Investment Holdings II, LLC assumes no responsibility as a Selling Shareholder, for any other statements, including, any of the statements made or confirmed by or relating to the Company or any other person(s) in this Prospectus.

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Signed for and on behalf of **Matrix Partners India Investment Holdings II, LLC**

**Authorised signatory:** Iqbal Dulloo

**Place:** Mauritius

**Date:** November 15, 2022

## DECLARATION BY SELLING SHAREHOLDER

We, Matrix Partners India Investments II Extension, LLC, confirm and certify that all statements, disclosures and undertakings specifically made or confirmed by us in this Prospectus about or in relation to us, as a Selling Shareholder and our portion of the Offered Shares, are true and correct. Matrix Partners India Investments II Extension, LLC assumes no responsibility as a Selling Shareholder, for any other statements, including, any of the statements made or confirmed by or relating to the Company or any other person(s) in this Prospectus.

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Signed for and on behalf of **Matrix Partners India Investments II Extension, LLC**

**Authorised signatory:** Iqbal Dullo

**Place:** Mauritius

**Date:** November 15, 2022

## DECLARATION BY SELLING SHAREHOLDER

We, Norwest Venture Partners X – Mauritius, confirm and certify that all statements, disclosures and undertakings specifically made or confirmed by us in this Prospectus about or in relation to us, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Norwest Venture Partners X – Mauritius assumes no responsibility as a Selling Shareholder, for any other statements, including, any of the statements made or confirmed by or relating to the Company or any other person(s) in this Prospectus.

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Signed for and on behalf of **Norwest Venture Partners X – Mauritius**

**Authorised signatory:** Dilshaad Rajabalee

**Place:** Mauritius

**Date:** November 15, 2022